

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 26 May 2010 serves as the benchmark for WestImmo's actions. The Government Commission on the German Corporate Governance Code did not make any changes to the Code in 2011.

Annual General Meeting

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

In particular, the Annual General Meeting resolves the election of Supervisory Board members and the auditors, and approves the actions of the governing bodies. It is not required to decide on the appropriation of net profit due to the existing profit and loss transfer agreement with 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. Representatives from WestLB AG's Managing Board and two 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, their electronic transmission and the broadcasting of the Annual General Meeting on the Internet, as well as the publication of a financial calendar. The convening of the Annual General Meeting is addressed exclusively to the sole shareholder.

Cooperation between the Managing Board and the Supervisory Board

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

Managing Board

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

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

Supervisory Board

The Supervisory Board consists of nine members 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. 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, the Audit Committee and the Risk Committee. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.

Directors' dealings (conflicts of interest)

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

Transparency and accounting

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

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

Remuneration Report

The delegated Supervisory Board members ensure that the shareholder of WestImmo is represented in the bodies that deal with remuneration issues. This guarantees complete transparency and the full flow of information to the shareholder. WestImmo considers the cumulative disclosure of remuneration by third parties to be sufficient in order to judge the appropriateness of the remuneration. Certain disclosures on remuneration must also be made in the notes to the consolidated financial statements. These are presented in Notes 8.7 (Remuneration of executive body members) and 8.8 (Loans to governing body members) to the consolidated financial statements.

Remuneration of the Managing Board

In accordance with the statutory requirements laid down in the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG – German Act on the Appropriateness of Executive Board Remuneration), the Supervisory Board determines the salaries and other remuneration components, including pension commitments. Corresponding contracts of service have been concluded with the members of the Managing Board. These include both fixed remuneration and variable remuneration components based on sustainable corporate development in the form of year-end remuneration.

The 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.

Pension provisions for former Managing Board members decreased by € 700 thousand compared with fiscal year 2010 to € 4.5 million.

Remuneration of the Supervisory Board

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

Declaration of Conformity 2011

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 26 May 2010 were and are complied with, with the following exceptions.

- Because of its shareholder structure comprising only a single shareholder, the Bank departs from the recommendations in sections 2.3.1 and 2.3.2 of the Code with regard to Annual General Meeting formalities insofar as it does not publish any documents on the Company's website or send any documents by electronic means. In addition, the Bank does not enable shareholders to participate in Annual General Meetings by postal vote (section 2.3.3) or to follow the Annual General Meetings via modern communication media (section 2.3.4); nor does it publish a financial calendar (section 6.7).
- To ensure maximum flexibility as recommended in section 4.2.1 of the Code, the Bank does not allocate fixed responsibilities among Managing Board members in the bylaws. The areas of responsibility are governed by a schedule of responsibilities.
- The Bank observes diversity criteria when filling management positions (section 4.1.5) and in the composition of the Managing Board (section 5.1.2). Women are given appropriate consideration in the appointment process. However, the Bank does not set specific targets for this (section 5.4.1).

- The Bank partly departs from the recommendations in sections 4.2.3 and 4.2.4 of the Code, as detailed in the Remuneration Report. In particular, the Bank does not comply with the recommendation to publish the total remuneration of each of the members of the Managing Board or Supervisory Board, divided into fixed and variable remuneration components. This is because the sole shareholder is represented on the bodies that deal with issues relating to remuneration and this fulfils the purpose behind the recommendation. In the interests of ensuring that the Supervisory Board acts as a supervisory body, the Bank also does not comply with the recommendation in section 5.4.6 in that the members of the Supervisory Board only receive non-performance-related remuneration.
- In accordance with section 5.3.3 of the Code, the Supervisory Board is supposed 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 departs from the recommendation in section 5.3.3 with regard to its shareholder structure. The full Supervisory Board discusses and resolves the composition of the Supervisory Board.
- The Bank does not observe the age restrictions for members of the Managing Board and other bodies recommended in sections 5.1.2 and 5.4.1, as it sees no suitable quality advantages in having a maximum age.
- A takeover offer for the Bank was received in 2011 in connection with a sale process. The statement by the Managing Board and Supervisory Board under section 3.7 was not issued to the Annual General Meeting, as sales negotiations were conducted by the sole shareholder, WestLB AG, and the Annual General Meeting was therefore fully informed of the situation.
- The Bank publishes consolidated financial statements and half-yearly financial reports. The Bank 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. For this reason, section 7.1.3 (stock option plans and similar incentive systems) is also not relevant to the Bank.

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

Mainz, 26 April 2012

For the Supervisory Board



Thomas Groß
Chairman of the Supervisory Board

For the Managing Board



Dr. Peter Khopp
Chairman of the Managing Board