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WestImmo

Annual Report 2012

Westdeutsche ImmobilienBank AG

Contents

Management Report of the Westdeutsche ImmobilienBank Group

At a Glance

After belonging to the WestLB Group for a total of nine years, Westdeutsche ImmobilienBank Group[1] (WestImmo) ceased to belong to the Portigon AG (formerly WestLB AG) group when the change of ownership was entered in the commercial register on 17 September 2012, and became a wholly-owned subsidiary of Erste Abwicklungsanstalt AoR (EAA), which is domiciled in Dusseldorf. WestImmo was transferred by way of a share deal with retroactive economic effect from 1 January 2012. The change of ownership ended the sale process, which lasted a total of three years, implemented by WestLB in response to the European Commission's decision that WestImmo should be sold by 30 June 2012. Otherwise, the Bank was required to be transferred to EAA in the second half of 2012 like WestLB's remaining business areas that neither became part of the Verbundbank nor were sold by 30 June 2012.

In agreement with its owners, EAA resolved to continue operating WestImmo as a whole and to retain WestImmo's ability to act and do business as a real estate bank with a banking licence and a Pfandbrief licence. EAA's primary objective is still to sell WestImmo as a commercial real estate financing specialist.

Since 1 July 2012, WestImmo has only been permitted to do business in line with the European Commission's resolution dated 20 December 2011 on the restructuring of the WestLB Group.

The Bank can still serve its existing customers in the area of loan renewals and to a limited extent of increases to existing commitments to be utilised for restructuring and/or maintenance measures. In addition, it actively manages its cover pools. WestImmo's total loan renewals amounted to €1.5 billion in fiscal year 2012 (2011: €0.7 billion).

The Group's earnings performance was impacted in fiscal year 2012 by the reduction of the loan and bond portfolios, in particular in relation to risks from Greece and Italy, as well as by further extraordinary factors. Net interest income declined from €219.5 million to €191.4 million. The loss before tax amounted to €19.8 million (previous year: loss of €167.2 million).

[1] In the following, Westdeutsche ImmobilienBank is used as a synonym for the Westdeutsche ImmobilienBank Group, Westdeutsche ImmobilienBank AG accounts for 96 % of the Group and the Group's business largely consists of the financial services provided by the Bank.

Transfer of WestImmo to EAA

Following the European Commission's decision on state aid dated 12 May 2009, WestLB was obliged, among other things, to sell its entire stake in WestImmo in an open, transparent and non-discriminatory bidding process by 31 March 2010 WestLB published the advertisement for the sale on 8 January 2010 An intensive, multi-level sale process was then implemented based on the expressions of interest received from banks and financial investors from Germany and abroad

The deadline for the sale was extended to 31 December 2010 in accordance with the provisions of the European Commission's decision

On 26 October 2010, WestLB announced that the offers received by that date were not acceptable when seen from an overall economic perspective and that a sale of WestImmo on the basis of these offers could not be considered In response to an application by West LB submitted in agreement with its Supervisory Board and its owners, the German federal government then submitted a request to extend the deadline for the sale process, which was approved by the European Commission

In July 2011, WestLB's Managing Board signed an agreement with a private equity investor and continued the ongoing negotiations on the sale of WestImmo with this investor on an exclusive basis The negotiations focused on WestImmo's Pfandbrief business The sales negotiations were terminated by WestLB on 15 December 2011 on the grounds that a sale of WestImmo in the current market environment and at the proposed terms would entail considerable potential risks and could not be justified in economic terms

On 23 June 2011, the Bundesanstalt fur Finanzmarktstabilisierung (FMSA – Federal Agency for Financial Market Stabilisation), Erste Abwicklungsanstalt (EAA), WestLB's owners and WestLB reached a comprehensive agreement on the restructuring of WestLB ("Framework Agreement") Under the agreement, WestLB's savings bank business, including its mid-cap corporate lending business, was to be transferred on 30 June 2012 to a new credit institution (Verbundbank) established and capitalised by the Sparkassen-Finanzgruppe (the Savings Bank Finance Group) Business areas that had neither become part of the Verbundbank nor been sold by 30 June 2012 were to be transferred to EAA in the second half of 2012

Transfer agreements were signed with EEA by the end of August 2012 under which all shares in WestImmo were hived off from Portigon to EAA with retroactive economic effect as at 1 January 2012 WestImmo left the Portigon group and became a wholly-owned subsidiary of EAA when the change of ownership was entered in the commercial register on 17 September 2012

All rights and obligations arising from the letter of comfort which WestLB/Portigon had issued on behalf of WestImmo were transferred to EAA in the course of the hive-off of the shares EAA is now subject to the same obligations under the letter of comfort as Portigon (formerly WestLB AG) was previously

Corporate Environment

WestImmo's organisational and legal structure

WestImmo is a bank that specialises in financing commercial real estate in Germany and abroad It operates in the legal form of an Aktiengesellschaft (German stock corporation) The Bank's registered office is in Mainz in the state of Rhineland-Palatinate and its second largest location is in Munster in the state of North Rhine-Westphalia As a Pfandbrief bank with a Pfandbrief licence, WestImmo benefits from the reliability and soundness of this refinancing instrument

WestImmo's strategy

WestImmo has adopted a modified business strategy, Articles of Association and Managing Board bylaws in line with the European Commission's decision on the restructuring of WestLB AG dated 20 December 2011 The bylaws for the Supervisory Board were also modified Further information can be found in the Report of the Supervisory Board In future, WestImmo will focus on actively managing its loan portfolio and its cover pools, while continuing to meet all of the requirements of the Kreditwesengesetz (KWG – German Banking Act) and the Pfandbriefgesetz (PfandBG – German Pfandbrief Act) In addition, the Bank will actively manage its portfolio in the existing business by taking advantage of the opportunities offered by its exit channels to reduce its loan book

As part of WestImmo's reduction of its portfolios and its limited business opportunities, the Bank has to make the necessary capacity adjustments and cut costs by realigning its internal structures and through efficient project and process management This includes reducing the number of offices in Germany and abroad Following the approval of the Supervisory Board, the representative office in Prague was closed effective 19 September 2012 and the branches in Munich and Berlin effective 31 December 2012 In Germany, the Bank operates branches in Hamburg, Munster and Dusseldorf alongside its headquarters in Mainz WestImmo is represented internationally by a branch in London, representative offices in Madrid, New York, Paris and Warsaw, and a subsidiary in Tokyo

The existing business is being scaled back according to strict efficiency criteria, while continuing to take into account factors preserving the Bank's value to ensure that it remains sellable

The Bank functions required for the banking and Pfandbrief businesses are being maintained in full

Structure of the WestImmo Group

WestImmo Group comprises Westdeutsche ImmobilienBank AG and its subsidiaries – strategic and operational equity investments, real estate joint ventures and other business enterprises related to real estate financing, structured real estate transactions, municipal advisory services and property management The Group's business is dominated by the financial services provided by WestImmo and its subsidiary, WIB Real Estate Finance Japan K K , Tokyo (WIB Japan) The other subsidiaries are not material for the Group's results

In line with its strategy, WestImmo continued to reduce the number of its subsidiaries in fiscal year 2012 This also applies to the loan-equivalent equity investments held by WestImmo's real estate joint venture operations

WestImmo remains a member of the Guarantee Fund of the Central Savings Banks in the Deutscher Sparkassen- und Giroverband (DSGV – German Savings Bank Association) The Bank had already reached an agreement at the end of 2011 that it would cease to be a member of the Reservefonds (Reserve Fund) of the Rheinischer Sparkassen- und Giroverband (RSGV – Savings Banks and Giro Association of the Rhineland) and the Westfalisch-Lippischer Sparkassen- und Giroverband (SVWL – Savings Bank and Giro Association of Westphalia-Lippe) as at 15 December 2011 (SVWL) and 12 January 2012 (RSGV)

Corporate management

On 1 March 2012, WestImmo's Supervisory Board appointed Claus-Jurgen Cohausz as the Chairman of the Managing Board effective 27 April 2012 He succeeded Dr Peter Knopp in this office Claus-Jurgen Cohausz has been a member of WestImmo's Managing Board since 2006

In addition, the Supervisory Board appointed Christiane Kunisch-Wolff to the Managing Board of WestImmo effective 16 March 2012 As a member of the managing board of readybank ag, Christiane Kunisch-Wolff was responsible for risk management, IT, organisation, legal, internal audit and accounting/financial control from 2006 The responsibilities of the WestImmo Managing Board, which has three members, are allocated as follows

- **Claus-Jurgen Cohausz,** Chairman of the Managing Board
  (Head office Departments, National and International Market Segments,
  Special Financing/Capital Markets, Treasury)

- **Rainer Spielmann**
  (Risk Management, Credit Management, Property Valuation & Research)

- **Christiane Kunisch-Wolff**
  (Accounting and Financial Reporting, Investments, Organisation/IT/Administration,
  Retail Banking, Project Management and Process Management, Money Laundering/Compliance)

Loan portfolio, financing, customers and processes

WestImmo's loan portfolio primarily covers Germany, the member states of the European Union, North America and Japan The main markets in Central and Eastern Europe are Poland, the Czech Republic and Hungary, while in Western Europe it is active in the United Kingdom, France, Spain and the Benelux countries in Western Europe

The type of financing offered comprises tailored, customer-specific property loans

WestImmo mainly finances office and retail properties, shopping centres, logistics centres, hotels, residential properties and management properties, as well as mixed-use properties and public sector facilities The Bank has concentrated on financing first-class commercial properties in good locations

WestImmo is required to meet the legal and business requirements for Pfandbrief banks and the Pfandbrief business The following measures can be taken for this purpose and/or to optimise the realisation of individual assets

- Prolonging expiring loans and topping up existing loans for necessary restructuring and maintenance measures
- Secondary market transactions
- Replacing maturing refinancing
- Maintaining its cover pool, including the necessary surplus

WestImmo's main customer groups on both sides of the balance sheet are

- Institutional fund companies (real estate mutual funds and real estate special funds)
- Insurance companies, pension funds and other institutional investors
- Real estate companies, residential construction companies
- Asset managers in Germany and abroad
- Developers and private investors whose size and quality of business corresponds to the normal standards for institutional investors
- Middle-market enterprises
- Public sector customers
- Banks
- Savings banks

The Prolongation and Asset Management Committee

The Prolongation and Asset Management Committee (PAM) was established by the Bank in September 2012 The goal of the PAM is to help reduce the loan portfolio while minimising the impact this has on assets and earnings, and to decide on the action to be taken for maturing loans that are up for renewal The committee comprises the Managing Board and representatives of all relevant Front Office and Back Office functions (see Risk Report)

Intensive Care/Workout

Exposures where the risk situation has substantially deteriorated according to negative information received or where payments are more than 45 days past due are generally transferred to the Intensive Care department The Bank's aim is to assess the situation at an early stage by employing relevant experts together with the customers and to avoid the risk of losses If it is not possible to cure the loan or transfer it back to standard processing, the exposure is transferred to the Workout/Restructuring/Intensive Care department after all the necessary measures have been agreed

Refinancing

Refinancing is the responsibility of the Treasury department The Bank uses registered or bearer secured and unsecured debt instruments Its refinancing requirements were significantly lower in 2012 than in prior periods due to the transfer of the Bank to EAA and the resulting restrictions on its lending business There was almost no need for long-term refinancing, meaning that mortgage Pfandbriefe and promissory note loans only played a very minor role in the past fiscal year Short-term liquidity requirements were largely met by the owner, EAA, or covered by securities repurchase agreements

Key management indicators

As part of the management information system (MIS), the Managing Board is regularly informed about developments at the Bank based on key indicators and parameters In particular, these include the loan portfolio, the volume of loan renewals, profit or loss before tax, the core capital ratio, the cost/income ratio and liquidity The key indicators are used to measure whether the various performance indicators are within their defined target corridors Measures are defined and put into practice in the event of any variances If necessary, relevant key indicators are also reported at shorter intervals Liquidity planning and management are based on the information stored in the portfolio management systems Cash flows and cash flow plans are derived from this information The Bank also uses information from the liquidity gap analysis for its strategic liquidity planning

Regulatory environment

WestImmo is a universal bank under German law and is subject among other things to the provisions of the Gesetz uber das Kreditwesen (KWG – German Banking Act), the Minimum Requirements for Risk Management (MaRisk), the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and the standards issued by the Basel Committee on Banking Supervision on capital adequacy (Basel II and, in future, Basel III) The Basel II requirements were transposed into German law by the Solvabilitatsverordnung (SolvV – German Solvency Regulation) and amendments to the KWG and the Großkredit- und Millionenkreditverordnung (GroMiKV – Large Exposures Regulation) Compliance with the regulatory requirements is monitored by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin – Federal Financial Supervisory Authority) and Deutsche Bundesbank

WIB Japan is licensed in Japan as a moneylender, a particular form of institution under Japanese banking supervisory law Supervision is the responsibility of the Tokyo Metropolitan Government Office The London branch of the Bank is registered in the United Kingdom and is regulated by the Financial Services Authority (FSA) The representative office in America is licensed in the State of New York and the Federal Reserve Bank (Fed) is the supervisory authority responsible for it The remaining European representative offices have been registered with their local supervisory authorities but are exclusively subject to German supervision

The Bank issues Pfandbriefe in accordance with the provisions of the Pfandbriefgesetz (PfandBG – German Pfandbrief Act), which defines comprehensive stability and security standards for this investment product Based on the regulatory requirements, the Bank maintains cover registers for the assets used as cover for public sector Pfandbriefe and mortgage Pfandbriefe

Basel III, CRD IV and CRR

The Basel Committee on Banking Supervision (BCBS) published the first version of the Basel III framework on 16 December 2010 as a result of the financial crisis, with the aim of strengthening the banking sector This draft has since been updated The new standards aim to define uniform global capital requirements, rules on leverage ratios, and new liquidity standards for banks On the basis of these standards, the responsible EU institutions developed the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) – which set out rules that are either directly applicable or that must be transposed into national law Both are currently being negotiated at EU level Since CRD IV and CRR were not adopted in 2012 as planned, no reliable predictions can currently be made about their effective date In 2012, the Bank launched a project for implementing the Basel III requirements and the corresponding EU regulatory framework on the basis of the requirements available at the time In line with planning, it is in the process of implementing the requirements that have already been published Given the far-reaching changes and complex internal implementation measures associated with these new supervisory requirements, the Bank started analysis and, where appropriate, partial implementation at an early stage on the basis of the drafts

WestImmo therefore believes that it is on track to ensuring that the new regulatory requirements are implemented once the legislation has been finalised From today's perspective, the Bank will be able to meet the stricter supervisory requirements that will gradually take effect, including the additional implementing technical standards

Advanced Internal Ratings-Based Approach and credit risk model

The Bank has been using the Advanced Internal Ratings-Based Approach (AIRBA) in accordance with the SolvV since 1 January 2008 in order to determine its regulatory capital requirements Before being granted supervisory approval, this was subjected to extensive examination by BaFin and Deutsche Bundesbank The Bank uses internally developed rating procedures, which are regularly reviewed based on standardised procedures to ensure that they are suitable and are adjusted if required, for real estate financing in all customer and product segments

The Bank's loss given default (LGD) concept is used to estimate losses for all relevant types of collateral These loss estimates are based on the Bank's own historical data and experience, as well as data on recoverable amounts and liquidation periods from a joint project set up by the Verband deutscher Pfandbriefe (the Association of German Pfandbrief Banks), provided by the latter's subsidiary (HypRating GmbH)

WestImmo measures credit value at risk (CVaR) and the resulting economic capital as part of its assessment of risk-bearing capacity using Portigon AG's (formerly WestLB AG) methodology In connection with this, WestImmo has been using a credit portfolio model developed by West LB AG on the basis of Moody's KMV model since January 2008

Market Environment 2012

Economic environment

After the significant economic headwinds in 2011, the global economy in 2012 cannot be said to have recovered fully, either The year was dominated in particular by the escalation of the European sovereign debt crisis, which had a massive impact on the entire financial sector, as well as by uncertainty surrounding future economic and political developments in the USA, Japan and China Growth in the emerging economies – which had seen a dynamic recovery since 2010 – also slowed to 5 1 % (2011 6 3 %) In China, economic growth eased to 7 8 % in the course of the year (2011 9 3 %)

The European economy was severely affected by the sovereign debt crisis According to Eurostat, the 27 member states of the European Union recorded a 0 3 % decrease in real GDP growth (2011 1 5 % growth) In France, the economy grew slightly by 0 2 % (2011 1 7 %) At 0 %, economic growth in the United Kingdom was significantly weaker than the prior-year level (2011 0 9 %)

Germany fared much better than many other European countries Although the economy grew by only 0 7 % over the year as a whole (2011 3 0 %), this must be considered strong growth compared with its European peers Exports were the primary driver German companies profited from, among other things, increased demand in the USA and Asia The labour market continued to develop positively in line with the overall economy and provided important support for consumer spending Inflation decreased slightly from 2 5 % in the previous year to 2 1 % in the course of the year

In 2012, the United States saw positive economic development thanks to the improvement on the US housing market and slightly positive figures from the labour market

Real GDP rose to 2 2 % for full-year 2012, after growth of 1 8 % in the previous year The elections and central bank policies dominated events Uncertainty was reduced further after a stopgap agreement was reached in the US budget dispute

Once GDP in Japan had stabilised following the catastrophic natural disaster there, the focus turned to the country's weak export Territorial conflicts with neighbouring countries and an increase in the value of the yen prevented a stronger economic recovery For the year as a whole, Japan recorded a 2 0 % increase in real GDP (2011 –0 6 %) It is not yet clear whether the country will be successful in initiating a long-term turnaround The adaption by the central bank of an inflation target must be understood as a first public signal By contrast, after the elections towards the end of 2012 provided only weak impetus for reorienting the country

Impact of the European debt crisis on the financial/refinancing markets

The escalation of the European sovereign debt crisis and increased uncertainty surrounding its future course had a lasting impact on activities on the financial markets over the course of the year. This led to massive uncertainty and a significant increase in volatility on the financial and capital markets, particularly for interest rates and exchange rates. Credit spreads on securities, particularly on government bonds from affected eurozone countries, increased significantly. At the same time, there was a drop in issuing activity.

The EU and the European Central Bank (ECB) resolved extensive stabilisation measures to lessen the impact on the financial system and provide financial institutions with liquidity. The measures comprised extending its long-term (three-year) tenders and lowering the key interest rate to 0.75 % and the deposit rate to 0 %. In addition, the European Stability Mechanism (ESM) was established as a permanent rescue fund in place of the EFSF and the ECB resolved a potential bond purchase programme.

After the resolutions on the ESM in September and the ECB's announcement in August that it would launch Outright Monetary Transactions (OMTs), the situation calmed down considerably. A condition for bond purchases on the secondary markets is that a country must use the ESM rescue fund. At the beginning of April 2011, Portugal had followed in the footsteps of Greece and Ireland and applied for extensive financial aid under the temporary European rescue fund, EFSF. No other countries in the eurozone took advantage of this mechanism in the past year, while the announcement alone was enough to lower interest rates on the secondary market.

The deteriorating situation in Spain meant that the banks there had to be recapitalised. The eurozone states provided up to € 100 billion, while Spain also set up a national bad bank.

A Greek exit from the eurozone was averted, however, its future membership remains uncertain despite all the efforts of the eurozone countries. A buy-back programme for existing bonds was put in place at the end of the year that aimed to purchase long-term government bonds at a nominal haircut of 30 % to 40 % in order to allow additional aid for the country to be made available. The Bank used this programme to completely eliminate its holdings of Greek government bonds.

Markets for commercial real estate

Property values recovered on almost all of WestImmo's markets during the reporting period. In turn, this means that the loan-to-value ratios decline while the loan volume remains the same and the regulatory capital requirements under Basel II are therefore also reduced.

This trend, which is considered to be stable in light of the macroeconomic environment, was also seen on the investment market. At approximately € 300 billion, the global commercial real estate investment volume in 2012 was around 8 % lower than in 2011, according to estimates by various property agents. In Europe, the commercial real estate investment volume amounted to roughly € 113 billion, around 10 % below the figure for 2011. In Asia, commercial properties worth around € 67 billion changed hands, while the figure for the USA was € 90 billion.

Germany
The situation on the German commercial real estate market is predominantly positive The rental markets were comparatively robust in 2012 Prime rents for office space rose by 3 2 % in 2012, continuing the upward trend seen in 2011 (3 5 %) At €25 billion, the commercial real estate investment volume even exceeded the previous year by 8 % This result was driven by several large-volume transactions in the fourth quarter Net initial yields for prime office properties in major German cities declined by 15 basis points in 2012 to an average level of 4 7 % Net initial yields for first-class retail properties in prime locations remained on a level with the prior-year figure of 4 1 % Retail rents increased by an average of 3 % in prime locations This can also be attributed to the short supply of AAA-rated properties in good locations

The net present values (NPVs) of office properties recorded 1 % growth measured in terms of institutional investors' property portfolios

United Kingdom
In the United Kingdom, the spreads in initial yields between prime and secondary markets have widened dramatically since the beginning of the financial crisis in 2007 In addition, there is a yield gap within individual markets for different quality properties Properties in regional markets that do not conform to the ideal of first-class real estate can currently only be sold at significant discounts The regional markets are mainly dominated by opportunistic investors who do not need external financing In Central London by contrast, yields for properties of different qualities have been converging again since 2010 Investors see opportunities in investments in the Greater London area even if properties do not belong to the top segment No rental price growth was seen in London's prime office segment in 2012 Yields remained at the prior-year level of 4 % (net) In the retail sector, rental prices rose by 2 % Prime yields for retail properties held steady at 3 5 %

The NPVs for office properties in the United Kingdom fell by 4 % year-on-year, measured in terms institutional investors' property portfolios

France
Office rents in the prime segment declined by 5 % in 2012 Retail properties in the prime segment in Paris again recorded rental price growth Net initial yields remained unchanged for both segments, at 4 75 % for office space and 4 25 % for retail properties The volume of transactions declined to €12 billion, with most deals relating to the Greater Paris area

The NPVs for office properties in France declined by 3 % year-on-year measured in terms of institutional investors' property portfolios

Spain
The Spanish commercial real estate market is in wait state Initial signals from politics and the economy are expected to revive demand City-centre office property markets in Madrid and Barcelona have vacancy rates of roughly 13–14 %, but vacancy levels are over 40 % in peripheral locations Thus far, the wait-and-see approach adopted by the commercial real estate market has prevented major write-downs Declining nominal and effective rents will lead to a downward adjustment to initial yields and NPVs in future

The NPVs for office properties in Spain fell by 9 % year-on-year measured in terms of institutional investors' property portfolios

Central and Eastern Europe

In Poland, economic growth has slowed, but the real estate markets have remained stable until now Both rents and yields were unchanged in the prime segment in 2012 The NPVs for Polish office properties held by institutional investors' did not change in 2012

In contrast to Poland, Hungary, the Czech Republic and Romania performed less positively In these countries, political uncertainty is the main factor influencing developments on the commercial real estate markets

In particular, foreign investors are pulling out of markets that are politically unstable At €7 4 billion in 2012, the volume of transactions in Central and Eastern Europe was down 35 % on the prior-year level, with one-third being generated in Russia

USA

The presidential elections and the deal to avoid the fiscal cliff kept the United States in suspense until the last minute in 2012 The concern about the fiscal cliff and the threat of another recession impacted real estate investors' investment appetite Yields and cap rates for first class properties in prime locations in the traditional major office centres fell to their lowest level since 2008 Hardly any properties were sold in less prestigious office markets due to investor risk aversion Investors' interest in prime locations can be explained by the stable prime rents and by the decline in vacancies in first-class locations

In 2012, the NPVs for US office properties measured in terms of institutional investors' property portfolios rose by an average of 3 % year-on-year

Asia

The Japanese economy saw positive growth of 2 % in 2012 The consequences of the earthquake in 2011 delayed recovery on the commercial real estate market The positive economic growth raises hopes for a recovery of the real estate markets, particularly since take-up in Tokyo rose again in 2012 The natural disaster increasingly led office tenants to seek new, earthquake-proof properties This reduced the vacancy rate in Tokyo to 8 % – for prime properties in Tokyo's city centre it is less than 3 % However, the NPVs for Japanese office properties held by institutional investors declined by an average of 3 % year-on-year in 2012

Markets for commercial real estate financing

The European sovereign debt crisis also overshadowed developments on the markets for real estate financing in 2012 The markets and bank operations were impacted by high impairment losses recorded by banks on government bonds and on commercial real estate financing in individual crisis countries Large commercial real estate finance providers continued to withdraw from the international markets to concentrate on Germany In addition, several banks were forced to stop or significantly restrict their new business For this reason, medium- to long-term commercial real estate financing remained limited in the first three quarters of 2012 Only at the end of the year were there signs of a gradual easing At between 50–65 %, depending on the property and the location, loan-to-value ratios continued decline as against the previous year Investors' remained focused on core properties The consequence is that competition in this segment remains fierce and pressure on margins is increasing However, investors' interest in core plus and value-added properties is now trending upwards again, which is also increasing demand for this type of financing This is due not least to price trends for core properties In principle, debt finance is now available for such transactions again, assuming correspondingly high levels of equity and basically secure revenue streams from the properties

Until now, the expected expansion by the insurance sector into the commercial real estate financing market in Germany has been limited to a small number of large transactions and a few debt funds These players have assumed a much greater role in real estate financing in the USA, and more recently in the UK as well The limited supply of commercial real estate financing led to an increase in alternative forms of financing among real estate customers This trend is expected to continue to intensify in 2013 The progress made by international regulatory efforts in the banking and insurance sectors and with respect to investors will play a key role in shaping the financing landscape

Summary by the Managing Board on the Development of WestImmo in 2012

Even at the height of the financial and economic crisis in the years 2007 to 2009, WestImmo was one of the few banks to generate a consolidated profit and to be in a position to grant loans However, from 2010 onwards, the Bank's continued successful development was strongly influenced by the sale process imposed by the European Commission, the restriction on new business activities imposed by the owner at the time, as well as by the negative effects of the European sovereign debt crisis The three-year sale process led by WestLB in the period up to 30 June 2012 and the spread and escalation of the European sovereign debt crisis significantly limited WestImmo's new business opportunities and its ability to achieve its strategic goals

Since 1 July 2012, WestImmo has concentrated on the active management of its loan portfolio and cover pools while meeting all of the requirements of the KWG and the PfandBG

At €1 5 billion, the volume of loan renewals was up significantly on the prior-year figure in 2012 and shows that WestImmo remains a respected and reliable real estate financing partner for its existing customers

At € 19 8 million (2011 € 167 2 million), the loss before tax for full-year 2012 was due in particular to impairment losses on Greek government bonds, the significant decline in the loan portfolio that could not be offset by new business, a lack of interest income caused by the reduction in WestImmo's government bond portfolio, and other extraordinary expenses

Business Performance

In fiscal year 2012, WestImmo prolonged commercial real estate financing in the amount of €1 5 billion (2011 €0 7 billion) It also entered into a small volume of new business in the first half of 2012 to the extent it was permitted to do so

Half of the prolongations related to the sales region of Europe excluding Germany Germany's share of the total volume was 21 % The USA/Canada sales region accounted for 16 % and 13 % was attributable to Asia

Earnings performance

The Group's earnings performance was primarily shaped by the strong decline in new business, the reduction in its portfolios as a result of discontinued business, as well as impairment losses on Greek government bonds and other special factors, which are described in more detail in the following Net interest income declined from around €219 5 million in 2011 to €191 4 million due to the significant decrease in new business The change in net fee and commission income was strongly influenced by the lack of new business, resulting in a decline of 20 % to 2 8 million (2011 €3 5 million) Administrative expenses decreased by 15 % year-on-year to €72 9 million (2011 €85 8 million), mainly as a result of reduced employee and other administrative expenses

Net trading income declined from €57 8 million in 2011 to a net trading loss of €42 0 million in 2012, well below to the prior-year figure The main reasons for this were measurement effects from trading portfolios and portfolios designated at fair value through profit or loss resulting from market-related adjustments to valuation parameters, as well as significant changes to the currency base

Net loss from non-current financial assets amounted to €18 7 million (2011 net loss €283 2 million) The prior-year figure was primarily impacted by impairment losses of €243 8 million recognised on the measurement of Greek government bonds The result for the fiscal year under review is mainly due to losses on the sale of bonds

The allowance for losses on loans and advances widened to €−52 9 million (2011 €−42 4 million) Adequate account was taken of all credit risks from the real estate lending business of WestImmo and its WIB Real Estate Finance Japan K K subsidiary that were identifiable at the end of 2012 in the form of specific valuation allowances, portfolio-based valuation allowances and provisions for credit risks

Net other operating income and expenses improved significantly to €2 1 million, after €−41 5 million in 2011 The previous year was impacted in particular by special factors in connection with payments to the SVWL and RSGV deposit protection funds as part of WestImmo's exit from them, which reduced the result by €42 5 million The net amount largely comprises sales generated by a subsidiary's municipal business (€5 5 million), material expenses for construction projects at consolidated subsidiaries (€4 3 million), expenses for the bank levy (€0 7 million) and the addition to the provision for contributions to the DSGV's deposit protection scheme (€2 0 million)

Restructuring expenses in the amount of €29 7 million were recognised for downsizing measures (workforce adjustments, vacancy and IT downsizing costs) required in connection with the implementation of the European Commission's decisions on the WestLB Group and the hiving off of WestImmo to EAA in the year under review with retroactive economic effect as at 1 January 2012

WestImmo's loss before tax improved significantly as against the prior-year figure to €19 8 million (2011 loss of €167 2 million) as a result of the material factors described above The consolidated net loss for 2012 amounted to €29 2 million, following a net loss of €156 6 million in 2011

Financial position and net assets

WestImmo's return on equity (RoE) was −1 9 % at the end of 2012, after −16 8 % in 2011 The cost/income ratio (CIR), or the ratio of administrative expenses to total income, deteriorated to 47 2 % (2011 35 9 %) The cost/income ratio in the previous year was adjusted due to the separate presentation of the restructuring loss in 2012

Objectives of financial management

The objective of WestImmo's financial management is always to have a sufficient level of own funds and liquidity in order to ensure long-term stability Based on a conservative risk strategy, the goal is to enter into refinancing at maturities that are generally matched Accordingly, the structures of the residual maturities of the respective assets and liabilities largely correspond to each other A detailed breakdown of residual maturities of receivables and liabilities may be found in the Notes, and more details of liquidity risks are presented in the Risk Report

Changes in own funds and the total/core capital ratio

The WestImmo Group's total capital ratio amounted to 12 47 % as at 31 December 2012 (2011 9 86 %) The core capital (Tier 1) ratio was 10 99 % as at the balance sheet date (2011 8 90 %) As a result of the existing liquidity on the one hand and the corresponding equity on the other, the Bank met the regulatory requirements of the Bundesbank and BaFin at all times Reported equity amounted to €907 5 million (2011 €874 0 million) This was mainly a result of the €75 1 million improvement in the revaluation reserve to €−116 2 million

Lending business portfolio

The volume of loans and advances to banks decreased in the reporting period from €821 5 million to €552 3 million Loans and advances to customers fell from €17,958 2 million in the previous year to €14,901 1 million due to the reduction in the Bank's portfolios and the lack of new business

Financial and hedging instruments

The portfolio of financial assets held for trading increased by € 274.1 million to € 1,699.7 million, while the portfolio of financial liabilities held for trading decreased by € 139.4 million to € 1,178.2 million. The fair values of derivative hedging instruments amounted to € 392.9 million (assets) and € 249.3 million (liabilities) as at the reporting date, whereby the positive fair values increased by € 70.3 million and the negative fair values decreased by € 17.9 million. The liabilities recognised for fair value changes of hedged items in portfolio hedges of interest rate risk decreased by € 0.1 million to € 0.4 million in the reporting period. Changes in financial and hedging instruments were influenced by the issue volume and market volatility. Assets recognised at fair value under the fair value option decreased by 48.1 % to € 113.4 million, while liabilities rose by 1.3 % to € 2,111.6 million.

Employees

The WestImmo Group employed 357 people as at year-end 2012. The total number of employees decreased by approximately 15 % year-on-year (2011: 420). The decline in employee numbers is primarily due to the sale process and WestImmo's limited business opportunities in connection with the European Commission's decision and the transfer of the Bank to EAA. In line with this decision, WestImmo is making the required capacity adjustments by closing locations and optimising internal structures and processes in the Bank's departments. All redundancy agreements signed in 2012 were made on a voluntary basis or in connection with early retirement arrangements. As well as reducing the number of offices in Germany, the Bank will also significantly limit its local presence around the world and further reduce its resources in 2013 and 2014. In the case of location closures, the management of country-specific loan portfolios will be successively transferred to the Lending departments at the Bank's headquarters in Mainz or in Munster.

WestImmo again offered its employees a range of internal and external continuing professional development (CPD) opportunities in 2012. The Bank also provided CPD offerings designed to develop and enhance employees' language and professional skills, as well as improving their flexibility for cross-border placements in different areas. Employees who take on a different role or increased responsibilities are offered customised professional development programmes.

WestImmo's Social Commitment

As part of WestImmo's Corporate Social Responsibility programme, the Bank supports community projects or activities in the form of donations. The Bank primarily supported the following activities in 2012:

Doctors Without Borders
WestImmo supported the work of international aid organisation "Doctors Without Borders" with its 2012 Christmas donation This international organisation provides emergency medical assistance around the world in crisis and war zones, following natural disasters and in countries where healthcare structures have collapsed or parts of the population do not have access to adequate medical care Doctors Without Borders responds swiftly, effectively and unbureaucratically, regardless of the ethnic origin, religion, or political beliefs of those affected Priority areas for emergency relief include refugees in South Sudan, refugees in the world's largest refugee camp in Daddab, Kenya, and ongoing help for victims of the earthquake in Haiti over two-and-a-half years ago, who are still living in temporary accommodation and slums

MAGENZA Foundation
Every year, WestImmo donates €2,500 to the MAGENZA Foundation for Jewish Life in Mainz and will continue to do so until further notice The objective of the donation is to support Jewish life in Mainz and to ensure that the new synagogue in Mainz's New Town is preserved for the future

Activity in associations
As well as being a member and taking part in the activities of the Association of German Pfandbrief Banks (VDP) and the Association of German Public Banks (VOB), WestImmo is a founding member of the ZIA Zentraler Immobilienausschuss e V The ZIA combines and represents the interests of the real estate industry at a national and international level WestImmo sees its membership as being important for supporting and helping to shape measures at the level of the association that relate to economic, legal, political, or tax-related issues in the real estate industry

Risk Report

Risk management and risk monitoring at WestImmo is performed at Group level, covering the Group companies as well as the Bank

Risk management and end-to-end controls

Even after WestImmo's integration with Erste Allgemeine Abwicklungsanstalt (EAA), risk management remains an integral part of its strategic and operational end-to-end management Risk management and monitoring at the WestImmo Group is performed by the Risk Management unit The Bank's aim of stabilising and optimising income is critically influenced by the downsizing targets agreed with EAA to ensure compliance with the decisions made by the European Commission The individual components of the overarching concept and the strategic focus are agreed in close consultation with EAA They are also reviewed on a regular basis as part of the Bank's risk tolerance concept, taking into account the Bank's risk-bearing capacity and risk strategy The Bank's aim is to closely integrate and coordinate all areas involved in the lending process with a view to ensuring a uniform risk culture, identifying and reporting risks as early as possible and taking steps to counter them in good time

Organisational separation of functions and risk categories

With the except of the residential construction financing business, which has been classified as standardised retail banking and is low-risk in nature, risk monitoring continues to be functionally and organisationally separate from risk management and is performed by the Front Office areas However, Credit Management and Risk Management are integrated into the relevant management processes at an early stage to permit coordination of the risk parameters and methods

Risk categories/types	Departments/business areas/companies responsible	
	for risk management	for risk monitoring
Counterparty credit risk		
– Credit and property risks (individual and portfolio level)	Front Office areas, Syndication, Portfolio Analysis	Credit Management, Risk Management Property Valuation & Research
– Investment and project risk	Group companies, equity investments and real estate joint ventures	Board Administrative Staff/Group Development, Credit Management, Risk Management, Property Valuation & Research, Accounting and Financial Reporting
– Counterparty and country risk	Treasury	Credit Management, Risk Management, Accounting and Financial Reporting
Market/liquidity risk	Treasury	Risk Management, Accounting and Financial Reporting
Operational risk	Business areas, Group companies and equity investments	Risk Management, Legal, Human Resources, Board Administrative Staff/Group Development, Money Laundering/Compliance
Business risk	Business areas, Group companies and equity investments	Supervisory bodies, Board Administrative Staff/ Group Development, Risk Management

Counterparty credit risk is managed at portfolio level by Credit Management, Risk Management and Property Valuation & Research As a rule, Credit Management is responsible for preparing and approving loan renewal applications at on a case-by-case basis and for monitoring and managing individual exposures on a continual basis The Asset Quality unit, which is part of the Bank's Credit Management department, plays a key role in the ratings process and ensures ratings consistency and the correct regulatory treatment of collateral in accordance with the Solvabilitatsverordnung (SolvV – German Solvency Regulation)

Following a separation of functions on the Back Office side, the Workout/Restructuring/Intensive Care department, which was previously part of Risk management, became a separate business area From 2013 onwards, it will be responsible for managing individual high-risk exposures and non-accrued loans With this move, the Bank has already implemented requirements from the fourth amendment to the MaRisk, which separates the functions of the head of the risk management department, as the risk controller, from operational business responsibilities

The Bank has launched a project for the additional implementation of the requirements arising from the current amendment to the MaRisk to ensure that these are implemented at the individual institutions on schedule by the end of 2013 This also includes implementing the significantly increased requirements relating to the compliance functions

Property and location appraisals and market valuations are performed by Property Valuation & Research or commissioned from external appraisers and subsequently reviewed for reasonableness

The four areas representing the Bank's Back Office liaise closely and continuously, and report to the Managing Board member responsible for the Back Office In addition, the Bank has a Group Risk Committee (GRC) that receives quarterly reports on the Bank's overall risk situation, and an Assets/ Liabilities Management Committee (ALMC) that assesses market and liquidity risk every two weeks and decides on necessary measures The GRC consists of members of the Managing Board and the heads of Risk Management, Credit Management, Internal Audit and Board Administrative Staff/Group Development, the members of the ALMC are the members of the Managing Board and the heads of Treasury and Risk Management

A Prolongation and Asset Management Committee (PAM) was established in the year under review to assist in the targeted downsizing of the Bank The Committee meets once a week or as necessary The Committee advises on the quality and structure of loan renewals and suitable exit measures in consultation with the responsible Managing Board members and the relevant departments In line with this, the former New Business Committee discontinued its activities in 2012

The independent Internal Audit department checks the propriety of all the Bank's activities and processes, as well as the effectiveness and appropriateness of its risk management and internal control procedures, using a risk- and systems-based approach It reports directly to the full Managing Board

Counterparty credit risk

For WestImmo, counterparty credit risk consists primarily of credit and investment risk Counterparty and country risk play a comparatively minor role due to the credit ratings involved The main responsibilities of Risk Management, Credit Management and Property Valuation & Research in this context are as follows

- Establishment of methods and standards, including the development and coordination of the credit risk strategy, which has been agreed with EAA since WestImmo joined the group in September 2012 (Risk Management, Credit Management),

- Implementation of regulatory and strategic requirements within the Bank's lending business at the level of the Bank's structures and workflows (Risk Management),

- Back-office approval, rating and monitoring of, and support for, credit exposures including suitable early warning indicators, as well as property and location appraisals and market valuations (Credit Management, Property Valuation & Research),

- Regular analysis of the loan portfolio and management of individual high-risk exposures and non-accrual loans (Credit Management, Risk Management, Workout/Restructuring)

Lending business

The applicable internal and external rules for the Bank's lending business are fully documented

WestImmo's business activities are limited to prolonging loans, any necessary restructuring, and secondary market transactions to maintain and optimise its cover pool, as well as to avoid or reduce economic loss when settling exposures

The relevant Front Office areas are primarily responsible for maintaining customer access, assisting in loan renewals and the secondary market business, including preparing the relevant applications, documenting collateral agreements and creating legally binding collateral, as well as for initial disbursement

In view of its changed circumstances, the Bank established a Prolongation and Asset Management Committee (PAM) in the third quarter of 2012 This serves to assist in loan portfolio management while minimising the impact this has on assets and earnings The PAM addresses expiring loans totalling €10 0 million or more for which the customer has not yet declared repayment and takes the fundamental decision on how to proceed The committee comprises the members of the Managing Board responsible for Front Office and Back Office and the representatives of Front Office and Credit Management, Property Valuation & Research, Risk Management, and if necessary, the Exit Management unit responsible for the exposure Other departments are involved as required The committee meets once a week

In the case of secondary market transactions that have not yet been implemented, the Front Office areas and, in the case of loan renewals, the Credit Management department evaluate the property on the basis of the appraisal report and other available documentation As part of the property evaluation, the value of the collateral is determined and the internal IRBA rating for commercial property loans created The collateral guidelines drawn up by the Bank and published in the credit manual must be observed when evaluating and assessing the property and any additional collateral In addition to the property evaluation, a credit check is also performed on the material risk takers

Credit risk strategy and risk policy

The Bank has established a credit risk strategy that is reviewed at least once a year and adjusted if necessary This must be approved by the Bank's supervisory body and covers planned developments in the Bank's entire lending business The credit risk strategy serves as the basis for reducing the loan portfolio while preserving the value of the assets and for implementing the European Commission's decisions The overarching goal is to largely stabilise the quality of the portfolio over the downsizing period while ensuring compliance with banking supervisory ratios and the requirements of the PfandBG The credit risk strategy comprises general risk principles relating to the real estate lending business, supplementary qualitative and quantitative specifications are combined in risk guidelines

Credit risk monitoring and early warning measures

Credit exposures are monitored as needed, but at least annually, on the basis of clearly defined criteria The results are systematically documented If the risk situation of an exposure deteriorates, this is reported to the responsible managers, as well as to Risk Management and the Bank's Internal Audit department Additional integral components of the risk monitoring process are portfolio analysis on an ongoing and event-driven basis, direct monitoring of the cash flows relating to specific exposures and monitoring of compliance with contractually agreed risk parameters

High-risk loans are also entered in a risk file This serves as an instrument for planning and monitoring the measures needing to be taken in individual cases, supporting risk reporting throughout the Group and as a central information pool

Problem loans are immediately transferred to Intensive Care or Problem Loan Processing Restructuring concepts and further measures are then examined and, where necessary, implemented in consultation with the relevant loan processing departments

Valuation of collateral

The values of collateral furnished that are calculated and defined in the lending process are reviewed on a regular basis, but no later than annual credit review, and adjusted where necessary on the basis of an impairment test Property Valuation & Research either appraises eligible properties itself or arranges appropriate property appraisal contracts To ensure a uniform standard in these cases, the results are examined internally and/or their reasonableness is reviewed

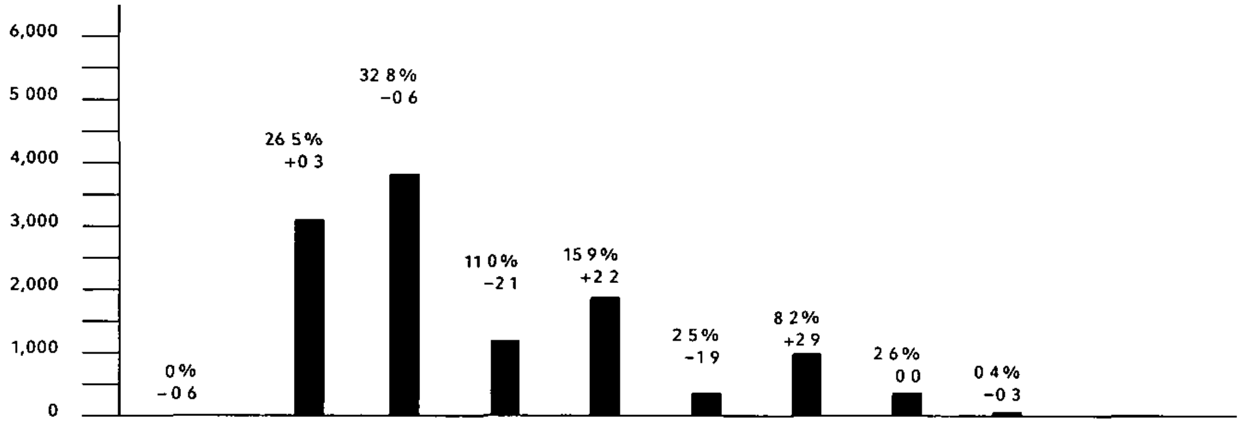
Risk monitoring at portfolio level

Changes in the Bank's credit risk are monitored on the basis of monthly analyses and, where necessary, supplemented with sector- and country-specific subportfolio analyses, including stress scenarios The results are an integral part of the Bank's regular risk reporting The commercial customer loan portfolio (i e property loans, any current account overdrafts, loan guarantees and outstanding disbursement commitments), not including loans to public sector borrowers and banks, amounted to €11 8 billion as at 31 December 2012, including WIB Japan's portfolio

This represents a decline in the loan volume of around €2 7 billion or 18 6 % against the previous year (€14 5 billion) due to scheduled and unscheduled repayments and the cessation of new business activities

The following analyses relate to the commercial customer loan portfolio of €11 8 billion as at 31 December 2012

The commercial customer loan portfolio can be broken down into the rating categories given below as at 31 December 2012 (€ million)

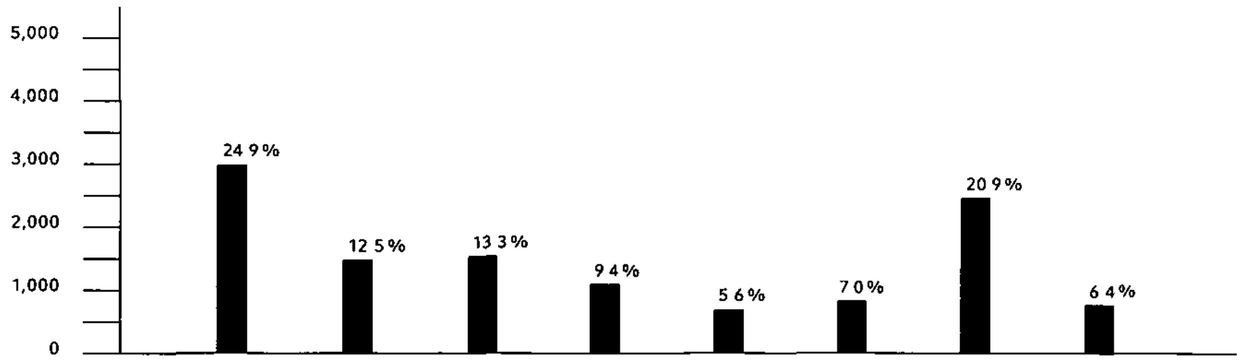


	A1-A2	A3-B1	B2-B4	B5-C2	C3-C5	D1-D2	D3-E	Partial use NR	Unrated	Total	Ratings coverage
12/11	91	3,803	4,852	1,894	1 993	652	774	370	96	14,525	99 3 %
■ 12/12	0	3 124	3,866	1 293	1,878	300	971	301	46	11,779	99 6 %

At €7 0 billion, 59 3 % (2011 59 6 %) of the commercial loans and advances to customers and loan guarantees are allocated to rating categories A1 to B4 Including rating categories B5 to C2 (investment grade segment), 70 3 % of the loans have a good to satisfactory risk structure based on the calculated ratings (2011 72 6 %)

As a matter of principle, the rating procedures are used to classify the risks pertaining to all transactions The sole exceptions are guarantee lines, agricultural loans and commercial loans below the materiality threshold or that meet other criteria for not being rated For these, the Bank has opted to apply the "partial use" approach in accordance with the SolvV

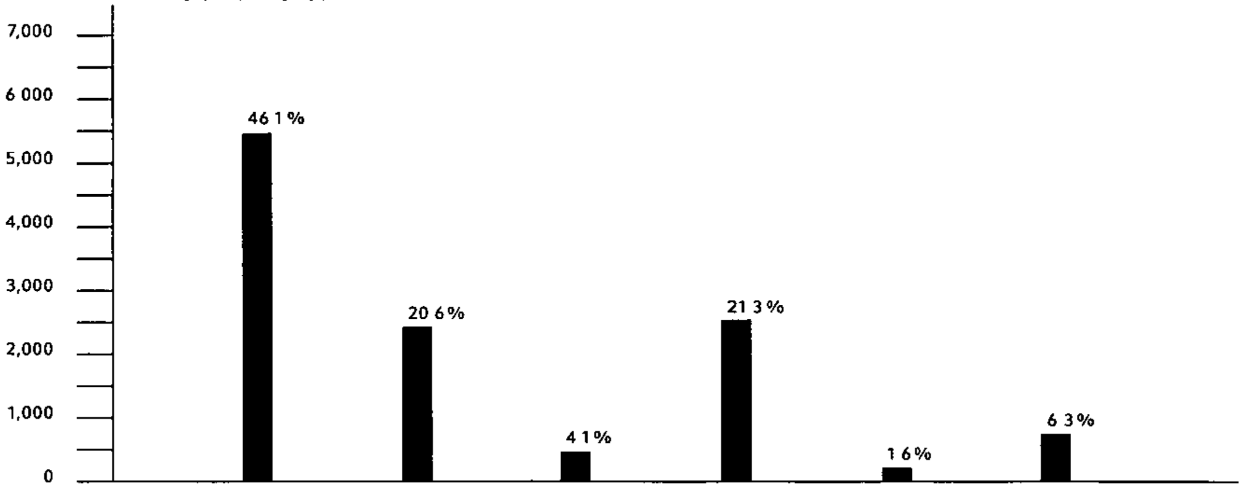
The portfolio is broken down by location as follows (€ million)



	Germany	USA	UK	France	APAC	Spain	Other	No specific property	Total
12/11	3,613	1,852	1,752	1 361	1 022	865	2,953	1 107	14,525
■ 12/12	2,938	1 469	1,567	1,108	657	819	2,466	755	11,779

24 9 % or € 2 9 billion (2011 24 9 %) of the portfolio represents loans relating to German properties The international portfolio is distributed across 20 countries The largest foreign subportfolios are the United Kingdom with 13 3 % (2011 12 1 %) or € 1 6 billion, ahead of the USA with 12 5 % (2011 12 8 %) or € 1 5 billion and France with 9 4 % (2011 9 4 %) or € 1 1 billion These are followed by Spain with € 0 8 billion or 7 0 % and APAC (Japan) with € 0 7 billion or 5 6 % At € 2 5 billion or 20 9 %, the remaining portfolio reported under "Other" is mainly distributed across various western and eastern European countries 6 4 % of the loans are not secured by mortgages (2011 7 6 %) These primarily comprise loans involving open-ended real estate funds and a relatively small volume of property-related company loans

The breakdown by property type is as follows (€ million)



	Office	Retail outlets	Residential properties	Other	Properties under construction	No specific property	Total
12/11	6,450	2,712	856	3,044	356	1 107	14,525
■ 12/12	5,425	2,421	480	2,513	192	748	11,779

At € 5 4 billion or 46 1 % (2011 44 4 %), office properties represent the largest subportfolio The share of retail properties is 20 6 % or € 2 4 billion (previous year 18 7 %) The portfolio of residential property loans (commercial customers) declined by € 376 million or 43 9 % to € 0 5 billion The portfolio of properties under construction amounted to € 0 2 billion or 1 6 % as at 31 December 2012 These largely comprise offices (42 3 %), retail properties (33 6 %) and residential properties (9 9 %) that have been prelet or sold in advance

Changes in the allowance for losses on loans and advances

The allowance for losses on loans and advances (specific valuation allowances, collective valuation allowances, portfolio-based valuation allowances and provisions) in the Bank's commercial lending business is calculated in principle on a case-by-case basis using impairment tests Loans must exhibit one or more trigger events (e g >45 days past due or insolvency) to qualify for impairment testing or for the determination of an allowance for losses on loans and advances

The allowance for losses on loans and advances deducted from assets in the lending business, including portfolio-based valuation allowances, specific valuation allowances on equity investments and exposures to project development companies belonging to the Group, increased from €293 0 million to €300 8 million (2 7 %) in the reporting period Provisions for contingent liabilities of €0 4 million (2011 €1 2 million) were also recognised

Securities

Investment securities portfolio

WestImmo's portfolio of investment securities includes the following bonds issued by PIIGS countries, broken down by maturity (€ million)

Country	Principal amount		Dirty fair value (incl the prorata interest)		Clean fair value (without the prorata interest)	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Greece	**0 0**	**235 0**	**0 0**	**54 8**	**0 0**	**51 4**
2017	0 0	50 0	0 0	10 8	0 0	10 1
2022	0 0	100 0	0 0	23 8	0 0	22 7
2034	0 0	40 0	0 0	10 6	0 0	9 6
2040	0 0	45 0	0 0	9 6	0 0	9 0
Italy	**315 0**	**595 0**	**323 7**	**530 8**	**317 2**	**519 4**
2014	0 0	0 0	0 0	0 0	0 0	0 0
2015	0 0	185 0	0 0	182 5	0 0	179 3
2018	0 0	95 0	0 0	87 9	0 0	86 1
2020	50 0	50 0	52 9	45 0	51 9	44 1
2034	265 0	265 0	270 8	215 4	265 3	209 9
	315 0	**830 0**	**323 7**	**585 6**	**317 2**	**570 8**

In March and April 2012, WestImmo voluntarily participated in the restructuring measures relating to Greek government bonds Then, in December 2012, the Bank then took advantage of the buyback programme for Greek government bonds WestImmo therefore did not hold any more Greek government bonds in its portfolio as at 31 December 2012

Italian bonds are reported as AfS financial assets in the balance sheet at their dirty fair value

The Bank does not hold any Portuguese, Irish, Spanish, or Cypriot bonds

The levels assigned to the exposure to Greek and Italian government bonds in accordance with IFRS 7 are as follows

	2012	2011
	Dirty fair value (incl the prorata interest)	Dirty fair value (without the prorata interest)
Level assigned		
Greece	0	54 8
Level I	0	44 2
Level II	0	10 6
Level III	0	0
Italy	323 7	530 8
Level I	323 7	530 8
Level II	0	0
Level III	0	0

Measurement

WestImmo uses internal criteria to assess on the reporting date whether there is objective evidence of permanent impairment of the securities. If such evidence exists, the financial assets are subsequently analysed in more detail on a case-by-case basis. Any impairment resulting from this analysis takes the form of a direct write-down of the securities concerned. The Bank's participation in the restructuring measures relating to Greek government bonds in March and April resulted in income of €1.6 million. A further €7.0 million in income was realised from the buyback programme for Greek government bonds in December 2012.

No write-down of Italian government bonds was considered necessary as at the reporting date since the bonds are not considered to be permanently impaired given the austerity and restructuring measures introduced by the Republic of Italy.

Investments

The operational management and monitoring of equity investments and Group companies is performed locally by the representatives of the companies in question, reporting to the Board Administrative Staff/Group Development, Credit Management and Risk Management departments. Strategic control at the equity investments and Group companies, including Westdeutsche ImmobilienHolding GmbH, is performed by the Accounting and Financial Reporting department.

Medium-term plans are drawn up for the non-operational equity investments on an annual basis. In the period under review, the risks arising from strategic investments were again significantly reduced in accordance with the Bank's business policy to a de facto insignificant amount from a risk perspective. The WestImmo Group plans to further reduce its investment portfolio over the medium term, including the WIB Japan KK subsidiary. The operational investments primarily manage the remaining projects and report on their development regularly to the responsible bodies at the Bank. In 2010, the Managing Board had already resolved to gradually withdraw completely from performing its own development projects as part of the Bank's focus on its core business, real estate financing.

Market risk

The Bank is a non-trading book institution. It accepts market risk under the terms of its market risk strategy, which is defined on the basis of the Bank's business policy and risk-bearing capacity. For WestImmo, market risk mainly consists of interest rate risk. Currency risks are eliminated largely using hedging instruments, and open foreign currency positions are restricted using volume limits.

Risk management is responsible for measuring and monitoring market risk positions and for reporting in accordance with MaRisk (the Minimum Requirements for Risk Management). Interest rate risk and currency risk are quantified using a value-at-risk model based on the Monte Carlo simulation process and standard processes and inputs in accordance with the parent company's requirements. Daily value-at-risk (VaR) calculations are based on a confidence level of 99 % and a holding period of one day. The Treasury department manages interest rate risk primarily on the basis of interest rate sensitivities, which are calculated daily; for reporting purposes these are broken down by maturity band and currency. Where necessary, interest rate risk is hedged using derivatives.

Risk Control reports the VaR and sensitivities on the basis of the cash flows from all interest-bearing transactions The quality of the VaR model is reviewed through regular backtesting This process compares the hypothetical gains and losses with the values predicted by the VaR model on a daily basis The appropriateness of the VaR model used is analysed regularly This analysis did not result in any need for adjustment

The Bank performs weekly stress test simulations in order to subject predictions concerning expected present value losses to extreme conditions As required by BaFin Circular 07/2007 and the revised Circular 11/2011, WestImmo calculates the effects of an interest rate shock in the banking book on a weekly basis These showed that, in the year under review, with the assumed parallel shifts, the potential changes in present values are significantly below the limits defined there

The Managing Board is informed on a daily basis of the Bank's risk position as part of the reporting process Moreover, the Assets/Liabilities Management Committee (ALMC) receives reports every two weeks on the latest market data and risk parameters in the context of the regular Managing Board meetings The ALMC resolves the Bank's positioning on this basis

In addition, market risk parameters and limit utilisation figures, together with comments on them, are integrated both in the risk report submitted monthly to the Managing Board and in the quarterly report submitted to the supervisory bodies

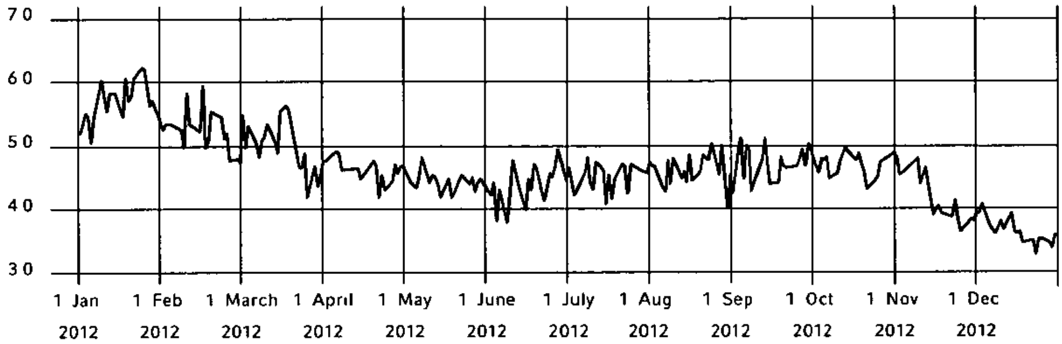
The VaR in 2012 was as follows

VaR for market risk in € million

VaR 2012			VaR at	
Average	Minimum	Maximum	28 Dec 2012	30 Dec 2011
4 67	3 33	6 24	3 34	5 63

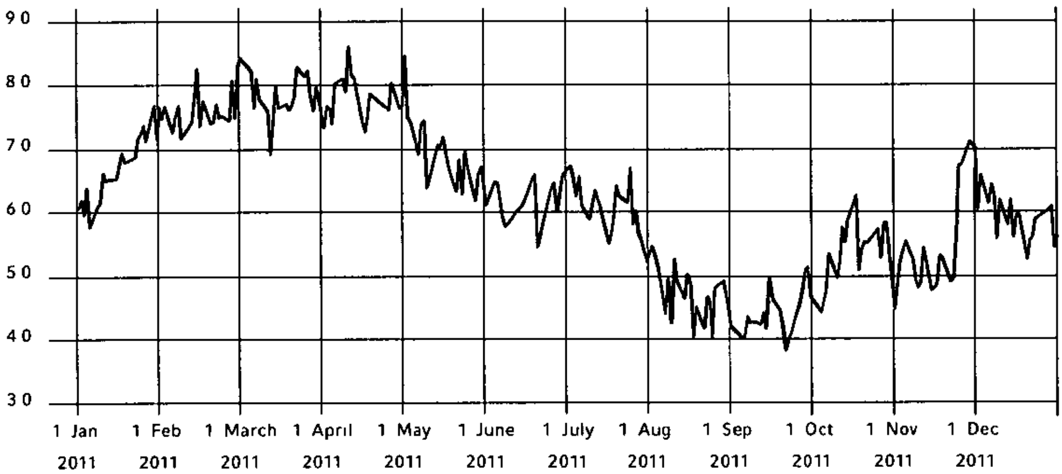
The average utilisation of the VaR limit for interest rate and currency risks was 66 5 % in the year under review Limit utilisation at the end of the year was 49 8 %

Changes in VaR in the course of 2012 (€ million)



In comparison to 2012, VaR in the course of 2011 was as follows

Changes in VaR in the course of 2011 (€ million)



Liquidity risk

The Bank defines liquidity risk as the risk of being unable to meet current or future payment obligations or only being able to meet them at unfavourable terms The primary aim of liquidity risk management is to safeguard the ability to make payments and raise funding at all times The Bank has documented rules on liquidity risk management, which also detail the steps to be taken to cope with liquidity squeezes

Short-term and structural liquidity are managed by the Bank's Treasury department in consultation with EAA's Treasury department Liquidity risk is monitored continuously by Accounting and Financial Reporting and Risk Management

Short-term liquidity risk is limited by law in accordance with the Liquiditatsverordnung (LiqV – German Liquidity Regulation) In the year under review, the liquidity ratio in accordance with section 2 of the LiqV was an average of 2 72 The supervisory requirements were fulfilled at all times during the fiscal year

WestImmo calculates and manages its medium-term liquidity requirements using a six-month liquidity forecast This compares the Bank's aggregate net cash flows with the potentially available unrestricted central bank funding and the potential issuance according to the cover register A variety of stress assumptions and models are included when calculating the liquidity forecast figures The six-month liquidity forecast distinguishes between a management scenario and a stress scenario Its stress test analyses include both internal and general market causes The six-month liquidity forecast also incorporates both an overview of the liquidity reserve and an overview of one-week and one-month liquidity

Risk Management uses a liquidity gap analysis to monitor the long-term liquidity situation This determines any necessary liquidity requirement (deficit or shortfall) or possible liquidity overhang (surplus), as the case may be, on the basis of all incoming and outgoing payments during a rolling twelve-month period Deficits that arise in this regard are assigned limits and must be countered using suitable measures From a twelve-month perspective, the structural liquidity overhang increased from € 1,736 million to € 2,558 million in the past fiscal year No limits were exceeded during the year under review

The liquidity summaries form part of the regular reporting to the Managing Board Strategic decisions in the course of managing liquidity are made during the meetings of the ALMC and, if necessary, on an ad hoc basis

If necessary, the Bank has an adequate portfolio of securities that are eligible for refinancing with the ECB and can cover additional liquidity requirements by pledging these securities for Bundesbank refinancing facilities or in repo transactions

Operational risk

Operational risk management (ORM) at the Bank aims to avoid/reduce losses from operational risks while taking account of cost-benefit considerations WestImmo used an Advanced Measurement Approach (AMA) from 1 January 2008 to 30 June 2012, when it was part of WestLB's group structures The AMA was replaced by the Standardised Approach as at 1 July 2012 with the approval of BaFin on the transfer of the Bank to Portigon AG The Bank is continuing to use its previous methods and instruments for qualitative ORM largely unchanged

Operational risk management is decentralised and is the responsibility of the individual departments, which are supported in this task by specialist organisational units (Human Resources, Legal, Organisation, IT, etc) Irrespective of this, the Risk Management department specifies centrally the framework for an ORM system that is consistent across the Bank, and monitors whether the related activities are being fully implemented

In addition to its ongoing documentation of losses and risk indicators, the Bank performed a risk inventory in the first quarter of the period under review The risks identified here are taken into account by the Bank using appropriate measures

The Risk Management department reports to the Bank's governing bodies on major operational risk management issues, both on a regular and where necessary on an event-driven basis, and continuously enhances the ORM system There are currently no significantly increased operational risks

Business risk

Business risk is managed by the departments and by Group companies and other equity investments on the basis of the strategic instructions issued by the Managing Board and other bodies Financial Control/Strategic Corporate Planning, which is part of the Board Administrative Staff/Group Development area, is one of the units that monitors business risks It produces the medium-term planning, provides management information on all parts of the Bank and enhances the management methods used in consultation with the owner It also coordinates the establishment and expansion of decentralised financial control activities within the Bank and the WestImmo Group Other Bank processes such as new product processes also take account of business risk

Internal control and risk management system for the Group's financial reporting process

The goal of an accounting-related internal control and risk management system (ICR) is to ensure compliance with accounting standards and provisions as well as the propriety of financial accounting and reporting

WestImmo has implemented an ICR for the Bank's financial reporting process that is suitable for its business activities

WestImmo's accounting-related ICR mainly comprises guidelines and processes that

- adequately ensure that transactions are recorded and accounted for in full, in a timely manner, correctly and in the period in which they occur, in accordance with the statutory and other provisions, in order to ensure published financial reporting that presents a true and fair view (propriety and reliability of financial accounting and reporting),
- guarantee the regular and timely provision of accounting data that is relevant for business management purposes to decision makers and executive bodies (internal reporting),
- adequately ensure that acquisitions and the use or disposal of assets that could have a material effect on accounting are transparent,
- provide a suitable control and documentation environment (e g the separation of functions, adherence to defined levels of approval and authority, compliance with the dual control principle when recording transactions),
- govern the storage of documents that provide appropriate information on business transactions and the use of assets

The effectiveness of the accounting-related ICR is monitored continuously Existing technical and content-related controls are regularly reviewed by the Internal Audit department

Please refer to the section entitled "Organisational separation of functions and risk categories" for information on the implementation of the increased requirements for compliance functions in accordance with the amended version of the MaRisk

In addition, the financial reporting processes are integrated with the Group's general operational risk management process in order to avoid errors and misstatements in financial statements as far as possible or to identify them at an early stage, and hence to ensure a true and fair view of the WestImmo Group's net assets, financial position and results of operations

The Bank's accounting policies are documented in electronic manuals and are available to all departments and subsidiaries

Annual, quarterly and monthly financial statements are prepared according to an agreed schedule and compliance with this is monitored

New statutory and regulatory requirements are implemented and communicated in a timely manner, depending on their scope and significance for the Bank this can take the form of organisationally independent projects and written instructions, among other things All departments affected by the issue concerned are included in this process

The inclusion of staff from Accounting in the relevant risk and management processes ensures that strategic and risk-related developments are also rapidly incorporated into accounting and reporting

Should transactions involving new products and/or special purpose entities (SPEs) occur during the downsizing of the Bank, these would be subject to the relevant new product process (NPP) or SPE process and would be coordinated by Risk Management The front and back offices as well as Accounting are included in these processes

Overall risk position

The WestImmo Group's overall risk position was determined from a supervisory perspective in fiscal year 2012 in accordance with the provisions of the SolvV, and is as given below

Overall risk position in accordance with the SolvV

€ million	31 Dec 2011	31 Dec 2012
Capital requirements for		
– Counterparty credit risk	738	592
– Market risk exposures	1	1
– Operational risk	39	42
Total	**778**	**635**
Total capital ratio	**9 9 %**	**12 47 %**

The WestImmo Group's total capital ratio amounted to 12 47 % as at 31 December 2012 (2011 9 86 %) The core capital (Tier 1) ratio was 10 99 % as at the balance sheet date (2011 8 90 %) The requirements of the SolvV were met throughout the year under review

WestImmo's total risk capital (risk tolerance) by risk category (€ million)

€ million	31 Dec 2011			31 Dec 2012		
	Limit	Utilisation	in %	Limit	Utilisation	in %
Credit risk (standalone)	380 9	350 9	92 3	380 0	330 2	86 9
Credit spread risk	-	-	-	100 0	100 3	100 3
Market risk	68 0	43 9	64 6	68 0	29 9	44 0
Operational risk	52 0	52 0	100 0	42 5	42 5	100 0
Investment risk	5 0	4 3	86 0	5 0	1 0	20 0
Total (Bank)	**505 0**	**451 1**	**89 3**	**595 5**	**503 9**	**84 6**

In addition to meeting supervisory capital requirements in accordance with the SolvV, the Bank's end-to-end management is also based on an economic risk capital concept As part of the risk tolerance concept established by the Bank in this connection, the risk-bearing capacity – the ability to absorb any risks that materialise at all times without external assistance – is quantified and limits are assigned In this way, the risk tolerance, along with and complementary to the statutory capital requirements, limits the maximum potential to accept risks

On 25 September 2012, the Managing Board resolved to introduce a risk-bearing capacity concept for the Bank that includes a new definition of cover assets The cover assets consist of liable capital as defined in the Group regulatory report under the SolvV plus outstanding profit participation certificates and Tier II capital with a residual term to maturity of up to three months, plus the profit for the year generated as at the reporting date in accordance with the MIS, less the value adjustment offset pursuant to the SolvV, less other business risks and less the net amount of hidden reserves/hidden liabilities in accordance with the HGB

The Managing Board also derives economic risk capital limits from the risk tolerance for each risk category, compliance with which is monitored on an ongoing basis Since the beginning of 2008, limit utilisation for credit risk has been calculated using an internal credit portfolio model developed on the basis of Moody's KMV system The underlying definition of credit is based on section 19(1) of the Kreditwesengesetz (KWG – German Banking Act) (recognised assets and off-balance sheet transactions entailing counterparty credit risk) in conjunction with section 2 (basis of calculation) and section 4 (identification of the borrower) of the Groß- und Millionenkreditverordnung (GroMiKV – German Large Exposures Regulation) before deduction of value adjustments Since September 2012, WestImmo has taken into account credit spread risk as an additional, material risk type for securities in the banking book This represents the risk that future changes in credit spreads (unrelated to a credit default event) could lead to financial losses for the Bank Utilisation of this risk category is largely attributable to the credit risks on Italian government bonds The limit for credit spread risks has since been adjusted to €150 million

The aim of the risk-bearing capacity concept used is to integrate the economic capital approach into the Bank's planning and decision-making processes, in particular so as to manage credit risk at portfolio level Risk is managed here via the definition of risk tolerance and the derivation of limits for all material risks Economic credit risk capital is calculated using the exposure at default, probability of default and loss given default, which the Bank – as an AIRBA institution – determines internally Sector volatility and correlations are also taken into account The ultimate aim is to achieve a risk weighting function with more extensive determinants to supplement the supervisory requirements that not only allocates risk capital at portfolio level but also allows the individual risk drivers to be determined for the purposes of economic risk management

The capital required to cover risks from investments made after 31 December 2007 is calculated using a PDE/LGDE approach, which is based on the probability of default on the part of the investee Calculations are based on the carrying amounts of WestImmo's direct investments The Bank uses the grandfathering approach in accordance with the SolvV for investments made before 1 January 2008

Limit utilisation for market risk is calculated using a VaR model based on the Monte Carlo simulation methodology Calculations are based on the cash flows from all interest-bearing transactions

Until 30 June 2012, risk capital for operational risk was calculated by determining OpVaR on the basis of WestLB's AMA model and distinguished between regulatory risk capital for supervisory reporting and economic risk capital for internal risk management Following the switch to the Standardised Approach as at 1 July 2012, both regulatory and economic capital has been calculated on a uniform basis in accordance with section 273 of the SolvV

Report on Post-balance Sheet Date Events

No events material to the consolidated financial statements had taken place by the date of preparation of the Group management report

Report on Expected Developments

General economic environment

According to the current forecast by the International Monetary Fund (IMF), global economic output will remain stable in 2013, at 3 5 % The emerging economies will play a key role in this, as they are very important for the development of the global economy The IMF expects growth of 0 2 % for the 27 countries of the European Union

The German economy will be dominated in 2013 by the uncertain outcome of the European sovereign debt crisis Growth in 2013 is expected to be slightly weaker than in 2012, with the IMF forecasting GDP growth of 0 6 % in 2013

For France, the IMF expects growth of 0 3 % while for the United Kingdom the figure is around 1 % Italy and Spain will remain in recession in 2013, with growth of –1 0 % and –1 5 % respectively Forecasts for the USA look more attractive, with the IMF forecasting 2 % growth here Japan's economy will probably stabilise further this year and grow by 1 2 %

Outlook

Markets for commercial real estate

Property is enjoying growing appeal as a stable investment class Low interest rates and the uncertainty on the financial markets will increasingly fuel investments in real estate Insurance companies and pension funds in particular are expanding the share of property in their portfolios due to a lack of alternative investments in times of uncertain financial markets and low interest rates It is expected that foreign investors from Asia will increasingly establish a presence in Europe They will be joined by debt funds, which have already acted as mezzanine lenders and will move into senior lending in 2013

The open-ended mutual funds asset class will be reformed by legislation, although mutual funds will remain an attractive investment for private investors and will therefore continue to play an important role in the real estate sector

Markets for real estate finance

Low interest rates and the appeal of property as a stable investment class, particularly in uncertain times, are leading to increased demand for real estate finance in Germany At the same time, banks' general reluctance to lend will continue as a result of regulatory uncertainty, which is largely attributable to the unresolved CRD IV regulatory framework and the delay in introducing Basel III, as well as the moves to reduce risk-weighted assets This will only be resolved once legislators clarify the regulatory framework and its timetable for implementation It is expected that the uncertainty will lead to increased demand for alternative forms of financing in 2013, particularly those involving debt funds, hedge funds, insurers and corporate bond issues

In the investment market, the volume of Chinese investment in particular is expected to grow in Europe, with the focus increasingly on commercial real estate After London, Chinese investors are also expected to be active in France and Germany In general, a rise in investment activity will also see increased risk appetite for investment in non-core assets in Europe and North America

Business opportunities for real estate banks will increase overall as a result of these developments

Refinancing markets

In the refinancing market, spread differentials among secured debt instruments will become even more marked in the coming year Spreads between countries will continue to be dominated by the differentials for the country of origin in each case Pfandbriefe and unsecured debt instruments will enjoy adequate demand due to a lack of attractive alternative investment options

Statement by the Managing Board on the Bank's strategy in 2013

Ownership of the Bank changed at the end of August 2012 with the transfer of the Bank to EAA by way of a share deal and WestImmo left the WestLB/Portigon group Prior to the transfer, EAA had resolved, in agreement with its owners, to continue operating WestImmo as a whole and to retain WestImmo's ability to act and do business as a real estate bank with a banking licence and a Pfandbrief licence EAA's primary goal is to sell WestImmo at a later date in what may then be an improved market environment

As a subsidiary of EAA, WestImmo manages its cover pools and its loan portfolio, and is available to renew existing customers' ongoing loans The risk- and earnings-driven management of its loan portfolio remains a strategic goal for WestImmo To achieve this, the Bank has implemented active, directive-compliant loan renewal management

With respect to Basel III, WestImmo is driving forward the development and implementation of instruments to efficiently manage, free up and allocate capital

WestImmo will continue to make the necessary internal adjustments as its portfolios are wound down In this context, the Bank will systematically implement the measures resolved by its governing bodies These mainly relate to further capacity adjustments to the workforce as well as reducing the number of its locations in Germany and abroad The goal is to continue implementing the workforce reduction in a socially responsible manner using voluntary redundancy agreements and early retirement arrangements Above and beyond these measures, the Bank aims to cut costs to ensure long-term profitability by systematically optimising its internal structures and through effective project and process management

Expected Business Performance· Results of Operations, Financial Position, Refinancing

WestImmo is still available to provide its existing customers with loan renewals and to top up existing commitments to be utilised for restructuring and/or maintenance measures The Bank is also continuing to implement all measures needed to maintain and manage its cover pool In view of the ongoing efforts to sell the Bank and other possible scenarios for its development, the Managing Board is not publishing any exact quantitative targets for earnings or total loan renewals

Since the Bank took the opportunity in 2012 in particular to fully eliminate Greek government bonds from its portfolio and to significantly reduce its Italian bond holdings, it anticipates strong net interest income and net fee and commission income, and a positive operating result, despite the reduction in the loan portfolio Since expiring existing business cannot be compensated by new business WestImmo's loan portfolio, and consequently the number of employees as well, is expected to continue to decline The reduction in business and loan volumes is expected to lead to a further decrease in net interest income and net fee and commission income

Key factors influencing the WestImmo Group's earnings in 2013 will be the ongoing containment of the European sovereign debt crisis through budgetary consolidation in crisis countries and the measures being taken by the ECB, and the continuation of the stabilisation that is beginning to be seen in the eurozone. Other key factors for the Bank's earnings development in 2013 will be functioning capital markets and cost-effective refinancing, as well as the continued development of the real estate markets in which WestImmo is active. If the Bank's existing business is reduced more than expected and net interest income declines by a disproportionately large amount, the Bank will be forced to ensure the requisite profitability by making additional cost cuts.

The transfer to EAA and the resulting restrictions on its lending business are expected to lead to significantly lower refinancing requirements for 2013 compared with previous years.

Opportunities

WestImmo's above-mentioned goals and expectations for fiscal year 2013 are subject to assumptions with regard to certain developments and conditions for the Bank, as well as the relevant market environment. However, actual results and developments may differ considerably from expectations and predictions as forward-looking statements are always subject to risks and uncertainties. If developments prove to be better than forecast, opportunities will arise that could affect the Bank's prospects and its business, results of operations, financial position, risk situation, or net assets more favourably than expected.

A significant opportunity will arise for the Bank if a buyer is found in the near future and WestImmo can be sold in the short term. In this case, the assumptions described here with regard to target markets, business development, results of operations, net assets, the refinancing situation and the Bank's business strategy would change and would be aligned with the buyer's strategy and interests. This might allow WestImmo to continue its successful business activities more intensively again in selected target markets.

A faster macroeconomic recovery from the sovereign debt crisis could lend additional momentum to the real estate markets as well as the financial and capital markets, and would affect WestImmo's earnings and risk situation correspondingly.

Summary by the Managing Board on the Prospects for the Group

Although WestImmo has continually proved over the past few years that, despite the extremely difficult macroeconomic environment, it is a real estate bank with a healthy and successful core business, the sale process that continued until 30 June 2012 significantly limited the Bank's business development and imposed strict limits on the implementation of its business strategy and growth.

Transferring WestImmo to EAA by way of a share deal allowed the Bank to retain its value and continue its sales efforts under the management of its new owner, EAA, in the period since the Bank was transferred. WestImmo's Managing Board will also continue to implement all measures necessary to ensure the ongoing existence of the Bank and to continue to manage it effectively.

As described in the section entitled "At a Glance" and "WestImmo's strategy", the Bank is only permitted to engage in business as from 1 July 2012 under the condition that it does not violate the decision reached by the European Commission on 20 December 2011 regarding the state aid to be provided by the German government for the restructuring of WestLB The shareholder's approved winding-up plan calls for a further reduction of the Bank's assets while minimising the adverse effect on equity and net income as part of an actively pursued prolongation management and in adherence with the provisions of the PfandBG ["Pfandbriefgesetz" German Pfandbrief Act] With regard to a sale of the Bank, which would render the above restrictions and conditions obsolete, initial exploratory talks are currently being held by the shareholder, with the involvement of the managing board

WestImmo has to make necessary capacity adjustments in connection with the reduction in its portfolios and the Bank's limited business opportunities It is continuing to generate cost savings by realigning its internal structures and through efficient project and process management

Provided that the eurozone continues to stabilise and the European sovereign debt crisis is further contained, which will have a positive effect on the financial, capital and real estate markets, the Managing Board expects, taking into account its limited business opportunities, that the Bank will break even in 2013 and that it will repeat this performance in 2014

Mainz, 05 March 2013

Claus-Jurgen Cohausz	Rainer Spielmann	Christiane Kunisch-Wolff

Consolidated Financial Statements

as at 31 December 2012
in accordance with International Financial
Reporting Standards (IFRSs)

Westdeutsche ImmobilienBank AG

Consolidated Statement of Comprehensive Income

Income statement

	Note	1 1 -31 12 2012 € million	1 1 -31 12 2011 € million	Change € million	Change %
Interest (and similar income)		1,316 8	1,556 2	−239 4	−15 4
Interest (and similar expense)		1,125 4	1,336 7	−211 3	−15 8
Net interest income	(4 1)	191 4	219 5	−28 1	−12 8
Allowance for losses on loans and advances	(4 2)	−52 9	−42 4	−10 5	24 8
Net interest income after allowance for losses on loans and advances		138 5	177 1	−38 6	−21 8
Fee and commission income		17 1	19 5	−2 4	−12 3
Fee and commission expense		14 3	16 0	−1 7	−10 6
Net fee and commission income	(4 3)	2 8	3 5	−0 7	−20 0
Net trading loss/income	(4 4)	−42 0	57 8	−99 8	>−100
Net loss from non-current financial assets	(4 5)	−18 7	−283 2	264 5	−93 4
Administrative expenses	(4 6)	72 9	85 8	−12 9	−15 0
Net other operating income and expenses	(4 7)	2 1	−41 5	43 6	>−100
Restructuring gain/loss	(4 8)	−29 6	4 9	−34 5	>−100
Loss before tax		**−19 8**	**−167 2**	**147 4**	**−88 2**
Current income taxes	(4 9)	4 8	4 5	0 3	6 7
Deferred taxes	(4 9)	4 6	−15 1	19 7	>−100
Consolidated loss for the period		**−29 2**	**−156 6**	**127 4**	**−81 4**
Of which					
– attributable to WestImmo shareholders		−29 2	−157 1	127 9	−81 4
– attributable to non-controlling interests		0 0	0 5	−0 5	−100 0

Reconciliation of consolidated loss for the period to total comprehensive income for the period

	Note	2012 € million	2011 € million
Consolidated loss for the period		**−29 2**	−156 6
Other comprehensive income		**63 2**	−27 6
Change in revaluation reserve (net of deferred taxes)	(6 25)	75 1	−28 7
Unrealised gain or loss on available-for-sale financial assets		73 3	−243 5
Gain on disposal of available-for-sale financial assets transferred to income statement		18 6	28 1
Net income from permanent impairment losses or reversals of impairment losses on available-for-sale financial assets transferred to income statement		0 0	243 8
Deferred taxes relating to change in revaluation reserve		−16 8	−57 1
Change in the currency translation reserve (net of deferred taxes)	(6 25)	−2 2	−0 1
Unrealised currency translation differences		−2 2	−0 1
Currency translation differences transferred to income statement		0 0	0 0
Deferred taxes relating to change in currency translation reserve		0 0	0 0
Change in actuarial gains and losses (net of deferred taxes)	(6 25)	−9 7	1 2
Actuarial gains and losses		−13 5	1 7
Deferred taxes relating to change in actuarial gains and losses		3 8	−0 5
Total comprehensive income/loss		**34 0**	**−184 2**
Of which			
– attributable to WestImmo shareholders		34 1	−184 7
– attributable to non-controlling interests		−0 1	0 5

The statement of comprehensive income in accordance with IAS 1 81 is prepared according to the two statement approach (IAS 1 81b)

A loss of € 18 6 million on the sale of securities (previous year loss of €28 1 million) was transferred from the revaluation reserve before deferred taxes to the income statement in the reporting period No permanent impairment losses or reversals of impairment losses on available-for-sale financial instruments had to be reclassified to the income statement in 2012 (previous year impairment loss of € 243 8 million)

Consolidated Balance Sheet

Assets

	Note	31 Dec 2012 € million	31 Dec 2011 € million	Change € million	Change %
Cash and balances with central banks	(6 1)	53 5	91 7	−38 2	−41 7
Loans and advances to banks	(6 2)	552 3	821 5	−269 2	−32 8
Loans and advances to customers	(6 3)	14,901 1	17,958 2	−3,057 1	−17 0
Allowance for losses on loans and advances	(6 5)	−300 8	−293 0	−7 8	2 7
Financial assets held for trading	(6 6)	1,699 7	1 425 6	274 1	19 2
Positive fair values of derivative hedging instruments	(7 4)	392 9	322 6	70 3	21 8
Financial assets designated at fair value through profit or loss	(6 7)	113 4	218 7	−105 3	−48 1
Non current financial assets	(6 8)	1,835 4	2,253 2	−417 8	−18 5
Property and equipment	(6 10)	2 1	2 6	−0 5	−19 2
Intangible assets	(6 11)	1 1	2 1	−1 0	−47 6
Tax receivables	(6 13)	626 6	606 7	19 9	3 3
Other assets	(6 14)	81 8	305 5	−223 7	−73 2
Total assets		**19,959 1**	**23,715 4**	**−3,756 3**	**−15 8**

Equity and Liabilities

	Note	31 Dec 2012 € million	31 Dec 2011 € million	Change € million	Change %
Deposits from banks	(6 15)	2,035 2	3,246 0	−1,210 8	−37 3
Deposits from customers	(6 16)	7,535 7	6,763 0	772 7	11 4
Securitised liabilities	(6 17)	4,937 6	8,134 3	−3,196 7	−39 3
Financial liabilities held for trading	(6 18)	1,178 2	1,317 6	−139 4	−10 6
Negative fair values of derivative hedging instruments	(7 4)	249 3	267 2	−17 9	−6 7
Liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk	(6 19)	0 4	0 5	−0 1	−20 0
Financial liabilities designated at fair value through profit or loss	(6 20)	2,111 6	2,083 6	28 0	1 3
Provisions	(6 21)	87 9	73 4	14 5	19 8
Tax liabilities	(6 22)	629 5	597 6	31 9	5 3
Other liabilities	(6 23)	69 6	63 9	5 7	8 9
Subordinated capital	(6 24)	216 6	294 3	−77 7	−26 4
Equity	(6 25)	907 5	874 0	33 5	3 8
– Subscribed capital		400 0	400 0	0 0	0 0
– Capital reserves		443 4	443 4	0 0	0 0
– Retained earnings		187 6	217 3	−29 7	−13 7
– Revaluation reserve		−116 2	−191 3	75 1	−39 3
– Actuarial gains and losses on pension obligations		−6 3	3 3	−9 6	>−100
– Currency translation reserve		1 5	3 7	−2 2	−59 5
Total equity		910 0	876 4	33 6	3 8
– Non controlling interests		−2 5	−2 4	−0 1	4 2
Total equity and liabilities		**19,959 1**	**23,715 4**	**−3,756 3**	**−15 8**

Changes in Equity

Statement of changes in equity

Mio €	Equity attributable to shareholders of the parent company			
	Subscribed capital	Capital reserves	Retained earnings	Revaluation reserve (AfS financial instruments)
Equity as at 1 January 2011	**400 0**	**443 4**	**171 2**	**−162 6**
Consolidated loss	0 0	0 0	−157 1	0 0
Other comprehensive income	0 0	0 0	0 0	−28 7
Total comprehensive income for the period	0 0	0 0	−157 1	−28 7
Loss absorption by the owner	0 0	0 0	203 2	0 0
Equity as at 31 December 2011	**400 0**	**443 4**	**217 3**	**−191 3**
Consolidated loss	0 0	0 0	−29 2	0 0
Other comprehensive income	0 0	0 0	0 0	75 1
Total comprehensive income for the period	0 0	0 0	−29 2	75 1
Distribution to shareholders	0 0	0 0	−0 5	0 0
Equity as at 31 December 2012	**400 0**	**443 4**	**187 6**	**−116 2**

Actuarial gains and losses on pension obligations	Currency translation reserve	Total	Non-controlling interests	Total equity
2 1	**3 8**	**857 9**	**-2 9**	**855 0**
0 0	0 0	-157 1	0 5	-156 6
1 2	-0 1	-27 6	0 0	-27 6
1 2	-0 1	-184 7	0 5	-184 2
0 0	0 0	203 2	0 0	203 2
3 3	**3 7**	**876 4**	**-2 4**	**874 0**
0 0	0 0	-29 2	0 0	-29 2
-9 6	-2 2	63 3	-0 1	63 2
-9 6	-2 2	34 1	-0 1	34 0
0 0	0 0	-0 5	0 0	-0 5
-6 3	**1 5**	**910 0**	**-2 5**	**907 5**

Cash Flow Statement

	2012 € million	2011 € million
Consolidated loss for the period	**−29 2**	**−156 6**
Adjustments for non-cash items included in profit and reconciliation to cash flow from operating activities		
Depreciation, amortisation, impairment losses and reversals of impairment losses on receivables and additions to provisions for credit risks	54 0	45 7
Depreciation, amortisation and impairment losses net of reversals of impairment losses on		
– Property and equipment	0 8	0 9
– Non current financial assets	−31 9	171 4
– Intangible assets	1 6	1 6
Change in other non-cash items	12 4	−61 6
Gain on disposal of non current assets (net)	18 0	28 1
Other adjustments (primarily income taxes paid, interest received less interest paid and dividends received)	−183 1	−219 3
Subtotal	**−157 4**	**−189 8**
Change in working capital after adjustment for non-cash transactions		
Loans and advances to banks	234 1	60 5
Loans and advances to customers	3,053 8	2 380 1
Financial assets held for trading	−159 9	−112 0
Financial assets and liabilities designated at fair value through profit or loss	36 0	−167 1
Other operating assets	−48 4	−119 4
Deposits from banks	−289 2	−2 077 4
Deposits from customers	−153 2	−192 5
Securitised liabilities	−3,201 0	−65 3
Financial liabilities held for trading	−139 4	327 5
Other operating liabilities	−41 9	1 8
Income taxes paid	−9 2	0 0
Interest received	1,293 6	1,538 0
Interest paid	−1,105 7	−1,323 1
Dividends received	6 2	3 1
Cash flows from operating activities	**−681 6**	**64 4**
Proceeds from disposal of		
– Property and equipment	0 0	0 0
– Non-current financial assets	604 8	317 4
– Intangible assets	0 0	0 4
Payments to acquire		
– Property and equipment	−0 3	−0 3
– Non-current financial assets	−84 4	−147 3
– Intangible assets	−0 7	−1 0
Proceeds from disposal of consolidated subsidiaries and other business units	0 0	0 5
Cash flows from investing activities	**519 4**	**169 7**
Payments to owner and minority shareholders		
– Dividends paid	0 0	−59 6
Payments by the owner		
– Loss absorption	203 2	0 0
Change in cash and cash equivalents from subordinated capital	−77 6	−166 0
Cash flows from financing activities	**125 6**	**−225 6**
Cash and cash equivalents at end of prior period	91 7	81 9
Cash flows from operating activities	−681 6	64 4
Cash flows from investing activities	519 4	169 7
Cash flows from financing activities	125 6	−225 6
Change in cash and cash equivalents from exchange rate movements	−1 6	1 3
Cash and cash equivalents at end of period	**53 5**	**91 7**

The cash flow statement shows the composition of and changes in cash and cash equivalents during the fiscal year Cash flows are classified by operating, investing and financing activities The cash flow statement for the operating activities was prepared using the indirect method and in accordance with IAS 7

The reported cash and cash equivalents correspond to the "cash and balances with central banks" balance sheet item (Note 6 1) and only comprise balances with central banks

Cash flows from operating activities primarily comprise payment transactions (inflows and outflows) relating to receivables and liabilities, portfolios designated at fair value through profit or loss and other assets and liabilities Interest and dividends received as well as interest and income taxes paid are also reported in cash flows from operating activities

Cash flows from investing activities comprise proceeds from the disposal of and/or payments to acquire non-current financial assets and property and equipment, as well as intangible assets

Cash flows from financing activities comprise payments to/by the owner on the basis of the existing profit and loss transfer agreement as well as proceeds from and payments to acquire subordinated capital In 2012, cash flows from financing activities reflected the cash inflow from the absorption by the previous owner, WestLB/Portigon AG, of the accounting losses incurred in fiscal year 2011 in the amount of €203 2 million (previous year distributions to the owner in the amount of €59 6 million)

The decision-usefulness of the cash flow statement for banks must be regarded as low because the cash flow statement does not replace liquidity or financial planning and is not used as a management instrument Please refer to the disclosures in the Risk Report contained in the Management Report for information on liquidity risk management in the Westdeutsche ImmobilienBank Group

On the transfer of WestImmo from WestLB/Portigon AG (credit institution) to Erste Abwicklungsanstalt, Dusseldorf AoR (EAA) (customer) by way of a transfer agreement (see Note 1 "Basis of presentation"), all transactions between WestLB/Portigon AG and WestImmo were also transferred to the EAA As a result, changes have been made as against the previous year to the following balance sheet items "loans and advances to banks", "loans and advances to customers", "deposits from banks" and "deposits from customers", these are treated in the cash flow statement as (non-cash) reclassifications

Notes

1. Basis of presentation

Westdeutsche ImmobilienBank AG (WestImmo) is an Aktiengesellschaft (German stock corporation) in accordance with German law, its headquarters are located at Grosse Bleiche 46, in 55116 Mainz. By way of a transfer agreement dated 31 August 2012, WestImmo was transferred with retroactive economic effect as at 1 January 2012 as part of a share deal to Erste Abwicklungsanstalt, Dusseldorf AoR (EAA). The profit and loss transfer agreement signed by WestLB and WestImmo in 2007 was also transferred. The transfer was entered in the commercial register on 17 September 2012. WestImmo has therefore left the WestLB/Portigon AG group, Dusseldorf, and has been a wholly-owned subsidiary of EAA since then. The consolidated financial statements of WestImmo as at 31 December 2012 were prepared in accordance with International Financial Reporting Standards (IFRSs) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation). WestImmo only uses the IFRSs endorsed by the EU. It does not elect to apply early standards that have been issued but are not yet required to be applied.

The standards and interpretations published collectively as the IFRSs by the International Accounting Standards Board (IASB) comprise the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and their Interpretations by the former Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements comprise the consolidated Statement of Comprehensive Income, the consolidated Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the Notes and the Segment Reporting contained in the Notes. The Group Management Report that must also be prepared in accordance with section 315a of the HGB in conjunction with section 315 of the HGB also contains the report on the risks and opportunities of future development (Risk Report). The consolidated financial statements are published by the operator of the electronic Bundesanzeiger (German Federal Gazette – www.ebundesanzeiger.de) in accordance with sections 325 and 328 of the HGB.

WestImmo's financial reporting is based on uniform Group accounting policies. The reporting currency of the consolidated financial statements is the euro, and the reporting year is the calendar year.

2. General Accounting Policies

2.1 Accounting pronouncements applied

The consolidated financial statements as at 31 December 2012 are based on the IASB Framework and the following IASs/IFRSs

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments Presentation
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments Recognition and Measurement
IAS 40	Investment Property
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments Disclosures
IFRS 8	Operating Segments

The following standards were not applied because they are not relevant for WestImmo IAS 20, 26, 29, 33, 34, 41 and IFRS 1, 2, 4 and 6

a) New and amended standards and interpretations
The accounting principles applied were unchanged as against the previous year with the exception of the following change, which was applied as from 1 January 2012

Amendments to IFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 were issued in October 2010 and are required to be applied for the first time in fiscal years beginning on or after 1 July 2011 The amendments require comprehensive new qualitative and quantitative disclosures of transferred financial assets that have not been derecognised and of any risks remaining in relation to the transferred assets as at the reporting date Since WestImmo does not possess any such assets, the amendments did not have any effect on the consolidated financial statements

b Issued standards that are not yet required to be applied
The section below provides details of selected amendments to standards or new standards that could have an effect on accounting from today's perspective A distinction is made in this context between standards that have already been endorsed and those for which endorsement is still outstanding

In connection with the transfer of the shares of WestImmo from WestLB AG to EAA, WestImmo intends to adapt its existing group structures In view of these activities it is expected that no consolidated financial statements will be prepared for WestImmo in future once the proposed structural changes have been implemented For this reason, none of the new or amended accounting standards and interpretations will have any/any material effect on WestImmo's consolidated financial reporting

Already endorsed by the EU

The following standards have been issued by the IASB and have already been endorsed by the EU by way of the comitology procedure, but were not yet required to be applied in fiscal year 2012 WestImmo has not elected to apply these standards and interpretations early

Amendments to IAS 32 and IFRS 7 – *Offsetting Financial Assets and Financial Liabilities*
The amendments to IAS 32 and IFRS 7 were issued in December 2011 and are required to be applied for the first time in fiscal years beginning on or after 1 January 2014 and 1 January 2013 respectively The amendments are designed to remove existing inconsistencies by expanding the application guidance provided However, the existing basic provisions governing the offsetting of financial instruments have been preserved The amendments define supplementary disclosures to be made in addition They will not have any material effects on WestImmo's accounting policies, but will entail additional disclosures

IFRS 10 – *Consolidated Financial Statements*
IFRS 10 was issued in May 2011 and is required to be applied for the first time in fiscal years beginning on or after 1 January 2014 The new standard will replace the provisions of IAS 27 Consolidated and Separate Financial Statements on consolidated financial reporting and SIC-12 Consolidation – Special Purpose Entities IFRS 10 sets out a uniform principle of control, which is applicable to all entities including special purpose entities In June 2012, the revised transition guidance for IFRS 10–12 was also issued, which is intended to facilitate first-time application of the new standards The changes introduced with IFRS 10 require significant judgements to be exercised compared with the previous legal position as to which entities WestImmo controls, and whether these therefore have to be included in the consolidated financial statements An initial assessment suggests that WestImmo's consolidated Group will remain unchanged

IFRS 12 – *Disclosures of Interests in Other Entities*
IFRS 12 was issued in May 2011 and is required to be applied for the first time in fiscal years beginning on or after 1 January 2014 The standard sets out uniform disclosure rules for consolidated financial reporting and consolidates the disclosures for subsidiaries, which were previously governed by IAS 27, joint arrangements and associates, which were previously contained in IAS 31 and IAS 28, and structured entities Since the new standard requires additional information to be provided above and beyond the previous disclosure obligations, the notes to WestImmo's consolidated financial statements on this group of entities will be more comprehensive than before

IFRS 13 – *Fair Value Measurement*
IFRS 13 was issued in May 2011 and is required to be applied for the first time in fiscal years beginning on or after 1 January 2013 The standard sets out rules for measuring fair value and defines comprehensive quantitative and qualitative disclosures about fair value measurement In contrast, it does not cover the question of when assets and liabilities must or can be measured at fair value IFRS 13 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date An initial assessment suggests that no material effects are to be expected

Amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income*
The amendments to IAS 1 were issued in June 2011 and are required to be applied for the first time in fiscal years beginning on or after 1 July 2012 They relate to the presentation of items of other comprehensive income Elements that are subsequently reclassifiable to profit or loss (recycling) must be presented separately from those that will not be reclassified The amendments relate solely to the presentation in the financial statements and will therefore not have any effect on WestImmo's net worth, financial position and results of operations

Amendments to IAS 12 – *Deferred Tax Recovery of Underlying Assets*
The amendments to IAS 12 were issued in December 2010 and are required to be applied for the first time in fiscal years beginning on or after 1 January 2013 They introduce a simplification rule in the form of a (rebuttable) presumption that, with respect to the measurement of deferred tax on properties measured at fair value, recovery of the carrying amount will normally be through sale In the case of revalued non-depreciable assets, recovery shall always be assumed to be through sale It is not expected that these amendments will have any effect on the net assets, financial position and results of operations of entities falling under German jurisdiction, and hence for WestImmo

IAS 19 – *Employee Benefits (amended 2011)*
The amended IAS 19 was issued in June 2011 and is required to be applied for the first time in fiscal years beginning on or after 1 January 2013 The amendments made range from fundamental changes, e g regarding the calculation of the expected return on plan assets and the abolition of the corridor approach, which served to distribute or smooth volatilities resulting from pension obligations over time, down to mere clarifications and reformulations The abolition of the corridor approach will not have any effect on WestImmo, as the Group did not previously use this method No material effects are expected from the remaining amendments

IAS 28 – *Investments in Associates and Joint Ventures (amended 2011)*
The amended IAS 28 was issued in May 2011 and is required to be applied for the first time in fiscal years beginning on or after 1 January 2014 The issue of IFRS 11 Joint Arrangements extended the scope of IAS 28 – i e the application of the equity method – to joint ventures as well as associates Since WestImmo's consolidated financial statements do not include any joint ventures, the amendments are not expected to have any effect

Not yet endorsed by the EU

The standards below have been issued by the IASB but were not yet required to be applied in fiscal year 2012 These standards have not yet been endorsed by the EU and are not applied by WestImmo

IFRS 9 *Financial Instruments Classification and Measurement*
The first part of Phase I of the preparatory work on IFRS 9 Financial Instruments was published in November 2009 The standard comprises new rules on the classification and measurement of financial instruments Under it, debt instruments must be measured either at amortised cost or at fair value through profit or loss, depending on their characteristics and the entity's business model Equity instruments must always be measured at fair value However, an entity can elect at initial recognition to recognise changes in the value of individual equity instruments that are not held for trading in other comprehensive income In this case, only certain dividend income for equity instruments would be recognised in profit or loss The IASB completed its work on the second part of Phase I of the project in October 2010 This extended the standard to cover financial liabilities and retains the existing classification and measurement requirements for these liabilities with the following exception effects relating to the change in own credit risk for financial liabilities designated as at fair value through profit or loss must be recognised in other comprehensive income IFRS 9 is required to be applied for the first time in fiscal years beginning on or after 1 January 2015

The application of the first part of Phase I will have an effect on the classification and measurement of WestImmo's financial assets An initial assessment suggests that a large majority of the financial instruments must be measured at amortised cost No material changes to the Group's net worth, financial position and results of operations are expected from the second part of Phase I

Standards and interpretations that have not been applied

The following new rules are not applicable to WestImmo and will therefore have no effect on the Group's net worth, financial position and results of operations

- Amendments to IFRS 1 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters,*
- Amendments to IFRS 1 – *Government Loans,*
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities,*
- IFRS 11 – *Joint Arrangements,*
- Improvements to IFRSs (2009–2011),
- IAS 27 – *Separate Financial Statements* (amended 2011),
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

2 2 Changes in presentation and accounting policies

The same accounting policies were applied in preparing the consolidated financial statements and the comparative figures for the prior-year period as were applied in the consolidated financial statements as at 31 December 2011, with the exception of any changes required due to the initial application of standards and interpretations For details of implemented or planned amendments to existing accounting pronouncements and their effects for the Bank, see Note 2 1 "Accounting pronouncements applied"

Mathematical rounding rules have been applied to the preparation of the amounts presented in these financial statements In certain cases, this may result in rounding differences in different tables

To enhance transparency for users of these financial statements, individual sections have been regrouped and the changes in presentation described below have been made

- Restructuring gain/loss

To enhance presentation of the effects of the adjustment process at the Bank following its transfer to EAA, the restructuring expenses incurred in this connection have been presented in a separate line item in the income statement

2 3 Adjustments

The accompanying financial statements include adjustments to prior-year figures as compared with 31 December 2011

The changes made are described in the following

- Restructuring gain/loss

  To enhance presentation, the restructuring gain/loss, which comprises expenses for structural adjustments at the Bank, is presented separately Income of €4 9 million was reclassified to the restructuring gain/loss from other operating income and expenses The income is due to the reversal of the restructuring provisions for the private customers area

  The prior-year cost-income ratio (see Note 5 1 "Operating segment reporting") was adjusted to reflect the separate presentation of the restructuring loss in 2012

- Income components of selected financial instruments

  To increase comparability with the individual income statement items, the presentation of net gains and losses in 2012 does not break down the net foreign exchange gain/loss by categories of holdings The prior-year figures were adjusted accordingly

  In addition, the "available-for-sale financial assets (AfS)" item as at 31 December 2011 did not include "net income/loss from sale of equity-accounted investments" A correction was made in the amount of €-5 1 million

2 4. Accounting estimates and assumptions

In certain circumstances, the application of IFRSs requires management to make estimates and assumptions, as well as to exercise judgments, that are based on subjective assessments of future developments and inevitably entail forecast uncertainty Actual future results may differ from estimates even though WestImmo has used available information, historical experience and other assessment factors when making such estimates This may have a not insignificant effect on the net assets, financial position and results of operations

Estimates, assumptions and judgments are primarily required in

- Determining the fair value of certain derivatives and other financial instruments, particularly structured financial instruments,
- Measuring the allowance for losses on loans and advances (impairment),
- Calculating deferred taxes,
- Calculating pension and other provisions

The estimates, assumptions and judgments as well as the underlying assessment factors and estimation techniques are regularly reviewed and compared with actual results In fiscal year 2012, the following estimates were adjusted in response to changes in conditions

- Portfolio-based valuation allowance

  The portfolio-based valuation allowance for loans extended by WestImmo and WIB Japan for which no specific loan loss allowances have been established amounted to €39 5 million as at 31 December 2012 Given an opening amount at the beginning of the year of €44 2 million, this therefore resulted in net reversals of €4 7 million The portfolio-based valuation allowance was calculated on the basis of a loss identification period (LIP) for the commercial real estate lending business of six months, down from nine months in the previous year This corresponds to a reduction in the LIP factor from 0 75 to 0 5 and a positive effect on the income statement of €19 7 million This LIP adjustment is due to the following factors

  Following the establishment of the Asset Quality department, all ratings and collateral agreements have been individually examined by specialist staff since the beginning of 2012 On the one hand, this has improved the quality of WestImmo's risk assessments of the credit quality and collateral This is reflected in up to two of the four parameters used to calculate the portfolio-based valuation allowance for the loans concerned the probability of default (PD) and the loss given default (LGD) On the other hand, the measure means that the Bank is able to identify and assess risk situations faster and at an early stage, and to take the appropriate measures in good time This was reflected in the change in the LIP and hence the fourth parameter used in the calculation

What is more, the reduction in the LIP factor was made when the Bank's new business was officially discontinued effective as of the second half of 2012 This means that human resources and measures can be focused on monitoring the exposures held in the portfolio At an organisational level, support was provided by the establishment of the Prolongation and Asset Management Committee (PAM) Following the discontinuation of the Bank's new business, no new additional exposures had/have to be included in monitoring by the Back Office This reduces first of all the burden on the Front Office but also the Back Office and in particular the units responsible for monitoring and handling the individual exposures in the portfolio

The loan portfolio also continued to decline in the course of the year as a result of redemptions This was accompanied by corresponding changes in the volume of loans, collateral and ratings The pressure on capacity was relieved by the focused deployment of individual Front Office staff in the Back Office Overall, these effects counteracted the staff turnover in the relevant organisational units, which was accompanied by specific human resources management measures

- Model reserve for measuring derivative financial instruments using credit spreads
  A decision was taken as at the reporting date of 31 December 2012 to perform a credit value adjustment for counterparty credit risk in connection with the measurement of derivative financial instruments for which no collateral agreement with the counterparties exists This credit value adjustment resulted in an expense of €4 2 million being reported in net trading loss/income It was calculated using an internal method

2.5 Consolidation principles and consolidated Group

Subsidiaries, i.e. companies in which WestImmo holds more than one half of the voting rights either directly or indirectly or in relation to which it otherwise has the power to govern the financial and operating policies within the meaning of IAS 27 in conjunction with SIC 12, are included in the consolidated Group. The existence and effect of potential voting rights that could be exercised or converted at the balance sheet date are also taken into account in determining whether WestImmo has control over another company in this sense. No potential voting rights existed at the balance sheet date.

Subsidiaries are initially consolidated from the date on which WestImmo obtains the power to control the acquiree. A company is deconsolidated as soon as WestImmo loses the power to control it.

Acquisition accounting uses the purchase method. The cost of the acquiree is eliminated against the Group's share of the acquiree's revalued equity at the acquisition date. This equity is the residual of the acquiree's assets and liabilities measured at fair value at the date of initial consolidation. In subsequent periods, the realised hidden reserves and hidden liabilities are treated in accordance with the applicable Standards. Any excess of cost over the acquirer's share of the acquiree's revalued equity must be reported as goodwill under intangible assets in the balance sheet. No goodwill existed at the balance sheet date. Goodwill from associates is reported in non-current financial assets in the balance sheet. Under IAS 36, goodwill is not amortised but is tested for impairment at least once a year in the same way as carrying amounts, on the basis of cash-generating units.

Receivables and liabilities as well as income and expenses from transactions between Group companies are eliminated as part of the consolidation of intercompany balances or the consolidation of income and expenses respectively. Intercompany profits between the consolidated companies are also eliminated.

Subsidiaries whose fiscal year differs from that of WestImmo are consolidated in accordance with IAS 27.23 taking into account the significant transactions with a different date of up to three months from WestImmo's reporting date. WIB Real Estate Finance Japan K.K., Tokyo is included in WestImmo's IFRS consolidated financial statements with a reporting date of 30 November. Associates are included in the consolidated financial statements using the equity method. These companies are reported under non-current financial assets. If a company accounted for using the equity method uses accounting policies other than those of the investor, adjustments are made in a separate account to reflect IFRS Group accounting requirements.

The subsidiaries and associates included in the consolidated financial statements as well as the companies not included due to insignificance can be found in the list of shareholdings

The minority interest in the equity of subsidiaries that is not attributable to the parent is reported as non-controlling interests in the Group's equity

In accordance with IAS 39, other investees are reported at fair value or, if this cannot be reliably determined, at cost under non-current financial assets

The following subsidiaries and associates were included in WestImmo's consolidated financial statements as at 31 December 2012

Subsidiaries in accordance with IAS 27
Westdeutsche ImmobilienHolding GmbH, Mainz
WestGkA Management Gesellschaft fur kommunale Anlagen mbH, Dusseldorf
WestProject & Consult Gesellschaft fur Projektentwicklung und Consulting mbH, Dusseldorf
WIB Real Estate Finance Japan K K , Tokyo, Japan
WMO Erste Entwicklungsgesellschaft mbH & Co KG, Bonn

Associates accounted for using the equity method
EMG Projekt Gewerbepark Ludwigsfelde/Lowenbruch GmbH, Berlin (EMG GmbH)

The following disclosures in accordance with IAS 28 37ff relate to the associate accounted for using the equity method

EMG GmbH 47 50%	31 Dec 2011 € million	31 Dec 210 € million
Assets*	8 1	7 9
Liabilities	7 9	7 4
Income	0 2	4 5
Loss/Profit for the period	−0 3	1 4

*Assets correspond to total assets

As in the previous year, there was no cumulative share of losses of companies accounted for using the equity method as at 31 December 2012

There were no contingencies and commitments resulting from obligations entered into jointly

2.6. Currency translation

Monetary assets and liabilities denominated in foreign currency, non-monetary assets measured at fair value, and open foreign currency cash contracts are translated at the ECB reference rates as at 31 December 2012 (last trading day), open currency forwards are translated at the forward rate at the same date Non-monetary items measured at cost are recognised at historical exchange rates Income and expenses denominated in foreign currency were translated at the closing rate valid at the end of the relevant month

Exchange rate differences arising from the measurement of monetary items are reflected in the income statement, in the case of non-monetary assets, unrealised exchange rate differences form part of the change in the overall fair value and are recognised in the same way

In the case of subsidiaries and branches that do not prepare their financial statements in euros, balance sheet items are translated at the ECB reference rates as at 31 December 2012 In the case of consolidated subsidiaries, income statement items are translated at the average rate calculated from the ECB reference rates Equity is translated at the respective historical ECB reference rate

A currency translation reserve is reported in equity This reserve contains currency translation differences in accordance with IAS 21 that arose for a foreign subsidiary in the course of consolidation

2 7 Financial instruments

a) Application of IFRS 7 – Financial Instruments

The disclosure requirements under IFRS 7 enable users of the financial statements to better evaluate the following

- The significance of financial instruments for the entity's net assets, financial position and performance,
- The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks

The disclosures in the Risk Report supplement the descriptions of the type and extent of risks arising from financial instruments in the Notes In accordance with the Bank's business structure, the categories of financial instruments comprise the balance sheet items as well as financial guarantee contracts and irrevocable loan commitments

Each financial instrument measured at fair value in the balance sheet is allocated to a particular level in the fair value hierarchy Moreover, a statement of changes shows the reclassifications between the levels In addition, maturity analyses are presented for financial instruments

b) Financial instruments in accordance with IAS 39

The following section explains the categories used in accordance with IAS 39 to measure the Bank's financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity Under IAS 39, all assets and liabilities (including all derivative financial instruments) must be recognised in the balance sheet, allocated to one of the following measurement categories and measured in accordance with this classification

- Financial assets and financial liabilities at fair value through profit or loss (FA/FlaFVtPL), broken down into
  - Financial assets and liabilities held for trading (HfT)
  - Financial assets and liabilities designated at fair value through profit or loss upon initial recognition (DuiR)
- Loans and receivables (LaR)
- Held-to-maturity (HtM) financial assets
- Available-for-sale (AfS) financial assets
- Financial liabilities measured at amortised cost (FLAC)

Financial assets and liabilities held for trading (FA/FLaFVtPL – HfT)

Financial instruments on both the assets and liabilities side may be classified as held for trading (HfT) All hedging derivatives that are used in internal risk management but do not qualify for hedge accounting in accordance with IAS 39 are reported at their positive or negative fair values under financial assets and liabilities held for trading In addition, loans subject to syndication requirements are reported under financial assets held for trading

Financial assets and liabilities held for trading are measured at fair value, measurement gains or losses are recognised in the income statement Where available, (quoted) market prices are used for measurement If (quoted) market prices do not exist or cannot be reliably determined, the fair values are determined on the basis of recognised valuation techniques

All income components from HfT assets and liabilities resulting from measurement are reported in net trading loss/income Current interest and interest-related measurement components such as the amortisation of upfront payments and pull-to-par effects are presented in net interest income All other interest-related measurement components are reported in net trading loss/income Fee and commission income and expense related to HfT assets and liabilities are reported in net fee and commission income

Financial assets and liabilities designated at fair value through profit or loss (FA/FLaFVtPL – DuiR)

Financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss are measured at fair value

The fair value option allows any financial instrument to be designated upon initial recognition at fair value through profit or loss (DuiR) provided certain criteria are met The decision to use the fair value option must be taken irrevocably on initial recognition of the financial instrument

The fair value option may generally be used in accordance with IAS 39 in the case of the following

- Material recognition or measurement inconsistencies resulting from mixed model accounting in accordance with IAS 39
- Groups of financial assets and/or liabilities that are managed together on a portfolio basis and whose performance is evaluated on a fair value basis as part of risk management and internal reporting
- Structured financial instruments that contain embedded derivatives that must be separated

In WestImmo's case, the fair value option is primarily used to avoid or significantly reduce measurement inconsistencies

Financial instruments designated at fair value through profit or loss are initially measured and also subsequently measured at fair value Where available, (quoted) market prices are used for measurement Insofar as (quoted) market prices do not exist or cannot be reliably determined, the fair values are determined on the basis of recognised valuation techniques

Measurement gains or losses on financial instruments designated at fair value through profit or loss are reported in net trading loss/income However, current interest and dividends on these financial instruments are recognised in net interest income In the balance sheet, these instruments are reported in "financial assets designated at fair value through profit or loss" or "financial liabilities designated at fair value through profit or loss"

An internal method based on rating changes is used to determine changes in value due to changes in credit quality

Loans and receivables (LaR)

Loans and receivables are non-derivative financial instruments with fixed or determinable payments, provided that there is no active market for them on initial recognition

Financial instruments classified as LaR are reported in the "loans and advances to banks" and "loans and advances to customers" balance sheet items, they are carried at amortised cost unless they are the hedged items in a recognised micro fair value hedge Premiums and discounts are amortised over their term in proportion to the effective interest rate and recognised in net interest income The allowance for losses on loans and advances is reported separately Any reversals of impairment losses are recognised by adjusting the allowance for losses on loans and advances

Held-to-maturity (HtM) financial assets

Non-derivative financial assets with fixed or determinable payments and fixed terms may be classified as HtM provided that the holder has the positive intention and ability to hold the assets until maturity WestImmo does not use the HtM category

Available-for-sale (AfS) financial assets

The AfS category comprises all non-derivative financial assets that have not been allocated to any of the above-mentioned categories AfS financial assets are reported under non-current financial assets

Shares and other non-fixed-income securities are reported under non-current financial assets The "shares and other non-fixed-income securities" item comprises units in investment funds and debt-to-equity swaps In addition, other investees (comprising the shares in affiliated unconsolidated companies) are reported under non-current financial assets

AfS financial instruments are measured at fair value on initial recognition, including transaction costs The fair value on initial recognition usually corresponds to the transaction price AfS financial instruments are subsequently measured at fair value Investments in equity instruments whose fair value cannot be reliably determined are measured at cost less any permanent impairment

Measurement gains or losses are taken directly to a separate "revaluation reserve" equity item after adjustment for deferred taxes If the financial asset is sold, the cumulative measurement gain or loss reported in the revaluation reserve is reversed and the total measurement gain or loss from the sale recognised in net loss from non-current financial assets

Securities whose fair value is 20 % lower than amortised cost or whose fair value was consistently lower than cost in the past nine months are tested for permanent impairment Issuer credit quality is assessed for these securities The review process and the decision on whether permanent impairment exists in each individual case are documented The results are brought to the attention of the Managing Board

Gains or losses on disposal and from assets that have fallen due are recognised directly in net loss from non-current financial assets If the reasons for impairment no longer apply, the impairment loss on interest rate products is reversed through profit or loss up to a maximum of amortised cost Any amount in excess of this must be recognised in the revaluation reserve By contrast, reversals of impairment losses on equity instruments measured at fair value are taken directly to equity If a negative revaluation reserve has already been established prior to impairment losses being charged, this must be recognised in the income statement Premiums or discounts are amortised to profit or loss over their term using the effective interest method and recognised in net interest income

Financial liabilities measured at amortised cost (FLAC)

This category comprises all financial liabilities that are neither held for trading nor accounted for as financial liabilities designated at fair value through profit or loss

These liabilities are carried at amortised cost unless they are the hedged items in a recognised micro fair value hedge Premiums or discounts are amortised to profit or loss over their term using the effective interest method and reported in net interest income

c) Embedded derivatives

IAS 39 also governs the accounting treatment of derivatives that are embedded in primary financial instruments or related to these (embedded derivatives) These structures are also referred to as hybrid financial instruments

Under IAS 39, embedded derivatives must be recognised at fair value provided that they are derivatives within the meaning of IAS 39 and their economic characteristics and risks are not closely related to those of the host contract To this end, either the entire hybrid financial instrument must be recognised at fair value in profit or loss (classification as HfT or use of the fair value option), or the derivative must be separated from the host contract and recognised separately as a stand-alone derivative at fair value (separation requirement)

In the event of separation, the embedded derivative is regarded as part of the trading portfolio, while the host contract is accounted for in accordance with the requirements for the relevant category of financial instrument

If the economic characteristics and risks of the embedded derivative are closely related to those of the host contract, the derivative is not separated and the hybrid financial instrument is recognised in accordance with the general requirements

Embedded derivatives at WestImmo take the form of call and put options under structured issues An assessment as to whether an embedded derivative exists is made on initial recognition of a financial instrument A fresh assessment is made in the event of significant changes to the contract

d) Repurchase agreements and securities lending

Repurchase (repo) agreements and reverse repo agreements are combinations of spot purchases or sales of securities and a simultaneous forward sale or repurchase with the same counterparty Securities purchased with a commitment to sell (reverse repo agreements) and securities sold with a commitment to repurchase (repo agreements) are regarded as collateralised financial transactions

Securities sold under repo agreements (spot sale) continue to be included in the existing category in the securities portfolio in WestImmo's consolidated balance sheet, as the substantial risks and rewards incidental to ownership (primarily market risk) have not been transferred The cash contribution received under the repo agreement, including accrued interest, is recognised as a liability

Under reverse repo agreements, a corresponding receivable is recognised including accrued interest The securities purchased under reverse repo agreements (spot purchase), on which the cash transaction is based, are not recognised in the balance sheet

Securities lending transactions are accounted for in the same way as securities purchased or sold under repo agreements and reverse repo agreements Loaned securities continue to be included in the securities portfolio, borrowed securities, however, are not recognised in the balance sheet Cash collateral provided by WestImmo for securities repurchase agreements is reported as a receivable and cash collateral received as a liability

The securities are measured and any gains or losses are reported in accordance with the classification under IAS 39

At present, WestImmo has exclusively entered into securities repurchase agreements

Securities repurchase agreements are entered into as a matter of principle using standardised master agreements Under these standard master agreements, transferred securities may be resold or repledged by the recipient during the term Only when returning the transferred securities must the recipient of the securities warrant that the rights evidenced by them are free of any third-party rights The transferor is entitled to all interest payments on the securities

e) Hedge accounting

WestImmo uses fair value hedge accounting on an individual transaction basis (micro hedges) to hedge interest rate risk relating to fixed-interest loans, available-for-sale fixed-income securities and fixed-interest liabilities Certain requirements must be met in order to account for hedges in accordance with IAS 39, these requirements mean that hedge accounting may not be used for all economic hedging relationships Portfolio hedge accounting was discontinued in November 2008 and the corresponding transactions were transferred to micro hedge accounting where possible The remaining fair value changes to be amortised to profit or loss of hedged liability items that were previously allocated to portfolio fair value hedge accounting are reduced over the residual lives of the items The amounts are recognised in the "liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk" item

The relationship between the hedging instrument(s) and the hedged item(s), the entity's risk management objectives and strategies for undertaking the hedge and the methods used to measure the effectiveness of the hedging relationship are documented at the time of designation In compliance with the established hedging strategy, an assessment is made at each balance sheet date as to whether the designated hedges are highly effective at offsetting the changes in the value of the hedged items A hedge is only regarded as highly effective if the ratio of the fair value changes in the hedged item to the fair value changes in the hedging instrument is within a range of 80 % to 125 % A presumption is made as to the hedge's effectiveness both when the hedge is entered into and in subsequent periods (prospective effectiveness test) In addition, a retrospective effectiveness test is used to demonstrate effectiveness in past periods

If hedging instruments are used to hedge interest rate risk from fixed-interest assets and liabilities under hedge accounting in accordance with IAS 39, they are reported separately at fair value in the balance sheet under "positive fair values of derivative hedging instruments" or "negative fair values of derivative hedging instruments", as appropriate Derivatives that do not qualify for hedge accounting in accordance with IAS 39 remain in the balance sheet under "financial assets held for trading" or "financial liabilities held for trading"

In the case of fair value hedges, changes in the fair value of the hedging derivative and the hedged item relating to the hedged risk are recognised in net interest income and largely offset each other In the case of micro hedges, the carrying amounts of the hedged items that are recognised at amortised cost without hedge accounting are adjusted in the amount of the changes in fair value relating to the hedged risk Hedge accounting is discontinued in the following cases

- The hedging instrument falls due or is sold, terminated, or exercised
- The hedged item matures, is sold, or is repaid early
- De-designation
- The hedge no longer meets the necessary criteria under IAS 39, in particular the effectiveness criteria

In the case of micro hedges, if a hedge is terminated without the disposal of the hedged item, the adjustment of the carrying amount of an interest-bearing hedged item that was made during the hedge is amortised to net interest income over the remaining term

f) Valuation allowances and provisions for credit risks

WestImmo reflects identifiable risks in the lending business by recognising specific, collective and portfolio-based valuation allowances for loans and advances to customers and banks classified as LaR, and by recognising provisions This ensures that all identifiable credit risks are covered Valuation allowances are reported as a separate item on the asset side after loans and advances Risks arising from contingent liabilities, irrevocable loan commitments and other financial obligations are recognised on the equity and liabilities side of the balance sheet in the form of provisions Any specific valuation allowances required to be charged on foreign-currency receivables are also recognised in the relevant currency

WestImmo uses objective indicators, such as a borrower's financial and economic situation or the fulfilment of interest and principal repayment obligations, to review on a case-by-case basis whether there are signs of credit-related impairment that suggest that the borrower may be unable to meet its payment obligations or may be unable to meet them in full Loans must exhibit one or more trigger events (e g >45 days past due or insolvency) to qualify for impairment testing or for the determination of actual requirements

The specific valuation allowances are calculated as the difference between the carrying amount of the receivable and the present value of estimated future cash flows in the form of interest and principal repayments, cash flows from restructuring discounted at the original effective interest rate, and the discounted expected proceeds from the liquidation of collateral Future developments with regard to the amount and the expected timing of the cash flows are reflected at the next measurement date by adjusting the corresponding cash flows and valuation allowances Both the recognition of and the change in a valuation allowance are recognised in profit or loss

If a borrower's financial position improves to the extent that the reasons for the valuation allowance no longer apply, the reversal of the valuation allowance is recognised in profit or loss up to the amount of amortised cost

Unrecoverable receivables are charged to the specific valuation allowance or directly to the income statement Non-performing loans are written down directly if they are clearly unrecoverable Recoveries on loans previously written off are also reported in the allowance for losses on loans and advances

In the case of carrying amounts for which the contract terms were renegotiated, the present value at the balance sheet date is calculated on the basis of the renegotiated expected cash flows and discounted using the original effective interest rate

In portfolio-based analysis, collective valuation allowances are recognised for homogeneous subportfolios of loans that are not individually assessed for impairment In the case of potential risks associated with business that is not individually assessed for impairment and for which no collective valuation allowances are recognised, a portfolio-based valuation allowance is also calculated for homogeneous subportfolios in accordance with IAS 39

g) Accounting for the acquisition and disposal of financial assets and liabilities

WestImmo recognises the acquisition of financial assets either at the trade date or at the settlement date, depending on the item in question Cash transactions are accounted for at the settlement date regardless of their classification, while derivative transactions are generally recognised at the trade date

In accordance with the disposal requirements in IAS 39, financial assets are derecognised if the contractual rights under these assets expire, are exercised, or are transferred in full or almost in full A particularly important factor relating to derecognition due to a transfer is that the risks and rewards associated with the assets are passed on in full or almost in full If this is not the case, the assets transferred are not derecognised In the case of transactions in which WestImmo neither transfers (almost) in full nor retains the risks and rewards incidental to owning the financial assets, the assets are derecognised if control has been transferred If WestImmo retains control, the financial assets must be recognised to the extent of the Bank's continuing involvement This is the extent to which WestImmo is exposed to changes in the value of the transferred assets

Financial liabilities are derecognised if the contractual obligations are settled or repaid or have expired Repurchased own bonds are deducted from the corresponding liabilities

h) Securitisation

WestImmo securitises various assets from its lending business This can either take the form of synthetic securitisations or true sales The WestImmo transactions active in 2012 are true sale transactions

2.8. Investment property

This item comprises investment property acquired as a result of the realisation of collateral In accordance with IAS 40, investment property is measured at cost at the acquisition date, including any directly attributable transaction costs Fair values are subsequently calculated using the Ertragswertverfahren (income approach) on the basis of annually updated appraisals by real estate experts Income and expenses from investment property are recognised in net loss from non-current financial assets

2.9. Property and equipment

Owner-occupied land and buildings reported as property and equipment as well as office and operating equipment are recognised at cost, less straight-line depreciation according to the expected useful life of the assets Impairment losses are charged in the case of permanent impairment

Property and equipment are depreciated over the following periods

	Expected useful life in years
Land and buildings	7–40
Office and operating equipment	3–25

2 10 Intangible assets

Intangible assets mainly comprise purchased or internally developed software Purchased intangible assets are initially measured at cost Internally developed software is recognised at cost provided that the recognition criteria set out in IAS 38 are met The capitalised costs primarily include expenses for internal and third parties involved in development Intangible assets are amortised using the straight-line method over their expected useful life of three to five years and are reported in the income statement under administrative expenses There are no indefinite-lived intangible assets Write-downs are charged if a future benefit is no longer expected

2.11 Other assets

The other assets item primarily comprises the business activities of subsidiaries. These include inventories recognised and measured in accordance with IAS 2, trade receivables, and finished goods and work in progress. Inventories are measured at cost.

The assets from long-term construction contracts (work in progress) are measured at cost less cumulative depreciation, amortisation and impairment losses. In addition to the expenses for unfinished contracts and the cost of purchased services, own work in progress is recognised on the basis of internal cost accounting.

Borrowing costs are included in the calculation of total cost when determining production cost.

WestImmo uses this balance sheet item to report properties acquired as a result of the liquidation of collateral provided that this took place as part of a short-term exit strategy; if an exit strategy takes into account fair value increases that result in the acquisition having the characteristics of an investment in accordance with IAS 40, the acquisition is reported as investment property under non-current financial assets.

In the case of short-term exit strategies, properties are measured at cost less impairment. The effect of the rescue acquisitions on the income statement, which is reported in other assets, is reflected in net other operating income and expenses.

2.12. Income taxes

Income taxes are recognised and measured in accordance with IAS 12. Current tax receivables or payables are calculated using the tax rates enacted at the time of reimbursement by or payment to the tax authorities.

Deferred taxes are calculated using the balance sheet method for all temporary differences between the tax base of assets and liabilities and their carrying amounts in the IFRS balance sheet. Deferred tax assets and liabilities are only offset if the requirements for set-off are met. Deferred taxes on unused tax loss carryforwards are only recognised if it is probable that the loss carryforward is expected to be used in future. This is not the case with WestImmo's tax loss carryforwards relating to the period prior to the consolidated tax group. Deferred taxes are measured and recognised in profit or loss or directly in equity using the expected tax rates. Current tax receivables and payables and deferred tax assets and liabilities are reported under the separate "tax receivables" and "tax liabilities" items.

Management's assessment of the recoverability of deferred tax assets is decisive for determining any impairment losses in relation to such assets. This depends on whether future taxable profits will be generated during the periods in which tax measurement differences will reverse and tax loss carryforwards can be utilised. The probability of deferred tax liabilities reversing and future taxable profits are taken into account.

2.13 Provisions for pensions and similar obligations

In accounting for pensions in accordance with IAS 19, WestImmo elects to recognise changes in the measurement of pension obligations in other comprehensive income

All changes in value in the period that are recognised in profit or loss or in other comprehensive income are presented in the statement of comprehensive income

Independent actuaries calculate the present values of obligations under defined benefit pension plans using the projected unit credit method in accordance with IAS 19, taking into account expected future salary and pension increases

Changes in the calculation parameters and unexpected changes in the group of beneficiaries result in actuarial gains or losses that are recognised in other comprehensive income

2 14. Other provisions

In accordance with IAS 37, other provisions are recognised for liabilities of uncertain timing or amount Such provisions are recognised where the WestImmo Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Provisions for restructuring expenses are recognised if a detailed formal plan for the restructuring measures is in place and implementation has already started, or the main features have been announced The detailed plan identifies the business areas affected, the approximate number of employees whose jobs are affected by the restructuring measures, the expenditures that will be undertaken and when the restructuring measures will be implemented The detailed plan must be communicated in such a way that there is a valid expectation in those affected that it will be carried out

The restructuring loss recognised in the income statement contains other expenses in connection with restructuring measures that were incurred directly and are not contained in the provisions for restructuring expenses

2.15. Subordinated capital

This item comprises subordinated liabilities and outstanding profit participation certificates Subordinated capital is recognised at amortised cost Premiums or discounts are amortised to profit or loss over their term using the effective interest method and reported in net interest income

3. Specific Accounting Policies

3 1 Issuing activities

In the period under review, WestImmo's issuing activities covered mortgage Pfandbriefe and borrower's note loans with a total issuing volume of €1 0 billion (previous year €3 0 billion)

3.2 Financial guarantee contracts

Under IAS 39, a financial guarantee contract is a contract that requires the issuer of the guarantee to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument

At the inception of a contract, the financial guarantee contract is measured at fair value by the issuer of the guarantee Fair value comprises the present value of expected payments and the offsetting present value of future premiums The premium paid for the financial guarantee contract must be recognised as a fee and commission expense

During subsequent measurement, the amount recognised is the higher of the amount recognisable under IAS 37 and the acquisition cost less cumulative amortisation recognised in profit or loss Consequently, a provision must be recognised for the losses expected to result from settlement of the obligation

3 3. Loan commitments

Loan commitments are obligations to extend a loan on predefined terms They are accounted for in accordance with IAS 37 and presented as contingent liabilities

3.4. Leasing business

Under IAS 17, leases must be accounted for as operating leases or finance leases An operating lease exists if the lessor retains substantially all the risks and rewards incidental to beneficial ownership of the leased asset A finance lease exists if substantially all the risks and rewards pass to the lessee

WestImmo only acts as a lessee under operating leases The assets underlying these operating leases are primarily limited to owner-occupied buildings, office and operating equipment, and business vehicles

The lease instalments paid under operating leases are recognised as administrative expenses

3 5. Employee remuneration plans

There are no employee remuneration plans in accordance with IFRS 2

4. Statement of Comprehensive Income Disclosures

4 1 Net interest income

	2012 € million	2011 € million
Interest income from		
– lending and money market operations	608 4	722 7
– bonds and other fixed-income securities	47 7	77 7
– trading derivatives & HfT syndications	477 7	557 2
– derivatives included in hedge accounting	172 1	193 2
– other transactions	4 6	3 8
Interest income	**1,310 5**	**1,554 6**
Current income from		
– other investees	4 8	1 4
– investments in associates	–0 1	0 2
Current income	**4 7**	**1 6**
Interest expense from		
– deposits	362 4	434 7
– securitised liabilities	151 7	192 2
– subordinated capital	13 4	20 8
– trading derivatives	441 8	489 3
– derivatives included in hedge accounting	145 1	193 4
– other transactions	10 9	3 3
Interest expense	**1,125 3**	**1,333 7**
Profit/loss from hedges (hedge accounting)	**1 5**	–3 0
Net interest income	**191 4**	**219 5**

The profit/loss from hedges (IAS 39) is composed of the following items

	2012 € million	2011 € million
Profit from hedging derivatives	66 8	55 6
– of which from micro fair value hedge accounting	66 8	55 6
Loss from hedged items	–65 3	–58 6
– of which from micro fair value hedge accounting	–65 3	–58 6
Total	**1 5**	**–3 0**

The profit/loss from hedges includes measurement gains and losses on effective hedging relationships under micro fair value hedge accounting

When reconciling the above-mentioned interest income and interest expenses with the amounts contained in the income statement, it should be borne in mind that the individual components of the "current income" and "profit/loss from hedge accounting" items are allocated to interest income and interest expenses in the income statement according to whether they are positive or negative

4 2 Allowance for losses on loans and advances

	2012 € million	2011 € million
Additions		
– Impairments of receivables	–99 0	–123 4
– Provisions for credit risks	0 0	–0 1
Reversals		
– Impairments of receivables	43 1	74 8
– Provisions for credit risks	0 8	1 3
Recoveries on loans previously written-off	1 1	3 3
Reversals of impairment losses on loan receivables	1 6	2 3
Direct write-downs of receivables	–0 5	–0 6
Total	**–52 9**	**–42 4**

€–0 1 million was added to the collective valuation allowances recognised for homogeneous subportfolios (previous year €–0 1 million) Reversals of collective valuation allowances amounted to €0 0 million (previous year €0 5 million) An addition of €–6 0 million (previous year €–23 8 million) and a reversal of €10 7 million (previous year €35 2 million) were recognised for the portfolio-based valuation allowance

Details of changes made to the measurement policies are presented in Note 2 4 "Accounting estimates and assumptions"

4 3 Net fee and commission income

	2012 € million	2011 € million
Lending business	7 5	7 0
Securities and custody business	–0 3	–0 4
Guarantees	–3 6	–2 1
Other	–0 8	–1 0
Total	**2 8**	**3 5**

Net fee and commission income comprises fee and commission income of €17 1 million (previous year €19 5 million) and fee and commission expense of €14 3 million (previous year €16 0 million)

The reduction in net fee and commission income is mainly attributable to the decline in new business

4.4. Net trading loss/income

	2012 € million	2011 € million
Net income/loss from trading portfolios	56 9	169 7
Foreign exchange gain	–1 6	1 4
Net income/loss from financial instruments designated as at fair value through profit or loss	–97 3	–113 3
Total	**–42 0**	**57 8**

A remeasurement loss of €37 8 million (previous year remeasurement gain of €35 6 million) resulted from the substantial change in the currency base for currency derivatives

Details of all changes made to the measurement policies are presented in Note 2 4 "Accounting estimates and assumptions" (credit value adjustment)

4 5. Net loss from non-current financial assets

	2012 € million	2011 € million
Net income/loss from sale of AfS financial assets	−18 0	−28 1
Net income/loss from remeasurement of AfS financial assets	−1 2	−249 8
Net income/loss from equity investments and unconsolidated affiliated companies	0 5	−5 1
Net income/loss from sale of equity-accounted investments	0 0	−0 2
Total	**−18 7**	**−283 2**

The net loss from the sale of AfS financial assets was mainly due to losses on the sale of bonds amounting to €18 6 million (previous year loss of €28 1 million)

The prior-year net loss from the remeasurement of AfS financial assets was impacted by impairment losses of €243 8 million on Greek government bonds

The net loss from the remeasurement of AfS financial assets during the fiscal year comprised impairment losses on assets that had already been written down in previous years

4.6. Administrative expenses

	2012 € million	2011 € million
Employee expenses		
– Wages and salaries	29 2	37 7
– Social security contributions	3 9	4 2
– Expenses for pensions and other employee benefits	4 8	3 5
Other administrative expenses	32 5	37 9
Depreciation and amortisation of property and equipment, software and intangible assets	2 5	2 5
Administrative expenses	**72 9**	**85 8**

"Other administrative expenses" include payments from noncancellable operating leases amounting to €6 1 million (previous year €6 4 million) Details of minimum lease payments in the coming fiscal years can be found in Note 8 5 "Other financial obligations"

The decline in employee expenses is due to the substantial decrease in the size of the workforce

4.7. Net other operating income and expenses

	2012 € million	2011 € million
Other operating income		
– Income from the reversal of provisions	0 7	2 9
– Miscellaneous	10 8	21 7
Total other operating income	11 5	24 6
Other operating expenses		
– Miscellaneous	9 4	66 1
Total other operating expenses	9 4	66 1
Net other operating income and expenses	2 1	–41 5

Income from the reversal of the provision for restructuring in the private customers area in the amount of €4 9 million was reclassified from the "income from the reversal of provisions" item to the restructuring gain/loss

The "miscellaneous other operating income" item primarily comprises income from a subsidiary of €5 5 million (previous year €15 0 million), which consists of sales generated by its municipal business in the amount of €28 5 million (previous year €10 6 million) and changes in inventories in accordance with IAS 2 in the amount of €–23 0 million (previous year €4 4 million)

The "miscellaneous other operating expenses" item primarily consists of the addition to the provision for contributions to the DSGV's deposit protection scheme (€2 0 million) The prior-year "miscellaneous other operating expenses" item (€45 0 million) mainly comprised expenses in connection with settlement payments to the SVWL and RSGV reserve funds In addition, in the reporting period this item contained non-employee rescue expenses in the amount of €1 1 million (previous year €1 4 million), bank levy expenses of €0 7 million (previous year €3 3 million) and materials expenses of €4 3 million (previous year €13 3 million) relating to construction projects by consolidated subsidiaries

4.8. Restructuring gain/loss

	2012 € million	2011 € million
Income from the reversal of restructuring provisions	0 1	4 9
Restructuring income	0 1	4 9
– Current restructuring expense	–5 1	0 0
– Additions to restructuring provisions	–24 6	0 0
Restructuring expense	–29 7	0 0
Restructuring gain/loss	–29 6	4 9

Restructuring expenses in the amount of €29 7 million were recognised for the downsizing of WestImmo required in connection with the implementation of the European Commission's decisions on the WestLB Group and the hiving off of WestImmo to EAA

The 2011 restructuring gain was reclassified from net other operating income and expenses This relates to income from the reversal of a provision relating to the private customers area

A new "restructuring gain/loss" line item has been added compared with the previous year (see Note 2 2 "Changes in presentation and accounting policies" and Note 2 3 "Adjustments")

4 9 Income taxes

	2012 € million	2011 € million
Current income taxes	4 8	4 5
Deferred taxes	4 6	−15 1
Total	**9 4**	**−10 6**

The current taxes of €4 8 million recorded in the year under review (previous year €4 5 million) consisted of additions to provisions relating to an external audit of and current taxes for the subsidiary in Japan

The tax expense of €4 6 million incurred in connection with deferred taxes (previous year tax income of €15 1 million) results from the origination or reversal of temporary differences

The following table shows the reconciliation from the expected to the reported tax expense

	2012 € million	2011 € million
Loss before tax	−19 8	−167 2
Applicable tax rate (in %)	30	30
Expected income tax expense	**−5 9**	**−50 2**
Effect of different tax rates in the case of deferred taxes recognised in profit or loss	−0 6	−6 2
Effect of prior period taxes recognised in the fiscal year	0 1	1 1
Effect of change in tax rate	−0 3	1 8
Effect of non deductible operating expenses	1 3	0 2
Effect of tax-free income	−2 4	−0 1
Permanent effects relating to the balance sheet	1 3	−9 3
Effect of income taxed at different rates	1 9	0 9
Effect of write-downs/adjustments of carrying amounts	1 2	37 1
Effect of transfers of basis of measurement	9 8	14 1
Other effects	3 0	0 0
Income taxes	**9 4**	**−10 6**

The rounded income tax rate of 30 0 % applicable for the year under review (previous year 30 0 %) is composed of the 15 0 % corporation tax rate currently valid in Germany (previous year 15 0 %), the solidarity surcharge levied at 5 5 % (previous year 5 5 %) of the corporation tax and the effective trade tax rate of 15 4 % for current taxes (previous year 15 4 %)

The effect of write-downs/adjustments of carrying amounts comprises the effects of the reduction in deferred tax assets due to impairment losses in the current fiscal year Management's assessment of the recoverability of deferred tax assets is decisive for determining any impairment losses in relation to such assets This depends on whether future taxable profits will be generated during the periods in which tax measurement differences will reverse and tax loss carryforwards can be utilised The probability of deferred tax liabilities reversing and future taxable profits are taken into account

Loss carryforwards	**Corporation tax** **€ million**	**Trade tax** **€ million**
2006–2012	51 7	49 7

These loss carryforwards relate to the period prior to the consolidated tax group and were adjusted in accordance with the ongoing external audits of the WestImmo tax group for the years 2002–2005 and 2006–2008

English translation

5. Segment Reporting

5.1. Operating segment reporting

The WestImmo Group forecasts and manages its results at department level. The portfolios, results and resources of the individual departments are combined into the segments that represent the WestImmo Group's areas of business and activity.

Segment reporting is prepared in accordance with IFRS 8. The segments are recognised on the basis of the Westdeutsche ImmobilienBank Group's internal management system and reflect the business strategy and market presence of the departments and the functional cooperation between the organisational units. The internal management system uses consolidated figures from the Bank's external financial reporting. No adjustments are made.

The allowance for losses on loans and advances includes additions to and reversals of impairment losses on receivables, provisions for credit risks and direct write-offs of receivables, as well as recoveries on loans previously written off.

Administrative expenses include employee and non-employee expenses. As part of internal allocation, administrative expenses are distributed across the other business areas on the basis of actual costs, depending on their origin.

There were no measurement differences compared with the consolidated balance sheet and the consolidated income statement.

Segments in the Group

Investors	Equity investments	Private customers
Loans national/international Real estate joint ventures	Equity investments department	Private residential construction
Services	**Treasury**	
Central departments Income and expenses not directly attributable	Group refinancing Management of liquidity and interest rate risk Derivatives for real estate customers	

The following tables show the contribution by the individual segments to consolidated loss (loss before tax) for fiscal years 2012 and 2011.

Consolidated income statement (IFRS)	Investors[6] € million	Private customers € million	Treasury € million	Equity investments € million	Services € million	Group € million
Net interest income[1]						
2012	154 5	15 5	22 3	−0 8	0 0	191 5
2011	175 1	16 2	27 9	0 1	0 0	219 3
Allowance for losses on loans and advances						
2012	−52 8	−0 1	0 0	0 0	0 0	−52 9
2011	−42 0	−0 2	0 0	0 1	−0 3	−42 4
Net fee and commission income						
2012	12 8	−8 9	−0 8	0 0	−0 3	2 8
2011	14 6	−9 9	−0 9	0 1	−0 4	3 5
Net trading loss/income						
2012	0 0	0 0	−42 0	0 0	0 0	−42 0
2011	0 0	0 0	57 8	0 0	0 0	57 8
Net income form non-current financial assets						
2012	0 0	0 0	−19 2	0 5	0 0	−18 7
2011	−0 8	0 0	−270 9	−11 5	0 0	−283 2
Administrative expenses[2]						
2012	−28 7	−2 5	−1 3	−6 4	−31 5	−70 4
2011	−33 4	−2 8	−1 7	−2 6	−42 8	−83 3
Depreciation and amortisation						
2012	−0 2	0 0	0 0	0 0	−2 3	−2 5
2011	−0 2	0 0	0 0	0 0	−2 3	−2 5
Net other operating income and expenses						
2012	0 3	0 1	0 1	1 9	−0 3	2 1
2011	0 8	2 8	0 0	3 5	−48 6	−41 5
Restructuring gain/loss						
2012	−0 1	0 0	0 0	−1 7	−27 8	−29 6
2011	0 0	4 9	0 0	0 0	0 0	4 9
Profit/Loss before tax						
2012	**85 8**	**4 1**	**−40 9**	**−6 5**	**−62 2**	**−19 7**
2011	**114 1**	**11 0**	**−187 8**	**−10 3**	**−94 4**	**−167 4**
Income taxes[3]						
2012	0 0	0 0	0 0	0 0	0 0	−9 4
2011	0 0	0 0	0 0	0 0	0 0	10 6
Share of profit or loss of equity-accounted investments						
2012	−0 1	0 0	0 0	0 0	0 0	−0 1
2011	0 2	0 0	0 0	0 0	0 0	0 2
Profit/Loss after tax						
2012	**85 7**	**4 1**	**−40 9**	**−6 5**	**−62 2**	**−29 2**
2011	**114 3**	**11 0**	**−187 8**	**−10 3**	**−94 4**	**−156 6**
Carrying amount of equity accounted investments						
2012	0 4	0 0	0 0	0 0	0 0	0 4
2011	0 6	0 0	0 0	0 0	0 0	0 6
Segment assets						
2012	12,383 4	2,639 1	4,213 6	93 2	629 8	19,959 1
2011	15,125 1	3,025 8	4,826 7	126 4	611 4	23,715 4
Segment liabilities						
2012	550 9	123 2	17,563 2	96 9	717 4	19,051 6
2011	436 6	142 1	21,475 8	115 9	671 0	22,841 4
Allocated capital						
2012	733 3	0 5	80 2	0 3	57 7	872 0
2011	708 5	0 4	111 6	1 1	43 9	865 5
ROE in %[4]						
2012	8 3 %	>100 0	–	–	–	−1 9 %
2011	16 1 %	>100 0	–	–	–	−16 8 %
CIR in %[5]						
2012	17 3 %	37 3 %	–	–	–	47 2 %
2011	17 7 %	30 9 %	–	–	–	35 9 %

The cost/income ratio (CIR) and return on equity (RoE) for the Equity Investments segment were not disclosed, as they do not provide decision useful information

[1] Net interest income (excl share of profit or loss of equity accounted investments)
[2] Administrative expenses (excl depreciation and amortisation)
[3] Income taxes (incl deferred taxes)
[4] Return on equity (RoE) corresponds to the ratio of profit/loss before tax (before addition to reserves) to the average of the relevant equity components
[5] The cost/income ratio (CIR) corresponds to the ratio of administrative expenses to total income (before the allowance for losses on loans and advances)
[6] The Investors segment includes the agricultural portfolio

5 2 Regional segment reporting

The regional segment reporting shows the breakdown of the Group's key portfolio and earnings figures by region as at 31 December 2012 and 31 December 2011 The various components of the Group's segment reporting are allocated to regions by the domicile of the branches and subsidiaries that manage the portfolios or by the domicile of the respective representative office

by region	EU € million	EU excluding DE € million	DE € million	America € million	APAC € million	Group € million
Profit/Loss before tax *						
2012	-47 5	30 6	-78 1	34 5	-6 7	-19 7
2011	-202 3	41 7	-244 0	41 0	-6 1	-167 4
Segment assets						
2012	17,707 5	5,937 6	11,769 9	1,585 8	665 8	19,959 1
2011	20 815 5	6 678 6	14,136 9	1,910 4	989 5	23,715 4

* Profit/Loss before tax (net of share of profit or loss of equity accounted investments)

6. Balance Sheet Disclosures

6 1 Cash and balances with central banks

	31 Dec 2012 € million	31 Dec 2011 € million
Balances with central banks	53 5	91 7
Total	**53 5**	**91 7**

6 2 Loans and advances to banks

	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to banks		
– Loans	162 1	204 1
– Other receivables	390 2	617 4
Total	552 3	821 5
Of which		
– banks in Germany	349 3	584 1
– banks abroad	203 0	237 4

6 3 Loans and advances to customers

By counterparty	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to customers		
– Corporate customers	10,617 9	12,728 3
– Public sector entities	943 9	1,118 6
– Private customers	3,339 3	4,111 3
Total	**14,901 1**	17,958 2
On which		
– customers in Germany	7,849 6	9,543 2
– customers abroad	7,051 5	8,415 0

By transaction type	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to customers		
– Loans	14,901 1	17,958 2
Total	**14,901 1**	17,958 2
Of which		
– municipal loans	923 7	1,118 6
– loans secured by mortgages	8,934 3	10,331 2

6 4. Loan volume

	31 Dec 2012 € million	31 Dec 2011 € million
Loans to banks		
– Loans and receivables (LaR)	196 3	746 6
– Financial assets designated at fair value through profit or loss (FAaFVtPL)	27 1	64 1
Loans to customers		
– Loans and receivables (LaR)	14,882 1	17,958 2
– Financial assets designated at fair value through profit or loss (FAaFVtPL)	33 3	101 3
Contingent liabilities	361 2	591 1
Loan volume before allowance for losses on loans and advances	15,500 0	19,461 3
Allowance for losses on loans and advances/provisions	–301 2	–294 2
Loan volume after allowance for losses on loans and advances	**15,198 8**	19,167 1

In contrast to the "loans and advances to banks" and "loans and advances to customers" balance sheet items, the loan volume does not include money market transactions

6 5 Allowance for losses on loans and advances/ Provisions for contingent liabilities

The allowance for losses on loans and advances reported in the balance sheet is composed of the following items

	31 Dec 2012 € million	31 Dec 2011 € million
Allowance for losses on loans and advances	300 8	293 0
Provisions for contingent liabilities	0 4	1 2
Total	**301 2**	**294 2**

The following table shows the valuation allowances for loans and advances to customers that are classified as LaR

	31 Dec 2012 € million	31 Dec 2011 € million
Specific valuation allowances *	260 6	248 2
Collective valuation allowances	0 7	0 6
Portfolio-based valuation allowances	39 5	44 2
Total	**300 8**	**293 0**

* Of which for loans and advances abroad € 169 7 million (previous year € 148 6 million)

The allowance for losses on loans and advances changed as follows ın the year under revıew and ın the prevıous year

€ mıllion Component	Openıng balance at 1 Jan 2012	Addıtions	Reversals	Unwındıng	Exchange rate changes	Utılısatıon	Reclassı-fıcatıons	Closıng balance at 31 Dec 2012
Specıfıc valuatıon allowances	248 2	92 9	−32 4	−13 7	−4 9	−29 5	0 0	260 6
Collectıve valuatıon allowances – Agrıculture	0 5	0 0	0 0	0 0	0 0	0 0	0 0	0 5
Collectıve valuatıon allowances – Prıvate resıdentıal constructıon	0 1	0 1	0 0	0 0	0 0	0 0	0 0	0 2
Total collectıve valuatıon allowances	0 6	0 1	0 0	0 0	0 0	0 0	0 0	0 7
Portfolıo based valuatıon allowances	44 2	6 0	−10 7	0 0	0 0	0 0	0 0	39 5
Provısıons for contıngent lıabılıtıes	1 2	0 0	−0 8	0 0	0 0	0 0	0 0	0 4
Total	**294 2**	**99 0**	**−43 9**	**−13 7**	**−4 9**	**−29 5**	**0 0**	**301 2**

€ million Component	Openıng balance at 1 Jan 2011	Addıtions	Reversals	Unwındıng	Exchange rate changes	Utılısatıon	Reclassi-fıcatıons	Closıng balance at 31 Dec 2011
Specıfıc valuatıon allowances	239 5	99 5	−39 1	−12 2	6 0	−45 5	0 0	248 2
Collectıve valuatıon allowances – Agrıculture	0 4	0 0	−0 5	0 0	0 0	−0 4	1 0	0 5
Collectıve valuatıon allowances – Prıvate resıdentıal constructıon	0 0	0 1	0 0	0 0	0 0	0 0	0 0	0 1
Total collectıve valuatıon allowances	0 4	0 1	−0 5	0 0	0 0	−0 4	1 0	0 6
Portfolıo-based valuatıon allowances	55 6	23 8	−35 2	0 0	0 0	0 0	0 0	44 2
Provısıons for contıngent lıabılıtıes	2 4	0 1	−1 3	0 0	0 0	0 0	0 0	1 2
Total	**297 9**	**123 5**	**−76 1**	**−12 2**	**6 0**	**−45 9**	**1 0**	**294 2**

6.6. Fınancıal assets held for tradıng

	31 Dec 2012 € million	31 Dec 2011 € mıllıon
Posıtıve faır values from derıvatıve fınancıal ınstruments	1,527 3	1,249 1
Other fınancıal assets held for tradıng	172 4	176 5
Total	**1,699 7**	**1,425 6**

Fınancıal assets held for tradıng maınly comprıse posıtıve faır values from derıvatıve fınancıal ınstruments that do not qualıfy for hedge accountıng ın accordance wıth IAS 39 Other fınancıal assets held for tradıng comprıse loans subject to syndıcatıon requırements

6 7 Financial assets designated at fair value through profit or loss

	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to customers	33 3	101 3
Loans and advances to banks	27 1	64 1
Bonds and other fixed-income securities		
– Bonds and notes	53 0	53 3
Of which		
– publicly traded	53 0	53 3
– issued by public issuers	53 0	53 3
Total	**113 4**	**218 7**

Disclosures on the maximum exposure to credit risk for financial assets designated at fair value through profit or loss

	31 Dec 2012 € million	31 Dec 2011 € million
Maximum potential default amount for financial assets designated at fair value through profit or loss	113 4	218 7

Financial assets are those of prime-rated counterparties Credit derivatives were not entered into to reduce credit risks relating to financial assets designated at fair value through profit or loss

As in the previous years, there were no changes in the year under review in the value of loans and receivables designated at fair value through profit or loss attributable to changes in credit risk

6.8 Non-current financial assets

	31 Dec 2012 € million	31 Dec 2011 € million
AfS non-current financial assets		
– Bonds and other fixed-income securities	1,813 6	2,216 3
– Shares and other non-fixed-income securities	18 6	19 1
– Other investees	2 8	16 3
Shares in companies accounted for using the equity method	0 4	0 6
Investment Property	0 0	0 9
Total	**1,835 4**	**2,253 2**

The "bonds and other fixed-income securities" item exclusively comprises marketable securities € 1,813 5 million of this amount is listed (previous year € 2,216 1 million)

€ 1 4 million (previous year € 14 8 million) of the "other investees" item relates to shares in affiliated companies The changes compared with the previous year are primarily attributable to dividend payments in the amount of € 4 0 million and a capital reduction at the Montelucia Phoenix Inc subsidiary

6 9 Statement of changes in non-current financial assets

The following table shows the changes in certain non-current financial assets in fiscal years 2012 and 2011

€ million	Other investees	Shares in companies accounted for using the equity method	Investment property	Total
Historical cost				
Balance at 1 Jan 2012	73 1	1 7	2 7	77 5
Additions during fiscal year	0 5	0 0	0 0	0 5
Disposals during fiscal year	−17 9	−0 2	−2 7	−20 8
Reclassifications/changes in consolidated Group	0 0	0 0	0 0	0 0
Exchange differences	0 2	0 0	0 0	0 2
Balance at 31 Dec 2012	55 9	1 5	0 0	57 4
Fair value changes/Impairment				
Balance at 1 Jan 2012	−56 8	−1 1	−1 8	−59 7
Change in revaluation reserve	−4 4	0 0	0 0	−4 4
Amortization during fiscal year	−0 5	0 0	0 0	−0 5
Of which				
– Impairments	−0 5	0 0	0 0	−0 5
Reversals of impairment during fiscal year	0 0	0 0	0 0	0 0
Disposals during fiscal year	8 6	0 0	1 8	10 4
Reclassifications/changes in consolidated Group	0 0	0 0	0 0	0 0
Balance at 31 Dec 2012	−53 1	−1 1	0 0	−54 2
Carrying amount at 31 Dec 2012	2 8	0 4	0 0	3 2
Historical cost				
Balance at 1 Jan 2011	67 9	2 1	2 7	72 7
Additions during fiscal year	7 4	0 2	0 0	7 6
Disposals during fiscal year	−2 5	−0 6	0 0	−3 1
Reclassifications/changes in consolidated Group	0 0	0 0	0 0	0 0
Exchange differences	0 3	0 0	0 0	0 3
Balance at 31 Dec 2011	73 1	1 7	2 7	77 5
Fair value changes/Impairment				
Balance at 1 Jan 2011	−56 1	−1 1	−1 8	−59 0
Change in revaluation reserve	4 4	0 0	0 0	4 4
Amortization during fiscal year	−7 4	0 0	0 0	−7 4
Of which				
– Impairments	−7 4	0 0	0 0	−7 4
Reversals of impairment during fiscal year	0 0	0 0	0 0	0 0
Disposals during fiscal year	2 3	0 0	0 0	2 3
Reclassifications/changes in consolidated Group	0 0	0 0	0 0	0 0
Balance at 31 Dec 2011	−56 8	−1 1	−1 8	−59 7
Carrying amount at 31 Dec 2011	16 3	0 6	0 9	17 8

6 10. Property and equipment

	31 Dec 2012 € million	31 Dec 2011 € million
Land and buildings	0 9	1 0
Office and operating equipment	1 2	1 6
Total	**2 1**	**2 6**

6.11 Intangible assets

	31 Dec 2012 € million	31 Dec 2011 € million
Software		
– Internally generated	0 0	0 1
– Purchased	1 1	2 0
Total	**1 1**	**2 1**

Internally generated software is capitalised if the criteria defined in IAS 38 are met Intangible assets are amortised over a period of three to five years

6.12 Statement of changes in non-current assets (property and equipment and intangible assets)

The following table shows the changes in property and equipment and intangible assets in fiscal years 2012 and 2011

	Property and equipment		Intangible assets	
€ million	Land and buildings	Office and operating equipment	Internally generated	Purchased
Historical cost				
Balance at 1 Jan 2012	**3 2**	**11 7**	**1 2**	**28 1**
Additions during fiscal year	0 0	0 3	0 0	0 7
Disposals during fiscal year	0 0	−0 5	0 0	0 0
Exchange differences	0 0	0 0	0 0	0 0
Balance at 31 Dec 2012	**3 2**	**11 5**	**1 2**	**28 8**
Amortization				
Balance at 1 Jan 2012	**−2 2**	**−10 1**	**−1 1**	**−26 1**
Amortization during fiscal year	−0 1	−0 7	−0 1	−1 6
Reversals of impairment during fiscal year	0 0	0 0	0 0	0 0
Disposals during fiscal year	0 0	0 5	0 0	0 0
Exchange differences	0 0	0 0	0 0	0 0
Balance at 31 Dec 2012	**−2 3**	**−10 3**	**−1 2**	**−27 7**
Carrying amount at 31 Dec 2012	**0 9**	**1 2**	**0 0**	**1 1**

	Property and equipment		Intangible assets	
€ million	Land and buildings	Office and operating equipment	Internally generated	Purchased
Historical cost				
Balance at 1 Jan 2011	**3 2**	**12 5**	**1 2**	**27 5**
Additions during fiscal year	0 0	0 2	0 0	1 0
Disposals during fiscal year	0 0	−1 0	0 0	−0 4
Exchange differences	0 0	0 0	0 0	0 0
Balance at 31 Dec 2011	**3 2**	**11 7**	**1 2**	**28 1**
Amortization				
Balance at 1 Jan 2011	**−2 0**	**−10 4**	**−1 0**	**−24 6**
Amortization during fiscal year	−0 2	−0 7	−0 1	−1 5
Reversals of impairment during fiscal year	0 0	0 0	0 0	0 0
Disposals during fiscal year	0 0	1 0	0 0	0 0
Exchange differences	0 0	0 0	0 0	0 0
Balance at 31 Dec 2011	**−2 2**	**−10 1**	**−1 1**	**−26 1**
Carrying amount at 31 Dec 2011	**1 0**	**1 6**	**0 1**	**2 0**

6 13 Tax receivables

	31 Dec 2012 € million	31 Dec 2011 € million
Current tax receivables	0 2	0 2
Deferred tax assets	626 4	606 5
Total	**626 6**	**606 7**

Current tax receivables relate to taxes paid by WestImmo that are still to be credited

Deferred tax assets were recognised for the following balance sheet items

	31 Dec 2012 € million	31 Dec 2011 € million
Financial assets and liabilities held for trading	325 4	359 8
Non-current financial assets	2 7	19 3
Pension provisions	5 1	2 8
Other provisions	0 3	0 4
Other balance sheet items	292 9	224 2
Of which		
– derivative hedging instruments (fair value hedges)	71 7	75 3
Total	**626 4**	**606 5**

Deferred taxes were calculated using the 15 0% corporation tax rate (previous year 15 0%), the solidarity surcharge levied at 5 5% (previous year 5 5%) of the corporation tax and the effective trade tax rate of 15 4% (previous year 15 4%) Minor differences in the trade tax rate resulted from the different rates levied by local authorities

No tax receivables were charged to the revaluation reserves in respect of deferred taxes in the fiscal year (previous year €57 1 million), since they were written off in their entirety in the amount of €16 8 million Deferred tax assets in the amount of €2 4 million were recognised for actuarial gains and losses on pension obligations (previous year €1 5 million)

6.14. Other assets

	31 Dec 2012 € million	31 Dec 2011 € million
Prepaid expenses	0 7	1 0
Other assets		
– Inventories	33 9	54 4
– Trade receivables	24 3	24 9
– Miscellaneous other assets	22 9	225 2
Total	**81 8**	**305 5**

Other assets as at 31 December 2012 decreased by €223 7 million year-on-year This was due mainly to the offsetting of the loss from WestImmo's single-entity financial statements by WestLB/Portigon AG (€203 2 million, reported under "miscellaneous other assets") Prepaid expenses relate primarily to interest prepayments from syndicated loans

Borrowing costs amounting to €0 9 million (previous year €0 9 million) were capitalised in the period under review The interest rates for the capitalised borrowing costs were between 0 51 % and 3 35 % in 2012, and between 1 69 % and 3 35 % in 2011

6.15 Deposits from banks

	31 Dec 2012 € million	31 Dec 2011 € million
Deposits from domestic banks	1,961 3	3,173 0
Deposits from foreign banks	73 9	73 0
Total	**2,035 2**	**3,246 0**

6.16. Deposits from customers

	31 Dec 2012 € million	31 Dec 2011 € million
Corporate customers	6,145 5	6,599 8
Public sector entities	1,386 4	160 5
Private customers	3 8	2 7
Total	7,535 7	6,763 0
Of which		
– customers in Germany	7,487 4	6,676 8
– customers abroad	48 3	86 2

6.17 Securitised liabilities

	31 Dec 2012 € million	31 Dec 2011 € million
Negative fair values of derivative financial instruments	4,937 6	8,134 3
Total	**4,937 6**	**8,134 3**

6.18. Financial liabilities held for trading

	31 Dec 2012 € million	31 Dec 2011 € million
Negative fair values of derivative financial instruments	1,178 2	1,317 6
Total	**1,178 2**	**1,317 6**

Financial liabilities held for trading exclusively comprise negative fair values from derivative financial instruments that do not qualify for hedge accounting in accordance with IAS 39 (economic hedging relationships)

6.19. Liability recognised for fair value changes of hedged items in portfolio hedge

	31 Dec 2012 € million	31 Dec 2011 € million
The changes in the present value of pension obligations and in plan assets, including the relevant calculation parameters, were as follows	0 4	0 5

This balance sheet item contains the fair value changes to be amortised to profit or loss of hedged liability items that were previously allocated to portfolio fair value hedge accounting Portfolio hedge accounting was discontinued in November 2008

6 20 Financial liabilities designated at fair value through profit or loss

	31 Dec 2012 € million	31 Dec 2011 € million
Deposits from banks	74 8	74 5
Deposits from customers	2,036 8	2 009 1
Financial liabilities designated at fair value through profit or loss	**2,111 6**	**2,083 6**

Additional disclosures on financial liabilities designated at fair value through profit or loss

	31 Dec 2012 € million	31 Dec 2011 € million
Difference between carrying amounts and agreed settlement amounts on maturity of financial liabilities designated as at fair value through profit or loss	275 1	187 0
Expenses in the period from credit risk-related changes in value of financial liabilities designated at fair value through profit or loss	−2 9	33 0
Cumulative net income/loss from credit risk-related changes in value of financial liabilities designated at fair value through profit or loss	33 0	35 9

Credit risk-related changes of €−2 9 million (previous year €33 0 million) was recorded in the value of liabilities designated at fair value that are categorised as financial liabilities measured at amortised cost (FLAC), apart from the effects attributable to market conditions, such as changes in market interest rates and the widening of credit spreads observed on the market As in the previous year, market-related changes in the credit spread of own liabilities designated at fair value did not result in any effects

6 21. Provisions

Presented by type of provision

	31 Dec 2012 € million	31 Dec 2011 € million
Provisions for pensions and similar obligations	41 9	25 9
Provisions for credit risks	0 4	1 2
Provisions for employee expenses	1 9	4 0
Restructuring provisions	23 9	2 6
Provisions for investment risks	8 9	9 0
Other provisions	10 9	30 7
Total	**87 9**	**73 4**

Provisions for investment risks chiefly comprise provisions for project risks at unconsolidated subsidiaries and investees

The majority of the Bank's current and former employees are covered by defined benefit pension plans that provide for old age pensions as well as surviving dependent and permanent disability benefits The benefits to be provided are usually based on the employee's length of service and remuneration Pension obligations are financed by recognising provisions

In addition, pension provisions of €0 8 million are included for employees of the London branch for the first time The amount of the obligation is based on an actuarial assessment This obligation exists in respect of Portigon AG

The following calculation parameters and assumptions were used to determine the present value of obligations

	31 Dec. 2012 € million	31 Dec 2011 € million
Discount rate	3 60	5 50
Salary trend	2 50	2 50
Pension trend	2 00	2 00
Staff turnover rate	3 00	3 00

The following amounts were recognised in the balance sheet for defined benefit pension obligations

	31 Dec. 2012 € million	31 Dec 2011 € million
Present value of obligations funded by provisions	41 1	25 9
Net obligation reported in the balance sheet	**41 1**	**25 9**

The changes in the present value of pension obligations and in plan assets, including the relevant calculation parameters, were as follows

	2012 € million	2011 € million
Changes in present value of obligations		
Present value of obligations at 1 Jan	25 9	25 9
Current services cost	1 1	1 3
Interest cost	1 4	1 3
Pension payments from provisions	–0 8	–0 9
Actuarial gains and losses	13 5	–1 7
Present value of obligations at 31 Dec	**41 1**	**25 9**

The cost of defined benefit pension plans recognised in administrative or interest expenses in the income statement and other pension expenses are composed of the following items

	2012 € million	2011 € million
Current service cost	–1 1	–1 3
Interest cost	–1 4	–1 3
Total	**–2 5**	**–2 6**

The following overview shows the changes in the present value of obligations, plan assets, the net obligation reported in the balance sheet and actuarial gains (–) and losses (+) for the year under review as well as the four previous reporting periods

	31 Dec 2012 € million	31 Dec 2011 € million	31 Dec 2010 € million	31 Dec 2009 € million	31 Dec 2008 € million
Present value of obligations	41 1	25 9	25 9	21 3	20 3
Plan assets	0 0	0 0	0 0	0 0	1 2
Net obligation reported	41 1	25 9	25 9	21 3	19 1
Actuarial gains and losses	13 5	–1 7	3 2	–0 7	–2 9

Other provisions changed as follows in fiscal year 2012

Mio €	Provisions for credit risks	Provisions for employee expenses	Restructuring provisions	Provisions for investment risks activities	Other provisions	Total
Balance at 1 Jan 2012	**1 2**	**4 0**	**2 6**	**9 0**	**30 7**	**47 5**
Additions	0 0	1 3	24 6	0 1	0 8	26 8
Reversals	–0 8	–4 2	–0 1	–0 5	–0 1	–5 7
Other reclassifications	0 0	2 4	–2 4	0 0	0 0	0 0
Utilisation	0 0	–1 6	0 0	0 0	–20 5	–22 1
Effect of the time value of money	0 0	0 0	–0 8	0 3	0 0	–0 5
Balance at 31 Dec 2012	**0 4**	**1 9**	**23 9**	**8 9**	**10 9**	**46 0**

Provisions for employee expenses comprise provisions for bonuses Other provisions relate mainly to provisions for litigation risks, jubilee provisions and leases

The expected maturities in accordance with IAS 37 85 are a maximum of two years for provisions for litigation costs, a maximum of five years for provisions for equity investments, a maximum of two years for provisions for employee expenses and eight years for restructuring provisions Provisions for pensions and similar obligations have an average duration of 25 years All other provisions are due within one year

WestImmo increased its restructuring provisions to €23 9 million for downsizing measures (workforce adjustments, downsizing and vacancy costs) required in connection with the implementation of the European Commission's decisions on the WestLB Group and the hiving off of the Bank to EAA

6.22. Tax liabilities

	31 Dec 2012 € million	31 Dec 2011 € million
Current tax payables	3 1	8 5
Deferred tax liabilities	626 4	589 1
Total	**629 5**	**597 6**

Current tax payables are attributable to the recognition of provisions relating to external audits and the Japanese subsidiary

Deferred tax liabilities were recognised in connection with the following items

	31 Dec 2012 € million	31 Dec 2011 € million
Financial assets and liabilities held for trading	442 5	359 8
Non-current financial assets	50 9	48 2
Other balance sheet items	133 0	181 1
Of which		
– derivative hedging instruments (fair value hedges)	105 2	81 6
Total	**626 4**	**589 1**

6.23. Other liabilities

	31 Dec 2012 € million	31 Dec 2011 € million
Deferred income	0 9	1 4
Liabilities from profit/loss transfer agreements	0 5	0 0
Miscellaneous liabilities		
– Trade payables	43 9	37 9
– Other miscellaneous liabilities	24 3	24 6
Total	**69 6**	**63 9**

The "trade payables" item primarily relates attributable to obligations relating to advance payments received by subsidiaries (€43 9 million, previous year €37 9 million)

"Other miscellaneous liabilities" mainly comprise prepaid expenses (€12 7 million, previous year €7 4 million), tax liabilities (€1 6 million, previous year €1 8 million) and various individual items with an average volume of under €2 0 million in each case

6.24 Subordinated capital

	31 Dec 2012 € million	31 Dec 2011 € million
Subordinated liabilities	211 0	234 0
Pro rata interest on subordinated liabilities	5 6	6 0
Profit participation certificates outstanding	0 0	51 0
Pro rata interest on profit participation certificates outstanding	0 0	3 3
Total	**216 6**	**294 3**

The following subordinated liability accounts for more than 10 0 % of all subordinated liabilities

Currency	Carrying amount € million	Notional value € million	Interest rate	Maturity
EUR	126 5	125 0	4 8	2003–2013

There is no early repayment obligation The conversion of these funds into capital or another form of debt is neither agreed nor planned

The subordinated liabilities entered into by WestImmo comply with the requirements of section 10 (5a) of the Kreditwesengesetz (KWG – German Banking Act) Subordinated liabilities with a notional value of € 188 9 million (previous year € 211 8 million) have a residual maturity of less than two years, which means that only 40 % are reported as own funds as defined by the KWG No extraordinary call rights have been agreed Interest expenses of € 11 5 million relating to subordinated liabilities were incurred in the year under review (previous year € 11 5 million)

The original maturities of the subordinated liabilities are between 10 and 15 years (average 13 years)

Subordinated profit participation certificates were redeemed when they fell due in the reporting period

Interest expenses of € 1 9 million relating to profit participation certificates outstanding were incurred in the year under review (previous year € 9 3 million)

6.25. Equity

The subscribed capital of WestImmo as at 31 December 2012 amounted to € 400 0 million (previous year € 400 0 million) It is composed of 4 0 million registered shares The notional interest in the share capital is € 100 00 per no-par value share All shares carry the same voting rights Erste Abwicklungs-anstalt, Dusseldorf, (EAA) is the sole shareholder, with a 100 0 % interest The additional capital contributions contained in the capital reserves were unchanged, at € 443 4 million

Equity is composed of the following items

	2012 € million	2011 € million
Subscribed capital	400 0	400 0
Capital reserves	443 4	443 4
Retained earnings	187 6	217 3
Revaluation reserve (after deferred taxes)	-116 2	-191 3
Actuarial gains and losses on pension obligations (after deferred taxes)	-6 3	3 3
Currency translation reserve	1 5	3 7
Total equity	910 0	876 4
Non controlling interests	-2 5	-2 4
Total after minority interest	**907 5**	**874 0**

Unrealised gains and losses on the remeasurement of AfS financial instruments in the amount of €-116 2 million (previous year €-208 1 million) are reported in the revaluation reserve as at 31 December 2012 The change of € 75 1 million in the revaluation reserve relates to the improvement in credit spreads, in particular for bonds issued by the PIIGS countries, as well as the transfer of negative changes in value to the income statement and the change in the offsetting effects of deferred taxes The revaluation reserve before deferred taxes increased by € 73 3 million in the period under review (previous year decrease of € 243 5 million) as a result of changes in fair value In addition, the loss of € 18 6 million on the sale of available-for-sale financial assets (previous year loss of € 28 1 million) was transferred from the revaluation reserve before deferred taxes to the income statement No impairment losses on available-for-sale financial assets had to be reclassified to the income statement in 2012 (previous year impairment loss of € 243 8 million) No further offsetting effects from deferred taxes were recognised for the revaluation reserve in 2012 (previous year 16 8 million), since these were written off in their entirety

Actuarial gains and losses on pension obligations in the amount of €-8 7 million (previous year €4 8 million) are reported as at 31 December 2012 Offsetting effects from deferred taxes for actuarial gains and losses amounting to € 2 4 million were recognised as at 31 December 2012 (previous year €-1 5 million)

Capital management is governed by legal and company-specific requirements WestImmo's capital requirements are subject to the provisions of the KWG and the Solvabilitatsverordnung (SolvV – German Solvency Regulation), which require banks to hold capital covering at least 8 % of their risk-weighted assets A bank's capital (own funds) includes its share capital, general reserves, the fund for general banking risks in accordance with section 340g of the HGB, as well as Tier II capital in the form of free contingency reserves in accordance with section 340f of the HGB and subordinated liabilities, less any deductible items WestImmo's subordinated liabilities included in the regulatory capital meet the requirements for eligibility pursuant to the KWG

During the year under review, the WestImmo Group's capital adequacy was consistently well in excess of the figure stipulated by law, amounting to 12 5 % as at 31 December 2012 (annual low 10 5 %, annual high 12 5 %)

Starting with the minimum regulatory capital requirements and taking into account the strategic capital requirements defined by the Bank with a total capital ratio of at least 9 5 %, the Bank's short-term and medium-term capital requirements are planned as part of the annual budgeting process and adjusted as required The Board Administrative Staff/Controlling and Treasury departments are responsible for managing the Bank's capital requirements These requirements are monitored continuously as part of the regular reporting to the Bank's governing bodies

Please refer to the Risk Report contained in the Management Report for information on risk management and on economic capital as a standard measure of the overall bank risk with the relevant risk types

Retained earnings are composed of the following items

	31 Dec 2012 € million	31 Dec 2011 € million
Reserves provided for by the articles of association	11 7	11 7
Other retained earnings	175 9	205 6
Total	**187 6**	**217 3**

Other retained earnings contain the Group's retained profits including cumulative amounts from consolidation adjustments recognised in profit or loss and taken directly to equity, as well as measurement effects from the transition to IFRSs at 1 January 2005 that were reported for the first time in accordance with IFRSs

The consolidated loss for the period will be appropriated as follows

	2012 € million	2011 € million	Change € million	 %
Consolidated loss/consolidated profit	**−29 2**	**−156 6**	**127 4**	**−81 4**
Profits (−)/losses (+) attributable to non-controlling interests	0 0	−0 5	0 5	<−100
Loss absorption by the owner (+)/ Distribution to the shareholder (−)	−0 5	203 2	−203 7	>−100
Retained earnings	**−29 7**	**46 1**	**−75 8**	**>−100**

In the course of the change of ownership, the existing profit and loss transfer agreement with WestLB/Portigon AG was transferred to the new shareholder, EAA €0 5 million was transferred by WestImmo to EAA on the basis of this agreement This corresponds to a dividend of €0 13 per share The accounting losses of €203 2 million incurred in the previous year were absorbed by WestLB/Portigon AG

The appropriations to reserves provided for by the articles of association were discontinued following signature of the profit/loss transfer agreement Profits and losses attributable to non-controlling interests relate to non-controlling interests in the profit and loss for the period of fully consolidated subsidiaries Losses amounting to €0 1 million (rounded) were attributable to non-controlling interests in the reporting period In order to ensure consistent and comparable presentation in the annual report as a whole in view of the rounding convention to the nearest million €, this amount has been stated as €0 0 million

Please refer to the disclosures on the Statement of Changes in Equity for more information on equity transaction data

7. Financial Instruments Reporting

71 Income components of selected financial instruments

Interest income and interest expense calculated using the effective interest method for financial instruments that are classified in accordance with IAS 39 9 and are not measured at fair value through profit or loss can be broken down as follows

	2012 € million	2011 € million
Interest income from		
– loans and receivables (LaR)	603 9	710 3
– Available for Sale Financial Assets (AfS)	51 6	78 6
Total	**655 5**	788 9
Interest expense from		
– financial liabilities measured at amortised cost (FLAC)	454 9	560 1
Total	**454 9**	**560 1**

Interest income of €13 7 million was recognised for impaired financial assets (previous year €12 2 million)

In the year under review, €16 8 million (previous year €19 2 million) of the total fee and commission income of €17 1 million (previous year €19 5 million) related to financial assets not measured at fair value through profit or loss As in the previous year, fee and commission expense amounting to €14 3 million (previous year €16 0 million) is attributable in full to financial assets and financial liabilities not measured at fair value through profit or loss

The following table of carrying amounts within the meaning of IFRS 7 8 shows net gains and net losses on financial assets and financial liabilities classified in accordance with IAS 39 9 (IFRS 7 20 [a])

	2012 Carrying amounts € million	2012 Net gains/losses recognised in profit or loss € million	2011 Carrying amounts € million	2011 Net gains/losses recognised in profit or loss € million
Financial assets				
Financial assets held for trading (HfT)	1,699 7	181 6	1 425 6	402 5
Financial assets designated as at fair value through profit or loss (DuiR)	113 4	–2 3	218 7	–4 3
Loans and receivables (LaR)	15,152 6	–52 9	18,486 7	–42 4
Available-for-sale financial assets (AfS)	1,835 0	–18 7	2 251 7	–283 0
Financial liabilities				
Financial liabilities held for trading (HfT)	1,178 2	–124 8	1,317 6	–232 8
Financial liabilities designated as at fair value through profit or loss (DuiR)	2,111 6	–95 0	2,083 6	–109 0
Other financial liabilities (FLAC)	14,725 1	0 0	18,437 6	0 0

No interest income or interest expense and no current income or expense is included in the presentation of net gains and net losses on financial instruments The presentation above does not include measurement results from hedging derivatives and hedged items that are accounted for using hedge accounting in accordance with IAS 39 These are reported separately in the Notes Please see the presentation of the profit/loss from hedges in accordance with IAS 39 contained in Note 4 1 "Net interest income" In addition, the net foreign exchange loss of €1 6 million (previous year foreign exchange gain of €1 4 million) was not taken into account

Net gains and net losses include fair value changes recognised in profit or loss, disposal gains and losses, as well as impairment losses and reversals of impairment losses recognised in profit or loss Please see Note 4 2 "Allowance for losses on loans and advances" for details of the impairment losses charged on loans and receivables (LaR) in the 2012 fiscal year

The presentation was adjusted compared with the previous year (see Note 2 3 "Adjustments")

7.2 Fair value of financial instruments

In accordance with IAS 39, fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

If there is an active market, WestImmo estimates the fair value of financial instruments using market prices or other price quotations This applies principally to exchange-traded securities and derivatives and to exchange-traded debt instruments WestImmo calculates the fair value of the majority of OTC derivatives and unlisted financial instruments for which no quoted prices in active markets are available using standard discounted cash flow or other valuation techniques using data based on quoted market prices In the case of a small number of financial instruments, fair value cannot be estimated directly using quoted market prices or indirectly using valuation techniques supported by observable market prices or other price quotations In such cases, fair value is estimated using realistic estimates and assumptions based on market conditions

All valuation techniques are rigorously examined before they are used as a basis for financial reporting The techniques used are also tested regularly over time

WestImmo is satisfied that the fair values both of financial instruments measured at fair value and of financial instruments accounted for at amortised cost, for which fair value serves merely as a comparative measure, are appropriate and correspond to the underlying economic circumstances

	Fair value		Carrying amount		Difference	
	31 Dec 2012 € million	31 Dec 2011 € million	31 Dec 2012 € million	31 Dec 2011 € million	31 Dec 2012 € million	31 Dec 2011 € million
Assets						
Cash and balances with central banks	53 5	91 7	53 5	91 7	0 0	0 0
Loans and advances to banks	555 9	827 3	550 9	821 5	5 0	5 8
Loans and advances to customers	15,135 5	18,118 9	14,601 7	17,665 2	533 8	453 7
Financial assets held for trading	1,699 7	1,425 6	1,699 6	1,425 6	0 1	0 0
Positive fair values of derivative hedging instruments	392 9	322 6	392 9	322 6	0 0	0 0
Financial assets designated at fair value through profit or loss	113 4	218 7	113 4	218 7	0 0	0 0
Non-current financial assets	1,835 0	2,251 7	1,835 0	2,251 7	0 0	0 0
Total	**19,785 9**	**23,256 5**	**19,247 0**	**22,797 0**	**538 9**	**459 5**
Liabilities						
Deposits from banks	2,055 4	3,260 4	2,035 2	3,246 0	20 2	14 4
Deposits from customers	7,878 2	7,003 9	7,535 7	6,763 0	342 5	240 9
Securitised liabilities	4,970 6	8,124 8	4,937 6	8,134 3	33 0	-9 5
Financial liabilities held for trading	1,178 2	1,317 6	1,178 2	1 317 6	0 0	0 0
Negative fair values of derivative hedging instruments	249 3	267 2	249 3	267 2	0 0	0 0
Liability recognised for fair value changes of hedged items in portfolion hedge of interest rate risk	0 4	0 5	0 4	0 5	0 0	0 0
Financial liabilities designated at fair value through profit or loss	2,111 6	2,083 6	2,111 6	2,083 6	0 0	0 0
Subordinated capital	221 9	301 2	216 6	294 3	5 3	6 9
Total	**18,665 6**	**22,359 2**	**18,264 6**	**22,106 5**	**401 0**	**252 7**

The net difference between the carrying amounts and full fair values of all items as at 31 December 2012 amounted to a positive €137 9 million (unrealised positive fair value increment or "hidden reserve"), previous year hidden reserve of €206 8 million

Effects of day-one gains and losses on the income statement

WestImmo estimates the fair value of financial instruments that are not traded in an active market using established valuation techniques and methods on the basis of observable, independent market data As a rule, the best evidence of fair value at initial recognition is the transaction price Any difference between the transaction price and the value calculated using a technique must be recognised in the income statement Differences between the transaction price and the valuation at the initial trade date arise primarily as a result of intraday market fluctuations between the time of the transaction and the time at which the market data are collected As a rule, differences between the transaction price and the fair values estimated on the basis of market data are insignificant and balance out statistically Day-one gains and losses do not have a significant effect on the income statement

7.3. Derivative financial instruments

Derivative financial instruments are financial instruments whose value is derived from changes in the value of one or more underlying assets (underlyings). As a rule, the underlying is an interest rate, a commodity price, an index, equity, or bond price, or an exchange rate. Derivatives can be entered into as contracts on an exchange with standardised notional amounts and settlement dates, or OTC (over the counter) with individually agreed notional amounts, terms and prices (OTC derivatives).

WestImmo enters into the following types of derivative transactions in the course of its business activities:

- **Interest rate forward transactions**
  Interest rate swaps, interest rate options, swaptions, interest rate caps, interest rate floors, interest rate collars

- **Currency forward transactions**
  Currency forwards, currency swaps

- **Combined interest rate and currency forward transactions**
  Cross-currency swaps

The notional amount denotes the contract volume traded by the Group. It serves as a basis for determining the change in the fair value of the derivative and as a reference parameter for the mutually agreed cash settlements (e.g. interest payments from interest rate swaps), but does not represent any recognisable asset or liability. Derivatives are carried at their positive or negative fair values in the balance sheet. The fair values correspond to the costs that the Group or the counterparty would incur to replace the transactions.

The Group uses derivatives for hedging purposes. The derivatives entered into for hedging purposes are mainly used to manage and limit interest rate, currency and other price risks. Due to the provisions of IAS 39, the economic hedging relationships cannot be recognised in full in the IFRS consolidated financial statements either by using hedge accounting or by applying the fair value option.

Hedging derivatives for which hedge accounting under IAS 39 is used are reported in the "positive fair values of derivative hedging instruments" and "negative fair values of derivative hedging instruments" balance sheet items, and all others are reported as "financial assets held for trading" or "financial liabilities held for trading". Changes in the fair value of derivatives are recognised in net trading loss/income. In the case of derivatives that qualify for hedge accounting in accordance with IAS 39, the fair value changes attributable to the hedged risk are recognised in net interest income (profit/loss from hedges). As at 31 December 2012, recognised hedging relationships under IAS 39 consisted almost exclusively of interest rate swaps with a notional amount of €5,089.6 million (previous year: €7,108.5 million) that were reported in positive fair values of derivative hedging instruments (€3,118.1 million, previous year: €4,567.6 million) and negative fair values of derivative hedging instruments (€1,971.5 million, previous year: €2,540.9 million).

The portfolio of derivative financial instruments is composed of the following items

Presentation of volumes at reporting date

€ million	Notional amounts		Positive fair values		Negative fair values	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Interest rate products						
Interest rate swaps	20,947 7	25,121 6	1,810 4	1 537 4	1,052 3	1,053 8
Interest rate options	928 5	1,201 7	0 3	6 3	358 7	328 0
– Calls	(10 0)	(115 0)	(0 3)	(6 3)	(0 0)	(0 0)
– Puts	(918 5)	(1,086 7)	(0 0)	(0 0)	(358 7)	(328 0)
Caps, floors	626 8	594 3	2 5	2 6	2 2	2 6
Interest rate products total	**22,503 0**	**26,917 6**	**1,813 2**	**1,546 3**	**1,413 2**	**1,384 4**
Currency products						
Currency forwards	1,798 8	3,124 6	62 5	18 5	9 6	98 6
Currency swaps	3,078 5	3,295 2	42 1	4 6	2 8	82 7
Currency products total	**4,877 3**	**6,419 8**	**104 6**	**23 1**	**12 4**	**181 3**
Cross-currency products						
Cross-currency swaps	12 7	83 3	2 4	2 3	1 9	19 1
Cross-currency products total	**12 7**	**83 3**	**2 4**	**2 3**	**1 9**	**19 1**
Derivative transactions total	**27,393 0**	**33,420 7**	**1,920 2**	**1,571 7**	**1,427 5**	**1,584 8**

Derivative transactions – Counterparty structure

€ million	Notional amounts		Positive fair values		Negative fair values	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
OECD banks	17,953 9	27,445 2	992 8	1,150 1	1,077 0	1 544 9
Customers (incl exchange traded contracts)	4,402 6	5,237 6	360 3	362 8	4 0	17 0
Public sector entities	5,036 5	737 9	567 1	58 8	346 5	22 9
Total	**27,393 0**	**33,420 7**	**1,920 2**	**1,571 7**	**1,427 5**	**1,584 8**

Derivative transactions (notional amounts) – Maturity structure

Notional amounts	**Interest rate products**		**Currency products**		**Cross-currency products**	
€ million	**31 Dec 2012**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**
up to 3 months	750 8	595 0	1,214 8	2,140 6	0 0	5 9
3 months to 1 year	3,033 6	3,019 5	1,503 7	1,298 2	0 0	64 2
1 to 5 years	13,228 6	14,115 2	2,052 5	2,578 7	0 0	0 0
more than 5 years	5,490 0	9,187 9	106 3	402 3	12 7	13 2
Total	**22,503 0**	**26,917 6**	**4,877 3**	**6,419 8**	**12.7**	**83 3**

Maturity structure of derivatives 2012

€ million	Payable on demand	up to 3 months	3 months to 1 year	1 to 5 years	more than 5 years
Positive fair values					
Possible inflow (+)/outflow (–) of funds from derivative financial instruments					
Gross settlement amount on the basis of undiscounted cash flows (cross currency swaps, currency forwards)	0 0	40 6	24 8	15 0	0 6
– of which inflow	0 0	923 3	1,279 8	1,649 1	3 8
– of which outflow	0 0	–882 7	–1,255 0	–1,634 1	–3 2
Net settlement amount on the basis of undiscounted cash flows (swaps) – inflow	0 0	97 0	284 2	953 3	653 6
Net settlement amount on the basis of fair values (other derivatives) – inflow	0 0	0 3	0 0	1 8	0 7
Negative fair values					
Possible inflow (+)/outflow (–) of funds from derivative financial instruments					
Gross settlement amount on the basis of undiscounted cash flows (cross-currency swaps, currency forwards)	0 0	–4 0	–3 4	–6 0	–0 5
– of which inflow	0 0	294 7	168 9	391 6	3 2
– of which outflow	0 0	–298 7	–172 3	–397 6	–3 7
Net settlement amount on the basis of undiscounted cash flows (swaps) – outflow	0 0	–58 5	–232 6	–612 4	–192 2
Net settlement amount on the basis of fair values (other derivatives) – outflow	0 0	–1 9	–5 5	–291 5	–62 0

Maturity structure of derivatives 2011

€ million	Payable on demand	up to 3 months	3 months to 1 year	1 to 5 years	more than 5 years
Positive fair values					
Possible inflow (+)/outflow (–) of funds from derivative financial instruments					
Gross settlement amount on the basis of undiscounted cash flows (cross currency swaps, currency forwards)	0 0	13 8	2 9	1 2	0 7
– of which inflow	0 0	656 0	46 2	391 6	178 3
– of which outflow	0 0	–642 2	–43 3	–390 4	–177 6
Net settlement amount on the basis of undiscounted cash flows (swaps) – inflow	0 0	78 9	172 1	909 5	635 6
Net settlement amount on the basis of fair values (other derivatives) – inflow	0 0	0 0	0 0	7 3	1 6
Negative fair values					
Possible inflow (+)/outflow (–) of funds from derivative financial instruments					
Gross settlement amount on the basis of undiscounted cash flows (cross-currency swaps, currency forwards)	0 0	–55 1	–62 8	–110 4	–8 3
– of which inflow	0 0	1,669 9	1,371 2	2,245 3	247 0
– of which outflow	0 0	–1,725 0	–1 434 0	–2,355 7	–255 3
Net settlement amount on the basis of undiscounted cash flows (swaps) – outflow	0 0	–50 8	–173 7	–683 8	–217 9
Net settlement amount on the basis of fair values (other derivatives) – outflow	0 0	–4 5	–12 0	–224 1	–90 0

The maturities given assume that the Bank will continue the transaction up to the contractually agreed end (or the exercise date in the case of options)

In addition to payments for the fixed swap leg, the figures presented that are based on undiscounted cash flows (swaps) include the net amount of the cash flows for the variable part calculated for the future by creating a forward Actual future fixings may differ substantially from the forwards calculated as at 31 December 2012 and hence lead to completely different net cash flows This can mean that a transaction that is reported in the "positive fair values" item at the balance sheet date switches to the "negative fair values" item and back again several times in the period up to its maturity

The transactions listed that are based on fair values (other derivatives) are options whose fair value at the exercise date was presented as at 31 December 2012 These payments will only occur if the fair value of these options does not change over time

7 4 Fair values of derivative hedging instruments

	31 Dec 2012 € million	31 Dec 2011 € million
Positive fair values from micro fair value hedge accounting	392 9	322 6
Negative fair values from micro fair value hedge accounting	249 3	267 2

This item comprises positive and negative fair values of derivatives that are deployed for hedging and qualify for use in hedge accounting in accordance with IAS 39 The Bank almost exclusively uses interest rate swaps as hedging instruments

7.5. Fair value hierarchy

In accordance with IFRS 7 27B, the level of the measurement hierarchy at which the fair value was determined – graded by the relevance of the inputs – must be disclosed using quantitative information for each class of financial instrument that is recognised in the balance sheet at fair value This enables the significance of the input to be assessed in relation to the fair value in its entirety

- Level 1 – quoted price in an active market for the instrument in question
- Level 2 – quoted price in an active market for similar assets or liabilities or other valuation techniques for which significant inputs are based on observable market data
- Level 3 – valuation techniques for which significant inputs are not based on observable market data

The financial instruments measured at fair value at WestImmo are primarily in Levels 1–2 Details of the financial instruments that were allocated to Level 3 can be found in Note 7 7 "Reconciliation of Level 3 financial instruments"

Material changes in the procedure used to determine the fair values of certain derivative financial instruments were made in fiscal year 2012 Details of the changes to the procedures are presented in Note 2 4 "Accounting estimates and assumptions"

31 Dec 2012	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Balance sheet item				
Financial assets held for trading (non-derivative)	0 0	0 0	172 4	172 4
Financial assets held for trading (derivative)	0 0	1,527 1	0 2	1,527 3
Positive fair values of derivative hedging instruments	0 0	392 9	0 0	392 9
Financial assets designated at fair value through profit or loss	52 9	60 5	0 0	113 4
Available for-sale financial assets	806 9	996 8	31 3	1,835 0
Total	**859 8**	**2,977 3**	**203 9**	**4,041 0**
Financial liabilities held for trading (derivative)	0 0	1,178 2	0 0	1,178 2
Negative fair values of derivative hedging instruments	0 0	249 3	0 0	249 3
Financial liabilities designated at fair value through profit or loss	0 0	2,111 6	0 0	2,111 6
Total	**0 0**	**3,539 1**	**0 0**	**3,539 1**

31 Dec 2011	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Balance sheet item				
Financial assets held for trading (non-derivative)	0 0	0 0	176 5	176 5
Financial assets held for trading (derivative)	0 0	1,248 6	0 5	1,249 1
Positive fair values of derivative hedging instruments	0 0	322 6	0 0	322 6
Financial assets designated at fair value through profit or loss	53 3	165 4	0 0	218 7
Available-for-sale financial assets	1,143 3	1,033 7	74 7	2,251 7
Total	**1,196 6**	**2,770 3**	**251 7**	**4,218 6**
Financial liabilities held for trading (derivative)	0 0	1,317 6	0 0	1,317 6
Negative fair values of derivative hedging instruments	0 0	267 2	0 0	267 2
Financial liabilities designated at fair value through profit or loss	0 0	2,083 6	0 0	2,083 6
Total	**0 0**	**3,668 4**	**0 0**	**3,668 4**

76 Reclassifications of financial instruments accounted for at fair value between Level 1 and Level 2

The following financial instruments accounted for at fair value were transferred out of Level 1 into Level 2 during the fiscal year The main reasons for the reclassifications were the deterioration in the availability of observable market prices as well as the enhancement of the Bank's internal processes for assigning financial instruments to specific levels No reclassifications from Level 2 to Level 1 were required in the fiscal year

Balance sheet item	Reclassification from Level 1 to Level 2 31 Dec 2012 € million
Available-for sale financial assets	47 6
Total	**47 6**

Balance sheet item	Reclassification from Level 1 to Level 2 31 Dec 2011 € million
Available-for-sale financial assets	819 8
Total	**819 8**

7.7 Reconciliation of Level 3 financial instruments

Information in accordance with IFRS 7 27B

€ million	FV as at 1 Jan 2012	Purchase	Additions from Level 1	Additions from Level 1
Balance sheet item				
Financial assets held for trading	177 0	0 0	0 0	0 0
Positive fair values of derivative hedging instruments	0 0	0 0	0 0	0 0
Financial assets designated at fair value through profit or loss	0 0	0 0	0 0	0 0
Available-for-sale financial assets	74 7	0 5	0 0	0 0
Total	**251 7**	**0 5**	**0 0**	**0 0**

€ million	FV as at 1 Jan 2011	Purchase	Additions from Level 1	Additions from Level 2
Balance sheet item				
Financial assets held for trading	181 2	0 0	0 0	0 0
Positive fair values of derivative hedging instruments	0 0	0 0	0 0	0 0
Financial assets designated at fair value through profit or loss	0 0	0 0	0 0	0 0
Available-for sale financial assets	74 8	0 3	0 0	0 0
Total	**256 0**	**0 3**	**0 0**	**0 0**

[1] Financial assets held for trading include closed out amounts of €–3 1 million
[2] Financial assets include closed out amounts of € 0 2 million
[3] Financial assets held for trading include closed out amounts of €–4 9 million
[4] Financial assets include closed out amounts of € 0 3 million

The financial instruments reported under Level 3 comprise loans subject to syndication requirements and derivative financial instruments that are reported under financial assets held for trading, and the bonds, all other investees and fund units in a closed-end real estate fund that are reported under available-for-sale financial assets

The units in the closed-end real estate fund are measured by the fund management company using the net asset value concept The sale of fund units in the short term is contractually prohibited

As in the previous year, we reduced/increased the spreads used in the interest rate sensitivity analysis for loans to be syndicated, derivative financial instruments and bonds by 10 % and 20 % respectively This resulted in fair value changes of +€ 9 9 thousand/–€ 19 7 thousand (previous year +€ 92 thousand/–€ 183 thousand) The fair value of the units in the closed-end real estate fund is determined by the fund management company on the basis of the fund assets A sensitivity analysis is therefore not possible here

Disposals due to sales and closed-out transactions	Disposals to Level 1	Disposals to Level 2	Gains (+) and losses (–) recognised in other comprehensive income	Gains (+) and losses (–) recognised in the income statement	FV as at 31 Dec 2012
–3 0[1]	0 0	0 0	–2 8	1 4	172 6
0 0	0 0	0 0	0 0	0 0	0 0
0 0	0 0	0 0	0 0	0 0	0 0
–37 6[2]	0 0	0 0	–4 8	–1 5	31 3
–40 6	**0 0**	**0 0**	**–7 6**	**–0 1**	**203 9**

Disposals due to sales and closed-out transactions	Disposals to Level 1	Disposals to Level 2	Gains (+) and losses (–) recognised in other comprehensive income	Gains (+) and losses (–) recognised in the income statement	FV as at 31 Dec 2011
–4 9[3]	0 0	0 0	2 0	–1 3	177 0
0 0	0 0	0 0	0 0	0 0	0 0
0 0	0 0	0 0	0 0	0 0	0 0
–7 9[4]	0 0	0 0	7 5	0 0	74 7
–12 8	**0 0**	**0 0**	**9 5**	**–1 3**	**251 7**

All the fair value changes recognised in the statement of other comprehensive income are attributable to financial instruments that were contained in the Bank's portfolio at the balance sheet date

The fair value changes amounting to €1 4 million reported in 2012 (previous year €1 3 million) are reflected in net trading loss/income

78 Collateral received for financial instruments

WestImmo was provided with the following assets as collateral for loans and advances to customers, loans and advances to banks, financial assets held for trading, positive fair values from derivative financial instruments and contingent liabilities Collateral is reported at fair value

Loans and advances to customers and to banks	31 Dec 2012 € million	31 Dec 2011 € million
Assets hold as collateral		
Financial collateral	69 4	67 0
Other collateral	0 0	4 9
Real estate collateral	9,495 5	11 386 9
Assignments	553 0	757 4
EAA guarantee	2,614 8	3 002 2
Total	**12,732 7**	**15,218 4**

Financial assets held for trading (non-derivatives)	31 Dec 2012 € million	31 Dec 2011 € million
Assets hold as collateral		
Financial collateral	23 4	23 4
Real estate collateral	141 6	142 8
Assignments	0 0	0 5
Total	**165 0**	**166 7**

Financial assets held for trading (derivatives) and positive fair values from derivative hedging instruments (collateral derivates)	31 Dec 2012 € million	31 Dec 2011 € million
Assets hold as collateral		
Financial collateral	365 8	165 0
Total	**365 8**	**165 0**

Contingent liabilities	31 Dec 2012 € million	31 Dec 2011 € million
Assets hold as collateral		
EAA guarantee	54 6	88 4
Total	**54 6**	**88 4**

Collateral is liquidated in accordance with the contractual conditions following an event of default (EoD) or comparable event (credit event)

As at the reporting date, assets from the liquidation of collateral with a carrying amount of €13 6 million (previous year €28 0 million) were recognised in the balance sheet. These comprised firstly debt-to-equity swaps in the amount of €0 8 million (previous year €14 2 million) reported under the "available-for-sale financial assets" item and secondly rescue acquisitions in the amount of €12 8 million (previous year €13 8 million) reported under the "investment property" and "other assets" items WestImmo intends in principle to sell all these assets, even if they cannot easily be liquidated In addition, receivables from Erste Abwicklungsanstalt (EAA) resulting from the guarantee utilisation in the amount of €0 8 million (previous year €4 1 million) were recognised

The EAA guarantee in the amount of €2 6 billion (previous year €3 0 billion) resulted from the transfer of risk assets to the EEA in fiscal year 2010

There is no loan collateral that can be sold or liquidated without the collateral provider being in default

7.9. Collateral transferred for own liabilities

Assets were transferred as collateral for the following liabilities

	31 Dec 2012 € million	31 Dec 2011 € million
Deposits from banks	577 7	761 3
Deposits from customers	0 0	0 0
Negative fair values of derivatives	237 5	355 9
Total	**815 2**	**1,117 2**

The following assets were transferred as collateral for own liabilities

	31 Dec 2012 € million	31 Dec 2011 € million
Carrying amounts of securities furnished as collateral for		
– Securities repurchase agreements	160 6	589 5
– Participation in clearing systems and stock exchange facilities	62 1	16 7
– Open market transactions with Deutsche Bundesbank	1,108 2	355 8
Carrying amounts of loan receivables for		
– KfW global loans	223 8	228 6
– Open market transactions with Deutsche Bundesbank	241 8	381 6
Total	**1,796 5**	**1,572 2**

On 31 December 2012, securities with a carrying amount of €1,108 2 million (previous year €355 8 million) had been deposited and loan receivables in the amount of €241 8 million (previous year €381 6 million) had been assigned as security for participating in open market transactions with Deutsche Bundesbank This includes repurchased own issues amounting to €1,088 8 million (previous year €261 9 million) Repurchased issues do not meet the recognition criteria for financial assets and are therefore reported by the Bank as the repayment of securitised liabilities Open market transactions amounted to €227 4 million as at the reporting date (previous year €0 0 million)

Cash collateral of €263 7 million (previous year €527 6 million) was furnished for OTC derivatives transactions In addition, the Bank's cover pool contains receivables secured by mortgages, public sector receivables, bonds and bank deposit receivables Cover assets amounted to € 10,286 5 million as at 31 December 2012 (previous year € 11,579 7 million), while mortgage and public sector Pfandbriefe amounted to € 8,447 8 million (previous year € 9,101 8 million)

Collateral for own liabilities and contingent liabilities is furnished at market terms and conditions

7.10. Exposure to default risk from financial instruments

The maximum exposure to default risk from financial instruments – without taking into account any collateral or other arrangements that reduce the risk – corresponds to the carrying amount of the financial instruments The carrying amount of loans and advances to customers is represented net of the allowance for losses on loans and advances

Exposure to default risk from financial instruments	Gross default risk exposure 31 Dec 2012 € million	Collateral 31 Dec 2011 € million	Net default risk exposure 31 Dec 2012 € million
Cash and balances with central banks	53 5	0 0	53 5
Loans and advances to banks	550 9		
Loans and advances to customers	14,601 7		
Subtotal	**15,152 6**	12,732 7	2,419 9
Financial assets held for trading	1,699 7		
Positive fair values of derivative hedging instruments	392 9		
Subtotal	**2,092 6**	530 8	1,561 8
Financial assets designated at fair value through profit or loss	113 4	0 0	113 4
Non-current financial assets	1,835 4	0 0	1,835 4
Contingent liabilities from guarantees	361 2	54 6	306 6
Other commitments (irrevocable loan commitments)	49 5	0 0	49 5

	Gross default risk exposure 31 Dec 2011 € million	Collateral 31 Dec 2011 € million	Net default risk exposure 31 Dec 2011 € million
Cash and balances with central banks	91 7	0 0	91 7
Loans and advances to banks	821 5		
Loans and advances to customers	17,665 2		
Subtotal	**18,486 7**	15,218 4	3,268 3
Financial assets held for trading	1,425 6		
Positive fair values of derivative hedging instruments	322 6		
Subtotal	**1,748 2**	331 7	1,416 5
Financial assets designated at fair value through profit or loss	218 7	0 0	218 7
Non-current financial assets	2,253 2	0 0	2,253 2
Contingent liabilities from guarantees	591 1	88 4	502 7
Other commitments (irrevocable loan commitments)	151 7	0 0	151 7

See Note 7 8 "Collateral received for financial instruments" for details of the collateral

A large proportion of the collateral received for loans and advances to customers and loans and advances to banks is attributable to loans and advances to customers

A large proportion of the collateral received for financial assets held for trading and positive fair values from derivative financial instruments is attributable to financial assets held for trading

7 11 Loan volume exposed to default risk

The loan volume exposed to default risk in the lending business for which payments are past due by more than 90 days and for which the terms have been revised is shown in the following table The terms were revised as part of restructuring measures for exposures for which the Bank expects an improvement in the risk situation

	31 Dec 2012 € million	31 Dec 2011 € million
Carrying amount of lending business (LaR) with payments past due but not impaired	71 9	29 0
Of which		
– loans past due over 90 to 180 days	14 2	3 5
– loans past due over 180 days to 1 year	37 6	4 4
– loans past due over 1 year	20 1	21 1
Carrying amount of lending business (LaR) with adjusted terms	2 5	3 2
Total	**74.4**	**32 2**

Financial assets with a total carrying amount of €618 6 million (previous year €651 8 million) were written down for impairment for credit-related reasons

7 12 Contingencies and commitments

Contingencies and commitments are potential future liabilities and obligations of the Group resulting from the lending business and from limited-term lines of credit extended to customers but not yet drawn down

	31 Dec 2012 € million	31 Dec 2011 € million
Contingent liabilities		
– from guarantees and warranty agreements	361 2	591 1
Other commitments		
– irrevocable loan commitments	49 5	151 7

Recognised provisions take adequate account of contingent liabilities in connection with risks related to the lending business (Note 6 5)

In accordance with IAS 37 91, the disclosures as defined in IAS 37 86 are not made for reasons of practicability

7.13. Letter of comfort

WestImmo had issued an unlimited letter of comfort, which was rescinded as at 30 November 2010, in favour of its affiliate WIB Real Estate Finance Japan K K

714. Maturity structure

The maturity structure is presented on the basis of IFRS 7 39

In the maturity structure, financial assets and liabilities held for trading exclusively comprise non-derivative financial instruments

Please see Note 7 3 "Derivative financial instruments" for information on maturities relating to derivative financial instruments

The undiscounted future repayment and interest cash flows from assets (excluding other investees, investments in associates and investments in subsidiaries) and liabilities are broken down as follows

Residual maturities as at 31 Dec 2012	Payable on demand € million	up to 3 months € million	3 months to 1 year € million	1 to 5 years € million	more than 5 years € million
Cash and balances with central banks	53 5	0 0	0 0	0 0	0 0
Loans and advances to banks	316 7	117 1	7 7	81 5	35 9
Loans and advances to customers	251 6	1,354 0	3,427 9	8,347 9	2,739 9
Financial assets held for trading	0 0	0 6	22 4	174 1	0 0
Financial assets designated at fair value through profit or loss	0 0	33 3	3 2	77 2	0 0
Non-current financial assets	0 0	30 6	180 5	1,325 0	606 6
Total	**621 8**	**1,535 6**	**3,641 7**	**10,005 7**	**3,382 4**
Deposits from banks	154 3	396 2	270 0	1,190 9	118 7
Deposits from customers	314 5	906 9	1,078 2	3,549 3	2 699 9
Securitised liabilities	0 0	450 4	1,374 2	2 976 3	390 0
Financial liabilities designated at fair value through profit or loss	0 0	31 5	81 5	749 3	2,362 1
Subordinated capital	0 0	67 7	137 9	2 2	16 6
Total	**468 8**	**1,852 7**	**2,941 8**	**8,468 0**	**5,587 3**

Residual maturities as at 31 Dec 2011	Payable on demand € million	up to 3 months € million	3 months to 1 year € million	1 to 5 years € million	more than 5 years € million
Cash and balances with central banks	91 7	0 0	0 0	0 0	0 0
Loans and advances to banks	548 9	100 2	22 4	88 4	79 1
Loans and advances to customers	49 9	1,452 1	3,247 8	10,942 0	4,228 5
Financial assets held for trading	0 0	1 1	4 1	49 5	162 3
Financial assets designated at fair value through profit or loss	0 0	22 4	87 0	113 8	0 0
Non current financial assets	0 0	47 3	218 1	1,686 2	1 187 4
Total	**690 5**	**1,623 1**	**3,579 4**	**12,879 9**	**5,657 3**
Deposits from banks	133 3	946 4	456 3	1,616 4	296 6
Deposits from customers	134 9	312 5	567 0	3,628 2	3 462 3
Securitised liabilities	0 0	310 0	3,075 9	4,574 6	649 3
Financial liabilities designated at fair value through profit or loss	0 0	22 2	53 0	693 0	2,619 6
Subordinated capital	0 0	3 8	93 4	200 9	17 1
Total	**268 2**	**1,594 9**	**4,245 6**	**10,713 1**	**7,044 9**

Residual maturities as at 31 Dec 2012	Payable on demand € million	up to 3 months € million	3 months to 1 year € million	1 to 5 years € million	more than 5 years € million
Potential outflow of liquidity from					
Financial guarantee contracts	361 2	0 0	0 0	0 0	0 0
Irrevocable loan commitments	49 5	0 0	0 0	0 0	0 0

Residual maturities as at 31 Dec 2010	Payable on demand € million	up to 3 months € million	3 months to 1 year € million	1 to 5 years € million	more than 5 years € million
Potential outflow of liquidity from					
Financial guarantee contracts	591 1	0 0	0 0	0 0	0 0
Irrevocable loan commitments	0 0	27 3	124 4	0 0	0 0

Financial guarantee contracts and irrevocable loan commitments are reported in the "payable on demand" maturity band in the amount of the full contractually agreed capital because the timing and precise amount of the claim cannot be determined However, the Bank assumes that the financial guarantee contracts and loan commitments will not be called in full in the short term

In 2011, the maturity structure of irrevocable loan commitments was based on a forecast by the Credit department This forecast was not prepared in 2012 due to the suspension of new business activities

7 15. Securities repurchase agreements

Payments received under securities repurchase agreements are reported in the following items in the balance sheet

	31 Dec 2012 € million	31 Dec 2011 € million
Borrowers under securities repurchase agreements (repos)		
Deposits from banks	150 0	561 3
Deposits from customers	0 0	0 0
Total	**150 0**	**561 3**

As in the previous year, no securities repurchase agreements with related parties existed as at the reporting date

7.16. Securities lending transactions

As in the previous year, the Bank had no securities lending transactions in its portfolio as at the balance sheet date

8. Supplementary Disclosures

8 1. Trust activities

Trust assets relate exclusively to trustee loans to customers In such cases, the Bank acts in its own name for third-party account The trust assets are offset by trustee liabilities in the same amount

The following table shows the volume of off-balance-sheet trust activities

	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to customers	10 0	13 8
Trust assets	**10 0**	**13 8**
Deposits from banks	7 7	11 3
Deposits from customers	2 3	2 5
Trustee liabilities	**10 0**	**13 8**

In the fiscal year, fee and commission expense of €0 1 million (previous year €0 1 million) and fee and commission income of €0 2 million (previous year €0 2 million) was recognised in connection with the management of the above-mentioned trust activities

8.2. Managed assets

	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to customers	0 2	0 6
Total	**0 2**	**0 6**

Managed assets relate solely to loans and advances to customers The loans are extended in the name and for the account of third parties

In the fiscal year, fee and commission expense of €0 0 million (previous year €0 0 million) and fee and commission income of €0 0 million (previous year €0 0 million) was recognised in connection with the management of the above-mentioned assets

8.3. Subordinated assets

	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to customers		
– Private customers	0 6	0 6
Total	**0 6**	**0 6**

8 4 Deposit protection

WestImmo is affiliated with the Guarantee Fund of the Central Savings Banks/Central Giro Institutions in the Deutscher Sparkassen- und Giroverband (DSGV – German Savings Bank Association) The Bank had an additional funding requirement of €14 8 million (previous year €25 8 million) at the balance sheet date

8 5. Other financial obligations

The WestImmo Group has other financial obligations of €51 7 million (previous year €61 9 million) from non-cancellable operating leases in which WestImmo or its subsidiaries act exclusively as the lessee It also has other obligations under rental and service agreements The following minimum lease payments under non-cancellable operating leases are due in the coming years

	31 Dec 2012 € million	31 Dec 2011 € million
Minimum lease payments		
– up to 1 year	6 1	6 4
– 1 to 5 years	21 9	23 4
– more than 5 years	12 9	17 8
Total	**40 9**	**47 6**

The following payments will arise from rental and service agreements in the coming years

	31 Dec 2012 € million	31 Dec 2011 € million
Other obligations		
– up to 1 year	6 7	8 8
– 1 to 5 years	4 0	5 2
– more than 5 years	0 1	0 3
Total	**10 8**	**14 3**

Annual rental and leasing obligations amount to €7 2 million (previous year €7 7 million), of which €0 0 million (previous year €0 2 million) is owed to affiliated unconsolidated companies The agreements have a remaining term of up to 10 years

Subleases generated proceeds of €0 3 million (previous year €0 3 million) Significant side agreements have not been entered into, with the exception of an option to purchase a property used by the Group at the end of the agreed lease period, at the earliest in 2015

8.6 Related party disclosures

Transactions with associates, joint ventures and other investees are shown in the following tables

	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to customers		
– affiliated unconsolidated companies	14 5	16 8
– associates, joint ventures and other investees	22 6	39 4
Non-current financial assets		
– affiliated unconsolidated companies	1 4	14 8
– associates joint ventures and other investees	1 4	1 5

	31 Dec 2012 € million	31 Dec 2011 € million
Deposits from customers		
– affiliated unconsolidated companies	5 3	16 2
– associates joint ventures and other investees	3 3	3 8

Guarantees and/or sureties extended to affiliated unconsolidated companies, associates, joint ventures and other investees existed in the amount of €1 6 million (previous year €3 7 million)

Transactions with the owner EAA are as follows

	31 Dec 2012 € million	31 Dec 2011 € million
Loans and advances to banks	0 0	36 3
Loans and advances to customers	20 2	0 0
Financial assets held for trading	567 1	401 1
Contingent assets	2,669 4	0 0
Total	**3,256 7**	**437 4**

	31 Dec 2012 Mio €	31 Dec 2011 Mio €
Deposits from banks	0 0	924 4
Deposits from customers	1,148 9	0 0
Securitised liabilities	0 0	3 012 5
Financial liabilities held for trading	346 5	329 1
Contingent liabilities	21 5	132 4
Total	**1,516 9**	**4,398 4**

The prior-year figures relate to transactions with the former owner, WestLB/Portigon AG (see Note 1 "Basis of presentation")

Deposits from customers include cash collateral furnished by EAA amounting to € 150 0 million (previous year € 165 0 million furnished by WestLB/Portigon AG, reported under deposits from banks)

The above loans and advances, non-current financial assets and liabilities to related parties mainly comprise intragroup financing transactions

Related party transactions are carried out at arm's length conditions

8.7 Remuneration of governing body members

	31 Dec 2012 € million	31 Dec 2011 € million
Aggregate remuneration of the Managing Board	1 6	1 3
Of which		
– fixed salary	1 2	1 2
– performance related	0 4	0 1
Aggregate remuneration of former Managing Board member and their surviving dependents	0 3	0 3
Pension provisions for former Managing Board members and their surviving dependents	9 4	4 5

The aggregate remuneration granted to the Supervisory Board for its work amounted to € 0 2 million (previous year € 0 1 million)

8.8. Loans to governing body members

The members of the Managing Board have been granted loans amounting to €0 2 million (previous year €0 1 million) The terms of the loans end in fiscal year 2026 at the latest The nominal rates of interest range from 3 96 % to 4 88 % As in the previous year, there are no loans to members of the Supervisory Board

No contingent liabilities were entered into in favour of governing body members in either 2012 or 2011

8 9 Auditors' fees

The following fees for the auditors of the consolidated financial statements were recognised as an expense under the "other administrative expenses" item in the year under review

	31 Dec 2012 € million	31 Dec 2011 € million
Financial statement audits	0 9	0 9
Other valuation services	0 3	0 2
Total	**1 2**	**1 1**

8.10. Number of staff

The following table shows the average number of employees during the year

	male	female	Total 2012	Total 2011
German Group companies/branches	189	150	339	387
Foreign Group companies/branches	20	19	39	46
Total	**209**	**169**	**378**	**433**

Eight (previous year nine) of these staff were employed by proportionately consolidated companies

There were no vocational or similar trainees in either 2012 or 2011

8.11. Date of approval of the consolidated financial statements for publication

The accompanying consolidated financial statements were signed by the Managing Board on 5 March 2013 and released to the Supervisory Board

8.12. Members of the Supervisory Board and the Managing Board

Supervisory Board (until 19 September 2012)

Hubert Beckmann
Chairman (until 1 March 2012)
Deputy Chairman (from 1 March 2012)
Deputy Chairman of the Managing Board
WestLB AG/Portigon AG

Thomas Groß
Deputy Chairman (until 1 March 2012)
Chairman (from 1 March 2012 to 15 August 2012)
Member of the Managing Board
WestLB AG/Portigon AG

Raimund Bar
Chairman of the Staff Council WestImmo

Klemens Breuer
Member of the Managing Board (until 30 January 2012)
WestLB AG/Portigon AG

Michael Breuer
President
Savings Banks and Giro Association of the Rhineland

Stefan Dreesbach
Member of the Managing Board (since 8 February 2012)
WestLB AG/Portigon AG

Dr Rolf Gerlach
President
Savings Banks and Giro Association of Westphalia-Lippe

Gerhard Heilgenberg
Senior Principal
Finance Ministry of the State of North Rhine-Westphalia

Hendrik Hering
Chairman of the SPD Parliamentary Party
in the Rhineland-Palatinate State Parliament

Peter Minhorst
Head of Group Development
WestLB AG/Portigon AG

Supervisory Board (from 19 September 2012)

Matthias Wargers
Chairman
Managing Board member
Erste Abwicklungsanstalt

Markus Bolder
Deputy Chairman
Managing Board member
Erste Abwicklungsanstalt

Dr Ulf Bachmann
Head of Strategic Project
and Investee Management
Erste Abwicklungsanstalt

Michael Breuer
President
Savings Banks and Giro Association of the Rhineland

Dr Rolf Gerlach
President
Savings Banks and Giro Association of Westphalia-Lippe

Gerhard Heilgenberg
Senior Principal
Finance Ministry of the State of North Rhine-Westphalia

Managing Board

Claus-Jurgen Cohausz
Chairman of the Managing Board (since 27 April 2012)
Member of the Managing Board (until 26 April 2012)

Dr Peter Knopp
Chairman of the Managing Board (until 26 April 2012)

Rainer Spielmann
Member of the Managing Board

Christiane Kunisch-Wolff
Member of the Managing Board (since 16 March 2012)

8 13 Appointments of Managing Board members to statutory supervisory bodies

No members of the Managing Board held offices in accordance with section 340a(4) no 1 of the HGB

8 14. Appointments of employees and legal representatives to statutory supervisory bodies

The following employees and legal representatives hold the following offices or exercise the following functions at the companies listed below

Family name	First name(s)	Name and legal form of	Office/Function	Private or Bank appointment
Adler	Marcus	Allvaris GmbH	Management	Bank
Adler	Marcus	WestProject & Consult Gesellschaft fur Projektentwicklung und Consulting mbH	Management	Bank
Adler	Marcus	Westdeutsche ImmobilienHolding GmbH	Management	Bank
Adler	Marcus	West Zwanzig GmbH	Management	Bank
Cohausz	Claus-Jurgen	Deutsch-Britische Industrie- und Handelskammer	Hesse Regional Committee	Bank
Figgen	Frank	Stadt Hamm	Rat	Private
Figgen	Frank	HAMTEC GmbH-Technologiezentrum Grunderzentrum fur Unternehmen in Hamm	Shareholders' Meeting	Private
Figgen	Frank	Lippeverband	Shareholders' Meeting	Private
Fohrmann	Andreas	Fischerinsel Beteiligungs-GmbH	Management	Bank
Fohrmann	Andreas	WMO Entwicklungsgesellschaft mbH	Management	Bank
Ghaemmaghami	Mike	WIB Real Estate Finance Japan K K	Management	Bank
Girke	Christian	West Zwanzig GmbH	Management	Bank
Lukas	Friedrich	Wohnungsverein 1893 eG Munster	Supervisory Board	Private
Matheis	Sascha	Montelucia Phoenix Inc	Vice President	Bank
Menke	Ulrich	Allvaris GmbH	Management	Bank
Menke	Ulrich	WestProject & Consult Gesellschaft fur Projektentwicklung und Consulting mbH	Management	Bank
Menke	Ulrich	WIP Westdeutsche Immobilien Portfolio Management GmbH	Management	Bank
Plagemann	Thomas	Fischerinsel Beteiligungs GmbH	Management	Bank
Santen	Anne	Projektentw -Ges Gartenstadt Wildau Rothegrund II mbH	Management	Bank
Santen	Anne	Projektgesellschaft Klosterberg mbH	Management	Bank
Santen	Anne	Gewerbegebiet Munster Loddenheide mbH	Management	Bank
Schweikert	Ludwig	WPW Immobilienentwicklungsgesellschaft Nr 1 mbH i L	Liquidator (former Managing Director	Bank
Stiemcke	Achim	Montelucia Phoenix Inc	President	Bank
Weber	Martin	Westdeutsche ImmobilienHolding GmbH	Geschaftsfuhrung	Bank

8.15. Events after the balance sheet date

No events material to the financial statements took place

8 16. List of shareholdings

WestImmo directly or indirectly holds at least 20 per cent of the shares of the following companies (as at 31 December 2012)

No	Name/town or city	Equity interest in %	voting power if different	Equity in € thousands	Profit/loss in € thousands
I	**Companies included in the consolidated financial statements**				
a	**Subsidiaries in accordance with IAS 27**				
1	Westdeutsche ImmobilienHolding GmbH, Mainz[6]	94 60		5,571	0
2	WestGkA Management Gesellschaft fur kommunale Anlagen mbH Dusseldorf[6]	89 87	95 00	1 061	0
3	WestProject & Consult Gesellschaft fur Projektentwicklung und Consulting mbH i L, Dusseldorf[6]	94 60	100 00	1,560	0
4	WIB Real Estate Finance Japan K K , Tokyo, Japan[6]	100 00		62,629	5,219
5	WMO Erste Entwicklungsgesellschaft mbH & Co KG, Bonn[6]	47 54	50 25	5,766	−158
b	**Associates accounted for using the equity method**				
6	EMG Projekt Gewerbepark Ludwigsfelde/Lowenbruch GmbH, Berlin[4]	47 50		141	−310
II	**Companies not included in the consolidated financial statements**				
a	**Unconsolidated subsidiaries**				
7	Allvaris GmbH, Dusseldorf[4]	94 92	100 00	855	−11
8	BfP Beteiligungsgesellschaft fur Projekte mbH, Dusseldorf[4]	75 68	80 00	25	0
9	Fischerinsel Beteiligungs GmbH, Mainz[4]	100 00		17	−1
10	Fischerinsel Vermietungs-GmbH & Co KG, Mainz[4]	100 00		972	−715
11	GkA Gesellschaft fur kommunale Anlagen mbH, Dusseldorf[4]	89 87	100 00	188	25
12	GkA Grundstucksgesellschaft Hilden mbH, Hilden[4]	43 14	60 00	70	11
13	LIFE VALUE Construction GmbH, Dusseldorf[4]	89 87	100 00	−2 473	−3,101
14	LIFE VALUE GmbH & Co Building 1 KG, Dusseldorf[4]	82 72	100 00	−4	−2,096
15	LIFE VALUE GmbH & Co LivingLofts KG, Dusseldorf[4]	82 72	100 00	−16	−101
16	LIFE VALUE GmbH & Co Loft 1 KG, Dusseldorf[4]	82 72	100 00	−4	−1 256
17	LIFE VALUE GmbH & Co Palace 1 KG, Dusseldorf[4]	82 72	100 00	−5	−3,642
18	LIFE VALUE GmbH & Co 11/14 Centre KG, Dusseldorf[4]	82 72	100 00	−283	−23
19	LIFE VALUE Properties GmbH Dusseldorf[4]	82 78	100 00	−455	−530
20	Montelucia Phoenix Inc , Dover, USA[6]	100 00		2,073	121
21	PM Portfolio Management GmbH, Dusseldorf[4]	94 92	100 00	62	0
22	Projekt Carree am Bahnhof GmbH & Co Burozentrum KG, Bad Homburg[2]	45 83	51 00	–	–
23	Projekt Carrée am Bahnhof Verwaltungs GmbH, Bad Homburg[2]	45 83	51 00	–	–
24	Projektentwicklungsgesellschaft Gartenstadt Wildau Rothegrund II mbH, Wildau[4]	94 00		−6,254	−40
25	Projektgesellschaft Klosterberg mbH, Munster[4]	94 00		−547	−27
26	West Zwanzig GmbH, Mainz[4]	100 00		25	0
27	WIP Westdeutsche Immobilien Portfolio Management GmbH, Dusseldorf[4]	100 00		616	2
28	WMO Entwicklungsgesellschaft mbH, Bonn[4]	47 54	100 00	34	1

No	Name/town or city	Equity interest in %	voting power if different	Equity in € thousands	Profit/loss in € thousands
b	**Joint Venture**				
29	Frankonia Eurobau Max-Viertel GmbH, Nettetal[5]	25 00		3,240	51
30	GID Gesellschaft fur Innenstadtentwicklung in Duisburg mbH, Hamburg[3]	45 00		−3	−1
31	Grundstucksentwicklungsgesellschaft Krohnstieg-Sud mbH, Bremen[4]	45 00		−2 708	84
c	**Associates**				
32	GML Gewerbepark Munster-Loddenheide GmbH, Munster[4]	33 33		14,491	622
33	Projekt Zeppelin Center Friedrichshafen Verwaltungs GmbH i L , Bonndorf[1]	25 00		–	–
34	StadtGalerie Witten GmbH, Dusseldorf[4]	40 00		−2 144	−1,245
35	StadtGalerie Witten Marketing GmbH, Dusseldorf[4]	40 00		16	25
36	WPW Immobilienentwicklungsgesellschaft Nr 1 GmbH i L , Trier[1]	33 33		–	–

[1] Insolvency proceedings opened
[2] Insolvency proceedings opened
[3] Only available data relates to 31 December 2010
[4] Only available data relates to 31 December 2011
[5] Only available data relates to 31 December 2009
[6] Preliminary 2012 financial statements

Mainz, 5 March 2013

Claus-Jurgen Cohausz

Rainer Spielmann

Christiane Kunisch-Wolff

The audit opinion reproduced below is an English translation of the original German audit opinion
The original German relates solely to the original German annual/consolidated financial statements and management report of the group

Audit opinion

We have audited the consolidated financial statements prepared by Westdeutsche ImmobilienBank AG, Mainz, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the financial statements, and the group management report for the fiscal year from 1 January 2012 to 31 December 2012 The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec 315a (1) HGB ["Handelsgesetzbuch" German Commercial Code] is the responsibility of the Company's management Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit

We conducted our audit of the consolidated financial statements in accordance with Sec 317 HGB ["Handelsgesetzbuch" German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprufer [Institute of Public Auditors in Germany] (IDW) Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report We believe that our audit provides a reasonable basis for our opinion

Our audit has not led to any reservations

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development

Without qualifying our opinion, we draw attention to the following special aspect As presented in the section of the group management report entitled "Summary by the Managing Board on the Prospects for the Group," the Bank is only permitted to engage in business as from 1 July 2012 under the condition that it does not violate the decision reached by the European Commission on 20 December 2011 regarding the state aid to be provided by the German government for the restructuring of WestLB The shareholder's approved winding-up plan calls for a further reduction of the Bank's assets while minimising the adverse effect on equity and net income as part of an actively pursued prolongation management and in adherence with the provisions of the PfandBG ["Pfandbriefgesetz" German Pfandbrief Act] With regard to a sale of the Bank, which would render the above restrictions and conditions obsolete, initial exploratory talks are currently being held by the shareholder, with the involvement of the managing board

Dusseldorf, 6 March 2013

Ernst & Young GmbH
Wirtschaftsprufungsgesellschaft

Werthmann	Mai
Wirtschaftsprufer	Wirtschaftsprufer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group in the coming fiscal year

Mainz, 5 March 2013

Claus-Jurgen Cohausz	Rainer Spielmann	Christiane Kunisch-Wolff

Report of the Supervisory Board

The European sovereign debt crisis, its impact on the entire finance sector, the uncertainty surrounding future economic growth in the United States, Japan and China, as well as the slowdown in the emerging economies also dominated global economic trends in 2012

In addition, the two matters described below were of critical importance for the development of WestImmo in the past fiscal year

Since 1 July 2012, WestImmo has only been permitted to do business that complies with the European Commission's resolution dated 20 December 2011 on the restructuring of WestLB AG This means that WestImmo is mainly focused on actively managing its loan portfolio and cover pools

WestImmo left the Portigon AG (formerly WestLB AG) group and became a wholly owned subsidiary of Erste Abwicklungsanstalt (EAA) with retroactive economic effect as at 1 January 2012 when the change of ownership was entered in the commercial register on 17 September 2012

After a significantly negative prior-year figure, the Bank recorded a positive business performance despite the decline in the loan portfolio and the reduction in the portfolios of high-interest Greek and Italian bond holdings, which sharply reduced net interest income year-on-year The hard work of the Managing Board and the employees as well as the consistently constructive working relationship with the Staff Council were key factors in this development The Supervisory Board would like to thank them all for their personal dedication

Cooperation between the Managing Board and the Supervisory Board

In the past year, the Supervisory Board discharged its duties under the law and the bylaws, and oversaw and advised the Managing Board in its management of the Bank Last year, the Managing Board and the Supervisory Board were involved in a continuous and comprehensive exchange of information The Supervisory Board examined the business performance and the risk situation in detail in the past year Among other things, the focus was on the effects of the ongoing sovereign debt crisis and its impact on government bond prices The Managing Board informed the Supervisory Board on both a regular and an ad hoc basis in writing and verbally of relevant issues concerning business development, the risk position and risk management, compliance, business strategy and planning, as well as of significant events and transactions Ensuring the flow of information is perceived as a responsibility affecting both boards and is defined in greater detail in these bodies' bylaws Above and beyond this, the Chairman of the Managing Board and the Chairman of the Supervisory Board in particular are in constant contact and discuss current issues and developments In addition, the chairman of the supervisory body has a right to obtain information – to include management – from the head of the Internal Audit department in accordance with MaRisk, and from the Compliance Officer in accordance with MaComp Alternatively, if the company has established an audit committee, there must be a mechanism for ensuring that the chairman of the audit committee can obtain the information These requirements were met in 2012

Supervisory Board Meetings

The Supervisory Board held four ordinary, one extraordinary and one constituent meeting in the fiscal year under review.

At its extraordinary meeting on 9 February, the Managing Board reported to the Supervisory Board on the business performance as at 31 December 2011 as well as on the projection for the first half of 2012. Other topics included the status of the negotiations of the works agreement, the "WestImmo Integration" task force as well as purchase price adjustments/bonuses.

At the meeting held on 1 March, the Supervisory Board resolved new appointments to the Supervisory Board and the Managing Board. In addition, the Supervisory Board took note of the Managing Board's report on business performance in 2012 and the current liquidity situation as well as the Managing Board's explanations on the status of the "TRANSFER" project (transfer of WestImmo's portfolios to EAA) and on the haircut for Greek debt.

The meeting on 26 April 2012 focused on discussing, approving and adopting the 2011 financial statements. The Supervisory Board proposed to the Annual General Meeting that Ernst & Young GmbH Wirtschaftsprufungsgesellschaft, Eschborn, be appointed as auditors of the annual financial statements for fiscal year 2012. Other topics included the business performance as at 29 February 2012, the general redundancy programme as well as the Remuneration Report.

At its meeting on 19 September 2012, the Supervisory Board resolved to close WestImmo's representative office in Prague. The Supervisory Board approved taking out a D&O insurance policy and a legal expenses insurance policy. In addition, the Supervisory Board approved the modification of the bylaws for the Supervisory Board and proposed amendments to WestImmo's Articles of Association to the Annual General Meeting as well as the appointment of Supervisory Board members.

A constituent meeting in which elections were held for the positions of Chairman and Deputy Chairman, as well as for the members of the Audit and Risk Committee, also took place on 19 September 2012.

At its meeting on 25 October 2012, the Supervisory Board took note of the current report on the position of the Company, the projection for 2012 as well as the reporting on the liquidity situation and the current funding planning. It also took note of the budget for 2012–2014, the downsizing plan for 2012–2021 as well as the presentation of WestImmo's strengths and weaknesses. The Supervisory Board approved the business strategy, the risk strategy, the liquidity strategy and the decision-making hierarchy. The Supervisory Board agreed to the closure of several (German) branches and (foreign) representative offices (in the period from 31 December 2012 to 31 December 2014) and took note of the explanations regarding the discontinuation of financial reporting under the IFRSs, the exit planning for equity investments as well as the Compliance Officer's annual report.

The modification to the bylaws of the Managing Board was resolved in July 2012 and a capital increase at WIB Real Estate Finance Japan K.K. was resolved in November 2012 by circulating written documents.

Changes in the composition of the Supervisory Board

Thomas Groß resigned from the Supervisory Board effective 15 August 2012 The Supervisory Board would like to thank Thomas Groß for his support

Raimund Bar, Hubert Beckmann, Michael Breuer, Stefan Dreesbach, Dr Rolf Gerlach, Hendrik Hering, Gerhard Heilgenberg and Peter Minhorst resigned from the Supervisory Board effective 19 September The Supervisory Board would like to thank Raimund Bar, Hubert Beckmann, Michael Breuer, Stefan Dreesbach, Dr Rolf Gerlach, Hendrik Hering, Gerhard Heilgenberg and Peter Minhorst for their support

Dr Ulf Bachmann, Michael Breuer, Markus Bolder, Dr Rolf Gerlach, Gerhard Heilgenberg and Matthias Wargers were elected as members of the Supervisory Board by way of a resolution of the Annual General Meeting dated 19 September 2012

Committees

The Supervisory Board has established three expert committees the Risk Committee, the Audit Committee and the Main Committee A resolution was adopted at the constituent meeting held by the Supervisory Board on 19 September 2012 in the context of the modification of the bylaws for the Supervisory Board to combine the Audit Committee and the Risk Committee to form a single committee and to completely abolish the Main Committee The chairs of the expert committees reported regularly to the Supervisory Board on the committees' work

The Risk Committee held two meetings in the fiscal year under review, at each of which it discussed in detail the overall bank risk, risk management and the risk situation in relation to the individual risk types (credit, market, liquidity and operational risk) The Risk Committee also discussed the application of Basel II, together with the effects of Basel III, the auditors' audit reports and various portfolio analyses At the same time, the Risk Committee is the highest decision-making authority for loan approvals and decided on the loan exposures presented to it by the Managing Board both at the meetings and by circulating written documents

The Audit Committee held one meeting in the year under review At its meeting on 26 April 2012, the Audit Committee took note of the annual financial statements prepared as at 31 December 2011, including the management report, as well as the consolidated financial statements prepared as at 31 December 2011, including the management report, in addition to the audit reports of the auditors and the unqualified audit opinions, as well as explanatory remarks relating to special circumstances identified by the auditors The audit reports were discussed with the auditors, and the financial statements and the management reports prepared were discussed with the Managing Board As a result, the Audit Committee obtained its own view of the situation and did not raise any objections It recommended that the Supervisory Board adopt the annual financial statements and approve the consolidated financial statements

Audit and Risk Committee

At its meeting on 16 November 2012, the Audit and Risk Committee took note of the Risk Report as well as the status reports on external and internal audits and approved various loans

Annual/consolidated financial statements 2012

As appointed by the Annual General Meeting and engaged by the Supervisory Board, Ernst & Young GmbH, Eschborn, audited the annual financial statements as at 31 December 2012, including the management report, and the consolidated financial statements as at 31 December 2012, including the Group management report Following their audits, the auditors issued unqualified audit opinions on each set of financial statements, including the management reports, with explanatory remarks relating to special circumstances identified by the auditors The annual financial statements were prepared in accordance with the accounting principles laid down in the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IASs/IFRSs)

At its meeting on 15 March 2013, the Audit and Risk Committee took note of the prepared financial statements and the management reports and the audit reports Following discussion of the audit reports with the auditors and subsequent discussion with the Managing Board, the Audit Committee raised no objections and recommended that the Supervisory Board adopt the annual financial statements and approve the consolidated financial statements

At its meeting on 22 March 2013, the Supervisory Board took note of the prepared financial statements and management reports, the unqualified audit opinions as well as the audit reports These documents were made available to Supervisory Board members in good time The Chairman of the Audit and Risk Committee provided the meeting with detailed information on the results of its examination The auditor was present at the Supervisory Board meeting Following its examination and discussion, the Supervisory Board adopted the annual financial statements as at 31 December 2012 and approved the consolidated financial statements as at 31 December 2012

Mainz, 22 March 2013

Matthias Wargers
Chairman of the Supervisory Board

Corporate Governance Report

WestImmo is committed to ensuring trust-based and sustainable corporate management for customers and business partners, as well as other stakeholders This is why the Company has voluntarily adopted the recommendations and suggestions of the German Corporate Governance Code (the Code) The current version of the Code dated 15 May 2012 serves as the benchmark for WestImmo's actions

Annual General Meeting

The Supervisory and Managing Boards provide information on the adopted financial statements and the management report, on the approved consolidated financial statements and Group management report as well as on the implementation of the Code at the Annual General Meeting In addition, the Supervisory Board reports on its activities in the past fiscal year

In particular, the Annual General Meeting resolves the election of Supervisory Board members and the auditors, and approves the actions of the governing bodies It is not required to decide on the appropriation of net profit due to the existing profit and loss transfer agreement with Erste Abwicklungsanstalt (EAA)

EAA has issued 4,000,000 no-par value registered shares each conveying one voting right, which are all held by EAA Representatives from EAA's Managing Board and one second-level manager are represented on WestImmo's Supervisory Board This ensures open and transparent communication with the shareholder The Managing Board and the Supervisory Board believe that certain recommendations of the Code do not offer any substantial added value due to the concrete ownership structure, for example, the Bank dispenses with the publication of convening documents for third parties, their electronic transmission and the broadcasting of the Annual General Meeting on the Internet, as well as the publication of a financial calendar The convening of the Annual General Meeting is addressed exclusively to the sole shareholder

Cooperation between the Managing Board and the Supervisory Board

The Managing Board and the Supervisory Board work together closely and in an open dialogue in the interests of the Company, the employees and the shareholder The Managing Board coordinates the strategic approach with the Supervisory Board and regularly reports to it on the status of its implementation Fundamental decisions and measures affecting the net assets, financial position and results of operations are made with the involvement of the Supervisory Board The basis for the cooperation is stipulated in the Articles of Association and the governing bodies' bylaws The Chairman of the Managing Board and the Chairman of the Supervisory Board regularly exchange information

Managing Board

The Managing Board consists of two members and a Chairman The areas of responsibility are governed separately on the basis of the authorisation in the Managing Board's bylaws

The Managing Board is directly responsible for corporate management It develops the strategic approach with a view to the Company's best interests and to sustainably increasing enterprise value and agrees this approach with the Supervisory Board It also ensures compliance with legal provisions and the Group's internal policies Appropriate risk management and risk control are of particular significance in the Company's internal policies, please refer to the Risk Report in this respect

Supervisory Board

The Supervisory Board consists of nine members (since 19 September 2012 six members) in accordance with the Articles of Association No co-determination rights need to be taken into account by the Annual General Meeting for the election of Supervisory Board members The Supervisory Board has established three expert committees the Main Committee, the Audit Committee and the Risk Committee (since 19 September 2012 one expert committee, namely the Audit and Risk Committee) The committee chair(s) report(s) regularly to the Supervisory Board on the work of the committee(s)

Directors' dealings (conflicts of interest)

Managing Board or Supervisory Board members do not directly or indirectly hold shares of WestImmo or related financial instruments This means that there are no transactions subject to mandatory reporting in accordance with either the recommendations of the Code or with section 15a of the WpHG

Transparency and accounting

WestImmo publishes its consolidated financial statements and the Management Report of the Group in an Annual Report It also publishes condensed half-yearly financial statements and a condensed Interim Management Report in accordance with International Financial Reporting Standards (IFRSs) As WestImmo is not a listed company, it does not publish half-yearly financial statements within the accelerated timeframe and does not prepare quarterly reports The Bank reports each quarter to the shareholder using a predefined reporting package

Before recommending the auditors for election, the Supervisory Board obtains a statement of independence from the auditors and issues the engagement letter once the Annual General Meeting has reached a decision The Supervisory Board agrees with the auditors that they will immediately report any findings and issues that emerge during the audit and that are material for the tasks of the Supervisory Board

Remuneration Report

The delegated Supervisory Board members ensure that the shareholder of WestImmo is represented in the bodies that deal with remuneration issues This guarantees complete transparency and the full flow of information to the shareholder WestImmo considers the cumulative disclosure of remuneration by third parties to be sufficient in order to judge the appropriateness of the remuneration Certain disclosures on remuneration must also be made in the notes to the consolidated financial statements These are presented in Notes 8 7 (Remuneration of executive body members) and 8 8 (Loans to governing body members) to the consolidated financial statements

Remuneration of the Managing Board

In accordance with the statutory requirements laid down in the Gesetz zur Angemessenheit der Vorstandsvergutung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration), the Supervisory Board determines the salaries and other remuneration components, including pension commitments. Corresponding contracts of service have been concluded with the members of the Managing Board. These include both fixed remuneration and variable remuneration components based on sustainable corporate development in the form of year-end remuneration. The Chairman of the Supervisory Board provides information to the Annual General Meeting on the fundamental principles of the remuneration system and any changes to it.

The fixed, non-performance-related basic remuneration is paid as a monthly salary. This is reviewed at the latest when contracts are extended. The Supervisory Board deals with issues relating to the Managing Board at every meeting as needed, or at least once a year. The fixed benefits include non-cash remuneration components on a customary scale.

Pension provisions for former Managing Board members increased by €4.9 million compared with fiscal year 2011 to €9.4 million.

Remuneration of the Supervisory Board

Following the end of the fiscal year, the Supervisory Board members receive appropriate non-performance-related remuneration, which is resolved by the Annual General Meeting. The formal commitment issued by WestLB AG/Portigon AG to the Bundesanstalt fur Finanzmarktstabilisierung (FMSA – German Federal Agency for Financial Market Stabilisation) on 18 December 2009 in accordance with the Finanzmarktstabilisierungsfondsgesetz (FMStFG – Act on the Establishment of a Financial Market Stabilisation Fund) was taken into account until 19 September 2012.

Declaration of Conformity 2012

The Managing Board and Supervisory Board of WestImmo declare in accordance with section 161 of the AktG that the recommendations of the Government Commission on the German Corporate Governance Code (the Code) in the version dated 15 May 2012 were and are complied with, with the following exceptions:

- Because of its shareholder structure comprising only a single shareholder, the Bank departs from the recommendations in sections 2.3.1 and 2.3.2 of the Code with regard to Annual General Meeting formalities insofar as it does not publish any documents on the Company's website or send any documents by electronic means. In addition, the Bank does not enable shareholders to follow the Annual General Meetings via modern communication media (section 2.3.4); nor does it publish a financial calendar (section 6.7).

- To ensure maximum flexibility as recommended in section 4.2.1 of the Code, the Bank does not allocate fixed responsibilities among Managing Board members in the bylaws. The areas of responsibility are governed by a schedule of responsibilities.

- The Bank observes diversity criteria when filling management positions (section 4 1 5) and in the composition of the Managing Board (section 5 1 2) Women are given appropriate consideration in the appointment process However, the Bank does not set specific targets for this (section 5 4 1)

- The Bank partly departs from the recommendations in sections 4 2 3 and 4 2 4 of the Code, as detailed in the Remuneration Report In particular, the Bank does not comply with the recommendation to publish the total remuneration of each of the members of the Managing Board or Supervisory Board, divided into fixed and variable remuneration components This is because the sole shareholder is represented on the bodies that deal with issues relating to remuneration and this fulfils the purpose behind the recommendation In the interests of ensuring that the Supervisory Board acts as a supervisory body, the Bank also does not comply with the recommendation in section 5 4 6 in that the members of the Supervisory Board only receive non-performance-related remuneration

- In accordance with section 5 3 3 of the Code, the Supervisory Board is expected to form a nomination committee, which proposes suitable candidates to the Supervisory Board to recommend to the Annual General Meeting for election Because of its shareholder structure, no such committee has been formed and the composition of the Supervisory Board is discussed by the full Supervisory Board

- The Bank does not observe the age restrictions for members of the Managing Board and other bodies recommended in sections 5 1 2 and 5 4 1, as it sees no suitable quality advantages in having a maximum age

- The Bank publishes consolidated financial statements and half-yearly financial reports The Bank does not comply with the recommendations for interim management statements in order to inform third parties in accordance with section 7 1 1 of the Code or with the recommendation on the publication of half-yearly financial statements within an accelerated timeframe in accordance with section 7 1 2 of the Code due to its group membership For this reason, section 7 1 3 (stock option plans and similar incentive systems) is also not relevant to the Bank

The Declarations of Conformity and the Corporate Governance Reports are available on the Bank's website at www westimmo com in the Investor Relations portal, under "Corporate Governance"

Mainz, 22 March 2013

For the Supervisory Board	For the Managing Board
Matthias Wargers	Claus-Jurgen Cohausz
Chairman of the Supervisory Board	Chairman of the Managing Board

Names · Locations

Westdeutsche ImmobilienBank AG

Members of the Managing Board, Managing Directors and Branch Managers

Members of the Managing Board

Claus-Jurgen Cohausz
Chairman
(since 27 April 2012)

Dr Peter Knopp
Chairman
(until 26 April 2012)

Rainer Spielmann

Christiane Kunisch-Wolff
(since 16 March 2012)

Managing Directors and Branch Managers

Andrew S Cooper
Managing Director
North America

Werner Doetsch
Managing Director
Specialised Finance/Capital Markets

Heribert Eisenburger
Managing Director
Central Customer Support
Germany

Mounir Hamrouni
Branch Manager
Paris

Lee Mays
Branch Manager
Madrid

Oliver Pleiner
Managing Director
Europe

Maciej Tuszyński
Branch Manager
Warsaw

Norbert Wilms
Branch Manager
UK/London Branch

Information correct as of March 2013

Heads of Central Departments

Gerhard Bappert
Risk Management

Elvira Dettweiler-Scholz
Human Resources

Uwe Engler
Balance and Accounting

Frank Heid
Board Administrative Staff/
Group Development

Frank Hofling
Organisation/EDP & Administration

Heinrich Hunecke
Legal

Tobias Ilgen
Treasury

Piet Kok
Property Valuation & Research

Matthias Riedel
Credit Management

Francisco Vázquez Gómez
Internal Audit

Martin Weber
Project- und Processmanagement

Jorg Wenk
Retail Banking

Karl-Heinz Wulfert
Liquidation/Recapitalization

Information correct as of March 2013

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In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

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Companies House

✓ **What this form is for**
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You cannot use thi
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Part 1 Corporate company name

Corporate name of overseas company ❶	Westdeutsche ImmobilienBank AG
UK establishment number	B R 1 1 4 7 5

→ **Filling in this form**
Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❷	Section 315a(I) Handelsgesetzbuch (HGB-German commercial code)

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ **No** Go to **Section A3**

☑ **Yes** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**

Name of organisation or body ❸	International Accounting Standards Board (IASB)

❸ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ **No** Go to **Section A5**

☑ **Yes** Go to **Section A4**

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ **No** Go to **Part 3 'Signature'** ☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	International Accounting Standards Board (IASB)	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ **No** ☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature	Signature X JHLChen [signature] X
	This form may be signed by Director, Secretary, Permanent representative

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

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County/Region

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Country England

DX

Telephone 0207 491 6800

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- ☑ You have completed all sections of the form, if appropriate
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DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www companieshouse gov uk or email enquiries@companieshouse gov uk

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