

## Corporate Governance at 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 18 June 2009 serves as the benchmark for WestImmo's actions.

### Annual General Meeting

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

In particular, the Annual General Meeting resolves the election of Supervisory Board members and the auditors, and approves the actions of the governing bodies. It is not required to decide on the appropriation of net profit due to the existing profit/loss transfer agreement with WestLB AG.

WestImmo has issued 4,000,000 no-par value registered shares each conveying one voting right, which are all held by WestLB AG. The members of WestLB AG's Managing Board responsible for its Savings Banks and Middle Market Business, Finance and Controlling, the Spin-off Unit, Risk Management and the Portfolio Exit Group are also members of WestImmo's Supervisory Board.

This ensures open and transparent communication with the shareholder. The Managing Board and the Supervisory Board believe that certain recommendations of the Code do not offer any substantial added value due to the concrete ownership structure; for example, the Bank dispenses with the publication of convening documents for third parties, their electronic transmission and the broadcasting of the Annual General Meeting on the Internet, as well as the publication of a financial calendar. The convening of the Annual General Meeting is addressed exclusively to the sole shareholder.

### Cooperation between the Managing Board and the Supervisory Board

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

### Managing Board

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

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

## Supervisory Board

The Supervisory Board consists of nine members. No co-determination rights need to be taken into account by the Annual General Meeting for the election of Supervisory Board members. In order to promote cooperation between the Company and the Staff Council, the sole shareholder appointed the Chairman of WestImmo's Staff Council to the Supervisory Board. The Supervisory Board has established three expert committees: the Main Committee, whose tasks largely correspond to the requirements for the Nomination Committee; the Audit Committee; and the Risk Committee, which was established due to the detailed nature of risk management activities. The flow of information about risk management to the Audit Committee is primarily ensured by the Chairman of the Audit Committee being a member of the Risk Committee, and the Chairman of the Risk Committee being the Deputy Chairman of the Audit Committee.

## Directors' Dealings (conflicts of interest)

Managing Board or Supervisory Board members do not directly or indirectly hold shares 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 15 a of the WpHG.

## Transparency and Accounting

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

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

## Remuneration Report

The shareholder of WestImmo is represented in the bodies that deal with remuneration issues. This ensures transparency and the full flow of information to the shareholder. WestImmo considers the cumulative disclosure of remuneration by third parties to be sufficient in order to judge the appropriateness of the remuneration. Certain disclosures on remuneration must also be made in the notes to the consolidated financial statements. These are presented in Notes 80 (Remuneration) and 81 (Loans) to the consolidated financial statements.

## Remuneration of the Managing Board

In accordance with its bylaws, the Supervisory Board had assigned responsibility for determining the remuneration paid to the Managing Board to its Main Committee. As part of the amendments to the bylaws to comply with the new statutory requirements laid down in the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration), the Supervisory Board now determines the salaries and other remuneration components, including pension commitments. Corresponding contracts of service have been concluded with the members of the Managing Board. These include both fixed remuneration and variable remuneration components in the form of year-end remuneration.

The ability to limit the variable remuneration in response to exceptional or unforeseen circumstances was introduced in the wake of the statutory amendments. By contrast, severance pay caps are not contractually regulated.

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

Following a reduction in fiscal year 2008, the pension provisions for members of the Managing Board were increased by €236 thousand in fiscal year 2009.

### 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. In the interests of the independence of the controlling body, the Bank does not pay performance-related remuneration for members of the Supervisory Board as recommended by the Code.

### Declaration of Conformity 2009

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 18 June 2009 with the following exceptions, and were and are complied with, with the following exceptions.

- Because of its shareholder structure, the Bank departs from the recommendations in sections 2.3.1, 2.3.2, 5.3.3 and 6.7 of the Code with regard to Annual General Meeting formalities.
- To ensure maximum flexibility as recommended in section 4.2.1 of the Code, WestImmo does not allocate fixed responsibilities among Managing Board members in the bylaws. However, responsibilities have been resolved in the form of a schedule of responsibilities that the Managing Board draws up for itself.
- The Bank departs from the recommendations in sections 4.2.3 to 4.2.4 and 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 Managing Board, divided into fixed and variable remuneration components. This is because the sole shareholder is represented on the bodies that deal with issues relating to remuneration and this fulfils the purpose behind the recommendation.
- The Bank does not observe the age restrictions recommended in sections 5.1.2 and 5.4.1, as it sees no suitable quality advantages in having a maximum age.
- Westdeutsche ImmobilienBank AG does not comply with the recommendations for interim management statements to third parties in accordance with section 7.1.1 of the Code or with the recommendation on the publication of half-yearly financial statements within an accelerated timeframe in accordance with section 7.1.2 of the Code due to its group membership.

The Declaration of Conformity and the Corporate Governance Reports are available on the Bank's web-site at [www.westimmo.com](http://www.westimmo.com) in the Investor Relations portal, under "Corporate Governance".

Mainz, 22 April 2010

For the Supervisory Board



Hubert Beckmann  
Chairman of the Supervisory Board

For the Managing Board



Dr. Peter Knopp  
Chairman of the Managing Board