

# Press Release

## WestImmo reports sharp rise in earnings in 2008

- 2008 pre-tax earnings up to €121.2m
- New business opportunities taken despite continuing crisis on the financial markets
- Position as agent and arranger significantly strengthened
- Internationalisation and focus on commercial real estate

Frankfurt, 22 April 2009 – In 2008 Westdeutsche ImmobilienBank AG (WestImmo) recorded the best results in the history of the company. The bank, which specialises in financing commercial real estate in Europe, the USA and the Asian-Pacific region, boosted its pre-tax earnings by 15.5% on the previous year to €121.2m. The group's net profit grew 5% to €96.7m.

“Our business model has proved to be both resilient and viable in what has been an extremely difficult year for real estate banks in particular”, commented Peter Knopp, Chairman of the Managing Board of WestImmo, when presenting the results for the year. “WestImmo has thus demonstrated its reliability as a partner to customers even in turbulent times such as these.”

The increase in earnings was driven primarily by the higher net interest income and the significant jump in net fee and commission income. Net interest income came in at €179.1m, up 14.6% on the figure for the previous year. Net fee and commission income showed a particularly pleasing trend, climbing 40.4% to reach €25.9m. This reflected the fact that WestImmo took on the role of agent or arranger in a greater proportion of syndicated financing operations.

After deducting credit risk provisions of -€27.3m (compared with +€6.8m the previous year), net interest income stood at €151.7m (2007: €163.0m). The trading result declined to €17.4m from €21.6m the previous year. This was due to earnings from the valuation of financial instruments and interest

hedging derivatives having fallen on the back of the difficult situation on the markets.

WestImmo was able to boost its net income from non-current financial assets to €5.0m, a sharp improvement on the -€18.5m for the previous year. The improvement stemmed in the main from a balanced investment result thanks in no small part to the consistent implementation of the consolidation strategy. This result had been a negative factor in 2007.

General administrative expenses in 2008 came to €80.7m, 3% below the figure for the previous year, primarily due to the effects of WestImmo's strict cost and process management.

Higher income at reduced costs resulted in a clear improvement in the bank's key earnings ratios. The Return on Equity (RoE) before tax came to 13.5% after 12.0% in 2007, while the Cost/Income Ratio (CIR) improved from 40.4% to 35.5%.

Both figures are thus within WestImmo's long-term target corridor.

The bank's balance sheet total at the end of the year was €26.2bn, some 10% higher than in the previous year. This stemmed largely from the increase in lendings to customers. By the balance sheet date for 2008, the Tier I (core capital) ratio critical to assessing the long-term stability of banks had jumped to 8.4% (2007: 6.1%), putting it well above the applicable minimum ratio of 4.0%.

### **New business opportunities exploited, position as agent and arranger strengthened**

WestImmo responded early to the weaknesses evident in the global economy and the overheating of key real estate markets by adapting its terms and conditions for the granting of loans, particularly in light of the bank's liquidity situation and the constant developments on the refinancing markets. The requirements on the eligibility of the loans as cover assets were tightened.

This led to the volume of newly approved real estate funding falling to €6.0bn in 2008 (2007: €9.6bn).

Of the approved funding, 91% was earmarked for commercial real estate and 9% for housing construction.

Although market conditions proved to be extremely difficult, WestImmo was able to continue expanding its activities in exit management and

syndicate loans with a volume of €800m to bank partners. Its increased assumption of arranger and agent activities brought it further international recognition. Despite the difficult refinancing conditions and a sometimes beleaguered covered bond market, the bank was able to boost emissions volumes to €2.0bn compared with €1.9bn in the previous year.

### **Significant geographical diversification in new business**

WestImmo maintained its focus on international commercial real estate financing in 2008.

22% of the total new business pulled in during 2008 was for property financing in Germany. Another 19% of loans were given to customers from the USA. The Asian-Pacific region accounted for 15% of new business in 2008, triple the volume in 2007. France claimed 12% and the states of Central and Eastern Europe 8%. The difficult market climate led WestImmo to reduce its exposure in Great Britain to 7% and in Spain to 3%, without withdrawing entirely from these markets.

### **Successful collaboration with the savings banks**

As the Centre of Competence for real estate financing and structured real estate transactions in the WestLB group, collaboration with the savings banks is of key importance for WestImmo. Last year the bank was able to increase the volume of new business realised in conjunction with association partners by 13% to €210m. WestImmo participates in real estate financing operations that the savings banks are unable to handle alone due to the size or because of risk aspects and offers the institutions a participation in financing consortiums.

### **Concentration on commercial real estate financing**

Since the start of 2009 WestImmo has been concentrating solely on financing commercial real estate, having suspended its private construction financing business. Given the enormous competitive pressure in the private construction financing market, the lack of synergy with the other activities of the group and the fact that WestImmo does not have any deposit business to provide refinancing, a parting of the ways was inevitable. Despite initial interest expressed by a number of potential buyers, the proposed sale of the division could not ultimately be carried through due to the escalation of the crisis on the financial markets. It was this reason that led to the decision to stop taking on new business from 2009. Plans have been made to sell the property portfolio. Acceptable solutions were found for the 45 staff employed at the Münster office who are affected by the suspension of new business; no compulsory redundancies will be required.

### **Targets for 2009: stability in new business, steady earnings**

The provisional figures for the first quarter of 2009 indicate that WestImmo's business is developing satisfactorily against the continued background of difficult market conditions. While the situation on the refinancing markets for banks is improving gradually, the trend on the world's real estate markets demands a heightened awareness of risk. Nevertheless, WestImmo will continue to be active in new business in all target markets and maintain the process of internationalising its business. The bank expects the volume of new business recorded this year to be roughly the same as last year.

"Within its risk strategy WestImmo accompanies transactions that correspond to the bank's risk profile and fit into its lending portfolio. We will continue to pursue these transactions in all target countries in which we are active, regardless of the worldwide recession and the crisis on the real estate markets", Peter Knopp emphasised.

Priority will also be given to stepping up activities in portfolio and exit management in order to optimise the structure of new business and the loan book.

Given the high level of uncertainty on real estate markets, it is not possible at present to offer any concrete statements as to earnings targets.

Press briefings are available to download from the WestImmo website ([www.westimmo.com](http://www.westimmo.com)).

### **WestImmo: Key P&L ratios**

in € million	2008	2007	Change as %
Net interest income	179.1	156.2	14.6
Credit risk provisions	-27.3	6.8	< 100
Net fee and commission income	25.9	18.5	40.4
Trading result	17.4	21.6	- 19
Net income from non-current financial assets	5.0	-18.5	< 100
General administrative expenses	80.7	83.1	- 2.9
<b>Pre-tax result</b>	<b>121.2</b>	<b>105.0</b>	<b>15.5</b>
Taxes on income / Deferred taxes	12.5	10.8	15.7
Result after tax of the business unit to be divested and the assets held for sale	-12.0	-2.1	> 100
<b>Consolidated result</b>	<b>96.7</b>	<b>92.1</b>	<b>5.1</b>

### **About WestImmo**

WestImmo is the Centre of Competence for real estate financing and structured real estate transactions in the WestLB group. It has offices in Berlin, Düsseldorf, Hamburg, Mainz, Münster and Munich and is also represented in London, Madrid, New York, Paris, Prague, Warsaw and Tokyo.