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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

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law

✗ **What this form is NOT for**
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Part 1 Corporate company name

Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by *

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

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**

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 JHClark 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

Contact name	Jeffrey Cheah
Company name	Westdeutsche ImmobilienBank AG
Address	9th Floor, Suite 9 06 - 9 07
	City Tower
	40 Basinghall Street
Post town	London
County/Region	
Postcode	E C 2 V 5 D E
Country	England
DX	
Telephone	0207 491 6838

Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☑ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☑ You have completed all sections of the form, if appropriate
- ☑ You have signed the form

Important information

Please note that all this information will appear on the public record

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England and Wales
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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

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WestImmo

Annual Report 2014

Westdeutsche ImmobilienBank AG

Key Figures for Westdeutsche ImmobilienBank AG

	31 Dec 2014	31 Dec 2013	Change	
	€ million	€ million	€ million	%
Income Statement				
Net interest income and current income	108 2	136 6	−28 4	−20 8
Net fee and commission income	1 4	5 5	−4 1	−74 5
Net other operating income and expenses	6 6	7 8	−1 2	−15 4
Administrative expenses	55 1	65 4	−10 3	−15 7
Risk provisions	9 8	−27 1	36 9	>100
Result from ordinary activities	**70 9**	**57 4**	**13 5**	**23 5**
Extraordinary result	−7 0	−8 1	1 1	−13 6
Taxes	−0 2	−1 0	0 8	−80 0
Net income for the financial year before profit transfer	**64 1**	**50 3**	**13 8**	**27 4**

	31 Dec 2014	31 Dec 2013	Change	
	€ million	€ million	€ million	%
Balance Sheet				
Total assets	10,135 8	13 776 9	−3,641 1	−26 4
Equity	451 9	876 6	−424 7	−48 4

	31 Dec 2014	31 Dec 2013	Change
	%	%	%
Key Figures			
Tier 1 ratio	16 8	15 9	0 9
Cost/Income Ratio	47 5	43 7	3 8
Return on equity before taxes	9 6	5 6	4 0

Note: in the Key Figures table above, a second column of values (5 7, 8 7, 0 7) is printed under "%" at the right: Tier 1 ratio 5 7, Cost/Income Ratio 8 7, Return on equity before taxes 0 7.

	31 Dec 2014	31 Dec 2013	Change	
	Number	Number	Number	%
Employees				
Employees (annual average)	274	294	−20	−6 8

Rating	
Fitch Rating for Westdeutsche ImmobilienBank AG	
− long-term	A−
− short-term	F1

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Management Report of Westdeutsche ImmobilienBank AG

At a Glance

Westdeutsche ImmobilienBank AG (WestImmo) has been a wholly owned subsidiary of Erste Abwicklungsanstalt AoR (EAA) since 2012. WestImmo has pursued its limited activity as a commercial real estate financing specialist on an unchanged basis.

Based on the cessation of new business activities imposed by the European Commission, WestImmo is only available to provide its existing customers with loan renewals and to a limited extent to top up existing commitments in order to implement restructuring and/or maintenance measures. In addition, it actively manages its cover pools.

In addition to WestImmo's limited business activity, its loan and bond portfolios were reduced as a result of the carve-out transaction executed in the past financial year, which bundled the assets, liabilities, derivatives and contingent liabilities inconsistent with the strategy of a Pfandbriefbank and transferred them to EAA. Following the carve-out, WestImmo has emerged as a focused and streamlined Pfandbriefbank with a further improved risk profile.

The Bank did not make further use of maturing refinancing.

WestImmo made additional necessary adjustments to its internal structures and processes in order to generate cost savings. The main focus during the planning and implementation of these measures is on maintaining the functions required for the banking and Pfandbrief business, and ensuring the Bank's marketability.

Loan renewals amounted to €0.8 billion in the past financial year (previous year: €1.2 billion). Net interest income amounted to €107.6 million, down 20.2% on the prior-year figure of €134.8 million. Administrative expenses declined by 15.3% to €54.2 million over the same period.

Profit after tax amounted to €64.1 million (previous year: €50.3 million).

Carve-out transaction

The assets, liabilities, derivatives and contingent liabilities that were inconsistent with the strategy of a Pfandbrief bank were transferred at their carrying amounts to EAA KG, which is held by the parent EAA, under a carve-out and transfer agreement in accordance with the Umwandlungsgesetz (UmwG – German Reorganisation Act) dated 11/12 June 2014, with retroactive effect from 1 January 2014. The agreement was registered in the commercial register in Mainz on 30 July 2014. The Bank's assets decreased as a result of the transaction, reducing equity by €448,727,270.62. In this respect, comparison with the prior-year figures is only possible to a limited extent.

The necessary approval in accordance with Art. 77 of the Capital Requirements Regulation (CRR) was granted by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin – Federal Financial Supervisory Authority). As part of its approval, BaFin established a future minimum equity ratio requirement of 9%

Since WestImmo's distributable capital and revenue reserves were insufficient to cover the decline in assets resulting from the carve-out, EAA transferred €24 0 million to the capital reserves in accordance with section 272(2) no 4 of the Handelsgesetzbuch (HGB – German Commercial Code) on 27 June 2014 The decline in assets was subsequently offset against capital and revenue reserves

WestImmo's reported equity (including the fund for general banking risks) amounted to €575 0 million as at 31 December 2014

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) In Germany, the Bank operates a branch in Munster alongside its headquarters in Mainz WestImmo is represented internationally by a branch in London and representative offices in Madrid, New York, Paris and Warsaw

WestImmo's strategy

WestImmo's business strategy, Articles of Association and Managing Board bylaws are primarily determined by the European Commission's decision on the restructuring In this context, the Bank focuses on active cover pool and portfolio management In so doing, it meets all requirements of the Kreditwesengesetz (KWG – German Banking Act) and the Pfandbriefgesetz (PfandBG – German Pfandbrief Act)

WestImmo is making the necessary capacity adjustments in connection with the reduction of its portfolios and the Bank's limited business opportunities It is also realigning its internal structures and processes in order to cut costs

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

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

WestImmo's structure

WestImmo holds interests in direct investments and in real estate joint ventures, although these are not material to its results

All of the remaining subsidiaries of Westdeutsche ImmobilienHolding GmbH (WIH Group) were transferred to EAA on 30 June 2014, with retroactive effect from 1 January 2014 As a result, WestImmo further reduced the number of its subsidiaries in 2014

WestImmo remains a member of the Guarantee Fund of the Central Savings Banks in the Deutscher Sparkassen- und Giroverband (DSGV – German Savings Bank Association)

Corporate management

The Managing Board conducts the business of WestImmo and is composed of the following members with responsibility for the following areas

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

- Christiane Kunisch-Wolff, Member of the Managing Board
  (Accounting and Financial Reporting, Organisation/IT/Administration, Retail Banking, Project and Process Management, Money Laundering/Compliance)

- Rainer Spielmann, Member of the Managing Board
  (Risk Management, Credit Management, Property Valuation & Research, Intensive Care and Work Out Unit)

Loan portfolio financing, customers and processes

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

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

WestImmo meets the legal and business requirements for Pfandbrief banks and the Pfandbrief business Its business activities include

- Prolonging expiring loans and selectively topping up existing loans for necessary restructuring and maintenance measures to maintain the collateral value
- Replacing maturing refinancing
- Maintaining its cover pool, including the necessary overcollateralization

WestImmo's main customer groups on both sides of the balance sheet are
- National and international investors
- Fund companies, insurance companies and pension funds
- Real estate companies
- Banks and savings banks

Intensive Care/Work Out

Exposures where the risk situation has substantially deteriorated as documented by negative information and indicators, or where payments are more than 30 days past due are presented to the Intensive Care steering group in the form of a report detailing the substantial deterioration of the risk situation The steering group decides on how to deal with the exposure going forward and on the measures that must be put in place The Bank's aim is to assess the situation together with the customer at an early stage by employing relevant specialists, and to avoid or mitigate 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 Intensive Care and Work Out Unit after all the necessary measures have been agreed

Refinancing

In principle, WestImmo meets its short-term financing needs via the repo market, which primarily serves to manage liquidity and cash positions

The Bank had adequate liquidity throughout the whole of 2014, and by the middle of the year had covered its entire financing requirements for 2014, leading to a corresponding decrease in issuing activity

The Bank received a total of €450 0 million in financing from the shareholder, of which the majority was allocated to unsecured issues (€400 0 million) and the remainder to secured issues (€50 0 million)

In 2015, the Bank's refinancing will be closely adjusted to the further progress of its business activities and the resulting funding requirements

Key management indicators

As part of the management information system (MIS), the Managing Board is informed about developments at the Bank on a monthly basis using key performance indicators (KPIs) and parameters These primarily comprise the loan portfolio, the volume of loan renewals, profit or loss before tax, the core capital ratio, the cost/income ratio and the presentation of the liquidity situation The KPIs are used to measure whether the various performance figures are within their defined target corridors Measures are defined and put into practice in the event of any variances If necessary, relevant KPIs are reported at shorter intervals Liquidity planning and management are based on the information stored in the portfolio management systems, which is used to produce cash flow statements and payment planning documents The Bank also uses information from the liquidity gap analysis for its strategic liquidity planning

Regulatory environment

WestImmo is a universal bank governed by 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 Pfandbriefgesetz (PfandBG – German Pfandbrief Act), the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and the capital and liquidity requirements in accordance with Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR)

CRD IV entered into force in Germany on 1 January 2014 together with the German CRD IV Implementation Act CRD IV and the CRR therefore replaced the regulatory regime in place until the end of 2013 in its entirety

As before, compliance with the regulatory requirements is monitored by BaFin and Deutsche Bundesbank

The London branch of the Bank is registered in the United Kingdom and is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) 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 Using these standards as a basis, the responsible EU institutions developed the Capital Requirements Regulation (CRR) as requirements that enter directly into force, and the Capital Requirements Directive (CRD IV) as rules that must be transposed into national law Both pieces of legislation were published on 27 June 2013 and came into force on 1 January 2014

In 2012, the Bank launched a project to implement the Basel III requirements and the corresponding EU regulatory framework (CRD IV and CRR) on the basis of the requirements available at the time, which was continued in 2014 and implemented in the reporting period, as planned The corresponding notifications were submitted appropriately and on time

Advanced Internal Ratings-Based Approach and credit risk model

The Bank has been using the Advanced Internal Ratings-Based Approach (AIRBA) since 1 January 2008 to determine its regulatory capital requirements, and estimates the loss given default (LGD) and conversion factors in addition to the probability of default (PD) The Bank uses internally developed rating procedures, which are regularly reviewed for suitability using standardised procedures and adjusted if required, for its real estate financing in all customer and product segments This does not include exposures to banks, central governments and regional governments or local authorities, or retail client financing (residential construction financing) In these cases, capital requirements are determined in accordance with the rules governing the Credit Risk Standardised Approach under the CRR The IRBA coverage ratio amounted to 98 % (RWA) as at 31 December 2014

The Bank's loss given default (LGD) concept is used to estimate recoverable amounts for all relevant types of collateral. These recoverable amount 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 Pfandbriefbanken (the Association of German Pfandbrief Banks), which are sourced from the latter's subsidiary, vdp Expertise GmbH.

Market Environment 2014

Macroeconomic environment

The financial markets in Europe and North America were dominated by low interest rates and low volatility in 2014. In Europe, the economy was impacted by central bank policy and geopolitical crises. The European Central Bank (ECB) reduced its benchmark interest rate to 0.05 % during the course of the year, with the deposit rate falling to –0.2 % for the first time in the currency union's history. The ECB pushed forward with its expansionary monetary policy at the end of the year, launching its third covered bond purchase programme in the eurozone and extending its longer-term refinancing operations (LTROs). Trade sanctions against Russia as a result of the Ukraine crisis caused uncertainties on the market, leading companies to hold back on investments. The inflation rate in the eurozone fell steadily due to the sharp drop in oil prices as the year progressed. This situation was reinforced by the low interest rate environment.

China's economic growth slowed to 7.4 %, which had a dampening effect on global growth.

The economic situation improved in the USA, with the positive effects visible on the labour market and in consumer spending. The US Federal Reserve called an end to quantitative easing in the autumn, although the increase in the benchmark interest rate that had been expected as the year progressed failed to materialise. Overall, yields on long-term US government bonds were noticeably higher than in the eurozone, something seen only rarely in the last two decades.

European Union
Growth in the European Union is estimated at 1.3 % for 2014, with the eurozone trailing behind as in the previous year, at 0.8 %. Within the eurozone, growth rates were mixed. While there was considerable growth in countries such as Spain or Ireland where reforms have been implemented, the French economy saw weaker growth and Italy was the only eurozone member to remain in recession, recording growth of –0.4 %. In Central and Eastern Europe, Poland saw positive economic growth due to lower unemployment and strong domestic consumption. The trade sanctions against Russia had a negative impact on export-driven nations in the course of the year. Companies and investors with links to Russia were also hit by the substantial deterioration in the country's economic and financial situation.

The drop in energy prices as the year progressed, high unemployment and weak economic growth led to declining and extremely low inflation rates throughout Europe. At 0.4 %, the eurozone inflation rate was well below the ECB's target of just under 2 %. Government bond yields saw a sharp drop in the peripheral countries, with some falling to below their pre-crisis levels in December. Nonetheless, it was not fully possible to overcome the uncertainties relating to sovereign debt.

Germany

According to current calculations, the German economy expanded by 1.5 % in full-year 2014. However, the economic situation grew noticeably bleaker in the second half of the year. Developments in manufacturing industry and investments were disappointing during the course of the year. Exports remained healthy despite the sanctions related to the Ukraine conflict and other geopolitical crises. On the labour market, the working population exceeded the 42-million mark for the first time. The construction industry saw a sharp increase in construction activity at the beginning of the year. This dropped in the second half of the year however, leading us to conclude that construction activity will return to normal levels.

United States

With GDP growth of 2.4 %, economic output in the USA continued on the moderate upward trend observed in the previous two years. The Federal Reserve's withdrawal of quantitative easing bolstered the steady positive trend on the labour market. Early indications point to strong growth in the manufacturing industry and consumer spending in the coming year. Although the strong dollar had a negative effect, the low oil prices helped consumers.

Markets for commercial real estate

Asset values on WestImmo's markets were mixed during the year. While real estate asset values saw considerable growth in the UK and the USA, there was a decline in France and the Netherlands. Asset values remained stable in Germany and Poland. Investors were still prepared to pay higher prices due to the ongoing low interest rate environment and the lack of alternative investment opportunities. As a result, initial yields in prime locations remained constant. Some markets saw a decrease in yield spreads between prime and secondary locations. There was positive growth in the previously crisis-hit countries, in particular Spain. Although the Spanish real estate market continued to be dominated by the crisis, market signals pointed to an improvement in the situation.

Germany

The current low interest rate environment buoyed real estate investments in both commercial and residential properties. In 2014, transaction volumes for commercial properties almost returned to the pre-crisis levels seen in 2007. Investor demand concentrated on properties with prime sites in established locations. At the same time the growth in rental prices was somewhat muted, with next to no increase in commercial real estate asset values.

In some cities, the situation in the residential segment was tense as local demand outstripped supply. Elsewhere, structural vacancies in the residential segment gained increased prominence. Regulatory authorities addressed the imbalance between supply and demand in large cities using rental caps, although the effects of this are not yet visible. On the contrary, regulating prices could result in a further shortage of residential property.

United Kingdom
The economic recovery, with growth of roughly 2 7 % in 2014, was reflected in positive take-up and initial rental price increases on regional office markets As a consequence, investors turned their attention back to properties on regional markets, particularly as the supply of first-class properties in prime London locations was insufficient to meet investor demand Decreased risk premiums caused the spread in yields between London and the regional markets to narrow Office properties in the UK saw strong asset value growth driven by increases in rental prices in London and the decline in yields in the regions

France
Although office space take-up and deal flow point to a recovery in the commercial real estate market, the economic situation is best described as difficult Demand in the Île-de-France region focused on a small number of first-class properties, while there was a slight drop in some prime rents Prime properties saw a high level of investor interest however, putting yields under pressure from demand in the prime segment as well as the low interest rate environment The spread in yields between first-class and secondary locations remained, especially as significant risk premiums were seen in sub-markets outside the Paris CBD Office property asset values remained in decline overall, driven primarily by the decrease in rents

Spain
Although the office markets in Madrid and Barcelona saw vacancies and prime office rents stabilise, there is still no comprehensive increase in rental prices to report The low volume of new builds encouraged a rapid recovery in the office markets Investor interest has increased markedly in expectation of a recovery on the market This can be seen in the increased deal flow, primarily due to large-volume investments

Central Europe
Poland, WestImmo's most significant Central European real estate market, is experiencing an upsurge in new office construction projects, of which to date only a fraction have been pre-leased Vacancy rates and rent levels for prime properties in Warsaw and other cities were stable in 2014 By contrast, the situation for older properties became increasingly more competitive as the year progressed Even so, there is significant investor interest in Polish commercial real estate, which generated attractive returns due to the low interest rate environment

North America
In the USA, the economic recovery and improved employment situation had a positive effect on the office rental markets Although there was continued steady growth in both take-up and average rents, this was significantly more restrained than in previous phases of the recovery Rental price growth in WestImmo's office rental markets is higher than the national average, with the exception of Washington D C where a large vacancy surplus is still causing weaker rental price growth The low interest rate environment is also having a positive effect on commercial real estate deal flow in the USA While residential investments have proved popular among investors in recent years, their attention is now increasingly turning back to commercial properties As a consequence, returns on WestImmo's markets are considerably below the national average, something emphasised by investors' appetite for first-class properties in the core cities

Markets for commercial real estate financing

There were positive tendencies on the market for commercial real estate financing in 2014 The results of the European Central Bank's Asset Quality Review (AQR) towards the end of October 2014 also boosted market confidence

Although the previous two years had seen further declines in Pfandbriefbanks' portfolios and loan commitments, this was no longer the case in 2014 According to the Association of German Pfandbrief Banks (vdp), international financing portfolios saw a slight increase of 1 5 % in the first half of the year Portfolio volumes remained stable overall until halfway through the year, although there was a significant 8 5 % year-on-year increase in loan commitments Access to medium- and long-term real estate financing was less restricted than in the two preceding years

Estimates by the German Real Estate Finance Index (DiFi) indicate that financing conditions improved progressively over the course of the year, and there was a further overall increase in liquidity

LTV ratios for prime European properties with good occupancy rates averaged 65 % – 80 % at the end of the year Margins experienced a downward trend year-on-year due to the increase in competition Investors and lenders also increasingly fell back on secondary locations, not least due to the continuing intense competition in core properties

Summary by the Managing Board on the Development of WestImmo in 2014

2014 was a very successful year for WestImmo despite its still limited business activities and the associated lack of new business, as well as the decline in the Bank's interest-bearing portfolios The break-even result initially planned for 2014 was clearly exceeded, due primarily to the unexpectedly positive credit risk result and the partial reversal of the fund for general banking risks in accordance with section 340g of the Handelsgesetzbuch (HGB – German Commercial Code) Profit amounted to € 64 1 million and will be transferred in full to EAA under the profit transfer agreement

In 2014, WestImmo continued to concentrate on actively managing its cover pools and renewing existing loan commitments, as well as on continuously adapting its structures and workflows to reflect the change in its business situation Thanks to the carve-out, the Bank has emerged as a focused and streamlined Pfandbriefbank with an improved and still well-balanced risk profile, together with even higher fungability

At € 0 8 billion in 2014, following € 1 2 billion in the previous year, the volume of loan renewals shows that WestImmo remains a respected and reliable real estate financing partner for its existing customers

The borrower-specific risk provisions amounted to € 19 5 million, compared with an expense of € 33 3 million the previous year This highlights the continuing good quality of the loan portfolio

Maturing refinancing was eliminated accordingly in the past financial year

The good business performance was also boosted by the decline in administrative expenses, which fell by around 15 3 % year-on-year and were also reflected in the healthy cost/income ratio (CIR) of 47 5 % Cost savings made a significant contribution here

Earnings

The Bank's earnings were mainly dominated by the reduced credit risk provisions Net interest income declined from € 134 8 million in 2013 to € 107 6 million, and includes net income of € 17 5 million from closing out derivatives used to hedge interest rate risk (previous year € 5 0 million expense) Net interest income also includes net income from early repayment penalties in the amount of € 5 6 million (previous year € 13 9 million) and interest expenses from the early repayment of borrower's note loans amounting to € 22 3 million (previous year € 14 6 million)

Net fee and commission income decreased to € 1 4 million (previous year € 5 5 million)

Administrative expenses declined by around 15 3 % year-on-year to €54 2 million (previous year € 64 0 million), which also made a significant contribution to earnings performance This drop was due to the reduction in other administrative expenses from € 30 5 million to € 23 1 million and the decrease in personnel expenses from € 33 5 million to € 31 1 million in connection with the reduction in the number of employees

Income from reversals of write-downs of end valuation allowances on other long-term equity investments, shares in affiliated companies and securities classified as fixed assets amounted to € 0 8 million in 2014 In the previous year, we reported write-downs of and valuation allowances on other long-term equity investments, shares in affiliated companies and securities classified as fixed assets amounting to € 8 6 million that were primarily attributable to the sale of subsidiary WIB Real Estate Finance Japan K K

Adequate account was taken of the risks from the Bank's real estate lending business

The fund for general banking risks was reduced by € 24 0 million

Income from profit pooling and profit transfer agreements amounted to € 0 04 million (previous year € 14 8 million) The primary reason for the high income in the previous year was a non-recurring factor recorded by the subsidiary West Zwanzig GmbH relating to the successful repayment of a loan receivable and liquidation of real estate collateral for which a valuation allowance had been recognised

Net other operating income and expenses of € 6 6 million (previous year € 7 8 million) are attributable in particular to the reversal of provisions, income from service fees and maturity-related effects from discounting of provisions and unwinding of discounts

The result from the Bank's ordinary activities improved significantly from € 57 4 million in 2013 to € 70 9 million in the year under review

The extraordinary result of €−7 0 million is due to the addition to restructuring provisions (previous year €−8 2 million)

The profit after tax of €64 1 million (previous year € 50 3 million) was transferred in full to EAA under the profit transfer agreement This includes € 24 0 million attributable to reversal from the fund for general banking risks

Financial position and net assets

WestImmo's total assets amounted to € 10 1 billion as at 31 December 2014 This represents a decline of 26 8 % as against the figure of € 13 8 billion recorded as at 31 December 2013

Receivables from customers declined to € 7,537 1 million (previous year € 10,708 1 million) due to the reduction in the portfolios, the lack of new business and the carve-out

Bonds and other fixed-income securities declined to € 1,525 3 million (previous year € 1,909 7 million), primarily as a result of the carve-out

The significant decrease in securitised liabilities to € 1,531 4 million (previous year € 3,437 2 million) and in liabilities to customers to € 6,308 6 million (previous year € 7,661 9 million) is related to the Bank's business development and the associated reduction in its refinancing requirements

The change in other assets to € 6 4 million (previous year € 36 9 million) was due in particular to the settlement of prior-year receivables relating to the profit transfer by subsidiaries in the amount of € 14 8 million and the successful disposal of a rescue acquisition with a carrying amount of € 12 8 million

Please refer to the relevant disclosures in the notes for information on the type and maturity structure of liabilities

Other liabilities increased to € 105 3 million (previous year € 60 2 million) largely due to currency translation adjustments (€ 35 2 million, previous year € 1 0 million) and the liabilities from the profit transfer to EAA (€ 64 1 million, previous year € 50 3 million)

Reported equity declined to € 451 9 million (previous year € 876 6 million) due to the carve-out The capital reserves were increased by € 24 0 million in connection with the carve-out and to strengthen the Bank's equity

The Bank's total capital ratio in accordance with the Capital Requirements Regulation (CRR) amounted to 17 25 % as at 31 December 2014 (previous year 17 04 % in accordance with the old version of the Solvabilitatsverordnung (SolvV – German Solvency Regulation)) The core capital (Tier 1) ratio was 16 83 % as at the balance sheet date (previous year 15 92 % in accordance with the old version of the SolvV)

WestImmo's return on assets in accordance with section 26a of the KWG, calculated as the ratio of net profit to total assets, amounted to 0 0 %

Please refer to the relevant disclosures in the notes for information on off-balance-sheet commitments including derivative transactions entered into to hedge against interest rate and currency risk

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 the risk strategy, the goal is to secure refinancing at maturities that are generally matched A detailed breakdown of the residual maturities of the receivables and liabilities may be found in the notes, and more details on liquidity risks are presented in the Risk Report

Lending business portfolio

The volume of receivables from banks decreased in the reporting period from € 996 1 million to € 994 4 million Receivables from customers declined to € 7,537 1 million (previous year € 10,708 1 million) due to the reduction in the portfolios, the lack of new business and the carve-out

Employees

WestImmo employed 269 people as at year-end 2014 The total number of employees decreased by 6 6 % year-on-year (previous year 288) The decline in employee numbers is primarily due to WestImmo's limited business opportunities The Bank is making further necessary capacity adjustments and is optimising internal structures and processes in its departments All redundancy agreements signed in 2014 were made on a voluntary basis or in connection with early retirement arrangements

WestImmo again offered its employees a range of internal and external continuing professional development (CPD) opportunities in 2014 The Bank provides CPD offerings designed to develop and enhance employees' professional and language skills, as well as improving their flexibility to operate in different areas Employees who take on a different role or increased responsibilities are offered customised professional development opportunities

WestImmo's Social Commitment

As part of WestImmo's corporate social responsibility, the Bank supports community projects by making donations The Bank used its 2014 Christmas donation to support the work of international humanitarian organisation Medecins Sans Frontieres

Activity in associations

In addition to 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 also a founding member of the Zentraler Immobilienausschuss e V (ZIA – Central Real Estate Committee) WestImmo sees its memberships as important for supporting and helping to shape measures relating to economic, legal, political, or tax-related issues in the real estate industry at association level

Risk Report

Risk management and end-to-end controls

Extensive risk management and risk monitoring activities are performed for all of the Bank's departments and processes Risk management is an integral part of WestImmo's strategic and operational end-to-end management Risk management is also a core component of the Bank's three lines of defence approach, implemented as part of the Minimum Requirements for Risk Management (MaRisk)

The business and risk strategy pursued by the Bank is critically influenced by the downsizing targets agreed with EAA to ensure compliance with the winding-up plan on the basis of the decisions made by the European Commission The individual components of the overarching concept and the strategic focus are agreed in close consultation with the governing bodies and 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 and other key banking 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 exception of the residential construction financing business, which is low-risk in nature due to its classification as standardised retail banking, monitoring of key risks to the Bank continues to be functionally and organisationally separated from risk management The head of the Risk Management department also performs the duties of risk controller, ensuring organisational separation between this oversight function and operational business responsibilities

Risk categories/types	Departments/business area for risk management	for risk monitoring
Counterparty credit risk		
Credit risks (individual and portfolio level)	Front Office areas and direct equity investments	Credit Management Intensive Care and Work Out Unit, Risk Management, Property Valuation & Research and Accounting and Financial Reporting
Counterparty and country risk	Treasury	Credit Management, Risk Management and Accounting and Financial Reporting
Market/liquidity risk	Treasury	Risk Management and Accounting and Financial Reporting
Operational risk	Business areas	Risk Management, Legal Human Resources, Board Administrative Staff/Group Development and Money Laundering/Compliance
Business risk	Business areas	Board Administrative Staff/Group Development and Risk Management

Counterparty credit risk is monitored at portfolio level by the Credit Management, Intensive Care and Work Out Unit, Risk Management and Property Valuation & Research departments As a rule, Credit Management is responsible for preparing and approving loan renewal applications on a case-by-case basis and for the ongoing monitoring and management of individual exposures, in consultation with the relevant front office departments The Asset Quality department, which is part of the Bank's Credit Management department, ensures ratings consistency and the correct regulatory treatment of collateral in accordance with the Capital Requirements Regulation (CRR) The Intensive Care and Work Out Unit is responsible for problem loan processing and the management of loans exposed to default risk Property and location appraisals and market valuations are performed by Property Valuation & Research or carried out by external appraisers and subsequently reviewed for reasonableness

Together, the four departments mentioned comprise the Bank's back office They liaise closely 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 month and decides on necessary measures The GRC consists of the 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, Risk Management, and Property Valuation & Research

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 risks associated with the lending business Counterparty and country risk play a comparatively minor role due to the credit ratings involved The main responsibilities of Risk Management, Credit Management, the Intensive Care and Work Out Unit and Property Valuation & Research in this context are as follows

- Definition of methods and standards, including reviewing the credit risk strategy (Risk 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 using suitable early warning indicators, as well as property and location appraisals and market valuations (Credit Management, the Intensive Care and Work Out Unit and Property Valuation & Research),
- Regular analysis of the loan portfolio, as well as intensive care and problem loan processing (Credit Management, the Intensive Care and Work Out Unit and Risk Management)

As a result of the carve-out transaction implemented effective 30 June 2014, WestImmo holds only direct investments that are mainly monitored as part of the lending process The Bank's remaining investments will be further reduced in accordance with the divestment strategy specified in the credit risk strategy

Lending business

The applicable external and internal rules for the Bank's lending business are continually reviewed and enhanced, and 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

No secondary market transactions have been implemented by the Bank so far

The relevant front office areas are primarily responsible for maintaining customer relationships and assisting in loan renewals

A Prolongation and Asset Management Committee (PAM) is in place to assist in the systematic downsizing of the Bank The Committee meets once a week or as necessary It advises in particular on the quality and structure of loan renewals and suitable exit measures in consultation with the responsible Managing Board members and the relevant front and back office departments

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 It is resolved by the Managing Board and discussed with the supervisory body It covers the planned development of the Bank's entire lending business The credit risk strategy continues to serve as the basis for reducing the loan portfolio while preserving the value of the assets The overarching goal is to largely stabilise the quality of the portfolio over the downsizing period and to ensure compliance with banking supervisory ratios and the requirements of the Pfandbriefgesetz (PfandBG – German Pfandbrief Act) 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 significantly, 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 watch list This serves as a tool for planning and monitoring the measures needed to be taken in individual cases, supporting risk reporting throughout the Group, and as a central information pool

The loans concerned are immediately transferred to Intensive Care or the Work Out Unit Restructuring concepts and further measures are then examined and, where necessary, implemented in consultation with the relevant loan processing departments, with the aim of a loss-free exit

Valuation of collateral

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

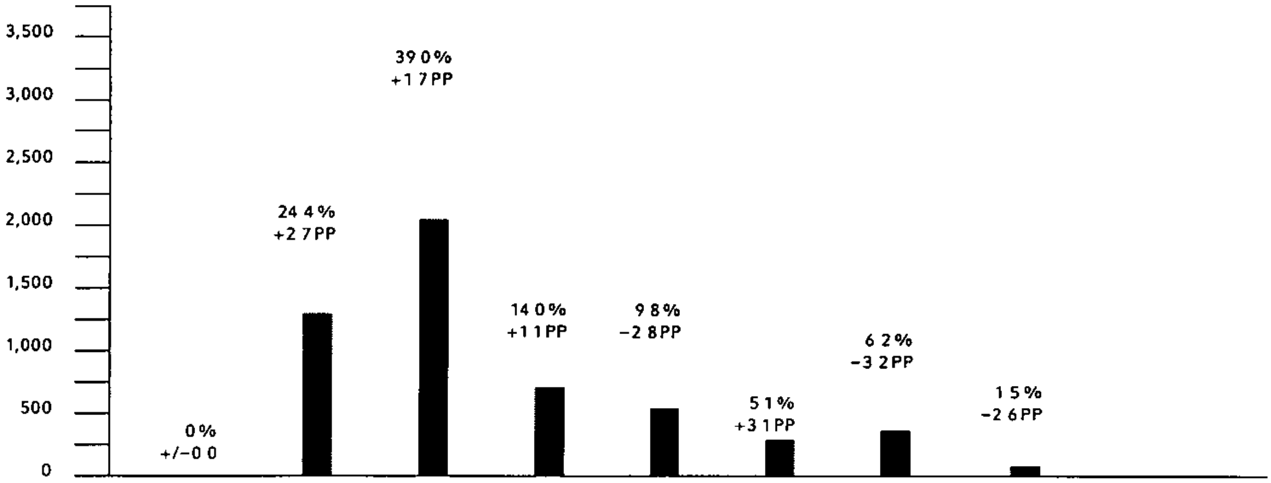
Risk monitoring at portfolio level

Changes in the Bank's credit risk are monitored on the basis of monthly analyses and, where necessary, supplemented with sector- and country-specific sub-portfolio analyses, including stress scenarios The results are an integral part of the Bank's regular risk reporting The total loan portfolio (loans to investors and retail customers, loans to public sector borrowers and banks, and customer derivatives and treasury transactions) amounted to € 10 0 billion as at 31 December 2014, a decrease of € 3 8 billion or 27 5 % against the beginning of the year

The portfolio of loans to investors amounted to €5 3 billion on the reporting date This represents a decline of around € 2 9 billion or 35 4 % against the previous year (€ 8 2 billion) due to scheduled and unscheduled repayments at the same time as the cessation of new business activities and the transfer of the lending business inconsistent with the strategy of a Pfandbriefbank to EAA as part of the carve-out

The following analyses relate solely to the portfolio of loans to investors (excluding customer derivatives) of €5 3 billion as at 31 December 2014

The portfolio of loans to investors can be broken down into the rating categories given below as at 31 December 2014 (€ million)

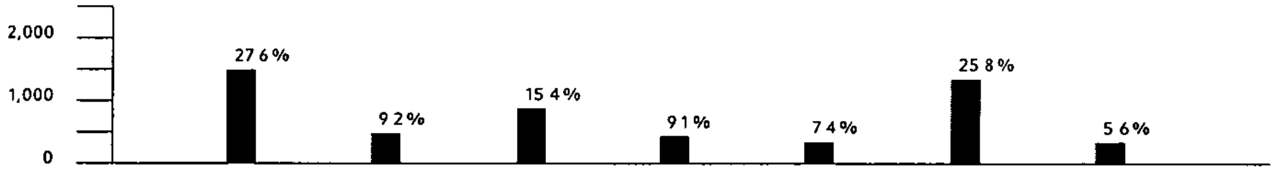


	A1-A2	A3-B1	B2-B4	B5-C2	C3-C5	D1-D2	D3-E	PU + NRC + unrated	Total	Ratings coverage
Dec 13	0	1,788	3,066	1 061	1 039	168	771	337	8,230	99 8 %
■ Dec 14	0	1 290	2,061	738	519	270	328	81	5,287	100 0 %

At €3 4 billion, 63 4 % (previous year 59 0 %) 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 (lower investment grade segment), 77 3 % of the loans have a good to satisfactory risk structure (previous year 71 9 %)

The rating procedures used to classify the risks are used for all investor transactions The sole exceptions are 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 CRR The same applies to the portfolio of private residential construction loans and exposures to banks, central governments and regional governments or local authorities

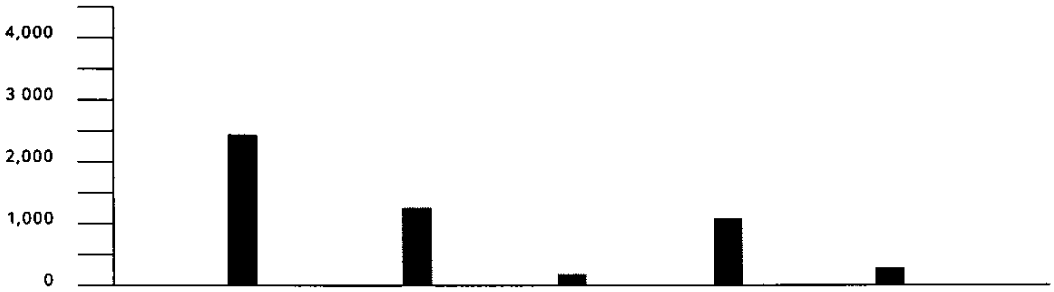
The portfolio is broken down by location as follows (€ million)



	Germany	USA	UK	FR	Spain	Other	No specific property	Total
Dec 13	2,122	892	1,127	995	665	1,961	468	8,230
■ Dec 14	1,460	486	814	480	390	1,365	294	5 287

27 6 % or € 1 5 billion (previous year 25 8 %) of the portfolio represents loans relating to German properties The international portfolio is distributed across 17 countries The largest foreign sub-portfolios are the United Kingdom with 15 4 % (previous year 13 7 %) or € 0 8 billion, ahead of the USA with 9 2 % (previous year 10 8 %) or € 0 5 billion and France with 9 1 % (previous year 12 1 %) or € 0 5 billion, followed by Spain with € 0 4 billion or 7 4 % (previous year 8 1 %) At € 1 4 billion or 25 8 % (previous year 23 8 %), the remaining portfolio reported under "Other" is mainly distributed across various western and eastern European countries 5 6 % of the loans are not direct property loans (previous year 5 7 %) These primarily comprise company loans secured by or relating to real estate

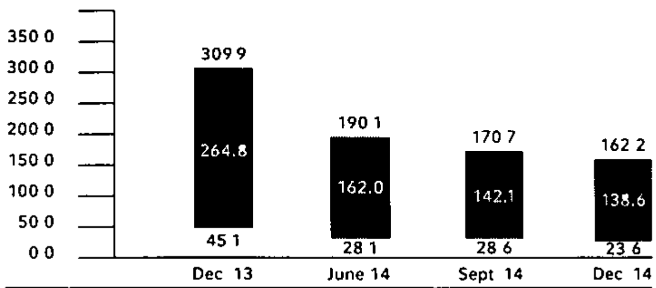
The breakdown by property type is as follows (€ million)



	Office	Retail outlets	Residential properties	Other	No specific property	Total
Dec 13	3,942	1,755	332	1,733	468	8,230
■ Dec 14	2,453	1,269	214	1,058	294	5,287

At € 2 4 billion or 46 4 % (previous year 47 9 %), office properties represent the largest sub-portfolio The share of retail properties is 24 0 % or € 1 3 billion (previous year 21 3 %) The portfolio of residential property loans (commercial customers) declined by € 118 0 million or 35 5 % to € 0 2 billion

The expected loss developed as follows (€ million)



■ of which performing positions
of which non-performing positions

The expected loss is based on the inputs used to calculate the regulatory capital requirements probability of default, exposure at default and loss given default

Changes in risk provisions

As a matter of principle, risk provisions in the Bank's commercial lending business are calculated on a case-by-case basis Loans must exhibit one or more trigger events (e g >45 days past due or insolvency) to qualify for impairment testing or for recognition of a risk provision

The risk provisions deducted from assets in the lending business, including specific valuation allowances on equity investments and general valuation allowances, and excluding provisions for contingent liabilities, decreased from €230 2 million to €132 9 million (−42 3 %) in the reporting period This was attributable to the carve-out in particular Provisions for contingent liabilities of €3 0 million (previous year €1 6 million) were also recognised

Securities

Investment securities portfolio

WestImmo's portfolio does not include bonds issued by GIIPS states The corresponding disposals were made together with the carve-out transaction

Country	Principal amount (€ million)		Book value (€ million) (incl the prorata interest)		Fair value (€ million) (without the prorata interest)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Italy	0	315 0	0	322 3	0	328 3
2020		50 0		50 9		53 6
2034		265 0		271 4		274 7
Total	0	315 0	0	322 3	0	328 3

Measurement

WestImmo uses internal criteria to assess on the reporting date whether there is objective evidence of permanent impairment of securities in the investment portfolio 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

No write-downs were necessary at the balance sheet date

Investments

The operational management and monitoring of equity investments is performed locally by the representatives of the companies responsible, who report to the Board Administrative Staff/Group Development, Credit Management and Risk Management departments Strategic control at the equity investments 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 former strategic investments were again significantly reduced in accordance with the Bank's business policy to a constructively even more insignificant amount from a risk perspective The Bank's short-term plan is to further reduce its investment portfolio and to transfer investments to EAA

The number of subsidiaries requiring support was further significantly reduced through the transfer of WIH Group to EAA with retroactive effect from 1 January 2014

The operational investments primarily manage the remaining projects and regularly report on their development to the responsible bodies at the Bank The Bank had already resolved in 2010 to gradually withdraw in full from participating in development projects as part of its focus on its core business, real estate financing

Market risk

The Bank is a non-trading book institution It accepts market price 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

The Risk Control function within the Risk Management department is responsible for measuring and monitoring market risk positions and for reporting in accordance with MaRisk (the Minimum Requirements for Risk Management) Interest rate and currency risks are quantified using a value-at-risk model that is based on the historical simulation process 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

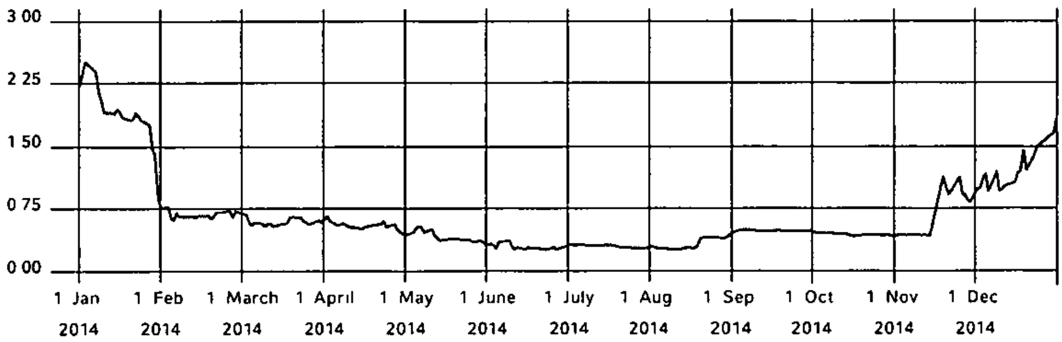
The VaR in 2014 was as follows

VaR for market risk in € million

VaR 2014			VaR at	
Average	Minimum	Maximum	30 Dec 2014	30 Dec 2013
0 62	0 24	2 13	1 90	2 21

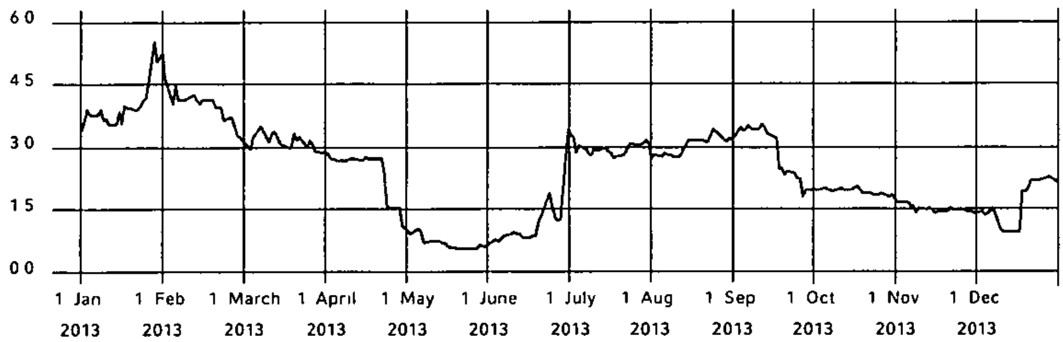
The average utilisation of the VaR limit for interest rate and currency risks was 14 4 % in the year under review Limit utilisation at the end of the year was 63 4 %

Changes in VaR in the course of 2014 (€ million)



In comparison to 2014, VaR in the course of 2013 was as follows

Changes in VaR in the course of 2013 (€ million)



The VaR has been calculated using a historical simulation process as from 3 April 2013

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 obtain predictions of expected present value losses under extreme conditions As required by the revised BaFin Circular 11/2011, WestImmo calculates the effects of interest rate shocks in the banking book on a weekly basis These showed that, in the year under review, the potential changes in present values for the assumed parallel shifts 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 monthly reports on the latest market data and risk parameters 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 When necessary, the reports contain recommendations for the respective decision-makers

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 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 4 49 (previous year average of 3 35) The supervisory requirements were fulfilled at all times during the financial 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 and model assumptions 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 overviews of the liquidity reserve and 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

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

Market liquidity risk is the risk of only being able to liquidate assets on the market at a discount as a result of extraordinary events The Bank counters this risk by maintaining a liquidity reserve in the form of highly liquid, ECB-eligible securities and additional unencumbered assets for general collateral pooling, bilateral repo transactions and the KEV procedure for the submission and administration of credit claims

There was an adequate liquidity overhang throughout the entire reporting period If necessary, the Bank has an adequate liquidity reserve and can cover additional liquidity requirements by pledging 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 This is done using the Standardised Approach for calculating risk capital applicable since 1 July 2012

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 validated the risk indicators and performed a scenario analysis in the first quarter of the period under review, and carried out a risk inventory in the third 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 regularly and where necessary on an event-driven basis

Business risk

Business risk is managed by the departments 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 departments 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

Internal control and risk management system for the 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 the 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

In addition, the financial reporting processes are integrated with the entire bank's general operational risk management process in order to avoid errors and misstatements in financial statements or to identify them at an early stage, and hence to ensure a true and fair view of the Bank'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 or markets and/or special purpose entities (SPEs) occur during the downsizing of the Bank, these would be subject to the new product process (NPP) or SPE process and would be coordinated by Risk Management The front and back offices as well as Accounting and Compliance are included in these processes

Overall risk position

Overall risk position in accordance with the CRR

The Bank's overall risk position from a regulatory viewpoint was determined in financial year 2014 in accordance with the provisions of the Capital Requirements Regulation (CRR), and is as given below

€ million	31 Dec 2013 (SolvV)		31 Dec 2014 (CRR)
	EKU	RWA	RWA
Capital requirements for			
– Counterparty credit risk	408 1	5,101 2	2 929 5
– Market risk exposures	0 7	8 7	17 8
– Operational risk	31 1	388 9	311 4
– CVA	–	–	112 0
Total	**439 9**	**5,498 8**	**3,370 7**
Total capital ratio	**17 04 %**		**17 25 %**

The requirements of the CRR were met throughout the year under review

WestImmo's economic risk capital

€ million	31 Dec 2013			31 Dec 2014		
	Limit	Utilisation	in %	Limit	Utilisation	in %
Credit risk	380 0	233 3	61 4	180 0	145 7	80 9
Credit spread risk (cum)	200 0	146 5	73 3	50 0	–20 8	–41 6
– Credit spread		–			3 5	
– Hidden liabilities		–			0 2	
– Hidden reserves		–			–24 5	
Market risk	68 0	19 8	29 1	26 8	17 0	63 4
Operational risk	37 6	37 6	100 0	30 2	30 2	100 0
Investment risk	5 0	1 0	20 0	–	–	–
Total	**690 6**	**438 2**	**63 5**	**287 0**	**172 1**	**60 0**

In addition to meeting supervisory capital requirements in accordance with the CRR, WestImmo'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 context, 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 limits the maximum potential to accept risks, alongside and complementary to the statutory capital requirements

The cover assets consist of liable capital as defined in the CRR report 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 reference date, less the deficit from the value adjustment offset in accordance with the CRR and less other business risks

In addition, economic risk capital limits have been established for each material type of risk that has been defined, and compliance with these is monitored on an ongoing basis

Limit utilisation for credit risk is calculated using an internal credit portfolio model developed on the basis of Moody's KMV system 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

The calculation of economic capital is expanded to include the implemented capital planning process that takes into account the downsizing plan resolved by the bank and a medium-term planning horizon

The investment portfolio is becoming successively less important due to the Bank's strategic downsizing For this reason, in connection with the 2014 risk inventory it was resolved to classify investment risk as no longer significant for the Bank from 31 December 2014, and for this to no longer be factored into the calculation of the Bank's economic capital

Report on Post-balance Sheet Date Events

On 22 February 2015, EAA agreed to sell its WestImmo shares to a subsidiary of Aareal Bank AG, Wiesbaden The sale is subject to regulatory approval and other conditions, and is expected to be completed in the second quarter of 2015 As part of the other conditions, a short financial year will be established for the first half of 2015, a further carve-out transaction will be executed and parts of the loan portfolio and securities will be transferred to EAA

Report on Expected Developments

General economic environment

The global economy is expected to grow by around 3.0% in the coming year, with the majority of this attributable to Asia and the USA. As expected, the consumer price index will remain low on a global scale, not least due to the drop in oil prices.

The low interest rates will continue to accompany and shape the global economy. Although an increase in the benchmark interest rate seems likely in the USA as the year progresses, in all probability this will be moderate. Following the ECB's failure to achieve its goals with the interest rate cut and a new covered bond purchase programme in 2014, it has broadened its expansionary monetary policy with the decision to start purchasing €60 billion per month in eurozone members' government bonds from March 2015. This could strengthen riskier investments and raise medium-term expectations of inflation. The mixed growth rates in the currency areas will have a significant impact on exchange rates.

In the eurozone, we expect almost all countries to return to growth. This should prove healthy for the single European market, and the depreciated euro should further boost exports to other currency areas. Both factors are certain to stimulate an increase in corporate investments. Nevertheless, fiscal consolidation and the still high levels of unemployment in Europe will dampen growth.

Outlook

Markets for commercial real estate

The economic situation will continue to make its presence felt on the global rental markets. The German real estate markets are expected to remain stable, with slight growth being seen in the majority of them.

In the UK, investor attention will continue shifting to properties in regional markets due to the shortage of properties in prime London locations. As a result, the spread in yields between London and the regional markets will narrow and the UK will see a return to growth in office asset values across the board. By contrast, the commercial real estate markets will continue to polarise in France, a reflection as well of the economy's weak growth drivers and the resulting weak demand for space.

Although there are expectations of a turning point on Spain's commercial real estate market, both in the rental price cycle and in the investment market, asset values will probably continue to drop until the effects of this spread from the prime segment to the market as a whole.

WestImmo's markets in the USA are experiencing a recovery or growth phase, with the exception of Washington, D C Consequently, increasing rents and growing investor interest, as well as a further recovery in secondary locations and markets, are expected to continue in the future

In Central Europe, investors will continue to focus on the politically stable Polish and Czech markets In Poland, the volume of new builds may lead to corrections on the real estate market in the medium term

Markets for commercial real estate financing

The continuing low interest rates raise the appeal of real estate as a stable form of investment We continue to expect strong demand for real estate finance Banks' activities will fluctuate at around at least their current level despite the continuing activities of large, equity-rich investors and the alternative real estate financing available on the market Overall, the positive trend in investment activity will continue

There is increasing demand for properties in secondary locations or B properties, which had not been the focus of investors' attention to date This in turn broadens the business opportunities for real estate banks We consider it realistic that real estate lenders will increasingly offer financing in this segment too, given the intense competition and the reduced margins

Refinancing markets

Given the meagre pace of growth and the extremely low inflation rates, the ECB will maintain its highly expansionary monetary policy for some time to come The conditions for an attractive financing environment remain in place Investors' pursuit of returns will cause issuers' refinancing costs to remain at a low level, both in the uncovered and the Pfandbrief businesses

Expected developments at WestImmo

EAA began a new sale process by publishing a notice of sale in mid-May 2014 Potential investors were requested to promptly submit a written expression of interest to participate in the process

EAA continued the sale process with selected bidders This phase included due diligence and expert discussions At the end of 2014, several bidders submitted offers to purchase WestImmo

As of today, the Managing Board expects the transaction to close by mid-2015 In this case, the assumptions described here with regard to WestImmo's development and strategy would change and would be aligned with the buyer's strategic approach

WestImmo will remain a subsidiary of EAA in its current form until final completion of the sale. It will maintain its ability to act and do business as a real estate bank with a banking licence and a Pfandbrief licence. In addition, it will remain bound by the decision by the European Commission and will therefore only be active in providing its existing customers with loan renewals and to a limited extent in topping up existing commitments in order to implement restructuring and/or maintenance measures.

From today's viewpoint, successful completion of the sale process will render the above restrictions and conditions obsolete. Until then, the Bank's assets will be further reduced based on the shareholder's approved winding-up plan while minimising the adverse effects on capital and net profit. Irrespective of this, the risk- and earnings-driven management of its loan portfolio and active management of its cover pool remain a strategic goal for WestImmo.

The plan is to establish a short financial year for the first half of 2015 and to implement a further carve-out transaction to transfer assets in the amount of approximately €395.0 million and liabilities in the amount of approximately €325.0 million to EAA. EAA will settle the difference of approximately €70.0 million via a payment to WestImmo. No withdrawals from equity are planned in this regard.

Refinancing volumes will continue to decrease in 2015 in line with the reduction in the Bank's assets.

The number of employees will also continue to decline due to the reduction in loan portfolios. To date, the workforce alignment has been implemented in a socially responsible manner using voluntary early retirement and redundancy arrangements.

In addition, efficient project and process management will result in the systematic optimisation of internal structures and hence in further cost cuts. The reduction in business and loan volumes will lead to a substantial decrease in net interest income and net fee and commission income.

The Bank will only be able to compensate for larger-than-expected declines in its existing business or disproportionately large falls in net interest income to a limited extent by making additional cost cuts.

In terms of the Bank's expected earnings performance, two scenarios are possible:

- Provided that economic conditions on the Bank's target markets remain stable and no unplanned reduction in the loan portfolio occurs, the Managing Board expects, taking into account the Bank's limited business opportunities, that the Bank will at least break even at an operating level in 2015,
- If the Bank is sold, its realignment may result in extraordinary effects and uncertainties regarding its financial position and results of operations.

Due to the Bank's limited business opportunities and the ongoing sale process, the Managing Board is not publishing any additional quantitative targets for future portfolio and earnings developments

WestImmo has continually proved over the past few years that, despite the extremely difficult macro-economic environment, it is a real estate bank with a healthy and successful core business Going forward, WestImmo's Managing Board will continue to implement all measures necessary to ensure the Bank's ongoing existence and to continue to manage it effectively

Mainz, 24 February 2015

Claus-Jurgen Cohausz

Christiane Kunisch-Wolff

Rainer Spielmann

Annual Financial Statements as at 31 December 2014

Westdeutsche ImmobilienBank AG

Balance Sheet

Assets	31 Dec 2014 €	31 Dec 2014 €	31 Dec 2014 €	31 Dec 2013 T€
Cash reserve				
a) Cash in-hand		3,368 44		6
b) Central bank balances		32,923,485 47		74,855
of which				
with Deutsche Bundesbank € 32,923,485 47				
(previous year € 74,854,802 85)			32,926,853 91	74,861
Receivables from banks				
a) Municipal loans		410 681,588 03		172,154
b) Other receivables		583,725,778 23		823,943
of which				
payable on demand € 230,906,533 33				
(previous year € 215 178 368 39)				
collateralised by securities € 390,014,576 38				
(previous year € 550,041,833 33)			994,407,366 26	996,097
Receivables from customers				
a) Mortgage loans		4,975,976 520 68		6,809,866
b) Municipal loans		979,352,884 88		1,093,880
c) Other receivables		1,581,791,909 07		2,804,327
of which				
collateralised by securities € 0 00				
(previous year € 0 00)			7,537,121,314 63	10,708 073
Bonds and other fixed-income securities				
a) Bonds				
aa) issued by public issuers	473,875,171 86			767,461
of which				
eligible as collateral with Deutsche Bundesbank € 473 875,171 86				
(previous year € 767,460,590 36)				
ab) issued by other issuers	782,695,926 07			869,291
of which		1,256,571 097 93		1,636,752
eligible as collateral with Deutsche Bundesbank € 782,695,926 07				
(previous year € 869,291,663 13)				
b) Own bonds		268,765,585 34		272,961
par value € 270,900,000 00				
(previous year € 274,400 000 00)			1,525,336,683 27	1,909 713
Shares and other non-fixed-income securities			18,610,755 71	18 283
Other long term equity investments			166,773 98	131
Shares in affiliated companies			50,003 88	537
Assets held in trust				
of which				
trustee loans € 5,080,108 00				
(previous year € 7 265 243 33)			5,080,108 00	7,265
Intangible fixed assets				
a) Purchased concessions, industrial and similar rights and assets			123,229 56	509
Tangible fixed assets			1,123,679 94	1 568
Other assets			6,449,904 21	36 948
Prepaid expenses				
a) From issuing business and loans		4,314 120 52		8,285
b) Other		10,058,866 06		14,637
			14,372,986 58	22,922
Total assets			**10,135,769,659 93**	13,776,907

Equity and Liabilities	31 Dec 2014 €	31 Dec 2014 €	31 Dec 2014 €	31 Dec 2013 T€
Liabilities to banks				
a) Registered mortgage Pfandbriefe issued		96,451,002 25		111,990
b) Registered public-sector Pfandbriefe issued		65 530 506 85		110,859
c) Other liabilities		1,359,389,622 96		1,266,867
of which				
payable on demand €332 666,979 96				
(previous year €96,416,389 84)				
Registered mortgage Pfandbriefe €0 00 (previous year €0 00) and				
registered public-sector Pfandbriefe €0 00 (previous year €0 00)				
pledged to lenders to collateralise loans			1,521,371,132 06	1,489,716
Liabilities to customers				
a) Registered mortgage Pfandbriefe issued		3,592,753,557 24		3,903,712
b) Registered public-sector Pfandbriefe issued		551,309,644 07		621,504
c) Other liabilities		2,164,523,563 69		3,136,721
of which				
payable on demand €247,796,992 38				
(previous year €222,009,512 46)				
Registered mortgage Pfandbriefe €0,00 (previous year €0 00) and				
registered public sector Pfandbriefe €0 00 (previous year €0 00)				
pledged to lenders to collateralise loans			6,308,586,765 00	7,661,937
Securitised liabilities				
Bonds issued				
aa) Mortgage Pfandbriefe		629,764,427 23		1,345 490
ab) Public-sector Pfandbriefe		61,579,361 58		236,673
ac) Other bonds		840,017,786 32		1,855,059
			1,531,361,575 13	3,437,222
Trustee liabilities				
of which				
trustee loans €5 080 108 00 (previous year €7,265,243 33)			5,080,108 00	7,265
Other liabilities			105,304,186 52	60,223
Deferred income				
a) From issuing and lending		932,923 87		
b) Other		2,737,184 57		
			3,670,108 44	17,062
Provisions				
a) Provisions for pensions and similar obligations		28,500,000 00		24,883
b) Tax provisions		770,317 11		525
c) Other provisions		40,625,467 67		38,847
			69,895,784 78	64,255
Subordinated liabilities			15,500,000 00	15,500
Fund for general banking risks			123,150,000 00	147,150
Equity				
a) Subscribed capital		400,000,000 00		400,000
b) Capital reserves		40,189 354 06		443,370
c) Revenue reserves				
ca) Reserves provided for by the articles of association	11,660,645 94			11,661
cb) Other revenue reserves	0 00			21,546
		11,660,645 94		
d) Net retained profit		0 00		0
			451,850,000 00	876,577
Total equity and liabilities			10,135,769,659 93	13,776,907
Contingent liabilities				
Contingent liabilities from guarantees and indemnity agreements			135,657,878 67	294,713
Other commitments				
Irrevocable loan commitments			16,745,271 42	9,739
Funds under management			0 00	20

Income Statement

	1 1 -31 12 2014 €	1 1 -31 12 2014 €	1 1 -31 12 2014 €	2013 € thousand
Interest income from				
a) Lending and money market transactions	512,756,705 72			559,161
b) Fixed-income securities and book-entry securities	18,259,800 00			38,463
		531 016 505 72		597 624
Interest expenses		423,423,573 11		462,836
			107,592,932 61	134,788
Current income from				
a) Shares and other non fixed-income securities		487,476 22		1,078
b) Other investments		46,671 56		717
			534,147 78	1,795
Income from profit pooling profit transfer or partial profit transfer agreements			38,290 49	14,799
Fee and commission income		7,776,343 25		13,312
Fee and commission expenses		6,416,085 18		7,820
			1,360,258 07	5 492
Other operating income of which Currency translation gains € 139 358 51 (previous year €529,907 38)			13,407,706 80	13 384
General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	25,838,932 41			27,457
ab) Social security, contribution pensions and other benefits	5,231,130 35			6,039
of which pensions € 2,240,366 16 (previous year € 2 857 616 78)		31,070,062 76		33,496
b) Other administrative expenses		23,099,489 04		30,513
			54,169,551 80	64 009
Depreciation amortisation and write downs of tangible and intangible fixed assets			938,323 85	1,429
Other operating expenses of which Currency translation losses €58 256 86 (previous year €673,460 37)			6,800,561 11	5,552
Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions			14,991,108 71	0
Income from write ups on receivables and certain securities and release of loan loss provisions			0 00	66,734
Write-downs of and valuation allowances on other long-term equity investments, shares in affiliated companies and securities classified as fixed assets			0 00	8,601
Income from reversals of write downs of end valuation allowances on other long-term equity investments shares in affiliated companies and securities classified as fixed assets			831,941 86	0
Addition to Fund for general banking risk to § 340g HGB			0 00	100,000
Reversal to the fund for general banking risks in accordance with section 340g of the HGB			24,000,000 00	0
Result from ordinary activities			70,865,732 14	57,401
Extraordinary expenses		7,000,000 00		8,153
Extraordinary result			-7,000,000 00	-8,153
Taxes on income		153,144 89		118
Other taxes not included in "Other operating expenses"		-370,663 96		-1,123
			-217,519 07	-1,005
Profit transferred on the basis of profit pooling profit transfer or partial profit transfer agreements			64,083,251 21	50,253
Net profit for the financial year			0 00	0
Reduction in assets attributable to carve out			-448,727,270 62	0
Withdrawals from capital reserves			427,180,760 01	0
Withdrawals from other revenue reserves			21,546,510 61	0
Net retained profit			0 00	0

Notes to the Annual Financial Statements as at 31 December 2014

Westdeutsche ImmobilienBank AG

Notes to the Annual Financial Statements as at 31 December 2014

1 General Information

1.1 Preparation of the annual financial statements

The annual financial statements of Westdeutsche ImmobilienBank AG (hereinafter referred to as "WestImmo") as at 31 December 2014 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Verordnung uber die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV – German Bank Accounting Regulation), the relevant provisions of the Aktiengesetz (AktG – German Stock Corporation Act) and the Pfandbriefgesetz (PfandBG – German Pfandbrief Act) on a going concern basis We have supplemented the balance sheet format prescribed for commercial banks by including those items required for banks that operate as a Pfandbrief bank

The annual financial statements comprise the balance sheet, the income statement, the notes to the financial statements, the cash flow statement and the statement of changes in equity In addition, a management report was prepared in accordance with section 289 of the HGB The reporting currency of the financial statements is the euro, and the reporting year is the calendar year

In accordance with sections 325 and 328 of the HGB, the annual financial statements are submitted to and published by the operator of the electronic Bundesanzeiger (German Federal Gazette – www ebundesanzeiger de)

WestImmo is a wholly owned subsidiary of Erste Abwicklungsanstalt AOR, Dusseldorf (EAA) There is a profit and loss transfer agreement between WestImmo and EAA, and WestImmo is a member of EAA's consolidated tax group for corporation and trade tax purposes

1.2 Accounting policies

Assets, liabilities and executory contracts are measured in accordance with the measurement rules set out in sections 252ff of the HGB, provided they are not codified in the special requirements for banks in sections 340a ff of the HGB

Receivables, liabilities and pro rata interest
Receivables and liabilities are offset in accordance with section 10 of the RechKredV

Receivables are carried at their principal amount in accordance with section 340e(2) of the HGB In the case of receivables for which a premium applies to the principal amount, the difference is recognised in prepaid expenses and amortised over the term or fixed-interest period

Receivables for which a discount applies to the principal amount are carried at the lower of the amount paid out or cost The discount is capitalised over the term or fixed-interest period, this is not reported in deferred income

Liabilities were recognised at their settlement amount, with the corresponding discounts recognised in prepaid expenses

Pro rata interest is presented together with the underlying receivable or liability

Risk provisions
Sufficient risk provisions and other provisions were recognised for all identifiable and potential risks arising from the lending business Risk provisions are recognised in the form of specific valuation allowances, collective valuation allowances and general valuation allowances The Bank exercised the cross-offsetting option It also has a fund for general banking risks in accordance with section 340g of the HGB

Securities and derivatives
Securities classified as fixed assets (investment portfolio) are measured using the less strict principle of lower of cost or market value, securities in the liquidity reserve were measured using the strict principle of lower of cost or market value Listed bearer bonds are measured using (quoted) market prices Less liquid securities, for which (quoted) market prices are not directly available, are measured on the basis of observable market prices for comparable financial instruments

The differences between the cost and settlement amount of the securities in the investment portfolio are recognised ratably in profit or loss under net interest income

All structured products meet the requirements in IDW Accounting Principle RS HFA 22 with respect to uniform accounting

Where available, (quoted) market prices are used in the measurement of derivative financial instruments If (quoted) market prices do not exist or cannot be reliably determined, the fair values are determined on the basis of standard market pricing models or discounted cash flows, taking into account the credit standing of the individual counterparty Cash-collateralised derivatives are measured by discounting the future cash flows for the material portfolios on the basis of Eonia swap curves (OIS discounting)

Hedge accounting
Please refer to the disclosures in chapter 2 4 for information on WestImmo's accounting policy

Affiliated companies and other long-term equity investments
Shares in affiliated companies and other long-term equity investments are carried at cost less any write-downs Write-downs to the lower fair value are recognised if impairment is expected to be permanent

Tangible and intangible fixed assets
Tangible and intangible fixed assets with finite useful lives were depreciated or amortised in accordance with the provisions of tax law Low-value assets were accounted for in accordance with the provisions of tax law WestImmo exercises the option to deduct low-value assets as business expenses if their cost is greater than €150 00 and less than €410 00 The cost of assets that can be used independently is recognised in full as an operating expense in the year of acquisition, production, or contribution if it does not exceed €150 00, net of any input tax

Prepaid expenses and deferred income
Premiums/discounts applied to receivables or liabilities are recognised in accordance with the accounting for underlying receivables or liabilities Please refer to the disclosures on the corresponding balance sheet items in the following chapters for information on the accounting policy applied

Other provisions and provisions for pensions
In accordance with section 253(1) sentence 2 of the HGB, provisions must be recognised at the settlement amount dictated by prudent business judgement Future cost and price increases are taken into account when calculating the settlement amounts All provisions with a term of more than one year are discounted Provisions for uncertain liabilities and losses from executory contracts are recognised at the expected settlement amount dictated by prudent business judgement and discounted where necessary

WestImmo uses the projected unit credit method (PUCM) for pension and jubilee provisions

Deferred taxes
Deferred taxes have been accounted for using the balance sheet liability method since 2010 Under this approach, the carrying amounts of assets, liabilities, items of prepaid expenses and deferred income under German GAAP are compared with their tax base If the carrying amount of an asset is higher than its tax value, or the carrying amount of a liability is lower than its tax value and these differences are expected to reverse in future years, deferred tax liabilities are recognised In the opposite case, deferred tax assets are recognised

Deferred taxes are measured in accordance with section 274(2) sentence 1 of the HGB The resulting tax assets and liabilities are measured at the individual tax rates for the company that will apply when the differences reverse The tax rates applicable to the taxable entity must be used Deferred taxes were calculated using the corporation tax rate of 15 0 %, the solidarity surcharge of 5 5 % and the effective trade tax rate of 15 4 %

In accordance with section 274(2) sentence 1 of the HGB, deferred tax assets and liabilities calculated in this way are not discounted, regardless of when they reverse

In accordance with the provisions of section 274(1) sentence 1 of the HGB, a deferred tax liability is recognised on any aggregate tax liability resulting from differences between the carrying amounts under German GAAP of assets, liabilities, and items of prepaid expenses and deferred income Section 274(1) sentence 2 of the HGB provides for an option to recognise a deferred tax asset on any aggregate tax asset WestImmo does not exercise this option and does not recognise deferred tax assets

In accordance with section 274(2) sentence 3 of the HGB, the expense or income from changes in recognised deferred taxes must be presented separately under "taxes on income" In principle, such separate presentation can take the form of an "of which" item Since WestImmo does not exercise the option to recognise deferred tax assets, these are not presented in the income statement There are no deferred tax liabilities

With respect to deferred taxes, section 285 no 29 of the HGB requires the differences or tax loss carryforwards to which the deferred taxes relate and the tax rates used for measurement to be disclosed in the notes All differences to which the deferred taxes relate must be disclosed, regardless of whether the recognition option has been exercised or not

As a matter of principle, deferred taxes can be recognised at the level of the tax group parent (EAA) due to the existing income tax group between WestImmo and EAA (principle of form over substance) Since the principle of substance over form has been adopted to date and the deferred tax assets at the level of the consolidated tax group subsidiary were explained in the notes, this was also applied at WestImmo in 2014 in line with the principle of origination-based allocation

The disclosures in the notes in accordance with section 285 no 29 of the HGB are taken into consideration, with the necessary modifications The deferred tax assets are primarily attributable to the following balance sheet items

	31 Dec 2014	31 Dec 2013
	Mio €	Mio €
Receivables from customers	0 0	0 0
Long-term financial assets	2 1	3 3
Pension provisions	3 4	3 2
Other provisions	1 9	0 5
– of which provisions for expected losses	0 9	0 0
Total	**7 4**	**7 0**

In 2014, all €7 4 million (previous year €5 3 million) of the deferred tax assets were attributable to WestImmo, as Westdeutsche ImmobilienHolding (WIH), WestGkA Management Gesellschaft fur kommunale Anlagen mbH (WestGkA) and other subsidiaries were transferred to EAA by way of a carve-out with effect from 1 January 2014

Currency translation
Currency translation is performed in accordance with section 256a of the HGB in conjunction with section 340h of the HGB and IDW Accounting Principle RS BFA 4 WestImmo accounts for exchange rate risks as specially hedged transactions under section 340h of the HGB Exchange rate risk is calculated and managed individually for each foreign currency using an aggregate foreign currency position account Assets and liabilities denominated in foreign currencies and open foreign currency cash contracts are translated at the current closing rate (ECB middle spot rate)

Changes in value resulting from the subsequent measurement of foreign currency items are presented by currency on a net basis under either "other operating income" or "other operating expenses"

Measurement at net realisable value
Interest rate risk management at WestImmo is based on the concept of managing market risk at Bank level WestImmo manages general interest rate risk in the banking book centrally as part of its asset/liability management According to prevailing opinion, this is a measurement approach under which all derivative and non-derivative financial instruments in the banking book are economically related (refinancing relationship), rather than a hedge within the meaning of section 254 of the HGB WestImmo has identified a surplus in accordance with IDW RS BFA 3 in measuring the net realisable value of interest rate risk in the banking book by comparing the fair values (based on the present values) of financial instruments with their carrying amounts It must be assessed whether the total future obligations are matched by an offsetting claim in an appropriate amount If the measurement of the overall interest rate position in the banking book were to result in an onerous contract, the principle of prudence under German commercial law would have to be observed and a provision recognised in accordance with section 249(1) sentence 1 of the HGB (provision for expected losses) Such a provision was not necessary as at 31 December 2014

1 3 Carve-out transaction

The assets, liabilities, derivatives and contingent liabilities that were inconsistent with the strategy of a Pfandbrief bank were transferred at their carrying amounts to EAA KG, which is held by EAA, by way of a carve-out in accordance with the Umwandlungsgesetz (UmwG – German Reorganisation Act) with retroactive effect from 1 January 2014 under the carve-out and merger agreement dated 11/12 June 2014

Assets decreased as a result of the transaction, reducing equity by €448,727,270 62

The decrease in assets as a result of the carve-out relates to the following balance sheet items

	Carrying amounts at 31 12 2013 in €
Assets	
Cash reserve	6,048,969 71
Receivables from banks	1,935,630 35
Receivables from customers	380,798,974 37
Bonds and other fixed-income securities	322,307,276 94
Other assets	6,273 94
Shares in affiliated companies	1 00
Total assets	**711,097,126 31**
Equity and Liabilities	
Liabilities to banks	−6,413,534 15
Liabilities to customers	−103,705 499 62
Securitised liabilities	−152,250,821 92
Total equity and liabilities	**−262,369,855 69**
Reduction in assets attributable to carve-out	**448,727,270 62**

Contingent liabilities decreased by €71 6 million as a result of the carve-out transaction

The above-mentioned portfolio, including all related agreements and legal relationships, was actually transferred to EAA KG by various methods In addition to the carve-out, sub-portfolios were transferred by way of a sub-participation, a bond purchase agreement and, with regard to certain derivatives, by way of a master back-to-back agreement In particular, this addressed legal, regulatory and tax obstacles to the transfer

In the case of the carve-out method of transfer, assets and liabilities were transferred to EAA KG in rem and constructively Under the method of transfer comprising the sub-participation and the master back-to-back agreement, the transfer was merely synthetic, meaning that the risks and rewards associated with these portfolios were transferred In the case of the sub-participation, the transfer of the risks and rewards associated with the assets resulted in their derecognition The derivatives were initially transferred synthetically As they have now been novated, they too have been derecognised

At WestImmo's Extraordinary General Meeting on 12 June 2014, the shareholders approved the implementation of the carve-out transaction on the basis of the above-mentioned agreements

2 Balance Sheet Disclosures

2 1 Receivables from banks

Receivables from other banks are broken down as follows

	2014 € million	2013 € million
Payable on demand	230 9	215 2
With a remaining term of		
– up to 3 months	620 8	645 2
– more than 3 months and up to 1 year	66 5	44 6
– more than 1 and up to 5 years	76 2	91 1
– more than 5 years	0 0	0 0
Total	**994 4**	**996 1**
of which		
from affiliated companies	0 0	0 0
from other investees	0 0	0 0

In addition, receivables totalling €91 0 million (previous year €135 6 million) were used to cover bonds issued, of which €70 0 million (previous year €70 0 million) related to mortgage Pfandbriefe and €21 0 million (previous year €65 6 million) to public-sector Pfandbriefe

2 2 Receivables from customers

Receivables from customers are composed of the following items

	2014 € million	2013 € million
Indefinite term	137 2	223 8
With a remaining term of		
– up to 3 months	473 4	346 3
– more than 3 months and up to 1 year	995 3	1,858 4
– more than 1 and up to 5 years	3,472 3	5,071 0
– more than 5 years	2 458 9	3,208 6
Total	**7,537 1**	**10,708 1**
of which		
from affiliated companies	48 1	56 3
from other investees	5 0	19 1

Receivables from customers declined to €7,537 1 million (previous year €10,708 1 million) due to the reduction in the portfolios, the lack of new business and the carve-out transaction (see chapter 1 3)

The receivables from customers item includes subordinated loans and advances in the amount of €0 2 million (previous year €0 6 million) resulting from declarations of subordination

In addition, receivables totalling €5,435 0 million (previous year €7,227 6 million) were used to cover bonds issued, of which €4,688 4 million (previous year €6,396 5 million) related to mortgage Pfandbriefe and €746 6 million (previous year €831 1 million) to public-sector Pfandbriefe

2 3 Bonds and other fixed-income securities

The "bonds and other fixed-income securities" item is broken down as follows

	2014 € million	2013 € million
Bonds	1,525 3	1,909 7
Marketability		
– Listed	1,525 3	1,909 7
– Unlisted	0 0	0 0
Due in the following year	742 3	467 0
Subordinated securities	0 0	0 0
Used as cover (principal amount)	420 5	574 4

The "bonds and other fixed-income securities" item is divided into the following measurement categories, based on the instruments' purpose

	2014 € million	2013 € million
Liquidity reserve	694 9	1,162 7
Investment portfolio	830 4	747 0
Total	**1,525 3**	**1,909 7**

Bonds and other fixed-income securities declined to € 1,525 3 million (previous year € 1,909 7 million), primarily as a result of the carve-out transaction (see chapter 1 3)

The investment portfolio, which amounted to €830 4 million (previous year €747 0 million) and is reported under long-term financial assets, is measured in accordance with section 253(3) of the HGB in conjunction with section 340e(1) sentence 2 of the HGB

As in the previous year, there were no reclassifications from the liquidity reserve to the investment portfolio and vice versa in financial year 2014

The securities classified as long-term financial assets had a fair value of € 839 2 million (previous year €756 5 million) and a carrying amount of €825 2 million (previous year €736 6 million)

The option to write down the securities by €0 2 million (previous year €0 3 million) to their fair value was not exercised as they were not permanently impaired The impairments are not considered to be permanent since it is assumed that the securities will be repaid at their principal amount at maturity Both hidden liabilities and hidden reserves are disclosed, with the latter amounting to € 14 2 million (previous year €20 2 million)

As in the previous year, the Bank had no securities issued by affiliated companies in its portfolio as at the reporting date

Securities in the liquidity reserve were written down to their lower fair value by €0 7 million (previous year €0 2 million), as in the previous year, no write-downs were recognised on securities in the investment portfolio

Please refer to the disclosures in the management report for further information on bonds from GIIPS countries

2 4 Hedge accounting disclosures

Hedges within the meaning of section 254 of the HGB are individual assets that were acquired in the form of swaps and that were designated as economic hedging relationships to fully hedge interest rate risk

WestImmo had no hedges in its portfolio as at the reporting date

In the previous year, WestImmo had designated fixed-income bonds with a carrying amount of €307 0 million including pro rata interest in its investment portfolio and bonds with a carrying amount of €272 4 million including pro rata interest in its liquidity portfolio together with interest rate swaps as micro hedges In that year, the interest rate risk hedged by way of the hedges (quantified using the aggregate present value of the hedging derivatives) amounted to €−104 5 million

2 5 Securities repurchase agreements

The assets sold under sale and repurchase agreements had a carrying amount of €102 0 million as at 31 December 2014 (previous year €50 0 million) The pro rata interest amounted to €0 05 million (previous year €0 0 million)

2 6 Securities lending

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

2 7 Shares and other non-fixed-income securities

This item relates almost exclusively to unlisted fund units in the amount of €18 6 million (previous year €18 3 million) The carrying amounts of the fund units correspond to the net assets and hence to their value in accordance with sections 168 and 278 of the Kapitalanlagegesetzbuch (KAGB – German Investment Code) A dividend of €0 5 million was paid in financial year 2014 for financial year 2013 (previous year €1 1 million)

The fund units can be redeemed after a minimum holding period of three years and subject to a notice period of two years Notice of termination for the fund units effective 31 December 2015 was submitted in good time Redemptions per year are limited to a maximum of 10 % of the net assets for all investors

2 8 Long-term equity investments and shares in affiliated companies (list of shareholdings)

Breakdown of companies in accordance with section 285 no 11 of the HGB and section 340a(4) no 2 of the HGB in the version dated 31 December 2014

No	Name/domicile	Equity interest in %	Equity in € thousands	Profit/loss in € thousands
	I Affiliated companies			
1	Fischerinsel Beteiligungs-GmbH i L , Mainz[1)3)]	100 00	13	−3
2	Fischerinsel Vermietungs-GmbH & Co KG i L , Mainz[1)3)]	100 00	5	−2,305
3	Projektentwicklungsgesellschaft Gartenstadt Wildau Rothegrund II mbH Wildau[3)]	94 00	−6,261	−7
4	Projektgesellschaft Klosterberg mbH Munster[3)]	94 00	−567	−19
5	West Zwanzig GmbH, Mainz[4)]	100 00	25	0
6	WIP Westdeutsche Immobilien Portfolio Management GmbH Dusseldorf[3)]	100 00	627	−5
	II Beteiligungen			
7	EMG Projekt Gewerbepark Ludwigsfelde/Lowenbruch GmbH, Berlin[3)]	47 50	515	−119
8	Frankonia Eurobau Max-Viertel GmbH, Nettetal[2)]	25 00	−38,731	−2 883
9	GID Gesellschaft fur Innenstadtentwicklung in Duisburg mbH, Hamburg[3)]	45 00	−3	0
10	GML Gewerbepark Munster-Loddenheide GmbH, Munster[3)]	33 33	11,549	1 698

1) In liquidation
2) Preliminary financial statements as at 31 October 2013
3) Data only available as at 31 October 2012 vor
4) Affiliated with Westdeutsche Immobilienbank AG via EAV

There are no cross-holdings within the meaning of section 160(1) no 7 of the AktG

The following companies were disposed of in 2014

- BfP Beteiligungsgesellschaft fur Projekte mbH, Dusseldorf*
- GkA Gesellschaft fur kommunale Anlagen mbH, Dusseldorf*
- LIFE VALUE Construction GmbH, Dusseldorf*
- LIFE VALUE GmbH & Co 11/14 Centre KG, Dusseldorf*
- LIFE VALUE Properties GmbH, Dusseldorf*
- Montelucia Phoenix Inc , Dover, USA
- PM Portfolio Management GmbH, Dusseldorf*
- Projekt Carree am Bahnhof GmbH & Co Burozentrum KG, Bad Homburg*
- Projekt Carree am Bahnhof Verwaltungs-GmbH, Bad Homburg*
- Westdeutsche ImmobilienHolding GmbH, Mainz*
- WestGkA Management Gesellschaft fur kommunale Anlagen mbH, Dusseldorf*
- WestProject & Consult Gesellschaft fur Projektentwicklung und Consulting mbH i L, Dusseldorf*
- WMO Entwicklungsgesellschaft mbH, Bonn
- Grundstucksentwicklungsgesellschaft Krohnstieg-Sud mbH, Bremen

*The disposal was in connection with the carve-out transaction (see chapter 1 3)

All of these companies are not eligible for listing and unlisted

2 9 Assets held in trust

The "assets held in trust" item comprises trustee loans to customers in the amount of €5 1 million (previous year €7 3 million)

2 10 Fixed assets

The changes in fixed assets are presented in the statement of changes in fixed assets below The figures quoted for bonds and other fixed-income securities do not include pro rata interest Alongside additions and disposals, the changes in the year under review include portfolio changes resulting from the ratable amortisation of premiums and discounts

€ million	Cost as at 1 Jan 2014	Additions during fiscal year	Disposals during fiscal year	Disposals attributable to carve-out	Reclassifications	Depreciation, amortisation and write-downs during fiscal year	Reversals of write-downs during fiscal year	Cumulative depreciation, amortisation and write-downs as at 31 Dec 2014	Carrying amount at 31 Dec 2014	Carrying amount at 31 Dec 2013
Long-term financial assets										
Bonds and other fixed-income securities classified as fixed assets	736 6	408 7	4 2	315 9	0 0	0 0	0 0	0 0	825 2	736 6
Shares and other non-fixed-income securities	25 0	0 0	0 0	0 0	0 0	0 0	0 3	6 4	18 6	18 3
Shares in affiliated companies	69 8	0 0	0 5	61 4	0 0	0 0	0 0	7 8	0 1	0 5
Other long-term equity investments	1 4	0 1	0 0	0 0	0 0	0 0	0 0	1 3	0 2	0 1
Subtotal	**832 8**	**408 8**	**4 7**	**377 3**	**0 0**	**0 0**	**0 3**	**15 5**	**844 1**	**755 5**
Fixed assets										
Intangible fixed assets	28 7	0 0	1 6	0 0	0 0	0 4	0 0	27 0	0 1	0 5
Office and operating equipment	13 9	0 1	2 3	0 0	0 0	0 5	0 0	10 6	1 1	1 6
Subtotal	42 6	0 1	3 9	0 0	0 0	0 9	0 0	37 6	1 2	2 1
Total	**875 4**	**408 9**	**8 6**	**377 3**	**0 0**	**0 9**	**0 3**	**53 1**	**845 3**	**757 6**

2 11 Other assets

The change in other assets to €6 4 million (previous year €36 9 million) was due in particular to the settlement of receivables relating to the profit transfer by subsidiaries in the amount of €14 8 million and the successful sale of a rescue acquisition with a carrying amount of €12 8 million

Other assets primarily comprise receivables of €2 5 million (previous year €2 9 million) from the measurement of executory currency spot and currency forward transactions, trade receivables of €2 1 million (previous year €1 9 million) and receivables from pro rata interest on derivatives of €0 7 million (previous year €1 5 million)

2 12 Prepaid expenses

This item comprises the following

	2014	2013
	€ million	€ million
Upfront payments on swaps	9 8	14 5
Discount from liabilities	3 0	5 5
Discount from issuance	1 2	2 6
Premium from receivables	0 1	0 2
Other	0 3	0 1
Total	**14 4**	**22 9**

2 13 Liabilities to banks

Liabilities to other banks are broken down into the following maturities

	2014	2013
	€ million	€ million
Payable on demand	332 7	96 4
With a remaining term of		
– up to 3 months	45 5	139 3
– more than 3 months and up to 1 year	716 0	73 2
– more than 1 and up to 5 years	304 1	1,034 8
– more than 5 years	123 1	146 0
Total	**1,521 4**	**1,489 7**
of which		
to affiliated companies	0 0	0 2
from other investees	0 0	0 0

2 14 Liabilities to customers

Liabilities to customers are composed of the following

	2014	2013
	€ million	€ million
Payable on demand	247 8	222 0
With a remaining term of		
– up to 3 months	366 6	1,107 1
– more than 3 months and up to 1 year	923 6	716 3
– more than 1 and up to 5 years	2 427 1	2,632 4
– more than 5 years	2,343 5	2,984 1
Total	**6,308 6**	**7,661 9**
of which		
to affiliated companies	658 3	911 0
from other investees	0 0	0 0

2 15 Securitised liabilities

The sharp decrease in securitised liabilities to €1,531 4 million (previous year €3,437 2 million) is related to the Bank's business development and the associated reduction in its refinancing requirements In the context of the carve-out transaction (see chapter 1 3), securitised liabilities decreased by €152 3 million

Of the securitised liabilities, issues with a nominal volume of €650 0 million (previous year €1,792 5 million) and pro rata interest in the amount of €3 5 million (previous year €11 7 million) are due in the following year

This item includes securitised liabilities to affiliated companies (EAA) with a carrying amount of €324 9 million (previous year €477 1 million)

2 16 Trustee liabilities

Trustee liabilities to customers amounted to €5 1 million (previous year €7 3 million)

2 17 Other liabilities

The "other liabilities" item (€105 3 million, previous year €60 2 million) mainly comprises liabilities to the parent company (EAA) from the profit and loss transfer agreement (€64 1 million, previous year €50 3 million), currency translation adjustments (€35 2 million, previous year €1 0 million), liabilities arising from the measurement of executory currency spot/forward transactions (€2 0 million, previous year €2 3 million) and pro rata interest from derivatives (€0 8 million, previous year €1 7 million)

2 18 Deferred income

This item comprises the following

	2014 € million	2013 € million
Upfront payments on swaps	2 3	14 6
Prepaid interest	0 5	1 4
Premium from issuance and lending	0 9	1 1
Total	**3 7**	**17 1**

2 19 Provisions

Provisions can be broken down as follows

€ million	Balance at 1 Jan 2014	Utilisation	Reversals	Additions	Interest expense	Interest income	Balance at 31 Dec 2014
Pension provisions	24 9	0 3	0 0	0 6	3 3	0 0	28 5
Employee expenses	28 2	7 0	0 5	10 6	0 7	-0 7	31 3
Provisions for deposit protection funds	3 7	3 7	0 0	0 0	0 0	0 0	0 0
Tax provisions	0 5	0 5	0 0	0 8	0 0	0 0	0 8
Loan loss provisions	1 6	0 5	1 1	3 0	0 0	0 0	3 0
Other provisions	5 4	2 8	1 4	5 1	0 0	0 0	6 3
Carrying amount in balance sheet	**64 3**	**14 8**	**3 0**	**20 1**	**4 0**	**-0 7**	**69 9**

Pension and jubilee provisions were calculated on the basis of an actuarial report prepared using the projected unit credit method, and in accordance with the 2005G mortality tables published by Prof Dr Klaus Heubeck

The figures in the actuarial report are calculated on the basis of the following assumptions

	31 Dec 2014	31 Dec 2013
Turnover	3 00 %	3 00 %
Discount rate	4 53 %	4 91 %
Rate of increase in eligible remuneration	2 50 %	2 50 %
Income threshold for contribution assessment under the statutory pension insurance system	€ 72 600 00	€ 71,400 00
Rate of increase in the income threshold for contribution assessment under the statutory pension insurance system	2 50 %	2 50 %
Adjustment to current pensions	2 00 %	2 00 %

Provisions with a remaining term of more than one year are discounted at the interest rate corresponding to their remaining term In contrast, provisions for post-employment obligations are discounted on a flat rate basis at the average market interest rate published by Deutsche Bundesbank and resulting from an assumed remaining term of 15 years, in accordance with section 253(2) sentence 2 of the HGB

Income and expenses from the discounting/unwinding of discounts on loan loss provisions are presented gross in the "net interest income/expense" item or under other provisions in the "other operating income/expenses" item In the year under review, WestImmo recorded expenses of € 3 3 million from the unwinding of discounts on pension provisions, an expense of € 0 7 million from the unwinding of discounts on restructuring provisions and income of € 0 7 million from discounting additions to restructuring provisions There were no expenses or income from discounting/unwinding the discount on loan loss provisions

Restructuring provisions for personnel and vacancy costs amounted to € 27 0 million (previous year € 24 0 million)

Other provisions also include provisions of € 1 1 million for subsequent costs at Montelucia Phoenix Inc , which was disposed of in the year under review, provisions of € 1 0 million (previous year € 1 0 million) for archiving costs and provisions of € 0 8 million (previous year € 1 3 million) for litigation risks

2 20 Subordinated liabilities

The agreements regarding loans subject to a subordination agreement (nominal volume of € 15 5 million, previous year nominal volume of € 15 5 million) satisfy the conditions set out in Article 63 in conjunction with Articles 77 and 78 of the CRR and are recognised accordingly as Tier 2 capital in accordance with Article 62 of the CRR In the event of bankruptcy or liquidation, subordinated liabilities will not be repaid until all non-subordinated creditors have been satisfied

Borrowings that exceed 10 % of the total subordinated debt are presented below

Currency	Nominal amount in € million	Interest rate in % p a	Maturity	Callable
€	15 5	3 5	2020	no

2 21 Fund for general banking risks

The fund for general banking risks in accordance with section 340g of the HGB amounts to € 123 2 million (previous year € 147 2 million) In 2014, an amount of € 24 0 million was reversed

2 22 Equity

A total of € 448 7 million was withdrawn from the capital reserves and the other revenue reserves to cover the decrease in assets resulting from the carve-out transaction

WestImmo received an additional payment of € 24 0 million from EAA to strengthen its equity, this was transferred to the capital reserves in accordance with section 272(2) no 4 of the HGB

Subscribed capital
The subscribed capital of WestImmo as at 31 December 2014 amounted to € 400 0 million (previous year € 400 0 million) and is divided into four million no-par value registered shares The notional interest in the share capital is € 100 00 per no-par value share All shares carry the same voting rights EAA holds 100 0 % of the shares

Capital reserves

The capital reserves amounted to €40 2 million (previous year €443 4 million)

Revenue reserves

The revenue reserves provided for by the articles of association were unchanged in the reporting period, at €11 7 million Other revenue reserves amounted to €0 0 million (previous year €21 5 million)

Statement of changes in equity

€ million	Balance at 1 Jan 2014	Additions	Withdrawals	Appropriation of net profit/distribution	Balance at 31 Dec 2014
Subscribed capital	400 0	0 0	0 0	0 0	400 0
Capital reserves	443 4	24 0	−427 2	0 0	40 2
Revenue reserves					
– Reserves provided for by the articles of association	11 7	0 0	0 0	0 0	11 7
– Other revenue reserves	21 5	0 0	−21 5	0 0	0 0
Net retained profits	0 0	0 0	0 0	0 0	0 0
Equity under German GAAP	876 6	24 0	−448 7	0 0	451 9

2 23 Foreign currency items

	2014 € million	2013 € million
Foreign currency assets	1 580 0	2,432 3
Foreign currency liabilities	1 580 0	2,432 3

3 Income Statement Disclosures

3 1 Breakdown of income by geographical area

According to the geographical breakdown, Germany accounts for €531 8 million (previous year €586 8 million) and the UK for €21 0 million (previous year €54 1 million) of the total income from interest income, current income from shares and other non-fixed-income securities, long-term equity investments, fee and commission income and other operating income (€552 8 million, previous year €640 9 million)

Net interest income (€107 6 million, previous year €134 8 million) includes income from the close-out of derivatives used to hedge interest rate risk in the net amount of €17 5 million (previous year net expenses of €5 0 million), as well as net income from early repayment penalties of €5 6 million (previous year €13 9 million) and interest expenses from the early repayment of borrower's note loans of €22 3 million (previous year €14 6 million)

3 2 Other operating income

This item primarily comprises service income from service level agreements (€4 0 million, previous year €1 6 million) income from rescue acquisitions (€3 0 million, previous year €1 8 million) and income from the reversal of provisions (€1 9 million, previous year €6 4 million)

3 3 Other operating expenses

This item includes discount unwinding expenses for provisions of €4 0 million (previous year €3 2 million) and rescue acquisition expenses of €1 6 million (previous year €1 3 million)

3 4 Risk provisions

In the year under review, total expenses of €15 0 million were incurred for write-downs of and valuation allowances on receivables and certain securities as well as additions to loan loss provisions In the previous year, income from the reversal of write-downs of receivables and certain securities as well as from the reversal of loan loss provisions amounted to €66 7 million

In the year under review, reversals of write-downs of long-term equity investments, shares in affiliated companies and long-term securities amounted to €0 8 million In the previous year, a total of €8 6 million was expended on write-downs of and valuation allowances on long-term equity investments, shares in affiliated companies and long-term securities

3 5 Extraordinary expenses

€7 0 million (previous year €8 2 million) was added to the restructuring provisions for personnel and vacancy costs recognised in 2011

3 6 Profit and loss transfer agreements

Profits of €0 04 million (previous year €14 8 million) were transferred under profit and loss transfer agreements in the year under review The high level of income in the previous year was due primarily to a non-recurring factor recorded by the subsidiary West Zwanzig GmbH relating to the successful repayment of a loan receivable and liquidation of real estate collateral for which a valuation allowance had been recognised

The profit of €64 1 million (previous year €50 3 million) will be transferred in accordance with the profit and loss transfer agreement with the shareholder, EAA

3 7 Administration and brokerage services performed for third parties

In the year under review, other operating income of €1 3 million (previous year €1 6 million) was generated in connection with a service level agreement entered into with Portigon, which relates to the servicing of the risk assets transferred by WestImmo to EAA in 2010

For the first time, other operating income (€2 7 million) was also generated in connection with a service level agreement entered into with EAA, which relates to the servicing of the risk assets transferred by WestImmo to EAA in 2014 as part of the carve-out transaction

4 Other Disclosures

4 1 Off-balance-sheet transactions

With the exception of the derivatives entered into for hedging purposes presented in section 4 8, the Bank did not conduct any transactions that must be disclosed in accordance with section 285 no 3 of the HGB

4 2 Contingencies and commitments

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

Contingent liabilities in the amount of €135 7 million (previous year €294 7 million) are attributable to contingent liabilities from guarantees and indemnity agreements The remaining commitments (€16 7 million, previous year €9 7 million) relate in their entirety to irrevocable loan commitments

Appropriate provisions have been recognised to take account of contingent liabilities in connection with risks related to the lending business

4 3 Other financial obligations

WestImmo has annual rental and leasing obligations in the amount of €7 7 million (previous year €7 5 million) and annual obligations under service agreements in the amount of €6 1 million (previous year €6 0 million)

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 obligation of €0 07 million (previous year €7 2 million) as at the balance sheet date

4 4 Collateral transferred for own liabilities

On 31 December 2014, securities with a carrying amount of €276 0 million (previous year €243 7 million) had been deposited and loan receivables in the amount of €139 3 million (previous year €156 6 million) had been assigned as security for participating in open market transactions with Deutsche Bundesbank Open market transactions amounted to €0 0 million as at the reporting date (previous year €0 0 million)

Securities with a carrying amount of €106 9 million (previous year €208 9 million) were deposited in the financial year as security for participating in clearing systems and stock exchange facilities In addition, loan receivables with a carrying amount of €219 9 million (previous year €222 4 million) and securities with a carrying amount of €4 9 million (previous year €0 0 million) were deposited with banks as security

As in the previous year, no cash collateral was furnished for genuine securities repurchase agreements in the year under review

4 5 Related party transactions

Transactions with related parties are conducted exclusively on an arm's length basis

4 6 German Corporate Governance Code

WestImmo has voluntarily adopted the recommendations and suggestions of the German Corporate Governance Code (the Code) The declaration in accordance with section 161 of the Aktiengesetz AktG – German Stock Corporation Act), as amended, is permanently available at www westimmo com

4 7 Cover for mortgages and municipal loans

Publication according to section 28 para 1 nos. 1 and 3 Pfandbrief Act

Outstanding total	nominal value		net present value		risk-adjusted net present value	
€ million	Q4 2014	Q4 2013	Q4 2014	Q4 2013	Q4 2014	Q4 2013
Mortgage Pfandbriefe	4,240 0	5,267 0	5,004 2	5,931 3	5 140 3	6,185 4
of which derivatives	–	–	–	–	–	–
Cover pool	5,123 9	6,945 0	5,544 0	7,392 9	5 522 3	7,367 5
of which derivatives	–	–	–	–	–	–
Over Collateralization (OC)	883 9	1,678 0	539 8	1,461 6	382 0	1,182 1
OC in % of Pfandbriefe outstanding	20 85	31 86	10 79	24 64	7 43	19 11
Over-Collateralization in Consideration of vdp-Credit-Quality-Differentiation-Model	883 9	–	539 8	–		
OC in % of Pfandbriefe outstanding	20 85	–	10 79	–		

Outstanding total	nominal value		net present value		risk-adjusted net present value	
€ million	Q4 2014	Q4 2013	Q4 2014	Q4 2013	Q4 2014	Q4 2013
Public Pfandbriefe	666 3	956 1	770 7	1,046 7	740 2	1,010 0
of which derivatives	–	–		–	–	–
Cover pool	822 6	1,047 6	988 5	1,201 5	938 2	1,136 8
of which derivatives	–	–	–	–	–	–
Over Collateralization (OC)	156 3	91 5	217 8	154 8	198 0	126 8
OC in % of Pfandbriefe outstanding	23 46	9 57	28 26	14 79	26 75	12 55
Over-Collateralization in Consideration of vdp-Credit-Quality-Differentiation-Model	156 3	–	217 8	–		
OC in % of Pfandbriefe outstanding	23 46	–	28 26	–		

The dynamic approach was used for calculating the risk-adjusted net present value according to section 5 para 1 no 1 of the Net Present Value Regulation (PfandBarwertV)

Note The over collateralization with a view to the vdp-credit quality differentiation model is calculated starting in the second quarter 2014 The release of these data is voluntary

Publication according to section 28 para 1 no 2 Pfandbrief Act

Maturity structure of Pfandbriefe outstanding and their respective cover pools

Mortgage Pfandbriefe	Q4 2014		Q4 2013	
€ million	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Cover pool
Maturity				
< = 0 5 years	99 5	833 4	–	–
> 0 5 years and < = 1 year	338 3	850 5	–	–
< = 1 year	–	–	811 0	**1,965 9**
> 1 year and < = 1 5 years	483 2	330 2	–	–
> 1 5 years and < = 2 years	259 0	517 9	–	–
> 1 year and < = 2 years	–	–	436 3	1,653 2
> 2 years and < = 3 years	820 5	686 1	932 8	764 3
> 3 years and < = 4 years	447 8	615 7	829 0	865 6
> 4 years and < = 5 years	501 9	454 7	458 5	635 5
> 5 years and < = 10 years	773 7	675 7	1 259 2	861 6
> 10 years	516 1	159 7	540 2	198 9

Public Pfandbriefe	Q4 2014		Q4 2013	
€ million	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Cover pool
Maturity				
< = 0 5 years	48 0	129 7	–	–
> 0 5 years and < = 1 year	90 0	57 6	–	–
< = 1 year	–	–	270 6	188 7
> 1 year and < = 1,5 years	135 5	26 1	–	–
> 1 5 years and < = 2 years	15 5	41 7	–	–
> 1 year and < = 2 years	–	–	138 0	185 1
> 2 years and < = 3 years	70 8	101 5	170 8	66 6
> 3 years and < = 4 years	10 0	90 3	70 8	90 4
> 4 years and < = 5 years	30 5	79 5	10 0	69 2
> 5 years and < = 10 years	173 5	140 2	190 9	240 1
> 10 years	92 5	156 0	105 0	207 5

Note From second quarter 2014 the maturity buckets up to 2 years have been rearranged So far there are no adequate data for the previous periods available

Publication according to section 28 para.2 no 1 a Pfandbrief Act and section 28 para 4 no 1 a Pfandbrief Act

Mortgage loans used as cover for Mortgage Pfandbriefe according to their amount in tranches

Cover assets	Q4 2014 € million	Q4 2013 € million
up to € 300 thousand	1 424 2	1,770 7
more than € 300 thousand up to € 1 million	116 7	–
more than € 1 million up to € 10 million	925 4	–
more than € 10 million	2,657 6	–
more than € 300 thousand up to € 5 million	–	**620 5**
more than € 5 million	–	4,005 3
Total	**5,123 9**	**6,396 5**

Note From second quarter 2014 the buckets for the cover loans for Mortgage Pfandbriefe larger than 300 000 € have been regrouped So far there are no adequate data for the previous periods available

Publication according to section 28 para 2 no 1b, c and no.2 Pfandbrief Act

Volume of claims used to cover Mortgage Pfandbriefe according to states in which the real property is located, according to property type and the total amount of payments in arrears for at least 90 days as well as the total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim

		Cover assets						
		Total	thereof					
			Residential					
			Total	thereof				
				Apartments	Single- and two-family houses	Multi-family houses	Buildings under construction	Building land
State	Q4	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Total – all states	2014	4,688 4	1 568 7	222 7	901 0	444 4	0 1	0 5
	2013	6,396 5	1 983 7	291 5	1 131 0	555 4	4 9	0 9
Germany	2014	2,440 5	1 560 6	214 8	901 0	444 4	0 1	0 3
	2013	3 128 7	1,964 6	272 9	1,131 0	555 4	4 9	0 4
Belgium	2014	70 4	–	–	–	–	–	–
	2013	70 6	–	–	–	–	–	–
Finland	2014	14 5	7 9	7 9	–	–	–	–
	2013	26 8	7 9	7 9	–	–	–	–
France	2014	283 4	–	–	–	–	–	–
	2013	527 5	–	–	–	–	–	–
United Kingdom	2014	612 7	–	–	–	–	–	–
	2013	787 0	–	–	–	–	–	–
Italy	2014	12 2	–	–	–	–	–	–
	2013	–	–	–	–	–	–	–
Luxembourg	2014	47 6	–	–	–	–	–	–
	2013	47 6	–	–	–	–	–	–
Netherlands	2014	269 4	–	–	–	–	–	–
	2013	225 2	–	–	–	–	–	–
Austria	2014	29 7	–	–	–	–	–	–
	2013	63 5	–	–	–	–	–	–
Poland	2014	264 2	–	–	–	–	–	–
	2013	364 4	–	–	–	–	–	–
Romania	2014	42 9	–	–	–	–	–	–
	2013	65 0	–	–	–	–	–	–
Sweden	2014	14 4	–	–	–	–	–	–
	2013	61 4	–	–	–	–	–	–
Spain	2014	207 0	–	–	–	–	–	–
	2013	240 9	–	–	–	–	–	–
Czechia	2014	9 0	–	–	–	–	–	–
	2013	71 2	–	–	–	–	–	–
Hungary	2014	120 7	–	–	–	–	–	–
	2013	125 6	–	–	–	–	–	–
Switzerland	2014	8 4	0 2	–	–	–	–	0 2
	2013	32 5	0 5	–	–	–	–	0 5
USA	2014	241 4	–	–	–	–	–	–
	2013	558 6	10 7	10 7	–	–	–	–

Note The total amount of claims in arrears will be stated from the second quarter 2014 onwards as far as the amount in arrears is at least 5 % of the claim So far there are no adequate data for the previous periods available

Commercial							Total amount of payments in arrears for at least 90 days	total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim
Total	thereof							
	Office buildings	Retail buildings	Industrial buildings	other commercially used buildings	Buildings under construction	Building land		
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
3,119 7	1,763 7	759 7	–	586 2	–	10 1	65 9	67 2
4,412 8	2,487 6	1 013 6	–	896 6	4 4	10 6	16 4	–
879 9	173 3	345 9	–	350 6	–	10 1	8 8	11 9
1,164 1	311 0	406 4	–	436 1	–	10 6	14 8	–
70 4	48 3	13 9	–	8 2	–	–	–	–
70 6	48 5	13 9	–	8 2	–	–	–	–
6 6	6 6	–	–	–	–	–	–	–
18 9	18 9	–	–	–	–	–	–	–
283 4	239 7	20 8	–	22 9	–	–	–	–
527 5	436 7	56 5	–	34 3	–	–	–	–
612 7	497 0	76 3	–	39 4	–	–	16 3	16 3
787 0	534 5	146 0	–	106 5	–	–	–	–
12 2	–	–	–	12 2	–	–	–	–
–	–	–	–	–	–	–	–	–
47 6	47 6	–	–	–	–	–	–	–
47 6	47 6	–	–	–	–	–	–	–
269 4	219 1	11 5	–	38 8	–	–	40 8	39 0
225 2	173 3	10 4	–	41 5	–	–	–	–
29 7	24 7	–	–	5 0	–	–	–	–
63 5	58 5	–	–	5 0	–	–	–	–
264 2	162 3	101 9	–	–	–	–	–	–
364 4	171 5	167 0	–	25 9	–	–	–	–
42 9	–	42 9	–	–	–	–	–	–
65 0	22 1	42 9	–	–	–	–	–	–
14 4	–	–	–	14 4	–	–	–	–
61 4	46 0	–	–	15 4	–	–	–	–
207 0	90 2	86 9	–	29 9	–	–	–	–
240 9	95 1	109 4	–	32 0	4 4	–	–	–
9 0	9 0	–	–	–	–	–	–	–
71 2	9 1	1 2	–	60 9	–	–	1 2	–
120 7	68 2	52 5	–	–	–	–	–	–
125 6	72 0	53 6	–	–	–	–	–	–
8 2	–	–	–	8 2	–	–	–	–
32 0	–	–	–	32 0	–	–	0 4	–
241 4	177 7	7 1	–	56 6	–	–	–	–
547 9	442 8	6 3	–	98 8	–	–	–	–

Publication according to section 28 para 3 Pfandbrief Act

Volume of claims used to cover Public Pfandbriefe according to the individual states in which the borrower is located

		Cover assets				
		Total	thereof			
			State	Regional authorities	Local authorities	Other debtors
State	Q4	€ million	€ million	€ million	€ million	€ million
Total – all states	2014	822 6	0 1	113 5	577 4	131 6
	2013	1 047 6	85 2	94 9	617 9	249 6
Germany	2014	822 6	0 1	113 5	577 4	131 6
	2013	962 6	0 2	94 9	617 9	249 6
Italy	2014	–	–	–	–	–
	2013	85 0	85 0	–	–	–

Publication according to section 28 para 3 Pfandbrief Act

Total amount of payments in arrears for at least 90 days as well as the total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim

		Amount of claims in arrears for at least 90 days					Total amount of these claims inasmuch as the respectiveamount in arrears is at least 5 % of the claim				
		Total	thereof				Total	thereof			
			State	Regional authorities	Local authorities	Other debtors		State	Regional authorities	Local authorities	Other debtors
State	Q4	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Total – all states	2014	–	–	–	–	–	–	–	–	–	–
	2013	–	–	–	–	–	–	–	–	–	–
Germany	2014	–	–	–	–	–	–	–	–	–	–
	2013	–	–	–	–	–	–	–	–	–	–
Italy	2014	–	–	–	–	–	–	–	–	–	–
	2013	–	–	–	–	–	–	–	–	–	–

Note The total amount of claims in arrears will be stated from the second quarter 2014 onwards as far as the amount in arrears is at least 5 % of the claim So far there are no adequate data for the previous periods available

Publication according to section 28 para 1 nos 4, 5 and 6 Pfandbrief Act

Further cover assets for Mortgage Pfandbriefe according to section 19 para 1 nos 1, 2 and 3

		Cover assets				
		Total	thereof			
			equalization claims according to section 19 para 1 no 1	claims according to section 19 para 1 no 2		claims according to section 19 para 1 no 3
				overall	thereof Covered Bonds according to Article 129 Regulation (EU) Nr 575/2013	
State	Q4	€ million	€ million	€ million	€ million	€ million
Total – all states	2014	435 5	–	90 0	–	345 5
	2013	–	–	–	–	–
Germany	2014	435 5	–	90 0	–	345 5
	2013	–	–	–	–	–

Note Further cover assets are grouped in finer detail from second quarter 2014 onwards
So far there are no adequate data for the previous periods available

Publication according to section 28 para 1 nos 4 and 5 Pfandbrief Act

Further cover assets for Public Pfandbriefe according to section 20 para 2 nos 1 and 2

		Cover assets			
		Total	thereof		
			equalization claims according to section 20 para 2 no 1	claims according to section 20 para 2 no 2	
				overall	of which Covered Bonds according to Article 129 Regulation (EU) Nr 575/2013
State	Q4	€ million	€ million	€ million	€ million
Total – all states	2014	6 0	–	6 0	–
	2013	–	–	–	–
Germany	2014	6 0	–	6 0	–
	2013	–	–	–	–

Note Further cover assets are grouped in finer detail from second quarter 2014 onwards
So far there are no adequate data for the previous periods available

Publication according to section 28 para 1 nos 7, 8, 9, 10 and 11 Pfandbrief Act

Key figures about outstanding Pfandbriefe and Cover Pool

Mortgage Pfandbriefe		Q4 2014	Q4 2013
Outstanding Pfandbriefe	€ million	4,240 0	5,267 0
thereof percentage share of fixed-rate Pfandbriefe section 28 para 1 no 9	%	89 27	–
Cover Pool	€ million	5,123 9	6 945 0
thereof total amount of the claims which exceed the limits laid down in § 13 para 1 section 28 para 1 no 7	€ million	–	–
thereof total amount of the claims which exceed the percentage threshold laid down in § 19 para 1 no 3 section 28 para 1 no 8	€ million	–	–
thereof total amount of the claims which exceed the percentage threshold laid down in § 19 para 1 no 3 section 28 para 1 no 8	€ million	–	–
thereof percentage share of fixed-rate cover assets section 28 para 1 no 9	%	56 17	–
Net present value pursuant to § 6 of the Pfandbrief Net Present Value Regulation for each foreign currency in Euro section 28 para 1 no 10 (Net Total)	CAD	–	–
	CHF	31 2	–
	CZK	–	–
	DKK	–	–
	GBP	511 3	–
	HKD	–	–
	JPY	–	–
	NOK	–	–
	SEK	147 6	–
	USD	313 1	–
volume-weighted average of the maturity that has passed since the loan was granted (seasoning) section 28 para 1 no 11	years	6 9	–
average loan-to-value ratio, weighted using the mortgage lending value section 28 para 2 no 3	%	41 49	–
average loan-to-value ratio, weighted using the market value	%	–	–

Public Pfandbriefe		Q4 2014	Q4 2013
Outstanding Pfandbriefe	€ million	666 3	956 1
thereof percentage share of fixed-rate Pfandbriefe section 28 para 1 no 9	%	100 00	–
Cover Pool	€ million	822 6	1 047 6
thereof total amount of the claims which exceed the percentage threshold laid down in § 20 para 2 section 28 para 1 no 8	€ million	–	–
thereof percentage share of fixed-rate cover assets section 28 para 1 no 9	%	88 45	–
Net present value pursuant to § 6 of the Pfandbrief Net Present Value Regulation for each foreign currency in Euro section 28 para 1 no 10 (Net Total)	CAD	–	–
	CHF	76 9	–
	CZK	–	–
	DKK	–	–
	GBP	–	–
	HKD	–	–
	JPY	–	–
	NOK	–	–
	SEK	–	–
	USD	–	–

Note The key figures on Pfandbriefe outstanding and cover pools are captured starting in the second quarter 2014
So far there are no adequate data for the previous periods available

Section 28(2) no 4a of the PfandBG

Twenty-one (previous year 27) residential properties and one (previous year 1) commercial property in receivership and 29 (previous year 48) residential foreclosures were pending as at the reporting date Fifty-eight (previous year 66) residential foreclosures and one (previous year 0) commercial foreclosure were implemented in the year under review

Section 28(2) no 4b of the PfandBG

As in the previous year, no properties were taken over to prevent losses on mortgages during the financial year

Section 28(2) no 4c of the PfandBG

The total amount of the interest arrears payable by mortgagors, insofar as these have not already been written off in previous years, is broken down as follows

	2014 € million	2013 € million
Residential	4 1	4 7
Commercial	61 8	11 7
Total	**65 9**	**16 4**

4 8 Derivative transactions

Derivative transactions have been entered into to cover interest rate and currency fluctuations and are allocated to the investment portfolio and the liquidity reserve

The following table provides an overview of the derivative transactions existing as at the reporting date

	Notional amounts		**Positive fair values**		**Negative fair values**	
€ million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Interest rate risk						
Interest rate swaps	11,543 1	17,505 1	1,479 1	1,256 9	377 6	685 3
Caps floors	347 2	705 2	0 4	1 5	0 4	1 4
Interest rate options						
– Calls	0 0	0 0	0 0	0 0	0 0	0 0
– Puts	809 5	878 5	0 0	0 0	524 3	274 7
Total	**12,699 8**	**19,088 8**	**1,479 5**	**1,258 4**	**902 3**	**961 4**
Currency risk						
Currency forwards	771 6	640 4	4 9	3 3	15 6	7 3
Currency swaps/cross-currency swaps	986 5	1 950 6	0 0	12 1	28 0	14 5
Total	**1,758 1**	**2,591 0**	**4 9**	**15 4**	**43 6**	**21 8**

4 9 Auditors' fees

	2014 € million	2013 € million
Total auditor expenses	0 7	0 7
of which for audit services	0 5	0 5
of which for other assurance services	0 2	0 2
of which for tax advisory services	0 0	0 0
of which for other services	0 0	0 0

4 10 Parent company disclosures

Name	Domicile	Register no	Location of register
Erste Abwicklungsanstalt AoR	Dusseldorf	HRA 20869	Dusseldorf

4 11 Headcount

The average number of employees in the year under review was 274 (previous year 294), of whom 118 were female (previous year 126) and 156 were male (previous year 168) As in the previous year, there were no vocational or similar trainees

4 12 Remuneration of governing body members

	€ thousand	2014 € million	2013 € million
Aggregate remuneration of the Managing Board		1 328	1 2
Claus-Jurgen Cohausz	490		
Christiane Kunisch-Wolff	369		
Rainer Spielmann	468		
– of which fixed remuneration[1]		1 043	1 0
Claus Jurgen Cohausz	375		
Christiane Kunisch-Wolff	314		
Rainer Spielmann	353		
– of which variable remuneration[2]		0 165	0 2
Claus-Jurgen Cohausz	55		
Christiane Kunisch-Wolff	55		
Rainer Spielmann	55		
– of which variable remuneration[2]		0 120	0 0
Claus Jurgen Cohausz	60		
Rainer Spielmann	60		
Aggregate remuneration of former Managing Board members and their surviving dependents		0 291	0 3
Pension commitments for active Managing Board members		0 342	0 3
Claus-Jurgen Cohausz	204		
Christiane Kunisch-Wolff	45		
Rainer Spielmann	93		
Pension provisions for former Managing Board members and their surviving dependents		8 11 (RZ 4 66 %)	7 8 (RZ 4 91 %)

[1] Other benefits comprise non-cash benefits/allowances for company cars, contributions to health care/long-term care insurance and payment of tax on non-cash benefits

[2] In accordance with a resolution by the Supervisory Board, the performance-related (variable) component was paid out and included in the remuneration for 2014

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

4 13 Loans to governing body members

The members of the Managing Board have been granted loans amounting to €0 1 million (previous year €0 2 million) The terms of the loans end in financial year 2022 at the latest The nominal rates of interest range from 3 96 % to 4 8 % There are no loans to members of the Supervisory Board (previous year €0 0 million)

No contingent liabilities were entered into in favour of governing body members in either 2014 or 2013

4.14 Governing bodies

Managing Board

Claus-Jürgen Cohausz
Chairman of the Managing Board

Christiane Kunisch-Wolff
Member of the Managing Board

Rainer Spielmann
Member of the Managing Board

Supervisory Board

Matthias Wargers, Chairman
Spokesman of the Managing Board
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

4.15 Appointments to statutory supervisory bodies

None

Mainz, 29 January 2015

Claus-Jürgen Cohausz

Christiane Kunisch-Wolff

Rainer Spielmann

Cash Flow Statement

Cash Flow Statement for the period 1 January 2014 to 31 December 2014

		2014 €	2013 €
	Net income for the financial year before profit transfer	**64,083,251 21**	**50,253,344 54**
+/-	downs of and valuation allowances on receivables/reversals of such write-downs and valuation allowances	19,434 357 91	-46 720,439 12
+/-	Increase/decrease in provisions	13,674,649 46	6,899,020 06
+/-	Other non-cash expense/income	-18 259,002 25	83,649,843 88
-/+	Gain/loss on disposal of fixed assets	-532,556 70	-522,076 65
-/+	Other adjustments (net)	-7 895 128 54	-10,735,394 53
-/+	Increase/decrease in receivables from banks	-18,674 723 39	343 526 800 06
-/+	Increase/decrease in receivables from customers	2 751 772,419 65	3,613,388,467 60
-/+	Increase/decrease in securities not classified as long term financial assets	468,525,000 00	245 979 527 79
-/+	Increase/decrease in other assets relating to operating activities	16,406,266 10	111 285 072 02
+/-	Increase/decrease in liabilities to banks	65 681 797 43	-901,420,197 32
+/-	Increase/decrease in liabilities to customers	-1 231,078,903 67	-1,416,198 019 94
+/-	Increase/decrease in securitised liabilities	-1,742,500,000 00	-1,807,500,000 00
+/-	Increase/decrease in other liabilities relating to operating activities	14,523,237 66	-17,970,453 27
+/-	Interest expense/interest income	-107,592,932 61	-134,788 391 18
+/-	Expenses for/income from extraordinary items	7,000 000 00	8,152,672 92
+/-	Income tax expense/income	153 144 89	118,252 00
+	Interest and dividend payments received	560,019 269 70	618 442 752 59
-	Interest paid	-471,493 542 13	-527 333 711 29
-/+	Income taxes paid	83 557 16	22,789 06
-/+	Payments made and received relating to profit and loss transfer agreements with subsidiaries	14 798,525 65	-7,354,822 80
=	**Cash flows from operating activities**	**398,128,687 53**	**211,175,036 42**
+	Proceeds from disposal of long term financial assets	0 00	9,984,904 17
-	Payments to acquire long-term financial assets	-408,683,561 00	0 00
+	Proceeds from disposal of tangible fixed assets	35,425 11	0 00
-	Payments to acquire tangible fixed assets	-54 455 13	-294,569 85
+	Proceeds from disposal of intangible fixed assets	0 00	0 00
-	Payments to acquire intangible fixed assets	-48,909 00	-143 162 45
+	Proceeds from disposal of shares in affiliated companies and other long term equity investments	990,941 15	10,368,634 21
-	Payments to acquire shares in affiliated companies and other long term equity investments	-353 60	-20,289,213 36
=	**Cash flows from investing activities**	**-407,760,912 47**	**-373,407 28**
+	Proceeds from capital contributions by the shareholder	24 000,000 00	0 00
-	Payments for profit and loss transfer	-50 253 344 54	-508,557 50
+/-	Changes in cash funds relating to other capital (net)	0 00	-188,911,485 15
=	**Cash flows from financing activities**	-26,253,344 54	-189 420 042 65
	Net change in cash funds	-35 885,569 48	21,381,586 49
+/-	Change in cash funds attributable to the carve-out	-6,048,969 71	
+	Cash funds at beginning of period	74,861,393 10	53 479,806 61
=	**Cash funds at end of period**	**32,926,853 91**	**74,861,393 10**

The cash flow statement reports the change in cash funds in the period under review classified separately by cash flows for operating, investing and financing activities

The statement is prepared in accordance with German Accounting Standard No 21 (GAS 21)

The reported cash funds correspond to the "Cash funds" balance sheet item, which comprises cash-in-hand and central bank balances

Cash flows from operating activities primarily comprise payments (inflows and outflows) relating to receivables and liabilities, securities in the liquidity reserve and other assets and liabilities Interest received and paid, dividends received and other profits received, as well as income taxes paid are also reported in cash flows from operating activities When presenting cash flows from operating activities, net income for the financial year before profit transfer is used as the measure of earnings This is calculated from the income statement by adding back profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements to net income

Cash flows from investing activities comprise proceeds and cash payments related to additions and disposals of items of fixed assets, classified into long-term financial assets, tangible fixed assets and intangible fixed assets In the reporting period, cash flows from investing activities were impacted mainly by securities purchases

Cash flows from financing activities comprise payments to/by the owner on the basis of the existing profit and loss transfer agreement, proceeds from/payments for the issue/reduction of capital as well as proceeds and payments attributable to subordinated capital In the year under review, EAA made an additional payment of €24 0 million, which was transferred to the capital reserves Assets decreased as a result of the carve-out transaction, thereby reducing equity by €448 7 million

The extraordinary expenses of €7 0 million incurred in the financial year resulted from additions to restructuring provisions

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 at WestImmo

Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Revenue reserves: Reserves provided for by the articles of association	Revenue reserves: Other revenue reserves	Net income for the financial year	Equity
	Accumulated retained earnings attributable to WestImmo shareholders					
Balance at 1 Jan 2013	**400 0**	**443 4**	**11 7**	**21 5**	**0 0**	**876 6**
Capital increases	0 0	0 0	0 0	0 0	0 0	0 0
Redemption of shares	0 0	0 0	0 0	0 0	0 0	0 0
Additions to capital reserves	0 0	0 0	0 0	0 0	0 0	0 0
Withdrawals from capital reserves	0 0	0 0	0 0	0 0	0 0	0 0
Additions to revenue reserves	0 0	0 0	0 0	0 0	0 0	0 0
Withdrawals from revenue reserves	0 0	0 0	0 0	0 0	0 0	0 0
Net income for financial year 2013	0 0	0 0	0 0	0 0	0 0*	0 0
Balance at 31 Dec 2013	**400 0**	**443 4**	**11 7**	**21 5**	**0 0**	**876 6**
Balance at 1 Jan 2014	**400 0**	**443 4**	**11 7**	**21 5**	**0 0**	**876 6**
Capital increases	0 0	0 0	0 0	0 0	0 0	0 0
Redemption of shares	0 0	0 0	0 0	0 0	0 0	0 0
Additions to capital reserves	0 0	24 0	0 0	0 0	0 0	24 0
Withdrawals from capital reserves	0 0	−427 2	0 0	0 0	0 0	−427 2
Additions to revenue reserves	0 0	0 0	0 0	0 0	0 0	0 0
Withdrawals from revenue reserves	0 0	0 0	0 0	−21 5	0 0	−21 5
Net income for financial year 2014	0 0	0 0	0 0	0 0	0 0*	0 0
Balance at 31 Dec 2014	**400 0**	**40 2**	**11 7**	**0 0**	**0 0**	**451 9**

* There is a profit and loss transfer agreement under which profits of €50 3 million were transferred in 2013 and profits of €64 1 million were transferred in 2014

The subscribed capital of WestImmo as at 31 December 2014 amounted to €400 0 million (previous year €400 0 million) and is divided into four million no-par value registered shares The notional interest in the share capital is €100 00 per no-par value share All shares carry the same voting rights EAA holds 100% of the shares A total of €448 7 million was withdrawn from the capital reserves and the other revenue reserves to cover the decrease in assets resulting from the carve-out of a sub-portfolio and its transfer to EAA WestImmo received an additional payment of €24 0 million from EAA to strengthen its equity, this was transferred to the capital reserves in accordance with section 272(2) No 4 of the Handelsgesetzbuch (HGB – German Commercial Code)

Audit opinion

We have audited the annual financial statements – comprising the balance sheet, income statement, notes to the financial statements, cash flow statement and statement of changes in equity – together with the bookkeeping system, and the management report of Westdeutsche ImmobilienBank AG, Mainz, for the fiscal year from 1 January 2014 to 31 December 2014 The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Bank's management Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit

We conducted our audit of the annual 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 annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance Knowledge of the business activities and the economic and legal environment of the Bank 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Bank in accordance with (German) principles of proper accounting The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Bank'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 management report entitled "Expected Development of WestImmo," the Bank is only permitted to engage in business as of 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 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 minimizing the adverse effect on equity and net income as part of an actively pursued prolongation management strategy and in adherence to the provisions of the PfandBG ("Pfandbriefgesetz" German Pfandbrief Act) On 22 February 2015, the shareholder reached an agreement with the Aareal Bank Group on the sale of all of its shares in the Bank The sale is planned for the second quarter of 2015 and is subject to several conditions A sale of the Bank would render the above restrictions and conditions obsolete The integration of Westdeutsche ImmobilienBank AG, Mainz, into the buyer's business model could lead to a new focus for the Bank's operations which might have an extraordinary impact on its net assets, financial position and results of operations

We have issued this opinion on the basis of our audit performed in accordance with professional standards and completed on 12 February 2015 and our supplementary audit relating to the section of the management report entitled "Subsequent Events" in which the Bank reports on the agreement reached on the sale of WestImmo to the Aareal Bank Group dated 22 February 2015 and the related update of the management report section entitled "Expected Development of WestImmo" In addition, our supplementary audit also related to an adjustment of the disclosures pursuant to Sec 28 (1) No 4, No 5 and No 6 PfandBG in section 4 7 of the notes to the financial statements Our supplementary audit has not led to any reservations

Dusseldorf, 12 February 2015/
restricted to the aforementioned amendment 26 February 2015

Ernst & Young GmbH
Wirtschaftsprufungsgesellschaft

Werthmann
Wirtschaftsprufer
(German Public Auditor)

Mai
Wirtschaftsprufer
(German Public Auditor)

English translation

Responsibility Statement

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

Mainz, 24 February 2015

Claus-Jürgen Cohausz	Christiane Kunisch-Wolff	Rainer Spielmann

Report of the Supervisory Board

The financial markets in Europe and North America were dominated by low interest rates and low volatility in 2014. In Europe, the economy was impacted by central bank policy and the consequences of geopolitical crises. The inflation rate in the eurozone fell sharply, primarily due to the considerable drop in oil prices as the year progressed. This situation was reinforced by the low interest rate environment. The economic situation improved in the USA, with the positive effects visible on the labour market and in consumer spending. By contrast, economic growth slackened slightly in China. The low interest rates are set to continue accompanying and shaping the global economy. In the eurozone, we expect economic growth in all of the countries to be dampened by high unemployment and austerity, although there will again be modest expansion. The low oil prices should boost economic growth. At a global level, Asia and North America will be the growth drivers next year.

As before, the following matters are of central importance to WestImmo:

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.

The Bank's results were roughly on a level with the previous year despite the ongoing decline in its interest-bearing portfolios. 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 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 engaged in a continuous and comprehensive exchange of information. The Supervisory Board examined the business performance and the risk situation in detail last year. 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 – with the involvement of the management – from the head of the Internal Audit department and the risk controller in accordance with MaRisk, and from the Compliance Officer in accordance with MaComp. Alternatively, if the company has established an audit committee, a mechanism can be established for ensuring that the chairman of the audit committee can obtain the information. These requirements were met in 2014.

Supervisory Board Meetings

The Supervisory Board held four ordinary meetings in the financial year under review

At each of the meetings, the Managing Board reported to the Supervisory Board on the Bank's business performance and on its current position

At the meeting on 14 March 2014, the Managing Board reported to the Supervisory Board on the audit, discussion and adoption of the annual financial statements and management report for 2013, the approval of Managing Board and Supervisory Board members' actions, the risk analysis self-assessment as a non-major institution in accordance with the Institutsvergutungsverordnung (InstitutsVergV – Remuneration Regulation for Institutions), the TRIAS sale process and the carve-out portfolio

At the meeting on 28 April 2014, the Supervisory Board took note of the reporting on the TRIAS sale process and the carve-out portfolio, as well as the anti-money laundering and compliance analysis The Supervisory Board proposed to the Annual General Meeting that Ernst & Young GmbH Wirtschafts-prufungsgesellschaft, Eschborn, be appointed as auditors of the annual financial statements for financial year 2014

The meeting on 20 August 2014 focused on the half-yearly financial report, the report on audit of the investment services business for 2013/2014, the remuneration report and reporting on the carve-out/servicing, as well as the Quarturo sale process

At its meeting on 21 November 2014, the Supervisory Board took note of the downsizing plan for 2015–2021, the reporting on the Quarturo sale process, the Compliance function risk analysis in accordance with MaRisk (Minimum Requirements for Risk Management) and the governing bodies' meeting dates for 2015, and approved the updated business strategy

Participation at Meetings

Mr Michael Breuer and Dr Rolf Gerlach were each only able to attend one of the four Supervisory Board meetings

Audit and Risk Committee

The Supervisory Board has established an expert committee, the Audit and Risk Committee The chair of this expert committee reported regularly to the Supervisory Board on the committee's work

The Audit and Risk Committee held five meetings in the financial year, 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 Audit and Risk Committee took note of the annual financial statements prepared as at 31 December 2013, including the management report, as well as the audit reports of the auditors, the unqualified audit opinion, and explanatory remarks relating to special circumstances identified by the auditors The audit reports were discussed with the auditors, and the annual financial statements and the management report prepared were discussed with the Managing Board As a result, the Audit and Risk 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

In addition, the Audit and Risk Committee addressed the implementation of Basel III, CRD IV, and the amendment to the MaRisk, the audit of the investment services business for 2013/2014, the development of an internal credit portfolio model, business performance as at 30 June 2014, the implementation of the carve-out portfolio and its impact on the remaining portfolio, the assessment of the carve-out portfolio transfer process, the Quarturo sale process, current progress in external and internal audits, the application of BAN, LAU and SOV ratings procedures in accordance with the Credit Risk Standardised Approach (CRSA) and the validation results for 2013, as well as the validation results for 2014 under the Internal Ratings-based Approach (IRBA). It took note of the credit risk capital reporting and approved the liquidity, credit and market risk strategy.

At the same time, the Audit and Risk Committee is the highest decision-making authority for loan approvals and decided on the loan exposures submitted to it by the Managing Board.

Annual Financial Statements 2014

In line with its appointment by the Annual General Meeting and engagement by the Supervisory Board, Ernst & Young GmbH, Eschborn, audited the annual financial statements as at 31 December 2014, including the management report. Following their audit, the auditors issued an unqualified audit opinion on the financial statements, including the management report, 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).

At its meeting on 19 February 2015, the Audit and Risk Committee took note of the prepared financial statements and the management report together with the audit report by the external auditors. Following discussion of the audit reports with the auditors and the subsequent discussion with the Managing Board, the Audit and Risk Committee raised no objections and recommended that the Supervisory Board adopt the annual financial statements.

At its meeting on 5 March 2015, the Supervisory Board took note of the prepared financial statements and management report, the unqualified audit opinion and the audit reports. These documents were made available to Supervisory Board members in good time. The Chairman of the Audit and Risk Committee provided detailed information on the results of its examination during the meeting. The auditor and the supplementary audit were present at the Supervisory Board meeting. Following its examination and discussion, the Supervisory Board adopted the annual financial statements as at 31 December 2014.

Mainz, 5 March 2015

Matthias Wargers
Chairman of the Supervisory Board

Corporate Governance Report of Westdeutsche ImmobilienBank AG

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 24 June 2014 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, 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

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

WestImmo has issued 4,000,000 no-par value registered shares each conveying one voting right, all of which are held by EAA Representatives from EAA's Managing Board and one of its second-level managers 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 and the broadcasting of the Annual General Meeting on the Internet, as well as the publication of a financial calendar The notice convening 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 communicate openly in the interests of the Company, its employees and its 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 cooperation is set out 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 regulated 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 Company's strategic approach with a view to its best interests and to sustainably increasing its enterprise value and agrees this approach with the Supervisory Board It also ensures compliance with legal provisions and the Company's internal policies within the Group Appropriate risk management and risk control play a particularly important role in the Company's internal policies, please refer to the Risk Report for further details on this

Supervisory Board

The Supervisory Board consists of 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 one expert committee, namely the Audit and Risk Committee The committee chair reports regularly to the Supervisory Board on the work of the committee

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 sold its last significant equity investment, WIB Real Estate Finance Japan K K , Japan, in June 2013 As a result, WestImmo is no longer required to prepare consolidated financial statements WestImmo publishes its annual financial statements and the management report in an annual report It also publishes condensed half-yearly financial statements and a condensed interim management report in accordance with the HGB 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 month to its 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 Supervisory Board members delegated by WestImmo's shareholder ensure that the latter is represented on the bodies that deal with remuneration issues This guarantees complete transparency and the full flow of information to the shareholder WestImmo considers the aggregate disclosure of remuneration to be sufficient for third parties to judge the appropriateness of the remuneration Certain disclosures on remuneration must also be made in the notes to financial statements These are presented in Notes 4 12 (Remuneration of governing body members) and 4 13 (Loans to governing body members) to the annual 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 Managing Board's salaries and other remuneration components, including pension commitments Corresponding contracts of service have been signed 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 governing the remuneration system and any changes to it

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

Pension provisions for active Managing Board members amounted to €0 3 million, on a level with the previous year Pension provisions for former Managing Board members increased by €0 3 million compared with fiscal year 2013 to €8 1 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 Dr Bachmann, Mr Bolder and Mr Wargers submitted a waiver with regard to remuneration for their activities on WestImmo's governing bodies

Declaration of Conformity 2014

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 24 June 2014 were and are complied with, with the following exceptions

- Because of its shareholder structure comprising a sole shareholder, the Bank does not comply with the recommendations in section 2 3 1 of the Code with regard to Annual General Meeting formalities insofar as it does not publish any documents on the Company's website In addition, the Bank does not enable shareholders to follow the Annual General Meetings using modern communication media (section 2 3 3), nor does it publish a financial calendar (section 6 4)

- 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 regulated in 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 section 5 4 6 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 Supervisory Board 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 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

- The Bank publishes annual financial statements and a half-yearly financial report 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 because it does not prepare consolidated financial statements

- Section 7 1 3 (stock option plans and similar incentive systems) is not relevant to the Bank because no corresponding programmes have been instituted in the past or currently exist

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, Financial Information pages, under "Corporate Governance" (in German only)

Mainz, 5 March 2015

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

Names · Contact · Locations

Members of the Managing Board

Claus-Jurgen Cohausz
Chairman

Rainer Spielmann

Christiane Kunisch-Wolff

Managing Directors and Branch Managers

Andrew S Cooper
Managing Director
Nordamerika

Werner Doetsch
Managing Director
Specialised Finance/
Capital Markets

Heribert Eisenburger
Managing Director
Central Customer Support
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Branch Manager
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Managing Director
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Daniela Spies
Branch Manager
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Dorota Filant
Branch Manager
Warsaw

Norbert Wilms
Branch Manager
UK/London Branch

Heads of Central Departments

Marcus Adler
Balance and Accounting

Gerhard Bappert
Risik Management

Elvira Dettweiler-Scholz
Human Resources

Frank Heid
Board Aministration Staff/
Group Development

Frank Hofling
Organisation/IT & Administration

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Legal

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Tanja Gumny
Property Valuation & Research

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Francisco Vazquez Gomez
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Information correct as of March 2015

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The Financial Report contains forward-looking statements on our business and earnings performance, estimates, forecasts and expectations The statements entail risks and uncertainties, as there are a variety of factors which influence our business and to a great extent lie beyond our sphere of influence Above all, these include the economic situation, the state of the financial markets worldwide and possible loan losses Actual results and developments may, therefore, diverge considerably from our current assumptions, which, for this reason, are valid only at the time of publication We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events

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