

Financial Report 2009

Westdeutsche ImmobilienBank AG

Key Figures for the Group in accordance with International Financial Reporting Standards (IFRS)

	31 Dec. 2009 € million	31 Dec. 2008 € million	Change	
			€ million	%
Income Statement				
Net interest income	198.7	179.1	19.6	10.9
Allowance for losses on loans and advances	- 66.2	- 27.3	- 38.9	> - 100
Net interest income after allowance for losses on loans and advances	132.5	151.8	- 19.3	- 12.7
Net fee and commission income	32.4	25.9	6.5	25.1
Net trading income	4.3	17.4	- 13.1	- 75.3
Net income from non-current financial assets	- 10.2	5.0	- 15.2	> - 100
Administrative expenses	87.7	80.7	7.0	8.7
Net other operating income and expenses	3.5	1.9	1.6	84.2
Profit before tax	74.8	121.2	- 46.5	- 38.3
Income taxes/deferred taxes	2.7	12.5	- 9.8	- 78.4
Loss after tax from discontinued operations and assets held for sale	11.3	- 12.0	23.3	> 100
Consolidated profit for the period	83.4	96.7	- 13.3	- 13.8

	31 Dec. 2009 € million	31 Dec. 2008 € million	Change	
			€ million	%
Balance Sheet				
Total assets	26,889.5	26,170.9	718.6	2.7
Equity	905.9	861.0	44.9	5.2
New Business				
Total	6,215.3	6,013.8	201.5	3.4
Commercial use	5,941.7	4,799.3	1,142.4	23.8
Residential use	274	1,215	- 940.9	- 77.5

	2009 %	2008 %		
				%
Key Figures				
BIS core capital ratio (in %)	8.2	8.4	- 0.2	- 2.4
Cost/Income Ratio*	37.7	35.5	2.2	6.2
Return on equity before taxes*	7.9	13.5	- 5.6	- 41.5

	Number	Number	Number	%
Employees				
Employees (annual average)	479	515	- 36	- 7.0

Rating		
Standard & Poor's Rating for Westdeutsche ImmobilienBank AG		
- long-term		BBB+
- short-term		A-2
Mortgage Pfandbriefe		AAA
Public sector Pfandbriefe		AAA

* The cost/income ratio and RoE were calculated excluding discontinued operations

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Management Report of the Westdeutsche ImmobilienBank Group

At a Glance

Westdeutsche ImmobilienBank AG (WestImmo) significantly increased its new business volume and operating income worldwide, despite the continued difficult situation on the real estate markets in 2009. At €6.2 billion, the volume of newly committed commercial real estate financing exceeded the value in 2008 by 13%. Net interest and net fee and commission income rose to €198.7 million and €32.4 million respectively and, with an increase of 11% and 25%, are evidence of WestImmo's continued increase in profitability. Profit before tax was €74.8 million. The Bank's cost/income ratio of 37.7% was considerably below its strategic target of 40%. Return on equity was 7.9%.

WestImmo successfully expanded its position as arranger, agent and underwriter in exit management. In the year under review, the Bank arranged €2.6 billion in loans (previous year: €1.8 billion). It placed €1.5 billion of this volume (previous year: €0.8 billion) with other banks, thus attaining a leading position among syndicating banks in Europe.

Overall, these figures show that WestImmo was able to distance itself from its competitors in 2009.

Under market conditions that remained difficult, WestImmo was at all times in a position to serve as a financing partner for its customers and take advantage of new business opportunities in its national and international target markets. As a result, the Bank further reinforced its strong ties in its core markets, expanded its market position and considerably boosted its prominence and reputation.

With its focus on commercial real estate financing, the successful expansion of its role as an arranger and agent in the syndicated loan business, intensive cooperation with the savings banks and optimised loan portfolio management, WestImmo has laid the foundation for continued successful development.

WestLB AG, which is currently the sole shareholder of WestImmo, initiated the sale of its shares at the beginning of 2010. The process should be concluded by 30 April 2010. The background for this decision is the European Commission's conditions related to the approval for state guarantees for WestLB AG required under state-aid rules. WestImmo is committed to advancing its operations independent of this decision, based on a business model that also works in difficult times.

Business and Overall Conditions

WestImmo is one of the leading real estate finance providers in its German domestic market and in Europe, specialising in commercial real estate financing and structured real estate transactions around the world.

Outside Germany, WestImmo also has a strong presence in Western, Central and Eastern Europe, as well as in North America and Asia.

Structure of the WestImmo Group

WestImmo Group comprises Westdeutsche ImmobilienBank AG and its subsidiaries, which are strategic equity investments, real estate joint ventures and other business enterprises related to real estate financing, structured real estate transactions, municipal advisory services and property management.

The Group's parent company is Westdeutsche ImmobilienBank AG, which is a universal bank specialised in national and international business in commercial real estate and licensed as a Pfandbrief bank in the legal form of an *Aktiengesellschaft* (German stock corporation). Its registered office is in Mainz (Rhineland-Palatinate).

There is a profit transfer agreement with WestLB AG as the sole shareholder. The savings bank and giro associations of the Rhineland and Westphalia-Lippe jointly hold the majority of the shares in WestLB AG. The WestLB Group is strategically and commercially closely linked to the savings banks.

WestImmo is a member of the *Sicherungsreserve* (Guarantee Fund) of the *Landesbanken* (Central Savings Banks) in the *Deutscher Sparkassen- und Giroverband* (German Savings Bank and Giro Association) and is affiliated with the Reserve Funds of the *Rheinischer Sparkassen- und Giroverband* (Savings Bank and Giro Association of the Rhineland) and the *Westfälisch-Lippischer Sparkassen- und Giroverband* (Savings Bank and Giro Association of Westphalia-Lippe).

The Managing Board runs the Company's business and, in accordance with the Company's Articles of Association, consists of at least three and no more than five persons. The current members of the Managing Board are Dr. Peter Knopp (Chairman, responsible for staff functions, the capital market business and exit management), Claus-Jürgen Cohausz (responsible for national and international market segments) and Rainer Spielmann (responsible for finance and back office). An outline of the remuneration system for the Managing Board may be found in the Corporate Governance Report.

Segments and Companies in the Consolidated Group

The Group's results are planned and managed at the level of the strategic business units, whose portfolios and results are allocated to the following four segments:

- Investors
- Services
- Equity Investments/Consolidation
- Discontinued Operations (Private Customers)

The **Investors** segment includes all of the units engaged in national and international commercial real estate financing, including real estate joint ventures.

The secondary segment breakdown is by the regions in which the Bank has business: Europe, America and Asia-Pacific.

The **Services** segment consists of the Treasury business and also covers income and expenses that cannot be directly allocated to any other area.

The business of the equity investments is reported under the **Equity Investments/Consolidation** segment.

The Bank has reported the **Private customers** segment as a discontinued operation since 2008 due to the decision to sell it. In the consolidated financial statements, this segment is shown separately in accordance with IFRS 5. The same applies to assets held for sale and the associated liabilities.

The consolidated WestImmo Group includes six fully consolidated companies. More details may be found in the Notes. The Group's main business is the financial services provided by Westdeutsche ImmobilienBank AG and its subsidiary, WIB Real Estate Finance Japan K.K., Tokyo (WIB Japan). The other subsidiaries' activities are not material for the Group's results.

Most of WestImmo's employees work at the headquarters in Mainz. The second largest location is in Münster. In Germany, the Bank maintains additional branches in Berlin, Hamburg, Düsseldorf and Munich. The Funds Trustee Unit is in Mannheim.

The units at the headquarters are responsible for front office, customer acquisition and customer support for the Group's international business, as are the employees at the London branch office and the representative offices in Madrid, New York, Paris, Prague and Warsaw, as well as the WIB Japan subsidiary with its registered office in Tokyo.

Target Markets, Products and Processes

WestImmo's target markets are the member states of the European Union, America and selected Asia-Pacific countries.

In the domestic German market, WestImmo is one of the leading providers of commercial real estate finance. The main markets in Central and Eastern Europe are Poland, Romania, Slovakia, the Czech Republic and Hungary. In Western Europe, the focus is on business in the UK, France, Spain and the Benelux and Scandinavian countries. In America, WestImmo has extended its exposure beyond the USA in particular into Canada.

Business activities in the Asia-Pacific region are currently focused on Japan and Singapore.

WestImmo provides financing for office and retail properties, shopping centres, logistics centres, hotels, portfolios of residential properties, and management properties. This also applies to mixed-use properties and public-sector facilities. The Bank concentrates on financing first-class properties used for commercial purposes in good locations.

The forms of financing include advance equity financing, interim construction financing, development financing and real estate joint ventures, as well as property loans. In addition, WestImmo provides financing for capital market products. The range of products and services is rounded off by derivatives for hedging against interest and exchange rate fluctuations.

In the case of real estate joint ventures, WestImmo participates in the realisation of real estate projects (developments) by providing subordinated financing with profit participation. The focus is on office buildings and retail properties in major conurbations and their catchment areas as well as suitable properties in large and medium-sized centres with sufficient potential.

WestImmo's main customer groups are:

- Institutional fund companies
- Real estate mutual and special funds
- Pension funds
- Insurance companies
- Real estate companies
- Internationally operating asset managers
- Developers and private investors whose size and quality of business corresponds to those of institutional investors
- Savings banks and their customers
- Residential construction companies
- Middle-market enterprises
- Public-sector customers

Cooperation with the Savings Banks

Close cooperation with the savings banks is a crucial element in WestImmo's German business. We have a Savings Banks department for this business in Münster.

WestImmo is available as a partner and adviser to these banks and participates in commercial real estate financing transactions if they cannot be provided by the savings banks alone due to their lending policy or if risk is to be shared or reduced in the case of new applications or existing business. This cooperation can take the form of long-term loans, interim construction financing and portfolio financing. In addition, WestImmo acts as intermediary for new business for the savings banks and involves them in financing structures.

The cooperation between savings banks and WestImmo offers clear advantages to both sides. It results in greater income, deepens customer relationships and optimises the institutions' risk position.

Processing and approval processes are matched to the savings banks' requirements and have stood the test of time. Loan decisions are made based on clear parameters that have been coordinated with the partners. The "Real Estate Traffic Lights Procedure" allows WestImmo to approve inquiries within 48 hours of receipt, based on agreed risk parameters.

If required, the savings banks can also make use of the experience and expertise of WestImmo or its equity investments in property management, property appraisals and property workouts.

Purchasing WestImmo's Pfandbriefe and bonds gives savings banks additional means of investing their capital.

Lending Process

Decisions on new loan enquiries about commercial real estate financing products and from the savings bank association are made as part of the lending process. This process is based on a conservative risk policy. All the principles of our credit policy are laid down in the Credit Risk Strategy and the Risk Guidelines for real estate business. The Risk Guidelines stipulate the fundamental property loan-

to-value criteria. The Credit Risk Strategy summarises variously weighted criteria, such as on the quality of the property and the partner, or equity capital requirements. They are binding on all credit decisions; any deviations require approval by special resolution which, depending on the scale, must be made by different levels of competence.

As soon as we have the main information on the structure, borrower and risk parameters in a loan application, they are dealt with in the New Business Committee. This committee comprises members of the Managing Board as well as representatives of the Front Office, Back Office and the Property Valuation & Research department.

At an early stage of a loan application, they already give – subject to the results of the necessary additional examination – an initial assessment of the proposed transaction on behalf of the Bank. In this way, customers receive a prompt response to their loan application.

More details may be found in the Risk Report.

Portfolio Management

WestImmo manages its loan portfolio proactively with the goal of optimising its risk content, risk structure and profitability. The Portfolio Management Committee (PMC) is responsible for this. It comprises representatives of Group management, Portfolio Management, Capital Markets, and Front and Back Office. The committee consults other specialist departments as required.

Portfolio Management's responsibilities as part of the permanent processing of the existing loan portfolio include in particular:

- Improving the loan portfolio's risk/earnings ratio
- Achieving margins appropriate to the risk involved
- Active portfolio management within the limits specified by Risk Management
- Management of economic and regulatory capital
- Reduction of risk concentrations
- Release of capital tied up in non-strategic or unprofitable loans
- Systematic use of exit channels

Members of the PMC jointly draw up alternative plans of action that they submit to the Managing Board. In addition to the effects on risk and earnings, the committee takes the potential effects on customer relationships or the potential for new business involved in making a recommendation into account.

Internal Rating Procedure in Accordance with Basel II

WestImmo has permission to apply the approach based on internal ratings for determining the minimum capital requirements (the Advanced Internal Ratings Based Approach or AIRBA) for business with national and international investors as well as for the scoring process in private customer business.

For all real estate financing, the Bank uses rating procedures that it has developed itself or together with third parties and that it continuously validates for suitability and compliance with statutory provisions and, if necessary, adapts them accordingly. For transactions with banks, sovereigns and regional authorities, the Bank uses WestLB AG's procedures/rating results.

A detailed description of the procedure may be found in the Risk Report.

Intensive Care/Workout

Loans of more than €5 million per borrowing entity where the risk situation has substantially worsened or where payments are more than 45 days past due are placed under intensive care. The Bank takes preventive measures in these cases with the aim of returning the exposure to normal loan processing and limiting the potential loss.

The teams put together for this purpose comprise representatives from Processing and Restructuring, Credit Management, the sales area responsible for the loan and an adviser from Legal.

The basic conditions for a loan being transferred to Processing or Restructuring consist of both hard (e.g. institution of insolvency proceedings) and soft criteria (e.g. delay in successfully letting or marketing properties). Processing and Restructuring works independently of the other loan processing departments.

Exit Management

WestImmo's exit management options include placing the loan immediately or in the future by means of syndication, arranging club deals and suitable securitisation measures.

With syndication, parts of the loan are placed, mainly with banks. A basic distinction is made between two forms of spreading risk. With the first form, WestImmo initially assumes an underwriting risk. This means that the Bank initially takes the entire loan onto its own book and transfers the risk to partners only after the loan agreements have been signed. In contrast, with a club deal, the loan is assigned to members of a banking syndicate. This is where WestImmo takes on more of the role of arranger and agent.

If WestImmo assumes the underwriting risk, an opinion on the feasibility of syndicating the loan forms part of the lending process.

WestImmo intends to use the instrument of securitisation both during active portfolio management and to offer to customers within the framework of financing deals.

Refinancing

Treasury is responsible for all refinancing activities. The Bank uses registered or bearer secured and unsecured debt instruments. The most important instrument is the German mortgage Pfandbrief. These Pfandbriefe are used to refinance loans secured by first mortgages.

The unsecured debt instruments that WestImmo issues are mainly bearer bonds under the Debt Issuance Program (DIP). It is admitted as an issuer on the Frankfurt and Luxembourg stock exchanges.

In its refinancing strategy, WestImmo strives for a mix of smaller private placements and publicly placed benchmark issues.

Regulatory Environment

WestImmo is a universal bank under German law and is subject to the provisions of the Gesetz über das *Kreditwesen* (KWG – German Banking Act), the minimum requirements for risk management (MaRisk), the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) and the standards issued by the Basel Committee on Banking Supervision on the adequacy of banks' own funds (Basel II). The latter were transposed into German law with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) and amendments to the KWG and the *Großkredit- und Millionenkreditverordnung* (GroMiKV – Large Exposures Regulation). The *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – Federal Financial Supervisory Authority) and the Deutsche Bundesbank monitor compliance with the regulatory requirements.

The WIB Japan subsidiary is licensed in Japan as a money lender, a particular form of institution under Japanese law. Supervision is the responsibility of the Tokyo Metropolitan Government Office. The London branch is registered in the UK and the representative office in America is licensed in the State of New York. At both locations the Bank is subject to local supervisory authorities – in the USA by the Federal Reserve Bank (Fed) and in the UK by the Financial Services Authority (FSA). The remaining European representative offices have been registered with their local supervisory authorities but are exclusively subject to German supervision.

Pfandbriefe are issued in accordance with the provisions of the *Pfandbriefgesetz* (PfandBG – German Pfandbrief Act). This act comprehensively defines standards of stability and security for this investment product. These include protection from creditors of the assets in the cover pool in the event of the insolvency of an issuer and the obligation to apply extremely conservative procedures in determining the lending values of collateral.

Pfandbrief banks have to maintain a cover register of all the assets used as cover.

Strategy

WestImmo's priority goals are to achieve an attractive return on equity with risks that can be controlled, and to ensure there is always a sufficient level of equity and liquidity. This safeguards the Company's long-term existence. The Bank's target cost/income ratio is 40%, and its corporate strategy is aimed at growing profitably within the scope of this positioning on a sustainable basis. It comprises six core points:

Focusing on Core Activities

WestImmo provides commercial real estate financing in Germany and abroad. Business areas and equity investments lying outside these core activities are being successively cut back.

Core German Market

WestImmo is striving to further extend its position in the German domestic market and to maintain its position as one of the industry's leading banks.

Internationalisation

As part of WestImmo's international positioning and its international activities, the Bank is extending its business in the most important international real estate markets. The focus is mainly on European countries and the USA and Canada, as well as Asia (above all Japan and Singapore). This stabilises the Bank's earnings position and risk exposure.

Active Portfolio Management

By proactively managing its loan portfolio, WestImmo strives to optimise the balance between return and risk. The structures and processes for this are continuously enhanced.

Capital Market Orientation

The synthesis of real estate financing and capital market elements offers WestImmo's customers considerable potential. The elements of this synthesis that support integration include senior lending, syndication – including assumption of the role of arranger and agent – and securitisation. The growing recognition of WestImmo as arranger and agent gives the Bank an opportunity to generate additional fee and commission income.

Cooperation with the Savings Banks

The spectrum of joint activities with the savings banks will be continually expanded and the cooperation with the partners in the association is being expanded to include a constantly growing number of banks.

Corporate Management

The Managing Board manages the overall bank to take account of all significant risks and opportunities, and with the aim of ensuring sustainable, profitable growth. To achieve this, it is not only quantitative key figures that are important, but also qualitative performance indicators that cannot be found in the balance sheet or the income statement.

Intangible Values

WestImmo's system of corporate management relies on the Group's core competencies and intangible values. Above and beyond the assets reported in the balance sheet, they determine the value of the Company and lay the foundation for sustainable growth. The Bank's actions are guided by the leitmotifs of customer focus, expertise and reliability. It stands by its customers as a reliable financing partner.

The quality of the range of products and services offered by WestImmo crucially depends on the expertise and commitment of its employees. The Bank has a programme with a broad range of qualifications with which it boosts their expertise and supports them in developing management skills and teamwork.

Key Management Indicators

The main qualitative indicators of importance to the Bank's operational end-to-end management are the volume of new business, the loan portfolio, profit before tax and the core capital ratio. Return ratios such as return on equity (RoE) and the cost/income ratio (CIR) are also relevant.

Other quantitative indicators used for corporate management include customer, market and product-related measures, as well as indicators of processes, efficiency and the Bank's risk-bearing capacity. The Company is managed in particular on the basis of the liquidity available to it.

Management Process

The monthly reporting as part of the Bank's management information system throws light on whether the various performance indicators are within their defined target corridors. This enables measures to be defined promptly and put into practice in the event of deviations. If necessary, relevant performance indicators are also reported in shorter intervals.

For its liquidity planning and management, WestImmo uses portfolio management systems to generate cash flow plans with the following components:

- The Treasury liquidity plan shows all plannable cash flows on a daily basis for a theoretically unlimited period.
- The Bank cash flow plan enables a daily evaluation of all planned and all booked outflows, supplemented by larger outflows that are not yet recorded by the systems.
- The Bank uses liquidity gap analysis for its strategic liquidity planning.

Market Environment

General Economic Environment

Since 2009, the global economy has experienced one of the worst recessions of the past 100 years. According to calculations by the International Monetary Fund, global economic output in 2009 declined approximately 0.8% year-on-year. The increasingly clear recovery trend in the second half-year was not strong enough to compensate for the massive collapse in the first quarter.

Nevertheless, the collapse of the global economy was considerably milder than feared at the beginning of the crisis. The effects of the economic stimulus measures implemented worldwide were felt positively in the second half of the year.

Export-driven economies such as Germany were hit particularly hard by the crisis as a result of their dependency on global trade. In Germany, 2009 gross domestic product was 5.0% lower than in the previous year. This development can also be mainly attributed to the collapse of economic output in the first quarter, while the economy grew again slightly quarter-on-quarter starting with the middle of the year.

As a result of the stabilisation packages for the economy and labour market, particularly serious effects of the crisis on employment were avoided in 2009. The unemployment rate in Germany in December 2009 was 7.8% (December 2008 7.4%) based on the definition by the International Labour Organization (ILO).

The stable situation on the labour market is the most important reason why private consumption was largely unaffected by the negative economic development.

The 27 member states of the European Union recorded a 4.2% decrease in GDP in 2009. The extent of the crisis varied greatly in the individual member states. For instance, the three Baltic states and Ireland, whose economy grew strongly in the years leading up to the crisis, had to struggle with extreme slumps. In contrast, the economies of individual Central European states – for instance, Poland and the Czech Republic – were comparably stable. Effective 1 January 2009, Slovakia was the 16th country to accede to the European Monetary Union and introduced the euro as legal tender.

In France and the UK – the second and third largest economies in the EU after Germany – gross domestic product fell by 2.2% and 4.8% respectively.

In 2009, the United States remained bogged down in the worst economic crisis since the Great Depression in the 1930s; gross domestic product fell by 2.4% year-on-year. However, the US economy recorded growth in the third quarter of 2009 after having shrunk in the previous four consecutive quarters.

Among the Asian states, Japan was hit particularly hard by the crisis with a decrease in GDP of 5.0% in 2009. In Singapore, GDP remained at 2.0% below the previous year's level according to official sources. A massive collapse of economic output in the first quarter was followed by recovery in the second and third quarters of the year, before output shrank once again in the final quarter of 2009.

Stabilisation Measures

So far, the measures implemented to stabilise the financial and banking system have had the desired effect. Governments and central banks around the world, as well as organisations such as the International Monetary Fund and the World Bank, intervened in the system to provide support. The instruments applied included capital injections, guarantees for savings deposits and bank liabilities, and the purchase of troubled assets as well as additional liquidity provided via various channels. The programme introduced by the European Central Bank in July 2009 involving the purchase of covered bonds with a volume of up to €60 billion is also noteworthy.

In Germany, the *Sonderfonds Finanzmarktstabilisierung* (SoFFin – Financial Market Stabilisation Fund), endowed with €480 billion, granted a total of €188.7 billion in stabilisation assistance by the end of 2009. Guarantees for newly issued bonds and other liabilities of financial institutions totalling €160.7 billion accounted for most of the amount. An additional €28 billion was provided as recapitalisation support.

The "Law Establishing the Financial Market Stabilisation Fund" (*Finanzmarktstabilisierungsfondsgesetz – FMStFG*) took effect on 23 July 2009. It enables domestic banks and their foreign and domestic subsidiaries to transfer acquired structured securities to a domestic special purpose entity established for this purpose until 31 December 2008 ("special purpose entity model"). In addition, the law enables the establishment of workout units within the Financial Market Stabilisation Agency ("Anstalt-in-der-Anstalt" – AidA) to which non-strategic assets such as non-core loans can also be transferred in addition to structured securities (workout entity model).

The US government implemented various measures to recapitalise the banking sector, including programmes to purchase asset-backed securities (TARP and TALF).

Markets for Commercial Real Estate

The global transaction volume for commercial real estate in 2009 was around 38% less than in 2008, according to estimates by various estate agents. Both the number of transactions as well as average volumes were lower.

However, in the second half of the year, activity on many real estate markets increased considerably. In Europe, the commercial real estate transaction volume in 2009 was around 37% lower than in 2008. Here, too, an upward trend emerged with increasing momentum following a very weak first quarter.

Prime and average rents were on the decline in Europe, the USA and the established Asian markets; vacancy rates rose strongly in most markets. In the case of prices, the downturn continued above all in the first half of the year. In markets such as London that traditionally pass through the real estate cycle ahead of others, yields stabilised in the second half of the year or decreased slightly again, because the rent recovery had already been anticipated by investors.

Germany

In Germany, the commercial real estate investment volume was down approximately 50% year-on-year at €10 billion. Here, too, the second half of the year was significantly better than the first. At the middle of the year, the year-on-year decline had been calculated at 70%. In addition to the number of transactions, their average volume also declined considerably.

The price level in Germany was stable, in particular compared with other European markets such as Spain or the UK. Net initial yields for office properties in major German cities rose by an average of 100 basis points since the beginning of the economic crisis in mid-2007.

Rental markets in Germany also proved to be comparatively robust. Prime rents for office space declined by an average of 5.0% in 2009. While they only declined by 2.0% in Hamburg, Düsseldorf and Stuttgart, the sharpest decrease was recorded in Berlin, at 9.0%. In the capital – as in other investment centres – locations in the outskirts came under pressure, which resulted in falling rents and rising vacancy rates. At the end of 2009, approximately 10% of space was vacant in major German office centres according to estate agents.

For retail and office properties in prime locations, net initial yields for AAA-rated properties fell yet again in the last half of 2009. This can be attributed to the short supply of AAA-rated properties in good locations.

United Kingdom

In the United Kingdom, direct investments in commercial real estate decreased by another 10% over the previous year's already extremely low level. A very quiet first half-year was followed by an active second half-year in which yields, which had previously risen substantially, fell back again.

Rents for office spaces fell by up to 30% and the vacancy rate increased by approximately 10% in London.

Spain

The Spanish real estate market came under particular pressure in 2009. Office rents declined by nearly 30% in Madrid and almost 20% in Barcelona. New leases for commercial space fell to the lowest levels in 20 years in both Madrid and Barcelona.

Even on the basis of the lower rent level, yields on office properties increased sharply in Spain, rising by approximately 220 basis points from the beginning of the crisis until the end of 2009.

France

While prime rents in Paris declined by approximately 16%, the markets outside of the capital city proved to be somewhat more stable. Yields also increased sharply in France in 2009.

Central and Eastern Europe

Trends on the real estate markets in Central and Eastern Europe are lagging behind those in Western European markets with a delay of around six months. In countries where real estate prices increased sharply during the boom phase, the correction of rents and yields was correspondingly sharp. In contrast, in Poland, whose economy was among the most stable in the European Union in 2009, losses were comparatively moderate. In the Czech Republic, rising vacancy rates were recorded – in particular for logistics buildings. In Central and Eastern Europe, the registered investment volume in commercial real estate fell sharply by nearly 80% compared with 2008.

USA

In the USA, the weak economy and its negative effects on employment are weakening demand for office spaces. The national vacancy rate for offices rose by more than 16% by the end of 2009; prime rents have fallen by 10% to 40%, depending on the metropolitan region. The construction of an above-average amount of office space also strained the markets in 2009. After an extremely quiet first half-year, the transaction volume in the USA increased in the second half of the year. Overall, the number and volume of realised transactions remained considerably lower than in the previous year.

Asia

Asian real estate markets were also affected by the economic crisis in 2009. In Tokyo, office rents declined by up to 30% in 2009 and average yields increased in all real estate sectors. The vacancy rate for office properties in the Japanese capital rose from 3.8% in 2008 to around 7% at the end of 2009.

Markets for Real Estate Financing

As with the real estate markets, the markets for real estate financing also diverged in 2009. In the first half of the year, most banks focused on securing liquidity and refinancing. The majority of banks adopted an accordingly cautious stance in their new business. Many banks turned to their domestic market and scaled back their international presence considerably. There were opportunities in this market environment for banks with access to sufficient resources to conclude financing agreements at attractive conditions and expand their own position.

As a result of gradually improving refinancing opportunities, many real estate finance providers expanded their new business activities starting around the middle of the year. However, commitments remained far from the level prevailing before the crisis.

The focus was on high-value real estate in central locations (core properties). Initially, financing was only granted in larger volumes within the framework of club deals. In the second half of the year, banks were once again offering larger individual financing deals. Exit-oriented players whose business model was based on quickly passing on financing granted via the capital market no longer played a role in 2009. Highly leveraged financing was also problematic.

The declining average transaction volume resulted in greater market activity on the part of local banks in Germany in the savings and cooperative banking sector. This increased competitive pressure above all in the second half of 2009.

A similar development was observed in other Continental European markets as well as in the UK. In addition to a few national finance providers, real estate banks from Germany were among the players that drove forward this activity.

The intensity of competition in the USA also increased significantly at the end of the year. The very low loan-to-value ratios started moving away from the values prevailing around the turn of the year 2008/2009; realisable risk premiums decreased. Nevertheless, the willingness of many banks to lend remained limited throughout the entire year.

In the Japanese market, the risk/return profile for new or extended financing improved considerably in 2009 compared with the previous year. The loan-to-value ratios were significantly lower than in 2008, but increased slightly over the course of the year.

Exit and Refinancing Markets

After the severe disruptions at the end of 2008, trust in the financial sector only returned gradually over the course of 2009. Thanks to massive support by governments and central banks, the worst fears – which also saw the complete collapse of the financial and economic system as a possibility – were not confirmed. As the markets started to understand this, refinancing forms with particularly high standards of quality and security recovered again.

Top among them was the Pfandbrief. After smaller issues had been placed without problems at the beginning of 2009, the market for larger volumes of €500 million and more opened again in the second quarter. Spreads narrowed considerably, although they never reached the historic low level prior to the crisis. Compared with foreign covered bonds, the Pfandbrief was distinguished by considerably lower spreads during the entire financial crisis. The ECB programme to purchase covered bonds was one of the factors contributing to the further stabilisation of the markets in the second half of the year.

However, even unsecured issues could be sold – albeit with greater spreads. Thus, WestImmo was able to continue its strategy of refinancing at maturities that are generally matched.

The securitisation markets were dormant for long stretches of the year. However, in the autumn and winter of 2009, signs of a gradual recovery were evident. In the UK, the first mortgage-backed bonds in nearly two years were placed in September 2009.

In the United States, various initiators were able to place larger securitisations of commercial real estate loans (CMBSs) on the market in November and December. Particular attention was paid to the fact that some transactions were entered into without recourse to the government TALF programme to revive the securities markets. This was taken as a sign that the markets were slowly beginning to recover from their state of shock that had prevailed for around two years.

In contrast to the period before the financial crisis, the securitisations placed in 2009 did not consist of a credit pool, but rather of single loans that were secured by the cash flows from prime-rated real estate.

In Germany, an increase in interest on the part of various private investors in securitised commercial real estate loans was also evident at the end of 2009. However, the transactions realised there in 2009 were mainly entered into with central banks to obtain liquidity.

Regulatory Environment

As a reaction to the financial market crisis, stronger regulation of the banking system and a reform of financial market supervision were discussed all around the world.

In July 2009, the Basel Committee on Banking Supervision resolved a package of measures that supplement the existing capital requirements ("Basel II"). The measures are focused on strengthening banks' capital base, improving risk management and promoting the accumulation of capital buffers with which banks can absorb potential crises.

Banks are required to implement the tightened requirements on risk management without delay. New capital requirements, including with respect to collateralised debt obligations (CDOs), must be applied by no later than 31 December 2010.

Commissioned by the Financial Stability Board established by the 20 largest industrialised nations and emerging markets (G-20), the Basel Committee presented a consultation paper on strengthening resilience in the financial sector in December 2009.

In the USA, regulation for national banks and securitisation institutions was increased. Additional reforms are being debated in Congress.

Developments in the Central Savings Bank Environment

In light of the European state-aid proceedings that were launched as a result of government support for individual central savings banks, there was increased political pressure to consolidate the German central savings bank sector.

The ratings agency Standard & Poor's lowered the long-term rating of most central savings banks on 6 May 2009, including that of WestLB AG. This affected WestImmo's long-term rating, which was also cut to BBB+.

On 12 May 2009, the European Commission approved guarantees of €5 billion by the owners for WestLB. The agreement with the Commission resulted in WestLB AG having to sell its stake in WestImmo in an open and transparent bidding process free from discrimination.

This requirement does not directly influence WestImmo's operations or its continued existence as a going concern. WestImmo's business model has proven to be correct and sustainable in the most difficult of environments and can be continued and expanded independently of the specific ownership structure. WestImmo's Managing Board is accompanying the sale process constructively in close cooperation with WestLB AG.

On 24 November 2009, WestLB AG announced that the Financial Market Stabilisation Fund (SoFFin), WestLB AG and its owners had agreed to a plan to stabilise the bank. WestLB AG's governing bodies resolved the necessary contracts for the outsourcing of risk exposures and non-strategic assets totalling €85 billion at their Annual General Meeting held on 11 December 2009. In an initial step, securities with a carrying amount of around €6 billion were split off. The Bank intends to split off the remaining portfolio or transfer it synthetically in the second quarter of 2010 retroactively as at 1 January 2010 to Erste Abwicklungsanstalt in accordance with section 8a of the FMStFG. Please refer to the section entitled "Strategic Corporate Development" for more information on the effects of these transactions on WestImmo.

The 2009 Fiscal Year

Summary by the Managing Board on Developments in the Group in 2009

WestImmo achieved the goals it set for itself in 2009 with respect to strategic corporate development and its operations. It was able to significantly exceed the previous year's level of new business, despite the difficult market environment. Net interest and net fee and commission income was up clearly year-on-year, which also demonstrates the profitability of the portfolio. Considering the market environment, the allowance for losses on loans and advances increased as expected compared with the previous year.

As a result of the systematic strengthening of its market position in arranging larger syndicated loans, the Bank was able to increase the volume of arranged loans to €2.6 billion, €1.5 billion of which was successfully placed with other syndication partners. This puts WestImmo in a leading position among European banks.

WestImmo considerably expanded its market penetration and profiled itself as a reliable partner that stands by its financing commitments. With a capital adequacy (Tier I ratio) of 8.2% in accordance with the SolvV, its balance sheet structure is satisfactory.

There were no changes to the Bank's fundamental strategic orientation in 2009. The expansion of resources in Property Valuation & Research and in the syndication department undertaken by WestImmo both at its headquarters and at individual locations contributed to improving the data resources available for the Bank's business decisions and strengthening its exit management.

Comparison of Targets and Actual Achievements

WestImmo largely achieved the goals cited for 2009 in the Outlook section of the 2008 annual report:

Goal for 2009	Actual 2009	Goal achievement
New business: €6.0 billion	€6.2 billion	Goal achieved
Expansion of business in Germany	New business 2009 for real estate financing in Germany: + 26% year-on-year	Goal achieved
Expansion of cooperation with savings banks	End 2009: cooperation with over 50 banks in six federal states, €250 million (previous year: €210 million)	Goal achieved
Expansion of business with syndicated loans and club deals	Arranged volume 2009: + 48% year-on-year	Goal achieved
Europe: increased role as arranger & agent	Arranged volume 2009: + 280% year-on-year	Goal achieved
Expansion of expertise in portfolio and exit management	Expanded expertise in the area of syndication and portfolio management	Goal achieved
WIB Japan: expansion of business	New business 2009 down year-on-year	Caution in new business owing to uncertain market situation

Strategic Corporate Development

WestImmo further developed its business model, its processes and its product range in 2009 in line with its corporate strategy. In doing so, the Bank concentrated in particular on its core commercial real estate financing expertise in Germany as well as on its international target markets. WestImmo offers the complete value added chain of commercial real estate financing: structuring, arranging, underwriting, exits and final hold.

The Bank is systematically scaling back non-strategic activities outside its core competencies. In this context, the planned sale of the portfolio of private construction financing was particularly important. The Bank has not carried out any new business in this segment since 1 January 2009. It established the necessary processes and structures for such transactions in 2008 and held discussions with potential buyers in 2009. As at 31 December 2009, the volume of this portfolio was approximately €4.3 billion. The Bank intends to split off or transfer around €500 million of the private customer portfolio to WestLB AG's Erste Abwicklungsanstalt (EAA). The remainder of the portfolio of private construction financing is to be secured by a guarantee by EAA. As in the previous year, the Bank still intends to sell this portion of the portfolio. In addition, it plans to split off a corporate portfolio valued at around €400 million to EAA. The EAA is an organisationally and economically independent public-law institution with limited legal personality. The responsible units at WestImmo will continue to process these loan portfolios even after the guarantee is provided or the split-off is completed.

In September 2009, the Bank realigned its real estate joint venture activities. In the future, WestImmo will no longer invest in the project company in such projects, but instead can provide venture capital that is subordinate to traditional bank loans with adequate participation in the development profits.

At the Japanese subsidiary, the structures in the area of compliance were expanded in accordance with national requirements. Among other things, the position of compliance officer was created, whose duties include ensuring reporting between corporate headquarters and the Japanese unit, in addition to the legally required supervisory and disclosure functions.

In addition, WestImmo established the property valuation department as an independent Property Valuation & Research unit and strengthened both its resources and those in the syndication department.

Business and Earnings Performance

Business Position

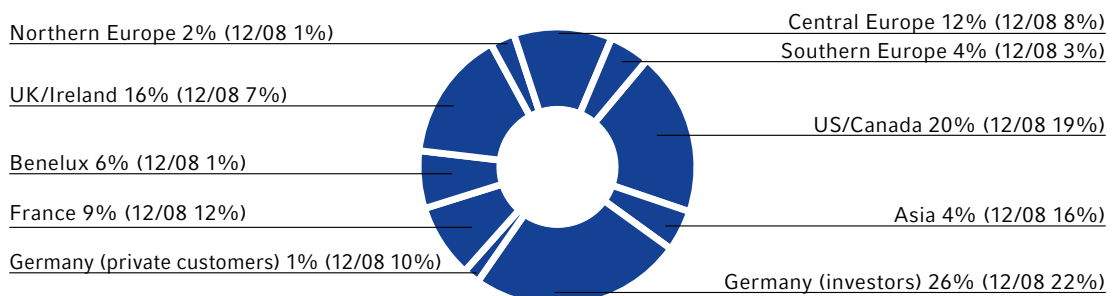
In 2009, WestImmo entered into commercial real estate financing commitments totalling €6.2 billion, thus exceeding the previous year's volume by 13% (€5.5 billion).

Only 12.5% of this amount (2008: 11%) was attributable to the extension of existing loans.

WestImmo carried out approximately 99% of its new business within the scope of commercial real estate financing. The share of the private customer business was 1%, which was attributable solely to existing customer relationships.

The new business entered into in 2009 can be broken down by property region as follows:

Approvals 12/2009 by property region



As at 31 December 2009, the existing portfolio (customer loan portfolio excluding public-sector borrowers), including guarantees and outstanding payment obligations of WestImmo, amounted to a total volume of €21.6 billion. This represents a rise of 9.6% over the figure of €19.7 billion for the previous year. The regional distribution is presented and analysed in the Risk Report as part of the monitoring at portfolio level.

Commercial Real Estate Financing

The fact that WestImmo was willing and in a position to grant new and in particular large-volume financing even at the height of the financial market crisis while maintaining its financing commitments enhanced the Bank's reputation at all locations.

Around 50% (€3.1 billion) of the new business volume in 2009 can be attributed to loans for commercial real estate in Europe excluding Germany. The volume of commercial real estate financed in Germany was €1.6 billion and thus 26% of the new business volume. Germany therefore remained the largest single market for WestImmo.

Underpinned by its improved market reputation, WestImmo increasingly assumed a leading role as an arranger and agent in Germany, its European target countries and the USA.

Germany

The strong increase in the volume of lending to German customers can be mainly attributed to the expanded business with institutional investors. The volume of loans extended to real estate companies in 2009, in particular listed real estate companies, was considerably lower than in the previous year. Since these companies had little scope for obtaining additional equity due to the poor market climate, they invested very little in new projects and had only a very little need for financing beyond the extension of existing facilities.

The WestImmo offices in Berlin, Düsseldorf, Hamburg, Mainz, Münster and Munich each strengthened their strong position in the market and were able to increase the volume of new business by 49% compared with the previous year to a total of €2.4 billion.

Germany: Savings Banks

In 2009, WestImmo further expanded its cooperation with savings banks. Compared with the previous year, the volume of loan commitments increased by around one-fifth to €250 million.

The majority of loans approved in 2009 can be attributed to savings banks in North Rhine-Westphalia. In addition, WestImmo began discussions on similar cooperation with a series of other banks outside North Rhine-Westphalia, some of which have been concluded.

The number of savings banks that submitted loan applications to WestImmo was also considerably higher in 2009 than in the previous year. This development reflects the fact that savings banks want to increase their involvement in larger commercial real estate financing deals.

Germany: Real Estate Joint Ventures

The focus in the area of real estate joint venture activity was to further develop and consolidate existing projects. In 2009, retail properties in Hattingen and Witten were completed on schedule and opened with great success.

Good progress was also made with the "Dalberger Hof" project in Mainz, which contains approximately 80 apartments, 24 of which have been newly constructed. The units are nearly completed and most of them have been sold.

Subordinated loans with profit participation, a new product launched in November 2009, met with great interest on the part of potential customers.

Central and Eastern Europe

WestImmo was able to increase its reputation through its locations in Central and Eastern Europe and further intensify its customer relationships. This reflects above all the new business entered into, which increased 62% year-on-year.

As in the previous year, WestImmo concentrated on financing properties in capital cities and their surrounding areas as well as in regions with above-average economic strength. The resources at the Warsaw location were strengthened with the hiring of an expert for Property Valuation & Research.

The Bank's participation in financing the Galeria Mokotów shopping centre in Warsaw generated a large amount of attention. With a loan volume of €205 million, it was the largest real estate financing deal in Central and Eastern Europe for a single property in 2009. WestImmo was co-arranger of the loan.

The fact that WestImmo was awarded the CEE Retail Real Estate Award "Bank/Finance Provider of the Year 2008" in February 2009 by the trade magazine EuropaProperty is an expression of the high esteem for the Bank in the market.

Western Europe

The real estate market in France was characterised above all by considerably lower market and transaction volumes. For this reason, WestImmo's new business volume decreased by around 18% year-on-year. Despite this difficult market environment, WestImmo succeeded in accompanying several large volume transactions in France.

For instance, the Bank financed the "Trois Quartiers" shopping centre and office complex in Paris as co-arranger and agent and provided a loan in the amount of €140 million for the purchase of the property together with various partner banks. The transaction was among the largest carried out on the Western European markets in the first half of 2009.

Another prominent transaction at the end of the year that WestImmo supported as an agent was the financing of an office portfolio with a total volume of €170 million.

Although the UK also remained a difficult market that was hit hard by the financial and economic crisis, the Bank succeeded in increasing its financing commitments in the UK by 137%. The largest transactions included arranging the financing of the Bicester Village designer outlet centre in the amount of GBP 190 million as well as the St. David shopping centre in Cardiff with a total volume of GBP 290 million.

In contrast, new business in Spain decreased by 41% owing to the local market climate. WestImmo limited its activities in the Spanish market to longstanding customers and selected asset managers (family offices).

America

In the American market, WestImmo was able to expand its market position through a significant increase in new business as well as a greater role as arranger and agent. Bucking the market trend, WestImmo succeeded in extending a total of €1.2 billion in property loans in the USA, exceeding the previous year's amount by 8%. The Bank was involved in particular in considerably larger financing deals than in the previous years.

Especially in the difficult first half of the year, WestImmo was one of the few banks in the market to continually extend financing and maintain its commitments. The improved position in the market and the increase in market share is reflected, among other things, by the fact that WestImmo is meanwhile one of the banks that are requested to bid on nearly all major real estate transactions in the USA.

At the same time, the financing deals in which WestImmo participated were among the largest executed in the American market in 2009. For instance, WestImmo was a member of the consortium that provided the financing for the Bank of America Tower at One Bryant Park. With a total volume of around USD 1.3 billion, this transaction was the largest real estate financing deal in the USA since the escalation of the financial crisis.

Asia-Pacific

As a result of the difficult situation in the Asian-Pacific real estate markets, WestImmo was very cautious there with new business. The committed volume was accordingly 73% down year-on-year. This was because WestImmo took a very risk-aware approach in light of the uncertain market environment.

Exit Business

WestImmo further extended its position as arranger, agent and underwriter in 2009. The Bank arranged a total of €2.6 billion in loans (previous year: €1.8 billion) in the year under review, €1.5 billion of which (previous year: €0.8 billion) was placed in the market.

62% of the total volume arranged can be attributed to loans in Europe (excluding Germany), 12% to Germany, and 26% to the USA.

With respect to syndication partners, WestImmo succeeded in expanding the group of banks with which it cooperates. Around 70% of the volume placed went to banking partners in Germany, and another approximately 20% to other banks mainly from the USA and the UK. €143 million (2008: €91 million) was passed through to savings banks, corresponding to approximately 10% of the total volume placed.

Savings banks' interest in participating in financing arranged by WestImmo continues to rise. In 2009, the Bank worked with more than 50 savings banks from six German federal states and succeeded in attracting five savings banks as new partners that had previously not maintained any business relations with WestImmo.

Portfolio Management

In fiscal year 2009, the instruments and processes used to manage the portfolio were further developed. In order to streamline the portfolio and orient it more strictly on commercial real estate financing, the Bank initiated the sale of the agricultural portfolio in 2009. This consists mostly of loans to finance agricultural properties that, in addition to the provision of real property as collateral, are also secured by the transfer of ownership of agricultural goods.

The Bank signed the agreement to sell the portfolio for €44.3 million in October 2009 with Deutsche Kreditbank AG, Berlin. The transaction is structured as an asset deal by way of assumption of contract and is linked to the express approval of the agreement by the customers.

WestImmo entered into another securitisation deal for commercial real estate loans totalling €500 million with WIRE 2008-1 in January 2009. The securities are quoted on the Düsseldorf stock exchange. The transaction served to raise liquidity and for refinancing purposes in the Group.

The Bank purchased additional commercial mortgage-backed securities (CMBSs) with an attractive profit potential in 2009 as part of its strategic investments.

Refinancing

In both June and November 2009, WestImmo issued a Pfandbrief at attractive conditions with a volume of €500 million. These benchmark issues met with high demand on the market and were placed very quickly. On 23 November 2009, WestImmo repaid a jumbo Pfandbrief that had matured in the amount of €1.25 billion.

Results of Operations

WestImmo further increased the profitability of its operating business in 2009 compared with the previous year, despite the ongoing financial market crisis. Net interest income rose by 11.0% to €198.7 million (2008: €179.1 million), driven mainly by the further increase in lending. Net fee and commission income, which increased by 25.0% to €32.4 million (2008: €25.9 million), reflects the further increase in the Bank's ability to attract new borrowers in the lending business. In 2009, WestImmo once again expanded the number of transactions that it participated in as an arranger, co-arranger, or agent, and generated corresponding commission income.

At €4.3 million, net trading income was down 75.5% year-on-year from €17.4 million in 2008. This is mainly a reflection of lower income from sales and measurement gains on derivative financial instruments in the trading portfolio.

WestImmo recognised a loss of €10.2 million on non-current financial assets in 2009. Net income from non-current financial assets therefore decreased considerably compared with 2008 (+ €5.0 million). The main reason for this was valuation allowances on fund units held as non-current financial assets as well as risk provisions at subsidiaries.

Administrative expenses increased by around 8.7% compared with the previous year (€80.7 million) to €87.7 million. This was the result of a moderate increase in personnel expenses as well as increases in other administrative expenses mainly attributable to Group companies. The depreciation and write-downs on property and equipment as well as amortisation and write-downs on software and intangible assets included in this line item correspond to the previous year's amount.

Compared with 2008 (€– 27.3 million), the allowance for losses on loans and advances in the fiscal year had to be increased to €– 66.2 million. This increase is related to risk provisions recognised as a result of continued difficult market conditions and corresponds to the expectations budgeted in the Bank's planning. Overall, the generally positive risk structure of the loan portfolio did not deteriorate.

Profit before tax was €74.8 million. As a result of higher allowances recognised for losses on loans and advances and for losses in the financial asset portfolio because of the market conditions, profit was below the 2008 level of €121.2 million. The profit is in line with planning and underscores WestImmo's continued high profitability, considering the difficult market environment.

The return on equity (RoE) as at 31 December 2009 was 7.9% and thus below the figure of 13.5% in 2008. RoE is calculated by taking the ratio of EBT to the annual average of subscribed capital, capital reserves and retained earnings.

At 37.7% in 2009, the cost/income ratio, defined as the ratio of administrative expenses to income, was slightly above the value calculated in 2008 (35.5%) and was clearly below the Bank's long-term target of 40.0%.

Including the contribution of the discontinued private customers segment and non-current assets presented separately in accordance with IFRS 5, RoE in fiscal year 2009 was 9.0% (2008: 12.2%) and the cost/income ratio was 37.6% (2008: 41.4%).

Consolidated profit for the period amounts to €83.4 million (2008: €96.7 million).

In accordance with the existing profit transfer agreement, WestImmo transferred the profit of €69.5 million (2008: €56.8 million) reported in its single-entity financial statements prepared in accordance with the HGB.

Contribution of Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets held for sale and discontinued operations contributed €11.3 million (2008: €– 12.0 million) to profit after taxes. The change compared with the previous year was mainly the result of considerably lower administrative expenses as well as lower commission expenses and allowances for losses on loans and advances on the one hand, and increased net interest income and a decrease in deferred taxes on the other. Effective as at the beginning of 2009, WestImmo discontinued new private construction financing business. New loans totalling €38.0 million (new business 2008: €558.0 million) were granted in 2009 in connection with loan extensions and refinancing.

Financial Position and Net Assets

The WestImmo Group's core capital ratio (Tier I ratio) decreased slightly in the reporting period and was 8.2% (2008: 8.4%) at the balance sheet date. As a result of the existing liquidity on the one hand and the corresponding equity on the other, the Bank met the regulatory requirements of the Bundesbank and the BaFin at all times.

Objectives of Financial Management

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

Changes in Own Funds and the Core Capital Ratio

WestImmo's capital resources, including subordinated capital, amounted to €1,382.8 million (2008: €1,424.1 million). Reported equity increased by €44.9 million year-on-year to €905.9 million (previous year: €861.0 million). This was mainly the result of changes in retained earnings (€+ 40.2 million) and the revaluation reserve (€+ 31.8 million). Subordinated capital decreased to €476.9 million (2008: €563.0 million).

Risk-weighted assets at the balance sheet date amounted to €11.0 billion (2008: €10.6 billion), calculated using the Advanced IRB Approach in accordance with the SolvV.

Changes in the Lending Business Portfolio

The volume of loans and advances to banks decreased considerably in the reporting period from €1,364.0 million to €691.6 million, while loans to customers increased to €16,994.6 million (2008: €14,933.2 million). The changes are predominantly the result of the expansion in the lending business, accompanied by the reduction in refinancing funds, which were partly invested in overnight money.

The allowance for losses on loans and advances increased by €45.1 million to €262.6 million.

Financial and Hedging Instruments

Financial and hedging instruments are reported in the balance sheet items financial assets and liabilities held for trading, fair values of derivative hedging instruments (hedge accounting) and financial assets/liabilities designated at fair value through profit or loss (fair value option).

The portfolio of financial assets held for trading increased by €90.7 million to €952.6 million, while the portfolio of financial liabilities held for trading decreased by €40.0 million to €856.8 million. The fair values of derivative hedging instruments amounted to €144.1 million (assets) and €229.0 million (liabilities) at the balance sheet date, whereby the positive fair values increased by €25.5 million and the negative fair values decreased by €35.5 million. The liabilities recognised for fair value changes

of hedged items in portfolio hedges of interest rate risk decreased to €1.0 million in the reporting period. Changes in financial and hedging instruments were influenced by the issue volume and market volatility. The assets recognised at fair value under the fair value option decreased by 29.4% to €586.2 million, while liabilities increased by 16.4% to €2,335.2 million. In addition to the relevant credit spreads, these changes are the result of matured assets as well as structured new issues that are currently not allocated to hedging positions.

Presentation of Discontinued Operations, Non-current Assets Held for Sale and Associated Liabilities

In addition to the private customer portfolio, which was already designated as held for sale, the Bank decided in 2009 to sell an additional loan portfolio and an equity investment in a company accounted for using the equity method that was previously recognised under non-current financial assets. The assets reported in this line item amounted to €4,198.1 million (2008: €4,293.9 million) at the end of the fiscal year. The associated liabilities amounted to €164.1 million (2008: €156.4 million).

Employees

As at 31 December 2009, WestImmo and WIB Japan K.K. had 477 employees. The number of full-time employees decreased by 8.17% year-on-year.

65 jobs were terminated because the Bank is discontinuing new private construction financing business. The reduction in personnel was organised within the framework of a social plan; redundancies were not necessary.

In 2009, around 15% of the employees (2008: approximately 20%) were part-time. Approximately 90% of the Bank's jobs can be attributed to Germany.

The staff turnover rate dropped to 2.4% (2008: 3%). The average age of employees at the end of 2009 was 42.4. 7 employees (1.36% of the total workforce) had reached the age of 60 as at the 2009 balance sheet date.

WestImmo invests continuously in improving the qualifications of its staff. Many of the seminars offered as part of the internal transfer of knowledge were presented by WestImmo employees.

At the end of 2009, five trainees worked in the Bank, down from eight trainees the previous year.

In order to further improve the work-life balance, the Bank provides assistance in finding emergency child care as well as child minders and au pairs throughout Germany, besides the annual holiday child care in Mainz and Münster.

Social Commitment

WestImmo regularly donates to various charities. The 2009 Christmas donation in the amount of €5,000 went to a project by CARE Deutschland-Luxemburg e.V. to help starving children in Malawi. In addition, the Bank supports the Magenza Foundation for Jewish Life in Mainz and is donating money for the construction of a new synagogue.

Risk Report

Risk is managed and monitored at Group level and covers all Group companies as well as the Bank.

Risk Management and End-to-End Controls

Risk management at WestImmo is an integral part of strategic and operational end-to-end controls and is closely integrated within the WestLB Group's management and monitoring of risk. The Bank's return targets are reviewed on a regular basis, taking into account its risk-bearing capacity and the Bank's risk strategy. The aim of the Bank is to closely integrate and coordinate all areas involved in the lending process with a view to further strengthening the 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

Both functionally and organisationally, risk is monitored separately from risk management. However, Credit Management and Risk Management are integrated into the relevant management processes at an early stage to agree the parameters and methods that are relevant to risk.

Risk categories/risk types	Departments/companies responsible	
	for risk management	for risk monitoring
Default Risk		
- Credit and property risks at individual and portfolio level	Front Office areas, Syndication, Portfolio Management and Securitisation	Credit Management, Risk Management and Property Valuation & Research
- Investment and project risk	Group companies, equity investments and real estate joint ventures	Board Administrative Staff/Group Development, Organisation/IT/Administration, Credit Management, Risk Management and Property Valuation & Research
- Counterparty and country risk	Treasury	Credit Management, Risk Management and Accounting
Market/Liquidity Risk	Treasury	Risk Management and Accounting
Operational Risk	Departments, Group companies and equity investments	Risk Management, Legal, Personnel, Board Administrative Staff/Group Development/Organisation/IT/Administration and Compliance/Money Laundering
Business Risks	Departments, Group companies and equity investments	Board Administrative Staff/Group Development/Organisation/IT/Administration and Risk Management

Default risk is monitored by Credit Management, Risk Management and Property Valuation & Research. Credit Management is responsible for approving new business, and continuously monitoring and managing individual exposures. As at 1 January 2009, Property Valuation & Research was spun off from Credit Management as a separate department. This reflects the high importance that the Bank places on this area. Risk Management ensures that risks are monitored at portfolio level and is also responsible for managing individual high-risk exposures and non-accrual loans as part of the separation of functions on the Back Office side. These functions are concentrated in the Intensive Care/Processing/Restructuring segment at Risk Management. All three areas liaise closely and continuously and report

to the Bank's Managing Board member responsible for the Back Office. In addition, the Bank has a Group Risk Committee (GRC) that receives regular reports on the Bank's overall risk situation, and an Assets/Liabilities Management Committee (ALMC) that assesses market and liquidity risk every two weeks and decides on necessary measures. The GRC consists of members of the Managing Board and the heads of Risk Management, Credit Management, Internal Audit and Board Administrative Staff/ Group Development/Organisation/IT/Administration; members of the ALMC are the members of the Managing Board and representatives of Treasury and Risk Management. A representative from WestLB AG's Treasury attends all meetings of the ALMC and a representative from its Economics Department attends at monthly intervals.

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. It reports directly to the full Managing Board.

Default Risk

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

- Establishment of methods and standards, including the development and coordination of the credit risk strategy, which is also agreed with WestLB AG (Risk Management, Credit Management)
- Implementation of regulatory and strategic requirements within the Bank's lending business at the level of the Bank's structures and workflows, and the implementation of new product processes (Risk Management)
- Second approval and monitoring of, and support for, credit exposures including suitable early warning indicators, as well as property and location appraisals and market valuations (Credit Management, Property Valuation & Research)
- Regular analysis of the loan portfolio and management of individual high-risk exposures and non-accrual loans (Credit Management, Risk Management)

Lending Business

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

Credit Risk Strategy and Risk Guideline

The Bank has established a credit risk strategy that is reviewed at least once a year and adjusted if necessary. This must be approved by the Bank's supervisory body and covers planned developments in the Bank's entire lending business.

The aim of the credit risk strategy is to ensure for the long term a level of risk quality that reflects the Bank's risk-bearing capacity and risk tolerance. As a general rule, a realistic repayment scenario must exist for all loans. To this end there are appropriate risk and quality standards, in particular in the form of requirements for the rating/loss given default (LGD) and volume of each loan, and the location and quality of each property to be financed. Supplementary qualitative and quantitative specifications are grouped together in a risk guideline in which the specifications are broken down by product and region.

The principles for exit management contain explicit provisions on the relevant exit channels. Any divergence from the strategy's provisions must be made transparent and specifically approved on a case-by-case basis. The credit risk strategy forms the basis for managing default risk at the level of specific transactions and portfolios. The maximum "reasonable" level of individual risk is based as a matter of principle on the Bank's risk-bearing capacity.

Acquiring New Customers and Appraising Properties

An integral part of the process of acquiring new customers and transactions is the New Business Committee (NBC), which meets at least once a week and on an as-needed basis. In consultation with the responsible Managing Board members and representatives of all relevant Front and Back Office areas, the Committee agrees the quality and structure of the transactions presented, specifies the future course of action and thus shortens decision-making processes and response times.

Final loan decisions are always preceded by appraisal of the mortgaged properties, preferably by the Property Valuation & Research department or by experts from outside the Bank who are appointed by the department. External appraisals are regularly examined and their reasonableness is reviewed by Property Valuation & Research.

Front and Back Office Approval and Procedures following Loan Approval

All new loans and material changes to existing exposures are submitted, along with the Front Office and Back Office approvals, to the Bank's relevant decision-making entities.

The Front Office areas are responsible for documenting loan and collateral agreements. They ensure compliance with the provisions laid down by Credit Management/the decision-making entity before the initial disbursement of any money. Following initial disbursement, responsibility is usually transferred to Credit Management which, from this point onwards, ensures monitoring activities are performed, including regular valuations of collateral and continuous support, in close cooperation with Property Valuation & Research. Work on development project loans that are managed by the Bank is always carried out in the Front Office prior to full disbursement, in consultation with Credit Management.

Credit Risk Monitoring and Early Warning Measures

Credit exposures are generally monitored annually on the basis of transparent criteria. The results are documented in appropriate reports that can be readily understood by third parties. If the risk situation of a loan shows signs of deteriorating, the department processing the loan must report this immediately to those responsible, and to Risk Management and the Bank's Internal Audit. In the case of loans that are worked on in the Front Office, Credit Management must also be informed and a second approval must be obtained if the risk situation deteriorates significantly. Additional integral components of risk monitoring are portfolio analysis on an ongoing and as-needed basis, insofar as this is feasible using country-specific stress scenarios, direct monitoring of cash flows relating to the loan and of compliance with contractually agreed risk parameters.

High-risk loans are immediately entered in the Bank's risk file. This serves as an instrument for planning and monitoring the measures needing to be taken in individual cases, supporting risk reporting throughout the Group and as a central information basis for identifying and quantifying any allowance required for losses on loans and advances at an early stage.

Problem loans are immediately transferred to the "Intensive Care" function of the Risk Management department. Restructuring concepts and further measures are then examined and, where necessary, implemented in consultation with the loan processing departments.

Valuation of Collateral

The values of collateral furnished that are calculated and defined when the loan is extended are reviewed on a regular basis, but no later than the loan monitoring stage, and adjusted where necessary. Property Valuation & Research appraises the properties eligible for financing and prepares property appraisal orders for all applications in excess of €400,000. To ensure a uniform standard, it places orders centrally with selected appraisers who are familiar with the Bank's requirements and reviews the reasonableness of the results internally.

Advanced Internal Rating Based Approach (AIRBA) and Credit Risk Model

In order to measure the risk associated with all exposures and to determine regulatory capital requirements, the Bank has been using the Advanced Internal Rating Based Approach (AIRBA) in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) since the beginning of 2008. Before being approved, the processes were subjected to extensive examination by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – Federal Financial Supervisory Authority) and the Deutsche Bundesbank.

The Bank uses internally developed rating procedures, which are continually reviewed to ensure suitability for and adherence to regulatory standards and that are adjusted if required, for real estate financing in all customer and product segments. WestLB AG's rating procedures and results are used for business with banks, sovereigns and regional authorities.

In the private customer business, WestImmo uses a scoring model developed jointly with the *Deutscher Sparkassen- und Giroverband* (DSGV – German Giro and Savings Bank Association). As part of the regulatory approval process, BaFin approved the use of this rating procedure for the IRBA in December 2008.

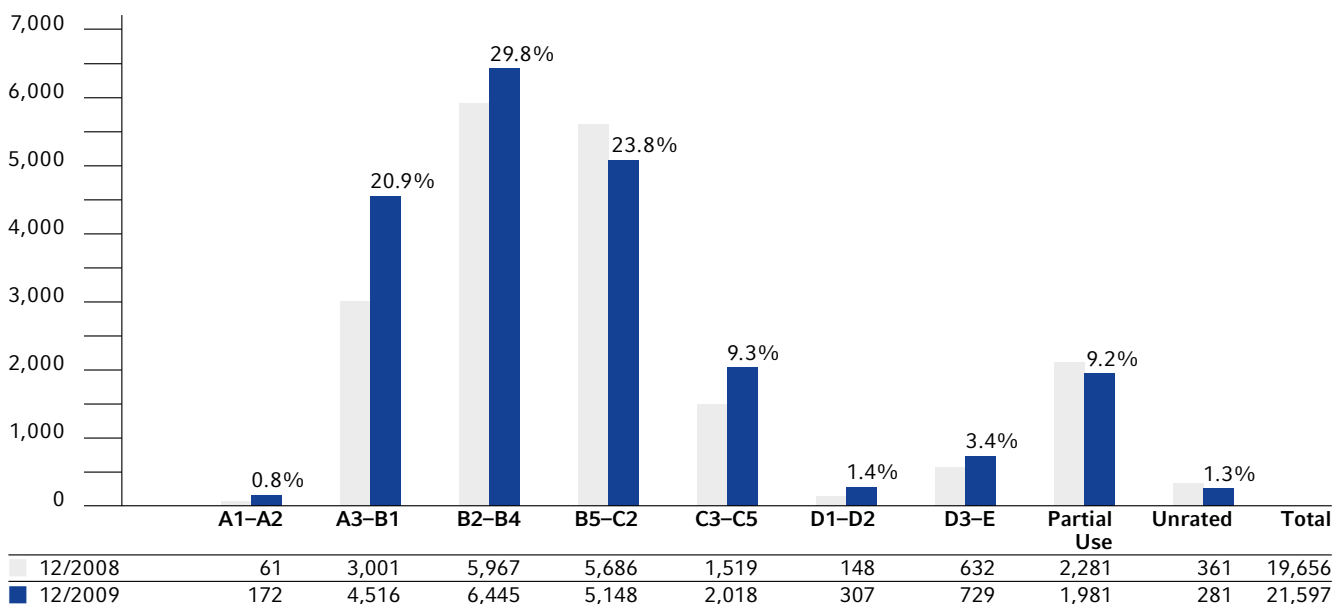
As part of the Bank's LGD (loss given default) concept, losses are estimated for all relevant types of collateral. These loss estimates are based mainly on the Bank's own historical data and experience. In order to validate and compare loss estimates, the Bank is actively involved in a joint LGD project set up by the Association of German Pfandbrief Banks.

To measure a "credit value at risk" (CVaR) and the resulting economic capital requirements, WestImmo is closely integrated in the methods and approaches used by WestLB AG. In this connection, WestLB AG has used its own credit portfolio model developed on the basis of Moody's KMV since January 2008.

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. As of 31 December 2009, the customer loan portfolio (excluding public-sector borrowers) – including loan guarantees and outstanding disbursement commitments – amounted to €21.6 billion. This represents an increase of around €1.9 billion or 9.6% against the previous year (€19.7 billion). While the volume of commercial real estate financing rose sharply by €2.3 billion, the portfolio of loans in the private customer business declined as forecast by €0.4 billion due to repayments and the discontinuation of new business from 1 January 2009.

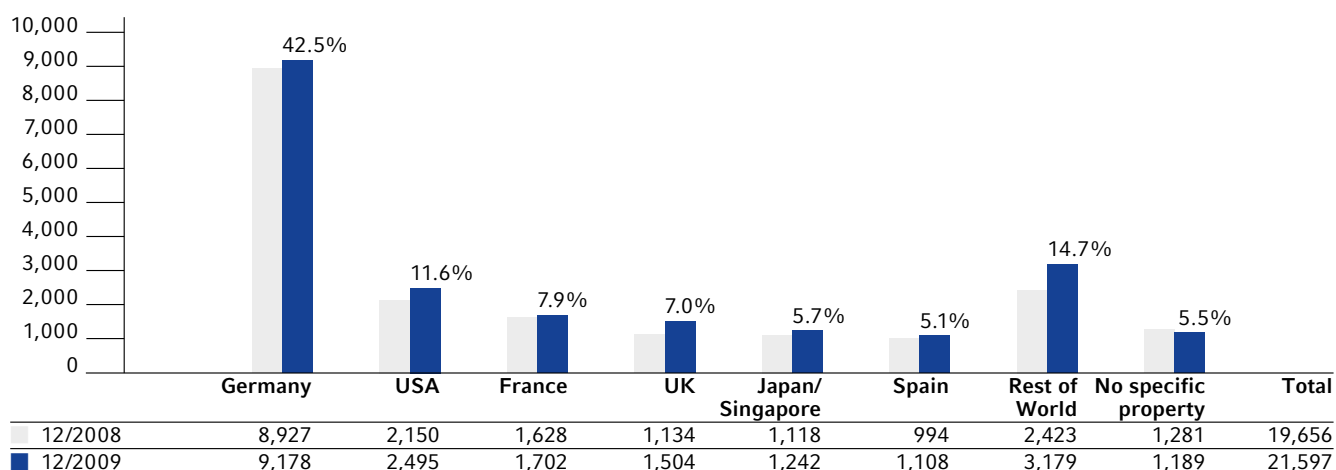
The total portfolio of customer loans can be broken down into the rating categories given below as of 31 December 2009:



At €11.1 billion, 51.5% (previous year: 45.9%) of the loans and advances to customers and loan guarantees are allocated to the rating categories between A1 and B4. Including the rating categories between B5 and C2 (investment grade segment), 75.3% of the loans have a good to satisfactory risk structure based on the ratings calculated (previous year: 74.9%).

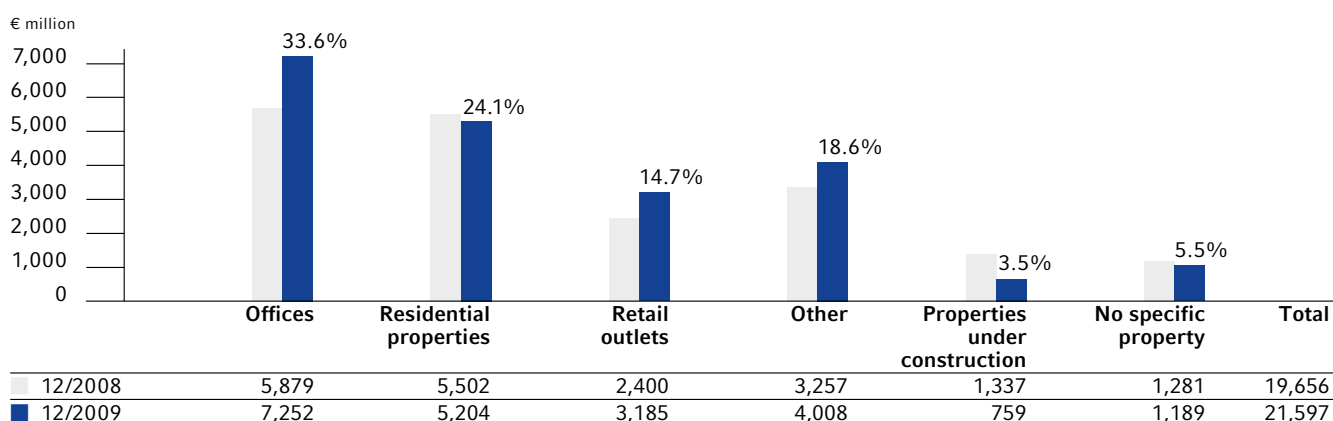
As a matter of principle, the rating procedures are used to classify the risks pertaining to all transactions. The sole exceptions in this regard are legacy private customer business, guarantee lines, agricultural loans and commercial loans below the materiality threshold or that meet other criteria for not being rated. For these, the Bank opted for the "partial use" approach in accordance with the *Solvabilitätsverordnung* (SolV – German Solvency Regulation).

The portfolio is broken down by location as follows:



42.5% or €9.2 billion (previous year: 45.4%) of the portfolio represents loans relating to German properties. This figure includes private residential financing amounting to around €4.3 billion, which will be hived off to or guaranteed by the workout entity established by WestLB AG in the current fiscal year. The international portfolio is distributed across 24 countries. The largest foreign sub-portfolios are the USA with 11.6% (previous year: 10.9%) or €2.5 billion, ahead of France with 7.9% (previous year: 8.3%) or €1.7 billion and the United Kingdom with 7.0% (previous year: 5.8%) or €1.5 billion, followed by Japan (€1.2 billion or 5.7%) and Spain (€1.1 billion or 5.1%). At €3.2 billion or 14.7%, the remaining portfolio reported under "Rest of World" is mainly distributed across various Western and Eastern European countries. 5.5% of the loans is not secured by mortgages (previous year: 6.5%). These primarily comprise loans with open-ended real estate funds and a relatively small volume of property-related company loans.

The breakdown by property type is as follows:



At €7.3 billion or 33.6% (previous year: 30.0%), office properties make up the largest sub-portfolio. The proportion of residential property loans fell by 5.4% or €0.3 billion in 2009 to 24.1% or €5.2 billion due to the discontinuation of new private customer business. This includes private residential financing in the amount of around €4.3 billion. In contrast, the share of retail properties rose by around €0.8 billion or 32.7% to €3.2 billion (share: 14.7%). The portfolio of properties under construction amounted to €0.76 billion or 3.5% as at 31 December 2009. These mainly comprise properties that have been prelet or sold in advance: offices (52.5%), residential properties (18.0%) and retail outlets (13.8%).

Developments in the Allowance for Losses on Loans and Advances

Specific valuation allowances and provisions for the loans and advances to customers of WestImmo alone, which account for the bulk of the allowance for losses on loans and advances in the Group, rose from €214.4 million to €243.4 million in the period under review (+13.5%). This figure includes €5.5 million in provisions. Specific valuation allowances in the Residential Financing for Private Customers and Agriculture business areas are calculated on a collective basis. In addition, the existing portfolio-based valuation allowance for Commercial Investors, Agriculture and Residential Financing for Private Customers was increased by €6.3 million from €17.7 million to €24.0 million. In addition, the Bank received net income of €4.3 million from loans previously written off less direct write-downs.

In accordance with IFRSs, provisions of €2.5 million attributable to private customer business and collective valuation allowances of €7.9 million are reported in "discontinued operations and non-current assets held for sale and associated liabilities". Reported specific valuation allowances and provisions were reduced by these amounts. The portfolio-based valuation allowance, a proportion of which was reclassified in view of these changes, subsequently amounted to €21.9 million.

Investments

The operational management and monitoring of equity investments and Group companies is performed locally by the representatives of the companies in question, reporting to the Board Administrative Staff/Group Development/Organisation/IT/Administration, Credit Management and Risk Management departments. Strategic controlling at the equity investments and Group companies, including Westdeutsche Immobilien Holding GmbH, for which the Bank's Group Development department was responsible before the period under review, has been carried out by Risk Management since 1 February 2009.

Medium-term plans are drawn up for the strategic investments on an annual basis. In the period under review, the risks arising from strategic investments were further reduced in accordance with business policy requirements. The operational shareholdings primarily manage the remaining projects and report on their development regularly to the responsible bodies at the Bank. The Bank decided some time ago to gradually withdraw completely from own development projects.

Market Risk

WestImmo is a non-trading book institution. It accepts market risk under the terms of a Treasury management strategy that is defined taking into account 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 measurement and monitoring of market risk positions and the reporting in accordance with MaRisk are the responsibility of Risk Control, which is part of the Risk Management department. Interest rate and currency risks are quantified using a value-at-risk model based on the Monte Carlo simulation process using processes and parameters that are standard to the WestLB Group. The daily value-at-risk (VaR) calculation is 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. If necessary, interest rate risk is hedged using interest rate derivatives.

The VaR and sensitivities are calculated by Risk Control on the basis of the cash flows from all interest-bearing transactions. Until 31 December 2009, the Bank's equity was also included in the measurement and quantification of interest rate risks by implementing the capital bucketing model as for WestLB AG. From 1 January 2010, the modelling of equity will no longer be included in the present value calculation of interest rate risk.

The Bank is integrated into WestLB AG's Group-wide standard back-testing process, whereby hypothetical gains and losses are compared on a daily basis with the values predicted by the VaR model. The appropriateness of the VaR model used is analysed on a Group-wide basis by WestLB AG.

The Bank performs weekly stress test simulations in order to subject predictions concerning expected present value losses to extreme conditions. The stress scenarios take account of both historical worst-case scenarios and changes in the yield curve.

As required by BaFin Circular 07/2007, WestImmo calculates the effects of an interest rate shock in the banking book on a weekly basis. This showed that, in the year under review, with the assumed parallel shift, the potential changes in present values are significantly below the limits set there.

As part of the reporting process, the Managing Board is informed on a daily basis as to the Bank's risk position. This daily report primarily outlines sensitivities and limit utilisations.

Furthermore, the Assets/Liabilities Management Committee (ALMC) receives reports every two weeks on the latest market data and risk parameters during the regular Managing Board meetings; these reports also indicate how the parameters have changed in the reporting period. On this basis, the ALMC discusses and decides on the Bank's positioning in this respect.

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

The VaR in 2009 was as follows:

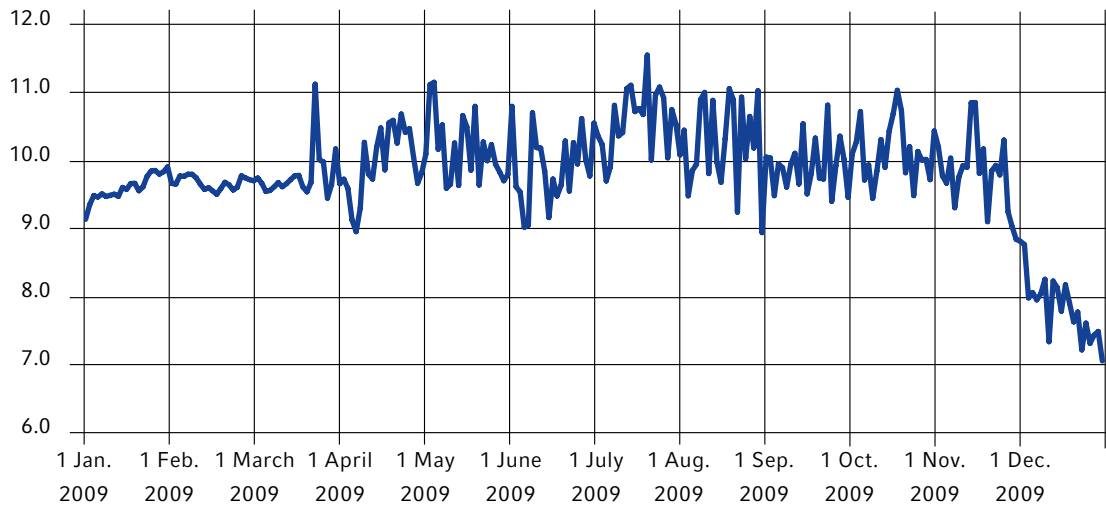
VaR for market risks in € million

Average	VaR 2009		VaR at	
	Minimum	Maximum	30 Dec. 2009	30 Dec. 2008
9.89	7.18	11.67	7.18	9.18

The rise in the VaR utilisation during the year was due mainly to higher volatility in the key market data used for the calculations; the Bank's positioning was largely unchanged.

Changes in VaR in the course of the year

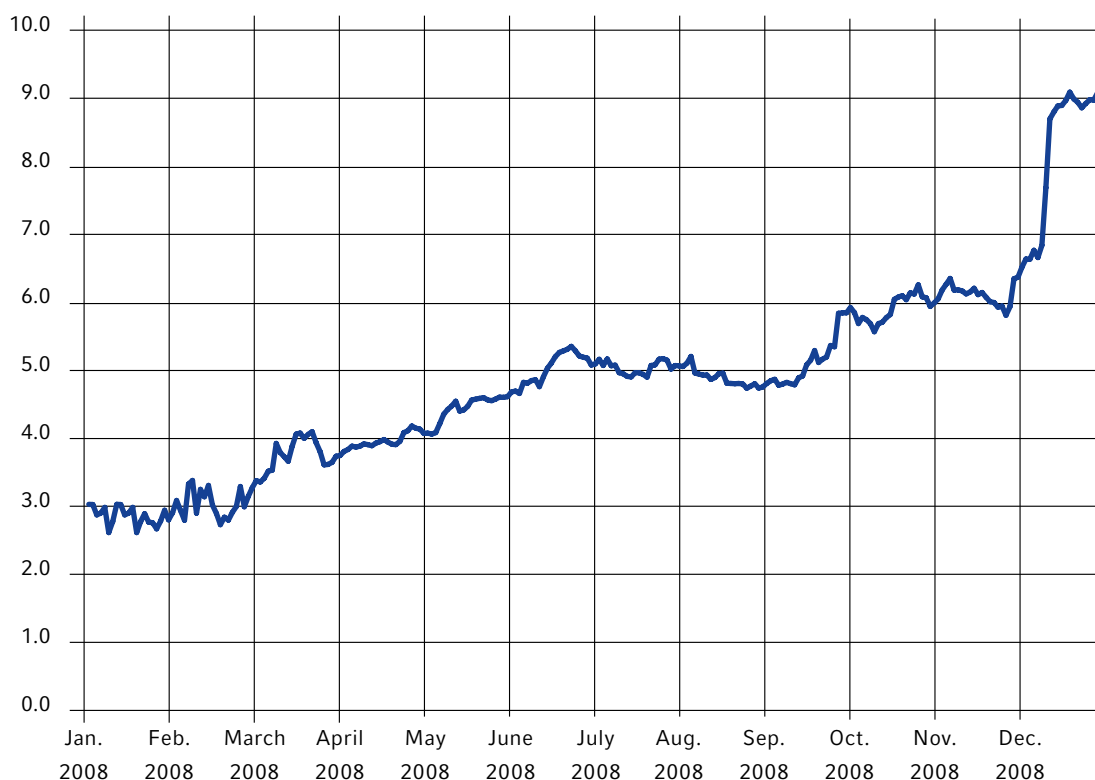
in € million



VaR was as follows in the course of 2008:

Changes in VaR in the course of the year

in € million



Liquidity Risk

The Bank understands liquidity risk to mean 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 refinancing at all times. The Bank has written rules on liquidity management, which also cover the steps to be taken to cope with liquidity squeezes.

Short-term and structural liquidity are managed by the Bank's Treasury department in consultation with WestLB AG's Group Treasury department, as well as in close cooperation with Risk Management.

Short-term liquidity risk is limited by law in accordance with the *Liquiditätsverordnung* (LiqV – German Liquidity Regulation). In the year under review, the liquidity ratio in accordance with section 2 of the LiqV was an average of 1.49. The regulatory requirements were fulfilled at all times during the fiscal year.

WestImmo determines and manages medium-term liquidity requirements with the aid of a 6-month liquidity forecast. This sets the Bank's cumulative net cash flows against the freely available potential refinancing at the central bank and the issuing potential according to the cover register. Various stress assumptions are incorporated into the determination of these key liquidity forecast figures. Two scenarios – a management and a stress scenario – are developed for the 6-month liquidity forecast.

A key indicator for ensuring a minimum liquidity reserve was also defined for a six-month period in the year under review. It was classified using a traffic light method. WestImmo's measures for ensuring sufficient liquidity at all times also include always holding an adequate portfolio of securities that are eligible for refinancing with the ECB.

From a long-term perspective, the liquidity situation is monitored by Risk Management on the basis of a liquidity gap analysis. Based on all incoming and outgoing payments during a rolling period of twelve months, this determines any necessary liquidity requirement (deficit) or a possible liquidity surplus, as the case may be. Deficits that arise in this regard are assigned limits and must be countered with suitable measures. No limits were exceeded during the year under review.

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

In addition to smaller issues placed continuously on the capital markets, WestImmo placed two large-volume Pfandbrief issues for the first time in the year under review. This enabled the Bank to return to the group of large-volume Pfandbrief issuers in a difficult environment.

Operational Risk

The Bank's Operational Risk Management (ORM) pursues the goal of avoiding/reducing losses from operational risks while taking account of cost-benefit considerations. Together with WestLB AG, it received approval to use the Advanced Measurement Approach (AMA) as at 1 January 2008. In line with this, the methods and instruments used by the Bank are an integrated part of WestLB AG's ORM system.

The management of operational risks is decentralised and the responsibility of the individual departments, which are supported in this task by specialist organisational units (Personnel, 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 its risk indicators and scenario analyses in the fourth quarter of the period under review. The risks identified here are taken into account by the Bank using appropriate measures. The results of the most recent risk inventory were reported to the Managing Board in February 2009 and to the Risk Committee in May 2009. The current risk inventory is expected to be completed by mid-April 2010 at the latest.

The Risk Management department reports to the Bank's executive bodies on major OpRisk management issues both on a regular and on an as-needed basis and continuously enhances the ORM system in consultation with WestLB AG.

Business Risks

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

Internal Control and Risk Management System for the Group's Accounting Procedures

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

WestImmo has implemented an ICR that is suitable for its business activities in view of the Bank's accounting procedures.

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

- adequately ensure that transactions are captured 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 competence),
- 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. Both technical and specialist controls are regularly performed by the Internal Audit department.

In addition, the accounting procedures are integrated into the general risk management process with regard to the overall Bank's operational risks in order to avoid misstatements as far as possible or to identify them at an early stage and to incorporate the resulting findings in the procedures.

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.

Depending on their scope and significance for the Bank, new statutory and regulatory requirements are implemented and communicated in a timely manner in the form of organisationally independent projects and through written instructions, among other things. All departments affected by the issue concerned are integrated into 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.

Transactions involving new products and/or special purpose entities (SPEs) undergo the specially developed new product process (NPP) or SPE process and are coordinated by Risk Management. The front and back offices as well as Accounting are included in these processes.

Overall Risk Position

The Bank's/the Group's overall risk position was determined from a regulatory perspective in fiscal year 2009 in accordance with the provisions of the *Solvabilitätsverordnung* (SolV – German Solvency Regulation) and appears below:

Overall risk position in accordance with the SolV

Capital adequacy requirements	31 Dec. 2008 € million	31 Dec. 2009 € million
Default risk	813	844
Market risk positions	2	3
Operational risk	33	32
Total	848	879
Overall ratio (in %)	12.66	10.68

The overall capital ratio amounted to 10.7% as at 31 December 2009 (previous year: 12.7%). The core capital (Tier 1) ratio was 8.2% as at the balance sheet date (previous year: 8.4%). The requirements of the SolV were met throughout the year under review.

WestImmo's overall risk capital (risk tolerance) by risk category

in € million	31 Dec. 2008		31 Dec. 2009	
	Limit	Limit utilisation	Limit	Limit utilisation
Credit risk capital	450.3	289.7	324.0	239.8
Investment risk capital	4.0	3.9	4.2	4.2
Market risk capital	65.0	85.4	80.0	47.6
Operational risk capital	24.5	24.5	14.2	14.2
Total capital	543.8	403.5	422.4	305.8

In addition to meeting external capital requirements, the Bank's operational end-to-end controls are based on an economic capital concept. As part of the risk tolerance concept established by the Bank in this connection, the risk-bearing capacity – the ability to absorb any risks that materialise at all times without external assistance – is quantified and limits are assigned. In this way, the risk tolerance, along with and complementary to the statutory capital requirements, limits the maximum potential to accept risks. The available risk capital is composed of the subscribed capital, capital reserves, reserves provided for by the Articles of Association and half of the Bank's recorded or projected profit/loss for the year. The Managing Board also derives economic risk capital limits from the risk tolerance for each risk category, compliance with which is monitored on an ongoing basis.

Since the beginning of 2008, limit utilisations for credit risk or credit value at risk (CVaR) have been calculated on the basis of a credit portfolio model (KMV-EDF) developed by Moody's Kealhofer, McQuown and Vasicek. The underlying definition of credit is based on section 19 (1) of the *Kreditwesengesetz* (KWG – German Banking Act) (recognised assets and off-balance sheet transactions entailing default risk) in conjunction with sections 2 (basis of calculation) and 4 (identification of the borrower) of the *Groß- und Millionenkreditverordnung* (GroMiKV – German Large Exposures Regulation) before deduction of value adjustments.

The aim of the credit portfolio model used is to integrate economic capital into the Bank's planning and decision-making processes for managing credit risks at portfolio level. Risk is managed here via the definition of risk tolerance and the derivation of limits for credit risks. Credit risk capital is calculated by, among other things, integrating the exposure at default, probability of default and loss given default parameters, which the Bank determines as an AIRBA institution, also taking into account industry-related volatility and correlations. This produces a risk-weighting function extensively backed up by determinants for complying with the regulatory capital adequacy requirements: besides allocating risk capital at portfolio level, this function enables the individual risk drivers in the portfolio to be determined.

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

Utilisation with regard to market risk is calculated using a VaR model based on the Monte Carlo simulation methodology and the WestLB Group's uniform processes and parameters. Calculations are based on the cash flows from all interest-bearing transactions. Utilisation of risk capital for market risk declined in the fourth quarter and amounted to €47.6 million as at 31 December 2009. This is due mainly to the decrease in the volatility of the relevant market data.

For operational risk (OpRisk), loss categories are established based on the Basel II business lines and Basel II event categories specified in the SolvV. The VaR values calculated for these loss categories in WestLB AG's AMA model are aggregated by business line and allocated to the Group units, including WestImmo. Risk capital is derived by making additions or deductions, based on business environment and internal control factors as well as an operational risk management assessment using the BU scorecard.

Events After the Balance Sheet Date

In accordance with the agreement with the European Commission, WestLB AG initiated the sales process for Westdeutsche ImmobilienBank AG on 8 January 2010 by publishing sales advertisements in national print media. Numerous strategic and financial investors in Germany and abroad had expressed interest by the 22 January 2010 deadline. The goal is to sell WestImmo in an open and transparent bidding process free from discrimination by the end of April 2010 if possible.

The evaluation criteria for the bids submitted included whether bidders were able to provide a guarantee of secured financing for the takeover and were in a position to ensure WestImmo's long-term solvency based on their financial strength.

The responses by affected customers regarding the transfer of their loans in the agricultural portfolio were received by the end of January 2010. The transaction will take effect as at 28 February 2010 for those customers who approved the transfer.

A synthetic transfer and split-off of the private customer portfolio is planned in the second quarter of 2010 with retroactive effect as at 1 January 2010 as part of the transfer of the non-strategic lending business to WestLB AG's Erste Abwicklungsanstalt. In addition, the Bank plans to split off a corporate portfolio valued at around €400 million.

Outlook

Expected Developments in the Market Environment

General Economic Environment

According to estimates by the International Monetary Fund (IMF) in October 2009, the global economy will grow at a rate of around 3.9% in 2010.

The recovery will likely play out quite differently in individual regions and countries and be driven to a significant extent by government stabilisation measures. Additional significant factors in 2010 will be the monetary policy of the central banks and consumption by private households.

For the 27 members of the European Union, the European Commission expects growth of 0.7% for 2010 as reported in its 2009 autumn forecast. The same growth rate is expected for the economies of the euro zone. However, economic recovery in some countries will have to wait until 2011, including Spain, Ireland, Hungary and Greece.

The unemployment rate in the EU will average 10.3% in the current year.

According to a forecast at the end of January 2010, the German Federal Government expects economic growth of 1.4% for Germany this year. The consequences of the economic downturn will probably have a strong impact on the labour market if the stabilising effect of the short-time working rules no longer applies.

For the USA, the International Monetary Fund is forecasting growth of 2.7% and an unemployment rate of around 10% for the current year.

According to the IMF, the Japanese economy will grow by 1.7% and the unemployment rate will be around 6% in 2010.

Commercial Real Estate Markets

According to an estimate by WestImmo, the forecast recovery of the global economy will have a delayed but positive effect on global real estate markets. The Bank expects that more markets will reach the low point in the rent cycle in 2010. The sharp price adjustment in 2008 and 2009 created attractive purchase opportunities for investors, so it expects transaction activity to increase.

Considering the difficult situation expected in the labour markets, demand for office space in particular will fall. This also applies to Germany, where the rents for office and retail space have only fallen slightly until now compared with the rest of Europe.

In contrast, the number and volume of real estate transactions will rise in 2010 compared with the previous year, since the price expectations of potential buyers and sellers are expected to converge. Companies listed on a stock exchange will likely be more active on the market, especially as their access to equity has improved.

As a result of the rising unemployment rate, rents in the UK are expected to decline. However, investors already see the potential for rents to grow in the future and demand for the few available premium properties is correspondingly high. Therefore, the recovery of the British commercial real estate market which was observed at the end of 2009 will continue in 2010 – at least with respect to transaction volumes and yields.

In France, there is also a bidding competition for the few available premium properties. In the view of market observers, the yield adjustment has largely been completed.

Activity in Spain's commercial real estate markets will probably continue to be characterised by falling rents. However, as initial yields have already risen sharply, there are once again attractive purchase opportunities.

Since rents for commercial real estate in Central and Eastern Europe are mostly paid in euros, these markets are particularly vulnerable to exchange rate volatility. It is therefore conceivable that existing tenants will place additional pressure on rents if exchange rates continue to fall. One stabilising factor is the fact that many new construction developments were cancelled or postponed in light of the crisis, so that space can be expected to be scarce in some countries when markets recover.

For US office properties, a significant increase in the vacancy rate to approximately 20% is expected by the end of 2010 because numerous new construction projects are being completed that were initiated before the crisis. The US commercial real estate markets are especially volatile. This also presents an opportunity for an increase in rents and prices after the end of the crisis.

In Asia's developed markets, prime rents and capital values have fallen up to 60% since the beginning of the crisis and have not yet bottomed out.

In light of the attractive opportunities for investment in Europe and the USA, globally active investors are not focusing on Asia in the short term. That may change when the economic recovery begins to have a positive effect on the real estate market. Generally, the trend is expected to reverse in the current year. If this happens, markets such as Tokyo and Singapore will likely be the first that investors focus on again.

Real Estate Financing

As transaction activity increases, demand for real estate financing is also likely to increase.

With regard to the loan terms, the values are once again approaching the long-term historical average. This development will continue in 2010 without reaching the all-time highs in the period immediately preceding the financial crisis.

In light of the economic crisis, banks can be expected to be more risk-aware. It will not be possible to implement business models based solely on quickly reselling loans on a large scale in 2010 and 2011.

Competition to finance high-quality real estate (core properties) will again increase internationally.

The return of some competitors will contribute to the further revival of the syndication markets. Nevertheless, club consortiums will continue to play an important role in larger, more complex structures. However, a trend towards larger underwriting deals can be observed at individual banks. The traditional syndication market will gradually consolidate, although nowhere near the level it was at in the years before the crisis.

All in all, the banks will continue to pursue a conservative risk policy and in many cases concentrate on their own domestic market.

Refinancing

Provided there are no severe shocks for the financial system, the situation on the primary markets should continue to normalise. In particular the Pfandbrief with its high standards of quality will remain an attractive investment product for security-oriented investors. Generally, investors will continue to differentiate precisely between individual issuers and product classes, which will be reflected in the varying issue costs, among other things.

Securitisation markets will gradually revive in 2010 and 2011. Finding follow-on solutions for the CMBS financing scheduled to mature on a large scale starting in 2011 will be a challenge for all players active in real estate financing. This is especially true for British and American markets, but also to some extent for Continental Europe and Asia. In the USA, repayments are expected to reach their peak level 2015–2017.

Pure liquidity transactions for refinancing via the central bank will be significantly more difficult starting in 2010 as a result of new eligibility criteria for collateral in the repo business.

Expected Developments at WestImmo

Group Strategy

WestImmo will continue to implement its corporate strategy in 2010. This includes focusing on its core competencies, financing commercial real estate, the continued internationalisation of its business and further increasing its role as arranger and agent as part of exit management.

The Bank will use the expertise in arranging larger syndicated loans that it developed and systematically expanded in prior years to further strengthen its market position in this segment.

In Germany, WestImmo will drive forward its business through its headquarters and the local offices as well as maintain and further intensify its cooperation with the savings banks. Both the loan volume processed collectively and the number of institutions with which the Bank cooperates will further increase. Expanding cooperation with savings banks outside North Rhine-Westphalia is also an important goal.

WestImmo plans to execute new business in all target markets, provided the risk/return ratio is adequate, and will also support its customers' anti-cyclical investments.

Change in the Ownership Structure

The ongoing process to sell WestLB AG's shares in WestImmo is expected to lead to a fundamental change in the ownership structure in the second quarter of 2010.

Such a change would not directly affect the Bank's lending business at first, but it could affect the Bank's terms for unsecured refinancing as well as WestImmo's rating. However, considering WestLB AG's defined requirements for interested parties, we do not expect these aspects to worsen at this time.

Results of Operations, Financial Position, Refinancing

WestImmo aims to further increase the volume of new business year-on-year in 2010 and beyond. With respect to profit before tax, the Bank intends to achieve at least the same level as in 2009. Generally, the current trends in the markets appear to suggest a considerable improvement in the competitive situation. This can in turn lead to more aggressive conditions and greater leverage.

The Bank expects the increase in new commercial real estate financing business to be generated by all regions and product categories. WestImmo will continue to operate cautiously in markets that were particularly affected by the crisis, such as the USA, Spain, the UK and Japan.

It expects the sale of the three joint venture real estate projects completed in Hattingen, Mainz and Witten to generate appreciable income in 2010.

The further expansion of expertise in portfolio and exit management is a priority for WestImmo. This puts the Bank in a position to manage its new and existing business accordingly, to support its customers as a competent and strong financing partner, and to offer them attractive terms.

With respect to the management and control of the loan portfolio, WestImmo will further develop the instruments and processes introduced in previous years. In particular, the Bank will orient its syndication business even more strictly on its portfolio goals in the future. In addition to risk management, this will involve the continued provision of sufficient cover for Pfandbriefe, reducing the pressure on its capital base and improving the risk/return ratio.

With respect to refinancing, the Bank aims to continue the mix of lower-volume private placements and publicly placed benchmark issues. The total amount issued in 2010 will remain significantly below that of 2009, depending on the implementation and timing of various planned portfolio sales. WestImmo will also not issue any jumbo €1 billion volume formats in 2010 due to what it currently regards as a low issue volume.

Opportunities

The slump in the global real estate markets will continue to decelerate in 2010; those segments and regions that are ahead of the general trend appear to have already reached the bottom or to be on the rise. Investors with access to sufficient resources have an opportunity in this market situation to make attractive new investments. WestImmo is prepared and in a position to support these investments in order to take advantage of the resulting opportunities with its customers.

WestImmo was one of the few banks to extend new loans throughout the entire crisis and thus proved to be a reliable financing partner. This opens up an opportunity to profit from the recovering real estate markets to a particularly significant extent.


Summary

WestImmo will drive forward the further development of the Company in 2010 within the framework of its defined strategy. The business model has proven to be resilient and sustainable even in the difficult situation in the markets. The Managing Board expects the Bank to continue the positive development of the previous years in a market environment that continues to be challenging. This also applies to 2011. As a result of the successful implementation of the Bank's business model, the expansion of its market position and its strong foundations in its core markets, WestImmo continues to meet the conditions for positive development and further growth.

Mainz, 9 March 2010



Dr. Peter Knopp



Claus-Jürgen Cohausz



Rainer Spielmann

Westdeutsche ImmobilienBank AG

Consolidated Financial Statements
as at 31 December 2009

in accordance with

International Financial Reporting
Standards (IFRSs)

Consolidated Income Statement

	Note	2009 €	2008 €	Change €	%
Interest (and similar income)		1,626,005,722.48	2,196,580,335.16	- 570,574,612.68	- 26.0
Interest (and similar expense)		1,427,327,722.37	2,017,515,418.45	- 590,187,696.08	- 29.3
Net interest income	(22)	198,678,000.11	179,064,916.71	19,613,083.40	11.0
Allowance for losses on loans and advances	(24)	- 66,196,788.61	- 27,317,509.66	- 38,879,278.95	> 100
Net interest income after allowance for losses on loans and advances		132,481,211.50	151,747,407.05	- 19,266,195.55	- 12.7
Fee and commission income		39,976,188.17	31,314,904.29	8,661,283.88	27.7
Fee and commission expense		7,569,196.89	5,394,703.28	2,174,493.61	40.3
Net fee and commission income	(25)	32,406,991.28	25,920,201.01	6,486,790.27	25.0
Net trading income	(26)	4,267,526.11	17,448,822.57	- 13,181,296.46	- 75.5
Net income from non-current financial assets	(27)	- 10,181,536.55	4,990,136.48	- 15,171,673.03	> - 100
Administrative expenses	(28)	87,724,017.77	80,722,717.82	7,001,299.95	8.7
Net other operating income and expenses	(29)	3,538,274.07	1,855,908.27	1,682,365.80	90.6
Profit before tax		74,788,448.64	121,239,757.56	- 46,451,308.92	- 38.3
Current income taxes	(30)	2,036,136.55	- 633,608.15	2,669,744.70	> - 100
Deferred taxes	(30)	650,400.84	13,160,483.39	- 12,510,082.55	- 95.1
Profit from continuing operations		72,101,911.25	108,712,882.32	- 36,610,971.07	- 33.7
Loss after tax from discontinued operations and assets held for sale	(31)	11,287,464.09	- 11,977,379.56	23,264,843.65	> - 100
Consolidated profit for the period		83,389,375.34	96,735,502.76	- 13,346,127.42	- 13.8
of which:					
- attributable to WestImmo shareholders		83,091,783.73	97,465,001.32	- 14,373,217.59	- 14.7
- losses attributable to minority interest		297,591.61	- 729,498.56	1,027,090.17	> - 100

Consolidated statement of comprehensive income

	Note	2009 € millions	2008 € millions
Consolidated profit for the period		83.4	96.7
Other comprehensive income		31.3	- 98.0
Change in revaluation reserve (net of deferred taxes)	(62)	31.8	- 101.5
Unrealised gain or loss on available-for-sale financial assets		44.4	- 148.1
Gain on disposal of available-for-sale financial assets transferred to income statement		2.1	0.2
Net income from permanent impairment losses or reversals of impairment losses on available-for-sale financial assets transferred to income statement		1.1	0.0
Deferred taxes relating to change in revaluation reserve		- 15.8	46.4
Change in the currency translation reserve (net of deferred taxes)		- 0.5	2.1
Unrealised currency translation differences		- 0.5	2.1
Currency translation differences transferred to income statement		0.0	0.0
Deferred taxes relating to change in currency translation reserve		0.0	0.0
Change in actuarial gains and losses (net of deferred taxes)	(58)	0.0	1.4
Actuarial gains and losses		0.7	1.6
Deferred taxes relating to change in actuarial gains and losses		- 0.7	- 0.2
Total comprehensive income		114.7	- 1.3
of which:			
- attributable to WestImmo shareholders		114.4	- 0.6
- attributable to minority interest		0.3	- 0.7

The statement of comprehensive income in accordance with IAS 1.81, which replaces the statement of recognised income and expense (SORIE), is presented using the two statement approach (IAS 1.81 b).

Permanent impairment losses recognised in profit or loss amounting to €2.2 million and reversals of impairment losses amounting to €1.1 million were reclassified from the revaluation reserve before deferred taxes in the reporting period.

Consolidated Balance Sheet

Assets

	Note	31 Dec. 2009 €	31 Dec. 2008 €	Change €	%
Cash and balances with central banks	(34)	22,238,569.59	30,200,251.87	- 7,961,682.28	- 26.4
Loans and advances to banks	(36)	691,587,858.02	1,364,042,939.30	- 672,455,081.28	- 49.3
Loans and advances to customers	(37)	16,994,581,574.74	14,933,208,909.89	2,061,372,664.85	13.8
Allowance for losses on loans and advances	(39)	- 262,643,714.85	- 217,538,714.05	- 45,105,000.80	- 20.7
Financial assets held for trading	(35)	952,586,380.93	861,845,315.99	90,741,064.94	10.5
Positive fair values of derivative hedging instruments	(41)	144,107,821.16	118,560,232.89	25,547,588.27	21.5
Financial assets designated at fair value through profit or loss	(42)	586,193,256.12	830,082,835.27	- 243,889,579.15	- 29.4
Non-current financial assets	(43)	3,091,365,133.87	3,437,097,927.64	- 345,732,793.77	- 10.1
Property and equipment	(45)	3,205,308.78	4,072,341.53	- 867,032.75	- 21.3
Intangible assets	(46)	4,289,846.46	5,913,698.86	- 1,623,852.40	- 27.5
Tax receivables	(48)	366,824,295.02	420,807,748.75	- 53,983,453.73	- 12.8
Other assets	(49)	97,043,621.22	88,781,796.77	8,261,824.45	9.3
Non-current assets held for sale	(50)	4,198,092,877.47	4,293,871,262.56	- 95,778,385.09	- 2.2
Total assets		26,889,472,828.53	26,170,946,547.27	718,526,281.26	2.7

Equity and Liabilities

	Note	31 Dec. 2009 €	31 Dec. 2008 €	Change €	%
Deposits from banks	(52)	6,360,417,379.50	6,825,826,390.13	- 465,409,010.63	- 6.8
Deposits from customers	(53)	6,863,745,394.08	5,756,043,582.30	1,107,701,811.78	19.2
Securitised liabilities	(54)	8,189,950,484.74	8,306,744,971.29	- 116,794,486.55	- 1.4
Financial liabilities held for trading	(57)	856,843,095.27	896,798,867.55	- 39,955,772.28	- 4.5
Negative fair values of derivative hedging instruments	(41)	228,994,916.34	264,510,033.14	- 35,515,116.80	- 13.4
Liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk	(55)	1,014,368.96	1,243,168.04	- 228,799.08	- 18.4
Financial liabilities designated at fair value through profit or loss	(56)	2,335,218,316.91	2,005,473,145.01	329,745,171.90	16.4
Provisions	(58)	56,348,411.16	57,876,013.49	- 1,527,602.33	- 2.6
Tax liabilities	(59)	346,559,902.87	379,696,777.54	- 33,136,874.67	- 8.7
Other liabilities	(61)	103,495,413.38	96,231,957.64	7,263,455.74	7.5
Subordinated capital	(60)	476,909,270.70	563,030,347.42	- 86,121,076.72	- 15.3
Non-current liabilities associated with non-current assets held for sale	(50)	164,075,235.33	156,439,664.31	7,635,571.02	4.9
Equity	(62)	905,900,639.29	861,031,629.41	44,869,009.88	5.2
- Subscribed capital		400,000,000.00	400,000,000.00	0.00	0.0
- Capital reserves		443,370,114.07	443,370,114.07	0.00	0.0
- Retained earnings		123,414,415.55	83,200,670.25	40,213,745.30	48.3
- Revaluation reserve		- 76,495,851.07	- 108,299,403.72	31,803,552.65	29.4
- Actuarial gains and losses on pension obligations		3,637,297.59	3,642,505.89	- 5,208.30	- 0.1
- Currency translation reserve		1,611,837.26	2,064,995.73	- 453,158.47	- 21.9
- Distribution to shareholders		- 69,522,968.35	- 56,801,163.32	- 12,721,805.03	- 22.4
- Consolidated profit for the period		83,389,375.34	96,735,502.76	- 13,346,127.42	- 13.8
Total before minority interest		909,404,220.39	863,913,221.66	45,490,998.73	5.3
- Minority interest		- 3,503,581.10	- 2,881,592.25	- 621,988.85	- 21.6
Total equity and liabilities		26,889,472,828.53	26,170,946,547.27	718,526,281.26	2.7

Changes in Equity

Statement of changes in equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Revaluation reserve		Actuarial gains and losses on pension obligations	
				Excluding deferred taxes	Deferred taxes	Excluding deferred taxes	Deferred taxes
Equity at 1 January 2008	400.0	443.4	29.6	- 9.9	3.1	3.9	0.0
Adjustments (in accordance with IAS 8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in consolidated profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations to retained earnings provided for by the articles of association	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations to other retained earnings	0.0	0.0	49.2	0.0	0.0	0.0	0.0
Distribution to shareholders for fiscal year 2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distribution to shareholders for fiscal year 2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations to losses attributable to minority interest in 2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase/reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in consolidated Group	0.0	0.0	- 0.2	0.0	0.0	0.0	0.0
Change in the revaluation reserve (excluding deferred taxes)	0.0	0.0	0.0	- 147.9	0.0	0.0	0.0
Change in deferred taxes on the revaluation reserve	0.0	0.0	0.0	0.0	46.4	0.0	0.0
Change in actuarial gains and losses on pension obligations (excluding deferred taxes)	0.0	0.0	0.0	0.0	0.0	1.6	0.0
Change in deferred taxes on actuarial gains and losses on pension obligations in 2008	0.0	0.0	0.0	0.0	0.0	0.0	- 0.2
Reclassification of the change in deferred taxes on actuarial gains and losses on pension obligations in 2007	0.0	0.0	1.7	0.0	0.0	0.0	- 1.7
Changes due to assets and liabilities held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in currency translation reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	2.9	0.0	0.0	0.0	0.0
Equity at 31 December 2008/ Carried forward 1 January 2009	400.0	443.4	83.2	- 157.8	49.5	5.5	- 1.9

Currency translation reserve	Gains and losses on non-current assets held for sale recognised directly in equity	Distribution to shareholders	Consolidated profit for the period	Total before minority interest	Minority interest	Total equity
0.0	0.0	- 43.7	92.0	918.4	- 2.5	915.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	96.7	96.7	0.0	96.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	- 49.2	0.0	0.0	0.0
0.0	0.0	43.7	- 43.7	0.0	0.0	0.0
0.0	0.0	- 56.8	0.0	- 56.8	0.0	- 56.8
0.0	0.0	0.0	0.9	0.9	- 0.9	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	- 0.2	0.0	- 0.2
0.0	0.0	0.0	0.0	- 147.9	0.0	- 147.9
0.0	0.0	0.0	0.0	46.4	0.0	46.4
0.0	0.0	0.0	0.0	1.6	0.0	1.6
0.0	0.0	0.0	0.0	- 0.2	0.0	- 0.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1	0.0	0.0	0.0	2.1	0.0	2.1
0.0	0.0	0.0	0.0	2.9	0.5	3.4
2.1	0.0	- 56.8	96.7	863.9	- 2.9	861.0

€ million	Subscribed capital	Capital reserves	Retained earnings	Revaluation reserve		Actuarial gains and losses on pension obligations	
				Excluding deferred taxes	Deferred taxes	Excluding deferred taxes	Deferred taxes
Equity at 31 December 2008/ Carried forward 1 January 2009	400.0	443.4	83.2	- 157.8	49.5	5.5	- 1.9
Adjustments (in accordance with IAS 8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in consolidated profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations to retained earnings provided for by the articles of association	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations to other retained earnings	0.0	0.0	40.6	0.0	0.0	0.0	0.0
Distribution to shareholders for fiscal year 2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distribution to shareholders for fiscal year 2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations to losses attributable to minority interest in 2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase/reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in consolidated Group	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in the revaluation reserve (excluding deferred taxes)	0.0	0.0	0.0	47.6	0.0	0.0	0.0
Change in deferred taxes on the revaluation reserve	0.0	0.0	0.0	0.0	- 15.8	0.0	0.0
Change in actuarial gains and losses on pension obligations (excluding deferred taxes)	0.0	0.0	0.0	0.0	0.0	0.7	0.0
Change in deferred taxes on actuarial gains and losses on pension obligations in 2009	0.0	0.0	0.0	0.0	0.0	0.0	- 0.7
Changes due to assets and liabilities held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in currency translation reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	- 0.4	0.0	0.0	0.0	0.0
Equity at 31 December 2009	400.0	443.4	123.4	- 110.2	33.7	6.2	- 2.6

Currency translation reserve	Gains and losses on non-current assets held for sale recognised directly in equity	Distribution to shareholders	Consolidated profit for the period	Total before minority interest	Minority interest	Total equity
2.1	0.0	- 56.8	96.7	863.9	- 2.9	861.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	83.4	83.4	0.0	83.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	- 40.6	0.0	0.0	0.0
0.0	0.0	56.8	- 56.8	0.0	0.0	0.0
0.0	0.0	- 69.5	0.0	- 69.5	0.0	- 69.5
0.0	0.0	0.0	0.7	0.7	- 0.7	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	47.6	0.0	47.6
0.0	0.0	0.0	0.0	- 15.8	0.0	- 15.8
0.0	0.0	0.0	0.0	0.7	0.0	0.7
0.0	0.0	0.0	0.0	- 0.7	0.0	- 0.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0
- 0.5	0.0	0.0	0.0	- 0.5	0.0	- 0.5
0.0	0.0	0.0	0.0	- 0.4	0.1	- 0.3
1.6	0.0	- 69.5	83.4	909.4	- 3.5	905.9

Cash Flow Statement

Continuing operations

	2009 € million	2008 € million
Profit from continuing operations	72.1	108.7
Adjustments for non-cash items included in profit and reconciliation to cash flow from operating activities		
Depreciation, amortisation, impairment losses and reversals of impairment losses on receivables and additions to provisions for credit risks	68.5	27.3
Depreciation, amortisation and impairment losses net of reversals of impairment losses on		
– Property and equipment	1.4	1.6
– Non-current financial assets	25.0	– 95.4
– Intangible assets	2.6	2.3
Change in other non-cash items	– 24.5	– 24.6
Gain on disposal of non-current assets (net)	0.7	– 0.2
Other adjustments (primarily income taxes paid, interest received less interest paid and dividends received)	– 209.6	– 225.9
Subtotal	– 63.8	– 206.2
Change in working capital after adjustment for non-cash transactions		
Financial assets held for trading	– 8.3	496.9
Loans and advances to banks	672.5	51.5
Loans and advances to customers	– 1,986.4	– 1,385.7
Financial assets and liabilities designated at fair value through profit or loss	499.6	2.9
Other operating assets	– 30.1	– 30.3
Deposits from banks	– 455.3	2,004.0
Deposits from customers	1,111.0	638.6
Securitised liabilities	– 116.8	– 1,456.5
Financial liabilities held for trading	– 40.0	– 496.4
Other operating liabilities	– 38.9	407.4
Income taxes paid	– 1.4	4.2
Interest received	1,789.0	2,049.5
Interest paid	– 1,580.8	– 1,514.8
Dividends received	2.6	0.4
Cash flows from operating activities	– 247.1	565.5
Proceeds from disposal of		
– Property and equipment	0.0	0.0
– Non-current financial assets	631.3	263.6
– Intangible assets	0.1	0.0
Payments to acquire		
– Property and equipment	– 0.6	– 1.0
– Non-current financial assets	– 267.3	– 782.2
– Intangible assets	– 1.0	– 1.0
Cash flows from investing activities	362.5	– 520.6
Payments to owner and minority shareholders		
– Dividends paid	– 56.8	– 43.7
Change in cash and cash equivalents from subordinated capital	– 81.0	2.2
Cash flows from financing activities	– 137.8	– 41.5
Cash and cash equivalents at end of prior period	28.7	29.0
Cash flows from operating activities	– 247.1	565.5
Cash flows from investing activities	362.5	– 520.6
Cash flows from financing activities	– 137.8	– 41.5
Change in cash and cash equivalents from exchange rate movements	– 0.1	– 3.7
Cash and cash equivalents at end of period	6.2	28.7

Discontinued operations

	2009 € million	2008 € million
Cash flows from operating activities	14.5	1.5
Cash flows from investing activities	0.0	0.0
Cash flows from financing activities	0.0	0.0
Change in cash and cash equivalents from changes in Group structure	0.0	0.0
Change in cash and cash equivalents from exchange rate movements	0.0	0.0
Change in cash and cash equivalents	14.5	1.5

Total

	2009 € million	2008 € million
Cash and cash equivalents at end of prior period	30.2	29.0
Cash flows from operating activities	- 232.6	567.0
Cash flows from investing activities	362.5	- 520.6
Cash flows from financing activities	- 137.8	- 41.5
Change in cash and cash equivalents from exchange rate movements	- 0.1	- 3.7
Cash and cash equivalents at end of period	22.2	30.2

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

The reported cash and cash equivalents correspond to the "cash and balances with central banks" balance sheet item (Note 34) and only comprise balances with central banks.

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

Cash flows from investing activities relate mainly to proceeds from the disposal of and/or payments to acquire non-current financial assets and/or property and equipment.

In addition to cash payments to the owner, cash flows from financing activities comprise proceeds from and payments to acquire subordinated capital. In 2009, cash flows from financing activities reflected the cash outflow from the distribution to the owner in the amount of €56.8 million (previous year: €43.7 million).

Continuing operations and discontinued operations have been presented separately in the cash flow statement. The operations presented in accordance with IFRS 5 solely comprise cash flows from operating activities, which is why a condensed form of presentation was chosen.

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 control instrument. Please refer to the disclosures in the Risk Report contained in the Management Report for information on liquidity risk management in the Westdeutsche ImmobilienBank Group.

Notes

Accounting Policies

1. Basis of accounting

Westdeutsche ImmobilienBank AG (WestImmo), headquartered in Große Bleiche 46, 55116 Mainz, is the centre of competence for real estate financing and structured real estate transactions within the WestLB Group. WestImmo is a specialist bank and a wholly owned subsidiary of WestLB AG.

The consolidated financial statements of WestImmo as at 31 December 2009 were prepared in accordance with International Financial Reporting Standards (IFRSs) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation). WestImmo only uses the IFRSs endorsed by the EU. It does not elect to apply early Standards that have been adopted but are not yet required to be applied.

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

The consolidated financial statements comprise the consolidated income statement, the statement of comprehensive income, the consolidated balance sheet, the statement of changes in equity, the cash flow statement, the notes and the segment reporting contained in the notes. The Group Management Report that must also be prepared in accordance with section 315a of the HGB in conjunction with section 315 of the HGB also contains the report on the risks and opportunities of future development (Risk Report). The consolidated financial statements are published by the operator of the electronic Bundesanzeiger (German federal gazette – www.ebundesanzeiger.de) in accordance with sections 325 and 328 of the HGB.

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

2. IFRSs applied

The consolidated financial statements as at 31 December 2009 are based on the IASB Framework and the following IASs/IFRSs and Interpretations:

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

The following standards were not applied because they are not relevant for WestImmo or are not yet required to be applied: IAS 20, 26, 29, 33, 34, 41, IFRS 1, 2, 4 and 6.

The improvements process 2009

In April 2009, the IASB issued amendments to 12 standards as part of the Annual Improvements Project (AIP). The goal of the project is to amend existing standards and eliminate inconsistencies and ambiguities in the rules. Amendments required to be applied under the Annual Improvements Project dated May 2008 that were effective from 1 January 2009 were applied in the year under review.

The amendment to IFRS 5 clarifies that the disclosure requirements for non-current assets (or disposal groups) held for sale and discontinued operations are governed solely by IFRS 5. Disclosure requirements from other standards only apply if they relate explicitly to assets (or disposal groups) held for sale and discontinued operations (e.g. IAS 33.68). The amendment also specifies that disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 continue to be mandatory (IFRS 5.5B[b]). The amendment is required to be applied for the first time for fiscal years beginning on or after 1 January 2010. It is not expected to have a significant effect on WestImmo's consolidated financial statements.

The amended IFRS 8 is designed to clarify the necessary disclosures on segment assets for each reportable segment. An entity must only present a measure of total segment assets if the specified amount is part of the regular reporting to the entity's chief operating decision maker.

The amendment is required to be applied for the first time for fiscal years beginning on or after 1 January 2010. It is not expected to have a significant effect on Westlmmo's consolidated financial statements.

The revision of IAS 38 took the form of additional consequential amendments arising from the revised IFRS 3. IAS 38 governs the measurement of the fair value of an intangible asset acquired in a business combination. The amendments required to be applied from 1 July 2009 are not expected to have any effects on Westlmmo's reporting.

The amended IAS 39 is required to be applied from 1 January 2010. The amendments relate mainly to the exemption of business combination contracts from the scope of IAS 39, the recognition of cash flow hedges and the treatment of loan prepayment penalties as closely related embedded derivatives. The new rules are required to be applied from 1 January 2010.

None of the amended standards were applied prior to their effective date.

The improvements process 2008

In January 2008, phase II of the Business Combinations project ended with the publication of the revised versions of IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements). The amendments primarily address gaps arising from changed shareholdings in the consolidated financial statements. Application is expected to be effective for fiscal years beginning on or after 1 July 2009.

IFRS 3 (Revised) essentially contains changes to the recognition and measurement of assets acquired and liabilities assumed, as well as the recognition of business combinations achieved in stages. In addition, non-controlling interests at the acquisition date can now be alternatively measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's revalued net assets. Depending on the method chosen, existing goodwill is measured proportionately or in full. This option can be exercised for each transaction individually.

Significant changes in IAS 27 (Revised) include changes to the provisions on recognising increases or decreases in non-controlling interests between non-controlling and controlling shareholders. Effects from transactions that lead to a change in the equity interest with no change in control are recognised directly in equity, for example. By contrast, transactions that result in a loss of control are recognised in profit and loss. The provisions governing deconsolidation and the reclassification of consolidated entities (for example as associates or equity investments at cost) were also enhanced. This was the first time that the standard-setter provided guidance for the calculation method as well as for the accounting treatment of a residual investment.

Segment reporting in accordance with IFRS 8 uses the management approach, whereby segments are identified and disclosures made for the segments based on the information management uses internally for evaluating segment performance and deciding how to allocate resources. The Standard is required to be applied for fiscal years beginning on or after 1 January 2009. The management approach used at WestImmo complies with IAS/IFRS accounting requirements.

IAS 1 (Revised 2007) "Presentation of Financial Statements" contains new rules on the presentation of financial reporting. One major change involves the separate consideration of owner and non-owner changes in equity. Changes in equity attributable to shareholders are thus presented separately in the statement of changes in equity, while all changes affecting profit or loss and comprehensive income will be presented in a statement of comprehensive income. The statement of comprehensive income is prepared according to the two statement approach using the gross presentation. Entities are also required to report opening balance sheet figures for the comparative period in cases where retrospective adjustments, restatements or reclassifications are made.

The previous option of recognising borrowing costs for qualifying assets as an expense in the period in which they are incurred was dropped. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The revised Standard is required to be applied for fiscal years beginning on or after 1 January 2009. The new rule was applied and did not have a significant effect on the consolidated financial statements.

The revised standards IAS 32 (Financial Instruments: Presentation) and IAS 1 (Presentation of Financial Statements) issued by the IASB in February 2008 contain changes to the distinction between equity and debt, amongst other things. As a result, puttable financial instruments must be classified as equity instruments under certain circumstances. The amendments became effective on 1 January 2009 and did not have any significant effect on WestImmo's consolidated financial statements.

In March 2009, the IASB issued amendments to financial instruments accounting under IFRS 7 that require enhanced disclosures on fair value measurement and liquidity risk. In particular, they call for a three-level hierarchy for measuring fair value. Disclosures on reclassifications between the levels are also required, as are maturity analyses for derivative financial liabilities. The amendments were applied in the year under review. Prior-year figures are not given in the first year of application.

The amendments to IAS 39 and IFRS 7 that were resolved and adopted into European law by a fast-track procedure in October 2008 allow financial assets classified as held for trading and available for sale to be reclassified to the loans and receivables category under certain conditions. WestImmo again did not exercise the reclassification option in its 2009 annual financial statements. The IASB issued amendments to IFRIC 9 and IAS 39 in December 2008. The aim is to fill a gap in connection with the question of whether an entity is required to assess at the reclassification date whether or not it has embedded derivatives that may require separation. The clarification is in keeping with WestImmo's current accounting policies.

IFRIC 13 (Customer Loyalty Programmes) is effective for fiscal years beginning after 1 July 2008. It was not necessary to modify existing accounting policies as a result of applying this Interpretation.

The IFRIC issued IFRIC 15 (Agreements for the Construction of Real Estate) in July 2008. This Interpretation provides guidance on the recognition of real estate sales where agreements are entered into with the buyer before construction is complete; in particular, IFRIC 15 clarifies whether the provisions of IAS 11 or IAS 18 are applicable to the recognition of revenue from the sale of real estate. IFRIC 15, which is effective from 1 January 2009, corresponds to WestImmo's existing accounting policies.

IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) was issued on 3 July 2008 and applies to fiscal years beginning on or after 1 October 2008. This Interpretation essentially defines which risk position can be considered for the recognition of a hedge in accordance with IAS 39, which entity holds the hedge and the accounting treatment in the event of a sale of the net investment. The clarification corresponds to the approach taken by WestImmo group up to now.

In November 2009, the IASB issued the first part of IFRS 9, Financial Instruments. Part 1 governs the classification and measurement of financial assets. All financial assets – including hybrid contracts with a financial asset as the host – are measured at fair value on initial recognition. Debt instruments and equity instruments must be treated separately for the purpose of subsequent measurement. IFRS 9 is required to be applied from 1 January 2013. The first phase of IFRS 9 has not yet been adopted into European law as part of the endorsement process.

Any other new pronouncements by the IASB or the IFRIC not cited separately are not relevant or are not required to be applied at present; they are also unlikely to have a significant effect on future financial statements.

3. Changes in presentation and accounting policies

The same accounting policies were applied in preparing the consolidated financial statements and comparative figures for the prior-year period as were applied in the consolidated financial statements as at 31 December 2008.

4. Presentation in accordance with IFRS 5

In accordance with IFRS 5, discontinued operations and non-current assets held for sale, as well as the associated liabilities, are presented separately in the balance sheet as "non-current assets held for sale" and "non-current liabilities associated with non-current assets held for sale". The income and expenses relating to the sale of the private customer business are also presented separately in an income statement item as "profit/loss from discontinued operations and non-current assets held for sale, net of tax".

- a. The decision to sell and report WestImmo's private customer business in accordance with IFRS 5 has now exceeded the one-year period specified by the Standard. This is due in particular to the deterioration in the economic environment (financial market crisis). The circumstances behind the delay in the planned sale are therefore beyond WestImmo's control. The Bank remains committed to the disposal of its private customer business. WestImmo took into account the change in the overall conditions by adjusting its disposal strategy for the Private Customers segment to reflect the market situation. At present, it is actively conducting negotiations with a German bank on the sale of this segment. Other possible exit strategies that WestImmo is discussing include hiving off a subportfolio to the workout entity established by WestLB AG.
- b. In October 2009, management decided to sell the agricultural portfolio, which comprises loans to agricultural companies that were previously part of the Investors segment. The sales negotiations are at an advanced stage and are expected to be completed in the first half of 2010.
- c. EPM Assetis GmbH, an associate, is due to be sold in the first half of 2010. The sales negotiations began at the end of 2009 and further details will be established at the beginning of 2010.

The adjustments are shown in the tables below:

Consolidated income statement

Note	2009 before reclassification €	Reclassification in accordance with IFRS 5 €	2009 after reclassification €	2008 before reclassification €	Reclassification in accordance with IFRS 5 €	2008 after reclassification €
Interest (and similar income)	1,818,371,529.00	- 192,365,806.52	1,626,005,722.48	2,386,967,552.02	- 190,387,216.86	2,196,580,335.16
Interest (and similar expense)	1,600,488,422.32	- 173,160,699.95	1,427,327,722.37	2,190,012,742.71	- 172,497,324.26	2,017,515,418.45
Net interest income	(22) 217,883,106.68	- 19,205,106.57	198,678,000.11	196,954,809.31	- 17,889,892.60	179,064,916.71
Allowance for losses on loans and advances	(24) - 65,445,324.46	- 751,464.15	- 66,196,788.61	- 32,631,049.46	5,313,539.80	- 27,317,509.66
Net interest income after allowance for losses on loans and advances	152,437,782.22	- 19,956,570.72	132,481,211.50	164,323,759.85	- 12,576,352.80	151,747,407.05
Fee and commission income	41,761,448.92	- 1,785,260.75	39,976,188.17	33,427,947.43	- 2,113,043.14	31,314,904.29
Fee and commission expense	13,914,811.75	- 6,345,614.86	7,569,196.89	13,125,486.53	- 7,730,783.25	5,394,703.28
Net fee and commission income	(25) 27,846,637.17	4,560,354.11	32,406,991.28	20,302,460.90	5,617,740.11	25,920,201.01
Net trading income	(26) 4,267,526.11	0.00	4,267,526.11	17,448,822.57	0.00	17,448,822.57
Net income from non-current financial assets	(27) - 10,181,536.55	0.00	- 10,181,536.55	4,990,136.48	0.00	4,990,136.48
Administrative expenses	(28) 93,113,212.63	- 5,389,194.86	87,724,017.77	99,206,744.65	- 18,484,026.83	80,722,717.82
Net other operating income and expenses	(29) 3,771,085.41	- 232,811.34	3,538,274.07	1,855,908.27	0.00	1,855,908.27
Profit before tax	85,028,281.73	- 10,239,833.09	74,788,448.64	109,714,343.42	11,525,414.14	121,239,757.56
Current income taxes	(30) 2,036,136.55	0.00	2,036,136.55	- 633,608.15	0.00	- 633,608.15
Deferred taxes	(30) - 397,230.16	1,047,631.00	650,400.84	13,612,448.81	- 451,965.42	13,160,483.39
Profit from continuing operations	83,389,375.34	- 11,287,464.09	72,101,911.25	96,735,502.76	11,977,379.56	108,712,882.32
Loss after tax from discontinued operations and assets held for sale	(31) 0.00	11,287,464.09	11,287,464.09	0.00	- 11,977,379.56	- 11,977,379.56
Consolidated profit for the period of which:	83,389,375.34		83,389,375.34	96,735,502.76		96,735,502.76
- attributable to WestImmo shareholders	83,091,783.73	0.00	83,091,783.73	97,465,001.32	0.00	97,465,001.32
- losses/gains attributable to minority interest	297,591.61	0.00	297,591.61	- 729,498.56	0.00	- 729,498.56

Consolidated balance sheet

Assets

	Note	31 Dec. 2009 before reclassification €	Reclassification in accordance with IFRS 5 €	31 Dec. 2009 after reclassification €
Cash and balances with central banks	(34)	22,238,569.59	0.00	22,238,569.59
Loans and advances to banks	(36)	691,587,858.02	0.00	691,587,858.02
Loans and advances to customers	(37)	21,198,494,048.69	- 4,203,912,473.95	16,994,581,574.74
Allowance for losses on loans and advances	(39)	- 272,685,603.41	10,041,888.56	- 262,643,714.85
Financial assets held for trading	(35)	952,586,380.93	0.00	952,586,380.93
Positive fair values of derivative hedging instruments	(41)	144,107,821.16	0.00	144,107,821.16
Financial assets designated at fair value through profit or loss	(42)	586,193,256.12	0.00	586,193,256.12
Non-current financial assets	(43)	3,095,587,425.95	- 4,222,292.08	3,091,365,133.87
Property and equipment	(45)	3,205,308.78	0.00	3,205,308.78
Intangible assets	(46)	4,289,846.46	0.00	4,289,846.46
Tax receivables	(48)	366,824,295.02	0.00	366,824,295.02
Other assets	(49)	97,043,621.22	0.00	97,043,621.22
Non-current assets held for sale	(50)	0.00	4,198,092,877.47	4,198,092,877.47
Total assets		26,889,472,828.53		26,889,472,828.53

Equity and Liabilities

	Note	31 Dec. 2009 before reclassification €	Reclassification in accordance with IFRS 5 €	31 Dec. 2009 after reclassification €
Deposits from banks	(52)	6,521,827,880.60	- 161,410,501.10	6,360,417,379.50
Deposits from customers	(53)	6,863,942,721.16	- 197,327.08	6,863,745,394.08
Securitised liabilities	(54)	8,189,950,484.74	0.00	8,189,950,484.74
Financial liabilities held for trading	(57)	856,843,095.27	0.00	856,843,095.27
Negative fair values of derivative hedging instruments	(41)	228,994,916.34	0.00	228,994,916.34
Liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk	(55)	1,014,368.96	0.00	1,014,368.96
Financial liabilities designated at fair value through profit or loss	(56)	2,335,218,316.91	0.00	2,335,218,316.91
Provisions	(58)	58,815,818.31	- 2,467,407.15	56,348,411.16
Tax liabilities	(59)	346,559,902.87	0.00	346,559,902.87
Other liabilities	(61)	103,495,413.38	0.00	103,495,413.38
Subordinated capital	(60)	476,909,270.70	0.00	476,909,270.70
Non-current liabilities associated with non-current assets held for sale	(50)	0.00	164,075,235.33	164,075,235.33
Equity	(62)	905,900,639.29		905,900,639.29
- Subscribed capital		400,000,000.00		400,000,000.00
- Capital reserves		443,370,114.07		443,370,114.07
- Retained earnings		123,414,415.55		123,414,415.55
- Revaluation reserve		- 76,495,851.07		- 76,495,851.07
- Actuarial gains and losses on pension obligations		3,637,297.59		3,637,297.59
- Currency translation reserve		1,611,837.26		1,611,837.26
- Distribution to shareholders		- 69,522,968.35		- 69,522,968.35
- Consolidated profit for the period		83,389,375.34		83,389,375.34
Total before minority interest		909,404,220.39		909,404,220.39
- Minority interest		- 3,503,581.10		- 3,503,581.10
Total equity and liabilities		26,889,472,828.53		26,889,472,828.53

5. Consolidation principles

Subsidiaries, i.e. companies in which WestImmo holds more than one half of the voting rights either directly or indirectly or in relation to which it otherwise has the power to govern the financial and operating policies within the meaning of IAS 27 in conjunction with SIC 12, are included in the consolidated Group. The existence and effect of potential voting rights that could be exercised or converted at the balance sheet date are also taken into account in determining whether WestImmo has control over another company in this sense.

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

Acquisition accounting uses the purchase method. The cost of the acquiree is eliminated against the Group's share of the acquiree's revalued equity at the acquisition date. This equity is the residual of the acquiree's assets and liabilities measured at fair value at the date of initial consolidation. In subsequent periods, the realised hidden reserves and hidden liabilities are treated in accordance with the applicable Standards. Any excess of cost over the acquirer's share of the acquiree's revalued equity must be reported as goodwill under intangible assets in the balance sheet. Goodwill from associates is reported in non-current financial assets in the balance sheet. Under IAS 36, goodwill is not amortised but tested for impairment at least once a year on the basis of cash-generating units.

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

Subsidiaries whose fiscal year differs from that of WestImmo are consolidated in accordance with IAS 27.27 taking into account the significant transactions with a different date of up to three months from WestImmo's reporting date. WIB Real Estate Finance K.K., Tokyo is included in WestImmo's IFRS consolidated financial statements with a reporting date of 30 November.

Associates and joint ventures are included in the consolidated financial statements using the equity method. These companies are reported under non-current financial assets. If a company accounted for using the equity method uses accounting policies other than those of the investor, adjustments are made in a separate account to reflect IFRS Group accounting requirements.

The minority interest in the equity of subsidiaries that is not attributable to the parent is reported as minority interest in the Group's equity.

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

6. Consolidated Group

The following subsidiaries, joint ventures and associates were included in WestImmo's consolidated financial statements as at 31 December 2009:

Subsidiaries in accordance with IAS 27

Westdeutsche ImmobilienHolding GmbH, Mainz
WestGkA Management Gesellschaft für kommunale Anlagen mbH, Düsseldorf
WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH, Düsseldorf
WIB Real Estate Finance Japan K.K., Tokyo, Japan
WMO Erste Entwicklungsgesellschaft mbH & Co. KG, Bonn

Subsidiaries in accordance with SIC-12

Wire 2008-1 GmbH, Frankfurt am Main

Joint ventures accounted for using the equity method*

FEN Fachmarktzentrum ehem. Eisstadion Nürnberg GmbH & Co. KG, Berlin (FEN GmbH & Co. KG)
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Associates accounted for using the equity method

EMG Projekt Gewerbepark Ludwigfelde/Löwenbruch GmbH, Berlin (EMG GmbH)
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* Joint ventures accounted for using the equity method in accordance with IAS 31.38 in conjunction with IAS 28.

EMG Zweite Projektgesellschaft Ludwigfelde/Löwenbruch GmbH was merged with another Group company in fiscal year 2009. EPM Assetis GmbH is reported separately in accordance with IFRS 5 because WestImmo intends to sell the company. Wire 2008-1 GmbH was included in the consolidated Group for the first time. This entity relates to a securitisation transaction comprising receivables used to create securities.

No gains or losses on deconsolidation were recognised in the income statement during the year under review.

The following disclosures in accordance with IAS 31.54 ff. relate to the joint venture (FEN GmbH & Co. KG) that was included in the consolidated financial statements using the equity method in accordance with IAS 31.38 in conjunction with IAS 28.

	FEN GmbH & Co. KG 50.0%	
	31 Dec. 2008 € million	31 Dec. 2007 € million
Total current assets	2.5	2.0
Total non-current assets	0.3	0.3
Total current liabilities	0.3	0.0
Total income	0.7	0.2
Total expenses	0.3	0.1

The following disclosures in accordance with IAS 28.37 ff. relate to associates accounted for using the equity method.

	EMG GmbH 47.50%	
	31 Dec. 2008	31 Dec. 2007
	€ million	€ million
Assets*	12.5	12.8
Liabilities	12.5	12.8
Income	1.3	1.8
Profit for the period	-0.6	0.3

* Assets correspond to total assets.

Cumulatively, the unrecognised share of losses of companies accounted for using the equity method amounted to €0.7 million as at 31 December 2009 (previous year: €0.4 million).

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

7. Accounting estimates and assumptions

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

Estimates and assumptions are primarily required in

- determining the fair value of certain derivatives and other financial instruments, particularly structured financial instruments;
- measuring the allowance for losses on loans and advances (impairment);
- calculating deferred taxes;
- calculating pension and other provisions;
- estimating the risk/reward profiles of special-purpose vehicles.

The estimates and assumptions themselves and the underlying assessment factors and estimation techniques are regularly reviewed and compared with actual results. WestImmo believes the parameters used to be appropriate and reasonable.

8. Issuing activities

In the period under review, WestImmo performed issuing activities for mortgage and public-sector Pfandbriefe, bearer debt securities and borrower's note loans with a total issuing volume of €4.3 billion (previous year: €2.0 billion).

9. Financial instruments

a) Application of IFRS 7 – Financial Instruments

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

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

The risk disclosures required by IFRS 7.31 ff. are presented in the Risk Report contained in the Group Management Report with the exception of IFRS 7.37–7.38. If it appeared to WestImmo that the nature and extent of risks arising from financial instruments could be better disclosed in the notes explaining the balance sheet and income statement, the disclosures were made at the relevant point.

On account of the Bank's business structure, the categories of financial instruments correlate to the balance sheet items. Impairment losses per class of financial instruments correspond to the relevant items reported for impairment losses.

In March 2009, the IASB issued amendments to reporting on financial instruments that require enhanced disclosures on fair value measurement and liquidity risk. Each asset class is allocated to a particular level as part of a new fair value hierarchy. A statement of changes also shows the reclassifications between the levels. Maturity analyses are also presented for derivative financial liabilities.

b) Financial instruments in accordance with IAS 39

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

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

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

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

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

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

All realised and unrealised income components from HfT assets and liabilities resulting from measurement are reported in net trading income. Interest-related measurement components and current interest are presented in net interest income. Fee and commission income and expense related to HfT assets and liabilities are reported in (net fee and commission income).

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

Financial assets and financial liabilities designated at fair value through profit or loss are measured at fair value.

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

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

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

WestImmo mainly applies the first criterion for use of the fair value option. In line with this, and to avoid measurement inconsistencies, the fair value option is used for individual hedged items so as to enter into an economic hedging relationship with the recognised derivatives.

Financial instruments designated at fair value through profit or loss are initially measured and also subsequently measured at fair value. Where available, (quoted) market prices are used for measurement. 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.

Measurement gains or losses on financial instruments designated at fair value through profit or loss are reported in net trading income. In the balance sheet, these instruments are reported in “financial assets designated at fair value through profit or loss” or “financial liabilities designated at fair value through profit or loss”.

Loans and receivables (LaR)

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

Financial instruments classified as LaR are reported in the “loans and advances to banks” and “loans and advances to customers” balance sheet items; they are carried at amortised cost unless they are the hedged items in a recognised micro fair value hedge. Premiums and discounts are amortised over their term and recognised in net interest income. The allowance for losses on loans and advances is reported separately.

Held-to-maturity (HtM) financial assets

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

Available-for-sale (AfS) financial assets

The AfS category comprises all non-derivative financial assets that have not been allocated to any of the above-mentioned categories. It mainly includes WestImmo’s portfolio of non-current financial assets consisting of bonds and other investees. AfS assets are reported under non-current financial assets.

AfS financial instruments are measured at cost on initial recognition and are generally subsequently measured at fair value. Measurement gains or losses are taken directly to a separate equity item (revaluation reserve) after adjustment for deferred taxes. If the financial asset is sold, the cumulative measurement gain or loss reported in the revaluation reserve is reversed and the total measurement gain or loss from the sale recognised in net income from non-current financial assets.

Permanent impairment, gains or losses on disposal and from assets that have fallen due are recognised directly in net income from non-current financial assets. If the reasons for impairment no longer apply, the impairment loss is reversed through profit or loss up to the amount of amortised cost that must be recognised in the income statement for interest rate products and directly in equity for equity products. If a revaluation reserve has already been recognised prior to impairment losses, it must be reduced by the amount of the impairment loss and recognised in the income statement.

If the fair value of an AfS financial instrument cannot be reliably determined, the instrument is measured at amortised cost. Premiums or discounts are amortised to profit or loss over their term using the effective interest method and recognised in net interest income.

In addition, equity interests resulting from debt-to-equity swaps are reported under AfS financial instruments.

Financial liabilities measured at amortised cost (FLAC)

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

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

c) Embedded derivatives

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

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

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

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

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

d) Repurchase agreements and securities lending

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

Securities sold under repo agreements (spot sale) continue to be included in the securities portfolio in the consolidated balance sheet. The cash contribution received under the repo agreement, including accrued interest, is recognised as a liability.

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

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

These agreements are measured and any gains or losses are reported in accordance with the classification under IAS 39.

Securities lending transactions are currently only entered into with the Group parent. At present, Westlmmo has exclusively entered into securities repurchase agreements and securities lending transactions.

e) Hedge accounting

Westlmmo uses fair value hedge accounting on an individual transaction basis (micro hedges) to hedge interest rate risk relating to fixed-interest loans, available-for-sale fixed-income securities and fixed-interest liabilities. Certain requirements must be met in order to account for hedges in accordance with IAS 39; these requirements mean that hedge accounting may not be used for all economic hedging relationships.

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

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

In the case of fair value hedges, changes in the fair value of the hedging derivative and the hedged item relating to the hedged risk are recognised in net interest income and largely offset each other. In the case of micro hedges, the carrying amounts of the hedged items that are recognised at amortised cost without hedge accounting are adjusted in the amount of the changes in fair value relating to the hedged risk. When hedging interest rate risk on a portfolio basis, changes in the fair value of hedged assets and liabilities that must be allocated to the hedged interest rate risk are reported separately in the "asset" or "liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk" item. The reporting of a net amount exclusively on the assets or liabilities side is not permitted.

Separate maturity ranges are recognised for assets and liabilities and the differences in the amounts are recorded separately for assets and liabilities; the resulting “asset” or “liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk” may therefore be negative. No such item is recognised if AfS hedged items are hedged under portfolio hedges, because the balance sheet already contains the fair value.

Hedge accounting is discontinued in the following cases:

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

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

In the case of portfolio hedges, the change in the fair value of the hedged items up to the termination of the hedge – which is reported in the “asset” or “liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk” balance sheet item – is amortised to net interest income over the remaining term. If a hedged item that used to be a component of a portfolio hedge is disposed of, the relevant portion of the “asset” or “liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk” is eliminated in full against net interest income at the date of disposal. At WestImmo, only hedged liability items were included in portfolio hedge accounting. Portfolio hedge accounting was discontinued in November 2008 and the corresponding transactions were transferred to micro hedge accounting where possible. The remaining items are being amortised over their residual terms.

f) Valuation allowances and provisions for credit risks

WestImmo reflects identifiable risks in the lending business by recognising specific, collective and portfolio-based valuation allowances for loans and advances to customers and banks classified as LaR and by recognising provisions. This ensures that all identifiable credit risks are covered. Valuation allowances are reported as a separate item on the asset side after loans and advances. Risks arising from contingent liabilities, irrevocable loan commitments and other financial obligations are recognised on the liabilities side in the form of provisions. Any specific valuation allowances required to be charged on foreign-currency receivables are also recognised in the relevant currency. These are translated into the reporting currency in accordance with the methods described in Note 10.

WestImmo uses objective indicators, such as a borrower’s financial and economic situation, the fulfilment of interest and principal repayment obligations and the existence of collateral, to review on a case-by-case basis whether there are signs of credit-related impairment that suggest that the borrower may be unable to meet its payment obligations or may be unable to meet them in full.

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

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

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

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

As part of a portfolio-based analysis, collective valuation allowances are recognised for certain receivables in homogeneous subportfolios of loans that are not individually assessed for impairment. In the case of potential risks associated with business that is not individually assessed for impairment, a portfolio-based valuation allowance is also calculated for homogeneous subportfolios in accordance with IAS 39.

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

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

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

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

h) Securitisation

WestImmo securitises various financial assets from its lending business. It performs synthetic securitisation using true sale activities.

In the case of synthetic securitisation, the assets remain in WestImmo's balance sheet; the assets are accounted for in accordance with IAS 39.

10. Currency translation

Monetary assets and liabilities denominated in foreign currency, non-monetary assets measured at fair value, and open foreign currency cash contracts are translated at the ECB reference rates as at 31 December 2009 (last trading day); open currency forwards are translated at the forward rate at the same date. Non-monetary items measured at cost are recognised at historical exchange rates. Income and expenses denominated in foreign currency were translated at the closing rate valid at the end of the relevant month.

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

In the case of subsidiaries and branches that do not prepare their financial statements in euros, balance sheet items are translated at the ECB reference rates as at 31 December 2009.

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

11. Property and equipment

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

Property and equipment are depreciated over the following periods:

	Expected useful life in years
Office and operating equipment	3–25

12. Intangible assets

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

13. Leasing business

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

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

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

14. Other assets

In particular, the business activities of subsidiaries are reported under other assets. These include inventories recognised and measured in accordance with IAS 2, trade receivables, and finished goods and work in progress. Inventories are measured at cost.

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

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

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

In the case of short-term exit strategies, properties are measured at cost less impairment. Under IAS 40, rescue acquisitions with an exit strategy that takes into account fair value increases are measured at cost at the acquisition date, including any directly attributable transaction costs. Fair values are subsequently calculated on the basis of valuations by real estate experts and on realisable market prices. Income and expenses from rescue acquisitions that are presented as investment property in non-current financial assets are reported in the income statement under net income from non-current financial assets. The effect of the rescue acquisitions on the income statement, which is reported in other assets, is reflected in net other operating income and expenses.

15. Provisions for pensions and similar obligations

In accounting for pensions in accordance with IAS 19, WestImmo elects to recognise changes in the measurement of pension obligations directly in equity.

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

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

Changes in the calculation parameters, unexpected changes in the group of beneficiaries and differences between the expected and actual return on plan assets result in actuarial gains or losses that are recognised directly in equity.

16. Other provisions

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

17. Financial guarantee contracts

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

At the inception of a contract, the financial guarantee is measured at fair value. This comprises the present value of expected payments and the offsetting present value of future premiums.

The financial guarantee contract is subsequently measured in accordance with IAS 37, which requires a provision to be recognised for the losses expected to result from settlement of the obligation. If the holder of the guarantee pays the premium in advance, the amount initially recognised is adjusted for amortisation of the premium received to the extent that the net carrying amount is higher than a provision required to be recognised under IAS 37.

18. Subordinated capital

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

19. Income taxes

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

Deferred taxes are calculated using the balance sheet method for all temporary differences between the tax base of assets and liabilities and their carrying amounts in the IFRS balance sheet. Deferred tax assets and liabilities are only offset if the requirements for set-off are met. Deferred taxes on unused tax loss carryforwards are only recognised if it is probable that the loss carryforward is expected to be used in future. Deferred taxes are measured and recognised in profit or loss or directly in equity using the expected tax rates. Current tax receivables and payables and deferred tax assets and liabilities are reported under the separate "tax receivables" and "tax liabilities" items.

20. Employee remuneration plans

There are no employee remuneration plans in accordance with IFRS 2.

21. Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups that are held for sale or will be discontinued in accordance with IFRS 5, as well as the associated liabilities, are reported in separate items under assets and liabilities. With the exception of financial instruments in accordance with IAS 39, they are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets held for sale and non-current liabilities in the 2009 fiscal year are reported separately in the balance sheet, income statement, cash flow statement and segment reporting. Because there are no items required to be offset directly in equity, separate presentation in the statement of changes in equity is not necessary.

Income Statement Disclosures

22. Net interest income

	2009 € million	2008 € million
Interest income from		
– lending and money market operations	638.5	833.5
– bonds and other fixed-income securities	128.0	158.0
– trading derivatives	681.0	1,003.4
– derivatives included in hedge accounting	173.5	196.9
– other transactions	0.6	3.6
Interest income	1,621.6	2,195.4
Current income from		
– other investees	2.8	1.6
– investments in associates	– 0.4	– 0.4
Current income	2.4	1.2
Interest expense from		
– deposits	311.1	421.9
– securitised liabilities	272.1	340.1
– subordinated capital	31.5	32.6
– trading derivatives	629.9	988.6
– derivatives included in hedge accounting	182.3	227.0
– other transactions	0.4	2.4
Interest expense	1,427.3	2,012.7
Profit/loss from hedges (hedge accounting)	2.0	– 4.9
Net interest income	198.7	179.1

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

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

	2009 € million	2008 € million
Profit from hedging derivatives	27.1	– 21.7
– of which from micro fair value hedge accounting	27.1	– 26.5
– of which from portfolio (macro) fair value hedge accounting	0.0	4.9
Loss from hedged items	– 25.1	16.8
– of which from micro fair value hedge accounting	– 25.1	21.9
– of which from portfolio (macro) fair value hedge accounting	0.0	– 5.0
Total	2.0	– 4.9

The profit/loss from hedges includes measurement gains and losses on effective hedging relationships under micro fair value hedge accounting. Interest income and expense from hedging derivatives that qualify for hedge accounting in accordance with IAS 39 are also reported in net interest income.

23. Additional disclosures about financial instruments in accordance with IFRS 7

Interest income and interest expense calculated using the effective interest method for financial instruments that are classified in accordance with IAS 39.9 and are not measured at fair value through profit or loss can be broken down as follows (IFRS 7.20 [b]):

	2009 € million	2008 € million
Interest income from		
– loans and receivables (LaR)	627.7	798.2
– available-for-sale financial assets (AfS)	125.5	147.2
Total	753.2	945.4
Interest expense from		
– financial liabilities measured at amortised cost (FLAC)	424.4	716.1
Total	424.4	716.1

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

Interest income of €14.0 million was recognised for impaired financial assets (previous year: €17.5 million).

In the year under review, €38.0 million (previous year: €30.8 million) of the €40.0 million fee and commission income relates to financial assets not measured at fair value through profit or loss. As in the previous year, fee and commission expense amounting to €7.6 million is attributable in full to financial assets and financial liabilities not measured at fair value through profit or loss.

The following table of carrying amounts within the meaning of IFRS 7.8 shows net gains and net losses on financial assets and financial liabilities classified in accordance with IAS 39.9 (IFRS 7.20 [a]):

**Net gains/losses for financial instruments in fiscal year 2009
on carrying amounts in accordance with IFRS 7.B2**

		Amortised cost		Fair value		Financial instruments not falling within the scope of IAS 39
		Impairment losses recognised in profit or loss (IFRS 7.20 [e])	Fair value changes recognised in profit or loss (IFRS 7.20 [a])	Fair value changes recognised directly in equity (IFRS 7.20 [a])		
Assets						
	Category* in accordance with IAS 39.9	31 Dec. 2009				
		€ million				
Loans and advances to banks	LaR	691.6	0.0	0.4	0.0	0.0
Loans and advances to customers	LaR	16,994.6	65.4	2.1	0.0	0.0
Financial assets held for trading	FAaFVtPL – HfT	952.6	0.0	40.6	0.0	0.0
Positive fair values of derivative hedging instruments	FAaFVtPL – DuiR	144.1	0.0	0.6	0.0	0.0
Financial assets designated at fair value through profit or loss	FAaFVtPL – DuiR	586.2	0.0	– 0.3	0.0	0.0
Non-current financial assets**	AfS	3,091.4	0.0	– 8.9	44.4	0.2
Equity and Liabilities		31 Dec. 2009				
		€ million				
Deposits from banks	FLAC	6,360.4	0.0	– 1.6	0.0	0.0
Deposits from customers	FLAC	6,863.7	0.0	– 24.5	0.0	0.0
Securitised liabilities	FLAC	8,190.0	0.0	7.5	0.0	0.0
Financial liabilities held for trading	FLaFVtPL – HfT	856.8	0.0	37.9	0.0	0.0
Negative fair values of derivative hedging instruments	FLaFVtPL – DuiR	229.0	0.0	26.5	0.0	0.0
Financial instruments hedged in the portfolio	FLaFVtPL – DuiR	1.0	0.0	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	FLaFVtPL – DuiR	2,335.2	0.0	– 73.7	0.0	0.0
Subordinated capital	FLAC	476.9	0.0	– 0.2	0.0	0.0

* Categories of financial instruments in accordance with IAS 39.9: loans and receivables (LaR), financial assets/liabilities at fair value through profit or loss – classified as held for trading (FA/FLaFVtPL – HfT), financial assets/liabilities at fair value through profit or loss – designated upon initial recognition (FA/FLaFVtPL – DuiR), available-for-sale financial assets (AfS), financial liabilities measured at amortised cost (FLAC).

** In the case of financial instruments not falling within the scope of IAS 39, equity-accounted carrying amounts are subsequently measured in profit or loss in accordance with IAS 28.

**Net gains/losses for financial instruments in fiscal year 2008
on carrying amounts in accordance with IFRS 7.B2**

			Amortised cost		Fair value		Financial instruments not falling within the scope of IAS 39
			Impairment losses recognised in profit or loss (IFRS 7.20 (e))	Fair value changes recognised in profit or loss (IFRS 7.20 (a))	Fair value changes recognised directly in equity (IFRS 7.20 (a))		
Assets	Category* in accordance with IAS 39.9	31 Dec. 2008 € million					
Loans and advances to banks	LaR	1,364.0	0.0	4.2	0.0	0.0	
Loans and advances to customers	LaR	14,933.2	32.5	67.1	0.0	0.0	
Financial assets held for trading	FAaFVtPL – HfT	861.8	0.0	797.0	0.0	0.0	
Positive fair values of derivative hedging instruments	FAaFVtPL – DuiR	118.6	0.0	157.9	0.0	0.0	
Financial assets designated at fair value through profit or loss	FAaFVtPL – DuiR	830.1	0.0	23.0	0.0	0.0	
Non-current financial assets**	AfS	3,437.1	0.0	123.0	– 147.9	– 4.4	
Equity and Liabilities		31 Dec. 2008 € million					
Deposits from banks	FLAC	6,825.8	0.0	– 3.9	0.0	0.0	
Deposits from customers	FLAC	5,756.0	0.0	– 31.2	0.0	0.0	
Securitised liabilities	FLAC	8,306.7	0.0	– 32.3	0.0	0.0	
Financial liabilities held for trading	FLaFVtPL – HfT	896.8	0.0	– 707.3	0.0	0.0	
Negative fair values of derivative hedging instruments	FLaFVtPL – DuiR	264.5	0.0	– 255.0	0.0	0.0	
Liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk	FLaFVtPL – DuiR	1.2	0.0	– 5.0	0.0	0.0	
Financial liabilities designated at fair value through profit or loss	FLaFVtPL – DuiR	2,005.5	0.0	– 91.4	0.0	0.0	

* Categories of financial instruments in accordance with IAS 39.9: loans and receivables (LaR), financial assets/liabilities at fair value through profit or loss – classified as held for trading (FA/FLaFVtPL – HfT), financial assets/liabilities at fair value through profit or loss – designated upon initial recognition (FA/FLaFVtPL – DuiR), available-for-sale financial assets (AfS), financial liabilities measured at amortised cost (FLAC).

** In the case of financial instruments not falling within the scope of IAS 39, equity-accounted carrying amounts are subsequently measured in profit or loss in accordance with IAS 28.

No interest income or interest expense and no current income or current expense is included in presenting net gains and net losses on financial instruments. Net gains and net losses include realised and unrealised income components.

24. Allowance for losses on loans and advances

	2009 € million	2008 € million
Additions		
– impairments of receivables	– 108.3	– 77.4
– provisions for credit risks	– 3.2	0.0
Reversals		
– impairments of receivables	40.5	48.0
– provisions for credit risks	0.8	0.1
Recoveries on loans previously written off	7.3	2.6
Direct write-downs of receivables	– 3.3	– 0.6
Total	– 66.2	– 27.3

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

The additions do not include any collective valuation allowances recognised for homogeneous subportfolios (previous year: €3.9 million). However, the reversals comprise collective valuation allowances of €2.9 million (previous year: €1.5 million). An addition of €–10.3 million (previous year: €1.5 million) and a reversal of €2.2 million (previous year: €0.9 million) were recognised for the portfolio-based valuation allowance.

25. Net fee and commission income

	2009 € million	2008 € million
Lending business	28.7	20.5
Securities and custody business	0.9	– 0.4
Guarantees	6.0	7.1
Other	– 3.2	– 1.3
Total	32.4	25.9

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

Net fee and commission income comprises fee and commission income of €40.0 million (previous year: €31.3 million) and fee and commission expense of €7.6 million (previous year: €5.4 million).

26. Net trading income

	2009 € million	2008 € million
Net loss from sale of trading portfolios	– 4.0	– 0.5
Net income/loss from remeasurement of trading portfolios	82.5	90.0
Foreign exchange gain	– 0.3	– 3.7
Net income from sale of financial instruments designated at fair value through profit or loss	0.0	– 2.9
Net loss on remeasurement of financial instruments designated at fair value through profit or loss	– 74.0	– 65.5
Total	4.2	17.4

The net loss from the sale of trading portfolios comprises close-out payments for swaps.

27. Net income from non-current financial assets

	2009 € million	2008 € million
Net income from sale of AfS financial assets	– 0.3	3.1
Net loss from remeasurement of AfS financial assets	– 8.0	– 27.9
Net income from financial investments	– 1.9	29.8
Total	– 10.2	5.0

The net loss from remeasurement of AfS financial assets mainly comprises impairment losses on a closed-end real estate fund amounting to €6.3 million (previous year: €0.0 million).

28. Administrative expenses

	2009 € million	2008 € million
Employee expenses		
– wages and salaries	38.0	38.5
– social security contributions	4.6	3.7
– expenses for pensions and other employee benefits	3.6	2.5
Other administrative expenses	37.4	32.0
Depreciation and amortisation of property and equipment, software and intangible assets	4.1	4.0
Administrative expenses	87.7	80.7

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

29. Net other operating income and expenses

	2009 € million	2008 € million
Other operating income		
– income from the reversal of provisions	0.9	1.4
– miscellaneous	18.1	14.1
Total other operating income	19.0	15.5
– Other operating expenses		
– miscellaneous	15.5	13.6
Total other operating expenses	15.5	13.6
Net other operating income and expenses	3.5	1.9

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

In accordance with IAS 2 (Inventories) and IAS 11 (Construction Contracts), other operating income and expenses mainly comprise income of €7.4 million (previous year: €8.6 million) and materials expenses of €5.8 million (previous year: €5.1 million) from the construction projects of fully consolidated subsidiaries. The €4.0 million increase in miscellaneous other operating income to €18.1 million (previous year: €14.1 million) is chiefly attributable to a rise in miscellaneous other operating income at a consolidated subsidiary. The €1.9 million increase in miscellaneous other operating expenses to €15.5 million (previous year: €13.6 million) is primarily attributable to higher expenses relating to rescue acquisitions.

30. Income taxes

	2009 € million	2008 € million
Current income taxes	2.0	-0.6
Deferred taxes	0.7	13.1
Total	2.7	12.5

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 "Presentation in accordance with IFRS 5" for details.

The current taxes of €2.0 million (previous year: €-0.6 million) recorded in the year under review consist of additions to provisions resulting from a tax audit, income from tax refunds on the basis of tax returns submitted and assessed, and tax expense incurred by the Japanese subsidiary.

The tax expense incurred in connection with deferred taxes is due to the origination or reversal of temporary differences.

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

	2009 € million	2008 € million
Profit before tax	74.8	121.2
Applicable tax rate (in %)	30	30
Expected income tax expense	22.4	36.4
Effect of different tax rates in the case of deferred taxes recognised in profit or loss	1.3	2.4
Effect of prior-period taxes recognised in the fiscal year	- 0.8	- 0.1
Effect of change in tax rate	0.0	- 0.3
Effect of non-deductible operating expenses	1.6	1.2
Effects of non-imputable income taxes (withholding taxes and foreign taxes)	0.0	0.3
Effect of tax-free income	- 0.6	- 2.9
Permanent effects relating to the balance sheet	0.0	- 0.2
Effect of income taxed at different rates	2.4	- 3.5
Effect of write-downs/adjustments of carrying amounts	- 0.1	- 0.1
Effect of transfers of basis of measurement	- 26.4	- 22.6
Other effects	1.9	2.4
IFRS 5 items	1.0	- 0.5
Income taxes	2.7	12.5

The rounded income tax rate of 30% applicable for the year under review is composed of the 15% corporation tax rate currently valid in Germany (previous year: 15%), the solidarity surcharge levied at 5.5% of the corporation tax and the effective trade tax rate of 15.40% for current taxes.

Loss carryforwards

	Corporation tax € million	Trade tax € million
2006	79.9	81.1
2007	79.9	81.1
2008	79.9	81.1
2009	79.9	81.1

Loss carryforwards from the period prior to the consolidated tax group changed due to the filing and assessment of WestImmo's tax return for fiscal year 2006.

31. Profit/loss from discontinued operations and non-current assets held for sale, net of tax

	1. 1.–31. 12. 2009 € million	1. 1.–31. 12. 2008 € million
Income statement total	11.3	- 12.0
Interest income	192.4	190.4
Interest expense	- 173.2	- 172.5
Allowance for losses on loans and advances	0.8	- 5.3
Fee and commission income	1.8	2.1
Fee and commission expense	- 6.3	- 7.7
Administrative expenses (including wages, salaries and social security contributions)	- 5.4	- 18.5
Other operating income	0.2	0.0
Deferred tax expense	1.0	- 0.5

The substantial improvement in the overall figure for 2009 compared with 2008 is due mainly to the reduction in administrative expenses by €13.1 million to €5.4 million and to the change in the allowance for losses on loans and advances.

The profit/loss from non-current assets held for sale is attributable in full to WestLB AG and not to minority interest.

Segment Reporting

32. Primary segment reporting

The WestImmo Group forecasts and manages its results on the basis of profit centre accounting at departmental level. The portfolios, results and resources of the individual departments or profit centres are combined into the segments that represent the WestImmo Group's areas of business and activity.

The segment reporting was prepared for the first time in accordance with IFRS 8; the prior-year figures were adjusted accordingly. The segments are recognised on the basis of the Westdeutsche ImmobilienBank Group's internal management system and reflect the business strategy and market presence of the departments and the functional cooperation between the organisational units.

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

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

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

Segments in the Group

Investors

Loans
national/international
Real estate joint ventures

Discontinued operations

Private Customers

Services

Treasury
Income and expenses not directly attributable

Investments/Consolidation

Equity investments department
Reconciliation of internal performance indicators to
external financial reporting data

The following tables show the contribution by the individual segments to consolidated profit (profit before tax) for fiscal years 2009 and 2008:

Consolidated income statement (IFRS) € million		Investors ⁶	Services	Equity Investments/ Consolidation ⁷	Profit/loss from continuing operations	Profit/loss from discontinued operations	Group
Net interest income ¹							
	2009	160.6	39.0	- 0.5	199.1	19.2	218.3
	2008	132.1	47.7	- 0.4	179.4	17.9	197.3
Allowance for losses on loans and advances							
	2009	- 66.2	0.0	0.0	- 66.2	0.8	- 65.4
	2008	- 29.1	0.0	1.8	- 27.3	- 5.3	- 32.6
Net fee and commission income							
	2009	31.0	1.2	0.2	32.4	- 4.6	27.8
	2008	25.5	0.1	0.3	25.9	- 5.6	20.3
Net trading income							
	2009	0.0	4.3	0.0	4.3	0.0	4.3
	2008	0.0	17.6	- 0.2	17.4	0.0	17.4
Net income from non-current financial assets							
	2009	- 5.3	0.8	- 5.7	- 10.2	0.0	- 10.2
	2008	4.0	2.1	- 1.1	5.0	0.0	5.0
Administrative expenses ²							
	2009	- 37.8	- 35.5	- 10.5	- 83.8	- 5.3	- 89.1
	2008	- 34.5	- 37.8	- 4.4	- 76.7	- 18.4	- 95.1
Depreciation and amortisation							
	2009	- 0.2	- 3.7	0.0	- 3.9	- 0.1	- 4.0
	2008	- 0.2	- 3.8	0.0	- 4.0	- 0.1	- 4.1
Net other operating income and expenses							
	2009	- 0.5	- 3.3	7.3	3.5	0.2	3.7
	2008	- 1.2	- 2.1	5.2	1.9	0.0	1.9
Profit before tax							
	2009	81.6	2.8	- 9.2	75.2	10.2	85.4
	2008	96.6	23.8	1.2	121.6	- 11.5	110.1
Income taxes ³							
	2009	-	-	-	- 2.7	1.0	- 1.7
	2008	-	-	-	- 12.5	- 0.5	- 13.0
Share of profit or loss of equity-accounted investments							
	2009	0.2	0.0	- 0.6	- 0.4	0.0	- 0.4
	2008	0.0	0.0	- 0.4	- 0.4	0.0	- 0.4
Profit after tax							
	2009	81.8	2.8	- 9.8	72.1	11.2	83.4
	2008	96.6	23.8	0.8	108.7	- 12.0	96.7
Carrying amount of equity-accounted investments							
	2009	1.0	0.0	0.0	1.0	4.2	5.2
	2008	0.8	0.0	0.0	0.8	4.8	5.6
Segment assets							
	2009	17,050.8	5,498.3	142.3	22,691.4	4,198.1	26,889.5
	2008	14,586.7	7,120.9	169.4	21,877.0	4,293.9	26,170.9
Segment liabilities							
	2009	276.2	25,441.3	102.0	25,819.5	164.1	25,983.6
	2008	382.0	24,710.6	60.9	25,153.5	156.4	25,309.9
Allocated capital							
	2009	696.7	94.1	1.1	791.9	87.1	879.0
	2008	637.8	98.6	1.1	737.5	110.5	848.0
ROE in % ⁴							
	2009	11.4	2.9	-	7.9	11.0	9.0
	2008	14.4	23.0	-	13.5	< 0.0	12.2
CIR in % ⁵							
	2009	20.5	95.1	-	37.7	36.5	37.6
	2008	22.0	63.7	-	35.5	> 100.0	41.4

The cost/income ratio and return on equity for the Equity Investments/Consolidation segment were not disclosed, as they do not provide decision-useful information.

¹ Net interest income (excl. share of profit or loss of equity-accounted investments)

² Administrative expenses (excl. depreciation and amortisation)

³ Income taxes (incl. deferred taxes)

⁴ Return on equity (RoE) corresponds to the ratio of profit before tax (before addition to reserves) to the average of the relevant equity components

⁵ The cost/income ratio (CIR) corresponds to the ratio of administrative expenses to total income (before the allowance for losses on loans and advances)

⁶ The Investors segment includes the agricultural portfolio

⁷ The Equity Investments/Consolidation segment includes EPM Assetis GmbH

33. Secondary segment reporting

The secondary segment reporting shows the regional breakdown of the Group's key portfolio and earnings figures as at 31 December 2009 and 31 December 2008. The various components of the Group's secondary segment reporting are allocated to regions by the domicile of the branches and subsidiaries that report the portfolios.

€ million by region		EU	EU excluding DE	DE	America	APAC	Group
Profit before tax*							
	2009	51.2	- 8.8	60.0	23.2	11.0	85.4
	2008	75.5	3.4	72.1	22.8	11.8	110.1
Segment assets							
	2009	23,151.6	6,447.4	16,704.2	2,544.9	1,193.0	26,889.5
	2008	23,213.0	5,357.9	17,855.1	2,067.7	890.2	26,170.9

* For the first time, profit before tax excludes the share of profit or loss of equity-accounted investments amounting to €- 0.4 million (previous year: €-0.4 million).

The EU column comprises the profit from discontinued operations of €10.2 million (previous year: loss of €11.5 million) and the segment assets of the discontinued operations of €4,198.1 million (previous year: €4,293.9 million).

Balance Sheet Disclosures

34. Cash and balances with central banks

	31 Dec. 2009 € million	31 Dec. 2008 € million
Balances with central banks	22.2	30.2
Total	22.2	30.2

35. Financial assets held for trading

	31 Dec. 2009 € million	31 Dec. 2008 € million
Positive fair values of derivative financial instruments	765.6	861.8
Other trading portfolios	187.0	0.0
Total	952.6	861.8

Financial assets held for trading mainly comprise positive fair values from derivative financial instruments that do not qualify for hedge accounting in accordance with IAS 39. Other financial assets held for trading comprise loans subject to syndication requirements.

36. Loans and advances to banks

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to banks		
Loans	393.4	1,065.6
Other receivables	298.2	298.4
Total	691.6	1,364.0
of which:		
– banks in Germany	551.9	1,270.0
– banks abroad	139.7	94.0

The reduction in loans and advances to banks is attributable primarily to the decline in short-term money market transactions that were mainly placed within the WestLB Group.

37. Loans and advances to customers

By counterparty:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to customers		
Corporate customers	14,148.5	11,889.1
Public sector entities	1,569.0	1,808.4
Private customers	1,277.1	1,235.7
Total	16,994.6	14,933.2
of which:		
– customers in Germany	6,213.0	6,641.2
– customers abroad	10,781.6	8,292.0

By transaction type:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to customers		
Loans	16,994.6	14,933.2
Total	16,994.6	14,933.2
of which:		
– municipal loans	1,565.6	1,786.8
– loans secured by mortgages	6,321.7	4,035.9

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

38. Loan volume

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans to banks		
– Loans and receivables (LaR)	641.0	669.4
– Financial assets designated at fair value through profit or loss (FAaFVtPL)	149.1	258.2
Loans to customers		
– Loans and receivables (LaR)	16,994.6	14,933.2
– Financial assets designated at fair value through profit or loss (FAaFVtPL)	384.5	520.4
Contingent liabilities	845.7	846.1
Loan volume before allowance for losses on loans and advances	19,014.9	17,227.3
Allowance for losses on loans and advances/provisions	– 265.7	– 218.2
Loan volume after allowance for losses on loans and advances	18,749.2	17,009.1

The loan volume is composed of loans to customers, loans to banks and contingent liabilities. In contrast to loans and advances, the loan volume does not include money market transactions.

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

39. Allowance for losses on loans and advances/ Provisions for contingent liabilities

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

	31 Dec. 2009 € million	31 Dec. 2008 € million
Allowance for losses on loans and advances	262.6	217.5
Provisions for contingent liabilities	3.1	0.7
Total	265.7	218.2

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

	31 Dec. 2009 € million	31 Dec. 2008 € million
Specific valuation allowances*	238.8	198.7
Collective valuation allowances	1.9	4.8
Portfolio-based valuation allowances	21.9	14.0
Total	262.6	217.5

* of which for loans and advances abroad €124.9 million (previous year: €61.6 million)

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

The allowance for losses on loans and advances changed as follows in the year under review and in the previous year:

	Valuation allowances for loans and advances to customers		Provisions for contingent liabilities		Total	
	2009 € million	2008 € million	2009 € million	2008 € million	2009 € million	2008 € million
Balance at 1 Jan.	217.5	205.6	0.7	3.3	218.2	208.9
Changes recognised in profit or loss						
– Additions	108.3	83.3	3.2	0.8	111.5	84.1
– Reversals	– 40.5	– 48.9	– 0.8	– 0.6	– 41.3	– 49.5
Changes recognised directly in equity						
– Reclassifications in accordance with IFRS 5	– 0.1	– 13.6	0.0	– 2.5	– 0.1	– 16.1
– Reclassifications from provisions	8.6	0.0	0.0	0.0	8.6	0.0
– Utilisation of existing valuation allowances	– 34.8	– 11.3	0.0	– 0.3	– 34.8	– 11.6
Changes in fair value	3.6	2.4	0.0	0.0	3.6	2.4
Balance at 31 Dec.	262.6	217.5	3.1	0.7	265.7	218.2

40. Loan volume exposed to default risk

The loan volume exposed to default risk in the lending business for which payments are past due and for which the terms have been revised is as follows:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Carrying amount of lending business (LaR) with payments past due but not impaired	11.3	6.2
of which:		
– loans past due over 90 to 180 days	0.1	0.0
– loans past due over 180 days to 1 year	5.0	0.0
– loans past due over 1 year	6.2	6.2
Carrying amount of lending business (LaR) with adjusted terms	10.9	29.6
Total	22.2	35.8

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

Loan volume exposed to default risk of the IFRS 5 portfolio

	31 Dec. 2009 € million	31 Dec. 2008 € million
Carrying amount of lending business (LaR) with payments past due but not impaired	10.4	4.8
of which:		
– loans past due over 90 to 180 days	4.4	0.9
– loans past due over 180 days to 1 year	2.4	1.8
– loans past due over 1 year	3.6	2.1
Carrying amount of lending business (LaR) with adjusted terms	3.0	5.3
Total	13.4	10.1

For continuing operations, financial assets with a carrying amount of €588.1 million (previous year: €481.3 million) were written down for impairment for credit-related reasons. In the operation held for sale, financial assets with a carrying amount of €21.9 million (previous year: €19.3 million) were written down for impairment for credit-related reasons.

41. Fair values of derivative hedging instruments

	31 Dec. 2009 € million	31 Dec. 2008 € million
Positive fair values from micro fair value hedge accounting	144.1	118.6
Negative fair values from micro fair value hedge accounting	229.0	264.5

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

42. Financial assets designated at fair value through profit or loss

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to customers	384.5	520.4
Loans and advances to banks	149.1	258.3
Bonds and other fixed-income securities		
Bonds and notes	52.6	51.4
of which:		
– publicly traded	52.6	51.4
– issued by public issuers	52.6	51.4
Total	586.2	830.1

Disclosures on the maximum potential default amount for financial assets designated at fair value through profit or loss.

	31 Dec. 2009 € million	31 Dec. 2008 € million
Maximum potential default amount for financial assets designated at fair value through profit or loss	586.2	830.1

Financial assets are those of prime-rated counterparties. Credit derivatives were not entered into to reduce credit risks relating to financial assets designated at fair value through profit or loss. The maximum potential default amount is the gross carrying amount of the financial instruments.

On account of the prime-rated customer base, there was no credit risk-related change in the value of loans and advances designated at fair value, apart from market-related changes in credit spreads.

43. Non-current financial assets

	31 Dec. 2009 € million	31 Dec. 2008 € million
AfS non-current financial assets		
Bonds and other fixed-income securities	3,068.9	3,408.5
of which:		
– publicly traded	3,068.8	3,408.4
Shares and other non-fixed-income securities	15.4	17.0
of which:		
– publicly traded	0.0	0.0
Other investees	3.3	3.3
Shares in companies accounted for using the equity method	1.0	5.6
Investment Property	2.8	2.7
Total	3,091.4	3,437.1

44. Statement of changes in non-current financial assets

The following table shows the changes in non-current financial assets in fiscal years 2009 and 2008:

€ million	Bonds and other fixed-income securities	Shares and other non-fixed-income securities	Other investees	Shares in companies accounted for using the equity method	Investment property	Total
Historical cost						
Balance at 1 Jan. 2009	3,424.4	19.2	46.1	13.6	4.5	3,507.8
Additions during fiscal year	261.7	2.5	2.6	0.4	0.1	267.3
Disposals during fiscal year	- 623.5	0.0	0.0	- 0.8	0.0	- 624.3
Reclassifications/changes in consolidated Group	0.0	0.0	0.0	- 11.1	0.0	- 11.1
Balance at 31 Dec. 2009	3,062.6	21.7	48.7	2.1	4.6	3,139.7
Fair value changes/impairment						
Balance at 1 Jan. 2009	- 15.9	- 2.2	- 42.8	- 8.0	- 1.8	- 70.7
Change in revaluation reserve	45.4	2.2	0.0	0.0	0.0	47.6
Remeasurement of amortised cost or fair value during fiscal year of which:	- 17.3	- 6.3	- 2.6	0.0	0.0	- 26.2
- write-downs	0.0	- 6.3	- 2.6	0.0	0.0	- 8.9
Reversals of write-downs during fiscal year	1.1	0.0	0.0	0.0	0.0	1.1
Disposals during fiscal year	- 7.0	0.0	0.0	0.0	0.0	- 7.0
Reclassifications/changes in consolidated Group	0.0	0.0	0.0	6.9	0.0	6.9
Balance at 31 Dec. 2009	6.3	- 6.3	- 45.4	- 1.1	- 1.8	- 48.3
Carrying amount at 31 Dec. 2009	3,068.9	15.4	3.3	1.0	2.8	3,091.4
Historical cost						
Balance at 1 Jan. 2008	2,905.8	0.3	45.4	13.6	2.7	2,967.8
Additions during fiscal year	782.2	18.9	0.8	0.0	1.8	803.7
Disposals during fiscal year	- 263.6	0.0	- 0.1	0.0	0.0	- 263.7
Balance at 31 Dec. 2008	3,424.4	19.2	46.1	13.6	4.5	3,507.8
Fair value changes/impairment						
Balance at 1 Jan. 2008	4.5	0.0	- 42.0	- 7.5	- 1.8	- 46.8
Change in revaluation reserve	- 112.1	- 2.2	0.0	0.0	0.0	- 114.2
Remeasurement of amortised cost or fair value during fiscal year	- 16.9	0.0	- 0.8	- 0.8	0.0	- 18.5
Reversals of write-downs during fiscal year	112.3	0.0	0.0	0.3	0.0	112.6
Disposals during fiscal year	- 3.7	0.0	0.0	0.0	0.0	- 3.7
Balance at 31 Dec. 2008	- 15.9	- 2.2	- 42.8	- 8.0	- 1.8	- 70.7
Carrying amount at 31 Dec. 2008	3,408.5	17.0	3.3	5.6	2.7	3,437.1

45. Property and equipment

	31 Dec. 2009 € million	31 Dec. 2008 € million
Land and buildings	1.0	1.2
Office and operating equipment	2.2	2.9
Total	3.2	4.1

46. Intangible assets

	31 Dec. 2009 € million	31 Dec. 2008 € million
Software		
– internally generated	0.3	0.6
– purchased	4.0	5.4
Total	4.3	6.0

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

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

The following table shows the changes in property and equipment and intangible assets in fiscal years 2009 and 2008:

€ million	Property and equipment		Intangible assets	
	Land and buildings	Office and operating equipment	Internally generated	Purchased
Historical cost				
Balance at 1 Jan. 2009	2.9	15.0	1.2	30.8
Additions during fiscal year	0.0	0.6	0.0	1.0
Disposals during fiscal year	0.0	– 2.0	0.0	– 5.0
Exchange differences	0.0	0.0	0.0	0.0
Balance at 31 Dec. 2009	2.9	13.6	1.2	26.8
Depreciation, amortisation and impairment losses				
Balance at 1 Jan. 2009	– 1.7	– 12.1	– 0.6	– 25.4
Depreciation, amortisation and impairment losses during fiscal year	– 0.2	– 1.3	– 0.3	– 2.3
Reversals of impairment losses during fiscal year	0.0	0.0	0.0	0.0
Disposals during fiscal year	0.0	2.0	0.0	4.9
Exchange differences	0.0	0.0	0.0	0.0
Balance at 31 Dec. 2009	– 1.9	– 11.4	– 0.9	– 22.8
Carrying amount at 31 Dec. 2009	1.0	2.2	0.3	4.0

€ million	Property and equipment		Intangible assets	
	Land and buildings	Office and operating equipment	Internally generated	Purchased
Historical cost				
Balance at 1 Jan. 2008	2.9	14.2	1.2	29.6
Additions during fiscal year	0.0	1.0	0.0	1.0
Disposals during fiscal year	0.0	- 0.2	0.0	0.0
Exchange differences	0.0	0.0	0.0	0.0
Balance at 31 Dec. 2008	2.9	15.0	1.2	30.8
Depreciation, amortisation and impairment losses				
Balance at 1 Jan. 2008	- 1.5	- 10.9	- 0.4	- 23.2
Depreciation, amortisation and impairment losses during fiscal year	- 0.2	- 1.4	- 0.2	- 2.1
Reversals of impairment losses during fiscal year	0.0	0.0	0.0	0.0
Disposals during fiscal year	0.0	0.2	0.0	0.0
Exchange differences	0.0	0.0	0.0	0.0
Balance at 31 Dec. 2008	- 1.7	- 12.1	- 0.6	- 25.4
Carrying amount at 31 Dec. 2008	1.2	2.9	0.6	5.4

48. Tax receivables

	31 Dec. 2009 € million	31 Dec. 2008 € million
Current tax receivables	0.7	2.4
Deferred tax assets	366.1	418.4
Total	366.8	420.8

Deferred tax assets were recognised for the following balance sheet items:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Financial assets and liabilities held for trading	132.4	163.8
Non-current financial assets	40.0	53.8
Pension provisions	3.6	3.2
Other provisions	3.0	3.2
Other balance sheet items	187.1	194.4
of which:		
- derivative hedging instruments (fair value hedges)	150.4	163.9
Total	366.1	418.4

Deferred taxes were calculated using the 15.0% corporation tax rate (previous year: 15.0%), the solidarity surcharge levied at 5.5% of the corporation tax and the effective trade tax rate of 15.4% (previous year: 15.54%). Minor differences in the trade tax rate resulted from the different rates levied by local authorities.

€15.8 million in tax receivables (previous year: €46.4 million) was charged to the revaluation reserves via deferred taxes in the fiscal year under review, while €– 0.7 million (previous year: €– 0.2 million) was recognised for changes in deferred taxes for actuarial gains and losses on pension obligations.

49. Other assets

	31 Dec. 2009 € million	31 Dec. 2008 € million
Prepaid expenses	0.1	0.2
Other assets		
– work in progress relating to long-term construction contracts	34.7	31.4
– trade receivables	6.7	35.3
– inventories	39.1	13.8
– miscellaneous other assets	16.4	8.1
Total	97.0	88.8

Other assets as at 31 December 2009 increased by €8.2 million year-on-year. This was due mainly to higher inventories combined with a decline in trade receivables. Prepaid expenses relate mainly to prepayments from syndicated loans. Miscellaneous other assets primarily comprise rescue acquisitions.

Borrowing costs amounting to €1.2 million were capitalised in the period under review.

50. Non-current assets held for sale and liabilities (IFRS 5)

	31 Dec. 2009 € million	31 Dec. 2008 € million
Non-current assets held for sale		
– loans and advances to customers	4,203.9	4,307.5
– allowance for losses on loans and advances	– 10.0	– 13.6
– Financial assets	4.2	0.0
Total	4,198.1	4,293.9
Non-current liabilities associated with non-current assets held for sale		
– deposits from banks	161.4	153.3
– deposits from customers	0.2	0.0
– provisions	2.5	2.5
– other liabilities	0.0	0.7
Total	164.1	156.4

Non-current assets held for sale in accordance with IFRS 5 relate to the private customer and agricultural business designated for sale and the shares in EPM Assetis GmbH. See Note 4 “Presentation in accordance with IFRS 5” for details.

	31 Dec. 2009 € million	31 Dec. 2008 € million
Contingent liabilities		
– from guarantees and warranty agreements	127.0	160.0
Other commitments		
– irrevocable loan commitments	48.7	191.5

51. Subordinated assets

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to customers		
– corporate customers	0.0	35.9
– private customers	0.6	0.7
Total	0.6	36.6

The “private customers” item reported here does not relate to transactions designated for sale.

52. Deposits from banks

	31 Dec. 2009 € million	31 Dec. 2008 € million
Deposits from domestic banks	6,346.0	6,730.1
Deposits from foreign banks	14.4	95.7
Total	6,360.4	6,825.8

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

53. Deposits from customers

	31 Dec. 2009 € million	31 Dec. 2008 € million
Corporate customers	6,754.3	5,718.8
Public sector entities	104.2	36.0
Private customers	5.2	1.2
Total	6,863.7	5,756.0
of which:		
– customers in Germany	6,839.6	5,739.3
– customers abroad	24.1	16.7

The “private customers” item reported here does not relate to transactions designated for sale.

54. Securitised liabilities

	31 Dec. 2009 € million	31 Dec. 2008 € million
Bonds issued	8,190.0	8,306.7
Total	8,190.0	8,306.7

55. Liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk

	31 Dec. 2009 € million	31 Dec. 2008 € million
Liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk	1.0	1.2

This balance sheet item contains repayments of hedged liability items that were previously allocated to portfolio fair value hedge accounting. Portfolio hedge accounting was discontinued in November 2008.

56. Financial liabilities designated at fair value through profit or loss

	31 Dec. 2009 € million	31 Dec. 2008 € million
Deposits from banks	81.6	83.6
Deposits from customers	2,051.2	1,649.8
Securitised liabilities	202.4	272.0
Financial liabilities designated at fair value through profit or loss	2,335.2	2,005.5

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

	31 Dec. 2009 € million	31 Dec. 2008 € million
Difference between carrying amounts and agreed settlement amounts on maturity of financial liabilities designated at fair value through profit or loss	70.5	11.9
Cumulative net income from credit risk-related changes in value of financial liabilities designated at fair value through profit or loss	3.3	3.3

There were no credit risk-related changes in the value of receivables and liabilities designated at fair value that are otherwise categorised as loans and receivables except for the effects attributable to market conditions, such as changes in market interest rates and the widening of credit spreads observed on the market. Market-related changes in the credit spread of own liabilities designated at fair value gave rise to positive effects of around €3.6 million (previous year: €23.4 million).

57. Financial liabilities held for trading

	31 Dec. 2009 € million	31 Dec. 2008 € million
Negative fair values of derivative financial instruments	856.8	896.8
Total	856.8	896.8

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

58. Provisions

Presented by type of provision:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Provisions for pensions and similar obligations	21.3	19.1
Provisions for credit risks	3.1	0.7
Provisions for employee expenses	4.9	6.9
Restructuring provisions	9.3	10.0
Provisions for investment risks	11.7	18.4
Other provisions	6.0	2.8
Total	56.3	57.9

Restructuring provisions contain an addition of €3.7 million (previous year: €9.5 million) in connection with the Private Customers department designated for sale.

Provisions for investment risks chiefly comprise provisions for project risks at subsidiaries and investees. The decrease is primarily attributable to the reversal of provisions.

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

The following calculation parameters and assumptions were used to determine the present value of obligations under defined benefit pension plans and the expected return on plan assets included in pension costs:

	31 Dec. 2009 in %	31 Dec. 2008 in %
Discount rate	6.10	5.75
Salary trend	2.50	3.50
Pension trend	2.00	1.70
Staff turnover rate	3.00	4.00
Expected return on plan assets (in € million)	0.00	0.04

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

	31 Dec. 2009 € million	31 Dec. 2008 € million
Fair value of plan assets	0.0	1.2
Present value of obligations funded by provisions	21.3	20.3
Net obligation reported in the balance sheet	21.3	19.1

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

	2009 € million	2008 € million
Changes in present value of obligations		
Present value of obligations at 1 Jan.	20.3	21.5
Current service cost	1.1	1.3
Interest cost	1.2	1.2
Employee contributions/employer contributions	0.0	0.0
Pension payments from plan assets	0.0	- 0.1
Pension payments from provisions	- 0.6	- 0.7
Actuarial gains and losses	- 0.7	- 2.9
Other changes/changes in consolidated Group	0.0	0.0
Present value of obligations at 31 Dec.	21.3	20.3

	2009 € million	2008 € million
Changes in plan assets		
Fair value of plan assets at 1 Jan.	1.2	1.3
Employer contributions	0.0	0.0
Pension commitments	0.0	0.0
Other changes	- 1.2	- 0.1
Fair value of plan assets at 31 Dec.	0.0	1.2

The plan assets were reversed in full at the end of the fiscal year.

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

	2009 € million	2008 € million
Current service cost	- 1.1	- 1.3
Interest cost	- 1.2	- 1.2
Total	- 2.3	- 2.5

The investment of the plan assets resulted in an actual return of €0.01 million (previous year: €0.04 million).

The plan assets had the following portfolio structure at the respective balance sheet dates:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Asset category Income from fund investments	0.0	100.0
Total	0.0	100.0

The income from fund investments was reversed in full in 2009.

The following overview shows the changes in the present value of obligations, plan assets, the net obligation reported in the balance sheet and actuarial gains and losses in relation to the present value of obligations and plan assets:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Present value of obligations	21.3	20.3
Plan assets	0.0	1.2
Net obligation reported	21.3	19.1
Actuarial gains and losses	0.7	2.9

Other provisions changed as follows in the 2009 fiscal year:

€ million	Provisions for credit risks	Provisions for employee expenses	Restructuring provisions	Provisions for investment risks activities	Other provisions	Total
Balance at 1 Jan. 2009	0.7	6.9	10.0	18.4	2.7	38.7
Additions	3.2	3.6	3.9	5.6	4.3	20.6
Reversal	- 0.8	- 4.8	- 0.5	- 3.7	- 0.7	- 10.5
Reclassifications in accordance with IFRS 5	0.0	0.0	0.0	0.0	0.0	0.0
Other reclassifications	0.0	0.0	0.0	- 8.6	0.0	- 8.6
Utilisation	0.0	- 0.8	- 4.1	0.0	- 0.3	- 5.2
Balance at 31 Dec. 2009	3.1	4.9	9.3	11.7	6.0	35.0

Provisions for employee expenses comprise provisions for bonuses, severance payments and early retirement. Other provisions relate mainly to provisions for litigation risks, jubilee provisions and leases.

The expected maturities in accordance with IAS 37.85 are a maximum of two years for provisions for litigation costs, a maximum of six years for provisions for equity investments and a maximum of three years for provisions for employee expenses. Provisions for pensions and similar obligations have an average duration of 15 years. All other provisions are due within one year.

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 "Presentation in accordance with IFRS 5" for details.

59. Tax liabilities

	31 Dec. 2009 € million	31 Dec. 2008 € million
Current tax payables	3.3	0.3
Deferred tax liabilities	343.3	379.4
Total	346.6	379.7

Current tax payables are attributable to taxes for the Japanese subsidiary and the recognition of a provision relating to a tax audit.

Deferred tax liabilities were recognised in connection with the following items:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Financial assets and liabilities held for trading	167.9	207.6
Allowance for losses on loans and advances	1.0	5.3
Non-current financial assets	45.4	46.4
Other balance sheet items	129.0	120.1
of which derivative hedging instruments (fair value hedges)	71.8	68.8
Total	343.3	379.4

60. Subordinated capital

	31 Dec. 2009 € million	31 Dec. 2008 € million
Subordinated liabilities	240.8	327.2
of which:		
– deferred interest	6.1	6.6
Profit participation certificates outstanding	236.1	235.8
of which:		
– deferred interest	15.3	15.3
Total	476.9	563.0

The following subordinated liability accounts for more than 10.0% of all subordinated liabilities:

Currency	Carrying amount € million	Principal amount € million	Interest rate	Maturity
EUR	126.5	125.0	4.8	2003–2013

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

The subordinated liabilities issued by WestImmo itself or via its subsidiaries comply with the requirements of section 10 (5a) of the Kreditwesengesetz (KWG – German Banking Act). Subordinated liabilities with a notional value of €10.0 million have a residual maturity of less than two years, which means that only 40% are reported as own funds as defined by the German Banking Act. No extraordinary call rights have been agreed. Interest expenses of €16.1 million (previous year: €17.2 million) relating to subordinated liabilities were incurred in the year under review.

The original maturities of the subordinated liabilities are between 10 and 20 years (average: 13.2 years).

The following profit participation certificates account for more than 10.0% of all profit participation certificates outstanding:

Currency	Carrying amount € million	Principal amount € million	Interest rate	Maturity
EUR	26.8	25.0	7.30	2000–2011
EUR	26.7	25.0	6.87	2001–2011
EUR	26.6	25.0	6.85	2001–2012

Profit participation certificates with a notional value of €165.0 million must be repaid by 1 July 2011. These are no longer reported as own funds within the meaning of the German Banking Act.

Interest expenses of €15.4 million (previous year: €15.4 million) relating to profit participation certificates outstanding were incurred in the year under review.

61. Other liabilities

	31 Dec. 2009 € million	31 Dec. 2008 € million
Deferred income	3.3	5.7
Liabilities from profit/loss transfer agreements	69.5	56.8
Miscellaneous liabilities	30.7	33.7
Total	103.5	96.2

“Other liabilities” includes the liability resulting from the transfer of HGB net income under the profit/loss transfer agreement entered into between Westdeutsche ImmobilienBank AG and WestLB AG as at 1 January 2007. Miscellaneous liabilities relate primarily to trade payables and current liabilities to employees.

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

62. Equity

The subscribed capital of WestImmo as at 31 December 2009 amounted to €400.0 million (previous year: €400.0 million). It is composed of 4.0 million registered shares. WestLB AG, Düsseldorf, is the sole shareholder, with a 100.0% interest.

Equity is composed of the following items:

	2009 € million	2008 € million
Subscribed capital	400.0	400.0
Capital reserves	443.4	443.4
Retained earnings	123.4	83.2
Revaluation reserve (after deferred taxes)	- 76.5	- 108.3
Actuarial gains and losses on pension obligations (after deferred taxes)	3.6	3.6
Currency translation reserve	1.6	2.1
Distribution to shareholders	- 69.5	- 56.8
Consolidated profit for the period	83.4	96.7
Total before minority interest	909.4	863.9
Minority interest	- 3.5	- 2.9
Total after minority interest	905.9	861.0

The capital reserves contain additional capital contributions by the sole shareholder WestLB AG.

Unrealised gains and losses on the remeasurement of AfS financial instruments in the amount of €-110.2 million (previous year: €-157.8 million) are reported as at 31 December 2009. Offsetting effects from deferred taxes for the revaluation reserve amounting to €33.7 million (previous year: €49.5 million; see statement of changes in equity) were recognised as at 31 December 2009. Actuarial gains and losses on pension obligations in the amount of €6.2 million (previous year: €5.5 million) are reported as at 31 December 2009. Offsetting effects from deferred taxes for actuarial gains and losses amounting to €-2.6 million (previous year: €-1.9 million; see statement of changes in equity) were recognised as at 31 December 2009.

WestImmo complies with the criteria set out in IAS 1.135 (A-C) by implementing legal and company-specific requirements. WestImmo's capital requirements are subject to the provisions of the German Banking Act and the Solvabilitätsverordnung (SolvV – Solvency Regulation), which require banks to hold capital covering at least 8% of their risk-weighted assets. A bank's capital (own funds) includes its share capital, general reserves, the fund for general banking risks in accordance with section 340g of the HGB, as well as Tier II capital in the form of profit participation certificates and subordinated liabilities, less any deductible items. WestImmo's profit participation certificates and subordinated liabilities included in the regulatory capital meet the requirements for eligibility pursuant to the German Banking Act.

During the year under review, WestImmo's capital adequacy was consistently well in excess of the figure stipulated by law, amounting to 10.7% as at 31 December 2009 (annual low: 10.6%; annual high: 11.1%).

Starting with the minimum regulatory capital requirements and taking into account the strategic capital requirements defined by the Bank with a total capital ratio of at least 9.5%, the Bank's short-term and medium-term capital requirements are planned as part of the annual budgeting process and adjusted as required. The Board Administrative Staff/Controlling and Treasury departments are responsible for managing the Bank's capital requirements. These requirements are monitored continuously as part of the regular reporting to the Bank's governing bodies.

Please refer to the Risk Report contained in the Management Report for information on risk management within the framework of WestLB AG's uniform Group risk tolerance process and on economic capital as a standard measure of the overall bank risk with the relevant risk types.

Retained earnings are composed of the following items:

	2009 € million	2008 € million
Reserves provided for by the articles of association	11.7	11.7
Other retained earnings	111.7	71.5
Total	123.4	83.2

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

Consolidated profit for the period was, or will be, appropriated as follows:

	2009 € million	2008 € million	Change € million	%
Consolidated profit for the period	83.4	96.7	- 13.3	- 13.8
Reserve for general banking risks recognised in accordance with section 340g of the HGB	0.0	- 7.2	7.2	- 100.0
Gains (-)/losses (+) attributable to minority interest	- 0.3	0.7	- 1.0	- 142.9
Distribution to shareholders	- 69.5	- 56.8	- 12.7	22.4
Consolidated net retained profits	13.6	33.4	- 19.8	- 59.3

In fiscal year 2007, a profit/loss transfer agreement was entered into between the shareholder WestLB AG and WestImmo. On the basis of this agreement, €69.5 million (previous year: €56.8 million) will be transferred from WestImmo to WestLB AG. This corresponds to a dividend of €17.38 per share (previous year: €14.20).

The appropriations to reserves provided for by the articles of association were discontinued following conclusion of the profit/loss transfer agreement. Profits and losses attributable to minority interest relate to minority interest in the profit and loss for the period of fully consolidated subsidiaries.

Please refer to the statement of changes in equity for more information on equity transaction data.

63. Maturity structure

For the first time, the maturity structure is presented on the basis of IFRS 7.39 in 2009. The Bank opted not to voluntarily adjust the prior-year figures. As a result, comparison of the 2009 and 2008 figures is only possible to a limited extent.

In the 2009 maturity structure, financial assets and liabilities held for trading exclusively comprise non-derivative financial instruments.

Please see Note 69 for information on maturities relating to derivative financial instruments.

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

€ million	Residual maturities as at 31 December 2009				
	Payable on demand	up to 3 months	3 months to 1 year	1 to 5 years	more than 5 years
Loans and advances to banks	323.0	50.5	83.7	175.1	102.1
Loans and advances to customers	43.0	1,057.3	2,635.1	11,699.7	3,928.3
Financial assets held for trading	0.0	0.7	3.0	49.1	194.1
Financial assets designated at fair value through profit or loss	0.0	104.0	168.1	334.8	0.0
Non-current financial assets	0.0	123.7	370.2	1,287.9	2,228.9
Total	366.0	1,336.2	3,260.1	13,546.6	6,453.4
Deposits from banks	20.0	2,202.5	1,570.5	1,856.0	1,067.5
Deposits from customers	59.9	150.0	382.5	3,528.8	4,702.0
Securitised liabilities	0.0	643.1	961.6	5,853.7	1,679.3
Financial liabilities held for trading	0.0	0.0	0.0	0.0	0.0
Financial liabilities	0.0	45.7	56.9	694.2	3,070.6
Subordinated capital	0.0	3.8	46.0	477.2	18.2
Total	79.9	3,045.1	3,017.5	12,409.9	10,537.6

Residual maturities as at 31 December 2008					
€ million	Payable on demand	up to 3 months	3 months to 1 year	1 to 5 years	more than 5 years
Loans and advances to banks	345.0	638.0	85.8	204.4	115.6
Loans and advances to customers	148.1	1,465.9	1,979.1	7,424.6	3,873.5
Financial assets held for trading*	104.7	807.9	23.9	0.0	28.1
Financial assets designated at fair value through profit or loss	22.2	155.2	80.0	474.2	74.0
Non-current financial assets	38.3	85.0	530.0	654.5	2,168.5
Total	658.3	3,152.1	2,698.9	8,757.7	6,259.6
Deposits from banks	45.6	3,319.9	1,424.6	972.4	1,175.2
Deposits from customers	216.9	134.1	230.8	1,655.2	3,498.3
Securitised liabilities	95.8	392.7	2,001.7	3,362.7	2,432.5
Financial liabilities held for trading*	96.4	693.8	5.0	23.0	0.3
Financial liabilities designated at fair value through profit or loss	37.7	108.8	85.0	277.2	1,543.7
Subordinated capital	21.9	7.0	81.0	437.8	15.5
Total	514.3	4,656.3	3,828.1	6,728.4	8,665.5

* Financial assets and liabilities held for trading include the positive and negative fair values from derivative hedging instruments.

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 "Presentation in accordance with IFRS 5" for details.

€ million	Payable on demand	up to 3 months	3 months to 1 year	1 to 5 years	more than 5 years
Possible outflow of liquidity from					
– financial guarantee contracts	971.3	0.0	0.0	0.0	0.0
– irrevocable loan commitments	0.0	484.8	491.4	0.0	0.0

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 "Presentation in accordance with IFRS 5" for details.

64. Securities repurchase agreements

	31 Dec. 2009 € million	31 Dec. 2008 € million
Borrower under securities repurchase agreements (repos)		
Deposits from banks	1,690.7	880.5
Total	1,690.7	880.5

Deposits from banks amounting to €1,409.2 million (previous year: €805.9 million) relate to WestLB AG. Of the deposits from banks, €1,491.9 million has a residual maturity of "up to 3 months" (previous year: €601.9 million) and €200.8 million a residual maturity of "3 months to 1 year" (previous year: €270.9 million). €0.0 million (previous year: €7.7 million) is payable on demand.

65. Securities lending

As at the balance sheet date, securities worth €600.8 million (previous year: €369.2 million) were loaned and no securities borrowed (previous year: €0.0 million) under securities lending transactions.

66. Exposure to default risk from financial instruments

Where available, the maximum exposure to default risk from financial instruments – without taking into account any collateral or other arrangements that reduce the risk – is shown for each balance sheet item after deduction of the allowance for losses on loans and advances:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Cash and balances with central banks	22.2	30.2
Loans and advances to banks	691.6	1,364.0
Loans and advances to customers	16,731.9	14,715.7
Financial assets held for trading	952.6	861.8
Positive fair values of derivative hedging instruments	144.1	118.6
Financial assets designated at fair value through profit or loss	586.2	830.1
Non-current financial assets	3,091.4	3,437.1
Contingent liabilities from guarantees	845.7	846.1
Other commitments (irrevocable loan commitments)	912.8	1,217.2

67. Collateral received for financial instruments

WestImmo was provided with the following assets as collateral for loans and advances to customers and banks:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Assets hold as collateral		
– Financial collateral	90.2	27.4
– Real estate collateral	13,602.6	11,193.9
– Assignments	765.7	790.7
Collateral received for financial instruments that are past due but not impaired		
– Real estate collateral	10.4	5.3
Collateral received for financial instruments for which specific valuation allowances have been charged		
– Financial collateral	1.0	4.0
– Real estate collateral	560.4	455.3
– Assignments	1.9	3.2

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

There is no loan collateral that could be sold or liquidated without default by the collateral provider.

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 "Presentation in accordance with IFRS 5" for details.

68. Collateral transferred for own liabilities

Assets were transferred as collateral for the following liabilities:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Deposits from banks	2,950.7	3,284.4
Total	2,950.7	3,284.4

The following assets were transferred as collateral for the above liabilities:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Non-current financial assets	981.2	1,182.6
Total	981.2	1,182.6

Non-current financial assets comprise securities deposited with Deutsche Bundesbank. Assets recognised in the balance sheet as a result of the liquidation of collateral amounted to €17.5 million in 2009 (previous year: €2.7 million). Collateral received relates exclusively to rescue acquisitions.

Supplementary Disclosures

69. Derivative financial instruments

Derivative financial instruments are financial instruments whose value is derived from changes in the value of one or more underlying assets (underlyings). As a rule, the underlying is an interest rate, commodity price, index, equity or bond price, or an exchange rate.

Derivatives can be entered into as contracts on an exchange with standardised notional amounts and settlement dates, or OTC (over-the-counter) with individually agreed notional amounts, terms and prices (OTC derivatives).

The companies of the Westdeutsche ImmobilienBank Group enter into the following types of derivative transaction in the course of their business activities:

■ **Interest rate forward transactions/derivative products**

Interest rate swaps, interest rate options, swaptions, interest rate caps, interest rate floors, interest rate collars, interest rate futures

■ **Currency forward transactions/derivative products**

Currency forwards, currency swaps

■ **Combined interest rate and currency forward transactions/derivative products**

Cross-currency forwards, forward cross-currency swaps

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

The fair values of the individual contracts are the gross replacement costs excluding any netting effects.

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

Hedging derivatives for which hedge accounting under IAS 39 is used are reported in the balance sheet items "Positive" or "Negative fair values of derivative hedging instruments", and all others are reported as "Financial assets held for trading" or "Financial liabilities held for trading". Changes in the fair value of derivatives are recognised in net trading income with the exception of derivatives that meet the criteria for hedge accounting under IAS 39, whose changes in fair value are recognised in net interest income. As at 31 December 2009, recognised hedging relationships under IAS 39 consisted almost exclusively of interest rate swaps with a notional amount of €6,984.1 million (previous year: €5,098.4 million) and were reported in positive fair values of derivative hedging instruments (€3,132.2 million; previous year: €1,830.3 million) and negative fair values of derivative hedging instruments (€3,851.9 million; previous year: €3,268.1 million).

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

Presentation of volumes at reporting date

€ million	Notional amounts		Positive fair values		Negative fair values	
	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
Interest rate products						
Interest rate swaps	27,408.8	24,127.9	877.2	771.0	784.1	675.8
Interest rate options	1,674.7	1,620.8	6.8	10.6	183.9	337.5
– Calls	(208.5)	(249.0)	(6.8)	(10.6)	(0.0)	(0.0)
– Puts	(1,466.2)	(1,371.8)	(0.0)	(0.0)	(183.9)	(337.5)
Caps, floors	1,504.1	1,069.8	8.3	5.4	8.3	5.4
Interest rate products total	30,587.6	26,818.5	892.3	787.0	976.3	1,018.7
Currency products						
Currency forwards	4,523.0	2,575.1	16.8	172.3	90.2	119.2
Currency swaps	75.8	118.2	0.6	21.1	0.7	0.0
Currency products total	4,598.8	2,693.3	17.4	193.4	90.9	119.2
Cross-currency products						
Cross-currency swaps	65.9	61.4	0.0	0.0	18.6	23.4
Cross-currency products total	65.9	61.4	0.0	0.0	18.6	23.4
Derivative transactions total	35,252.3	29,573.2	909.7	980.4	1,085.8	1,161.3

Derivative transactions – Counterparty structure

€ million	Notional amounts		Positive fair values		Negative fair values	
	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
OECD banks	30,494.5	26,086.9	697.7	786.9	1,074.5	1,141.9
Customers (incl. exchange-traded contracts)	4,757.8	3,486.3	212.0	193.5	11.3	19.4
Total	35,252.3	29,573.2	909.7	980.4	1,085.8	1,161.3

Derivative transactions (notional amounts) – Maturity structure

Notional amounts € million	Interest rate products		Currency products		Cross-currency products	
	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
up to 3 months	1,056.2	578.3	2,152.6	2,308.7	0.0	0.0
3 months to 1 year	2,710.3	2,863.4	2,227.4	244.0	0.0	0.0
1 to 5 years	13,580.5	10,472.2	116.8	48.2	65.9	61.4
more than 5 years	13,240.6	12,904.6	102.0	92.4	0.0	0.0
Total	30,587.6	26,818.5	4,598.8	2,693.3	65.9	61.4

Maturity structure of derivatives

€ million	Payable on demand	up to 3 months	3 months to 1 year	1 to 5 years	more than 5 years
Possible inflow (+)/outflow (-) of funds from derivative financial instruments					
of which based on undiscounted cash flows (swaps)	0.0	17.9	- 65.2	36.1	115.1
of which based on fair values (other derivatives)	0.0	- 8.3	- 19.7	- 22.2	- 126.6

The disclosures in accordance with IFRS 7.39 b on the liquidity risk associated with financial instruments were made for the first time in 2009. The Bank opted not to voluntarily disclose the comparative prior-year figures.

70. Fair value of financial instruments

In accordance with IAS 32, fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

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

€ million	Fair value		Carrying amount		Difference	
	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
Assets						
Cash and balances with central banks	22.2	30.2	22.2	30.2	0.0	0.0
Loans and advances to banks	701.3	1,377.1	691.6	1,364.0	9.7	13.1
Loans and advances to customers	16,955.8	14,754.3	16,994.6	14,933.2	- 38.8	- 178.9
Loans and advances to customers (IFRS 5)	4,358.8	4,429.7	4,203.9	4,307.5	154.9	122.2
Financial assets held for trading	952.6	861.8	952.6	861.8	0.0	0.0
Positive fair values of derivative hedging instruments	144.1	118.6	144.1	118.6	0.0	0.0
Financial assets designated at fair value through profit or loss	586.2	830.1	586.2	830.1	0.0	0.0
Non-current financial assets	3,091.4	3,437.1	3,091.4	3,437.1	0.0	0.0
Non-current financial assets (IFRS 5)	6.0	0.0	4.2	0.0	1.8	0.0
Total	26,818.4	25,839.0	26,690.8	25,882.5	127.6	- 43.6
Liabilities						
Deposits from banks	6,370.2	6,837.6	6,360.4	6,825.8	9.8	11.8
Deposits from banks (IFRS 5)	159.2	149.4	161.4	153.3	- 2.2	- 3.8
Deposits from customers	7,049.3	5,793.6	6,863.7	5,756.0	185.6	37.5
Deposits from customers (IFRS 5)	0.2	0.0	0.2	0.0	0.0	0.0
Securitised liabilities	8,200.6	8,296.0	8,190.0	8,306.7	10.6	- 10.8
Financial liabilities held for trading	856.8	896.8	856.8	896.8	0.0	0.0
Negative fair values of derivative hedging instruments	229.0	264.5	229.0	264.5	0.0	0.0
Liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk	1.0	1.2	1.0	1.2	0.0	0.0
Financial liabilities designated at fair value through profit or loss	2,335.2	2,005.5	2,335.2	2,005.5	0.0	0.0
Subordinated capital	491.4	568.9	476.9	563.0	14.5	5.8
Total	25,692.9	24,813.5	25,474.6	24,772.9	218.3	40.6

The net difference between the carrying amounts and full fair values of all items as at 31 December 2009 amounted to a negative €90.7 million (unrealised negative fair value increment or “hidden liability”), previous year: hidden liability of €84.2 million.

Financial instruments measured at fair value can be allocated to the following categories:

	31 Dec. 2009		31 Dec. 2008	
	Quoted market prices € million	Measurement methods based on market data € million	Quoted market prices € million	Measurement methods based on market data € million
Assets				
Financial assets held for trading	0.0	952.6	0.0	861.8
Positive fair values of derivative hedging instruments	0.0	144.1	0.0	118.6
Financial assets designated at fair value through profit or loss	52.6	533.6	51.4	778.6
Available-for-sale financial assets	3,068.9	15.4	3,408.4	17.1
Total	3,121.5	1,645.7	3,459.8	1,776.1
Liabilities				
Financial liabilities held for trading	0.0	856.8	0.0	896.8
Negative fair values of derivative hedging instruments	0.0	229.0	0.0	264.5
Liability recognised for fair value changes of hedged items in portfolio hedge of interest rate risk	0.0	1.0	0.0	1.2
Financial liabilities designated at fair value through profit or loss	202.4	2,132.8	272.0	1,733.4
Total	202.4	3,219.6	272.0	2,895.9

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

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

71. Fair value hierarchy

In accordance with IFRS 7.27A, the level of the measurement hierarchy at which the fair value was determined – graded by the relevance of the inputs – must be disclosed using quantitative information for each class of financial instrument (= balance sheet items) that is recognised in the balance sheet at fair value. This enables the significance of the input to be assessed in relation to the fair value in its entirety.

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

The financial instruments measured at fair value at WestImmo are primarily in Levels 1–2. Level 3 measurement is used for financial instruments to be syndicated and externally valued fund units.

In the year under review, there were no changes in the methods used to determine the fair value of financial instruments measured at fair value in the balance sheet.

Balance sheet item	Level 1	Level 2	Level 3	Total
Financial assets held for trading (non-derivative)	0.0	0.0	187.0	187.0
Financial assets held for trading (derivative)	0.0	765.6	0.0	765.6
Positive fair values of derivative hedging instruments	0.0	144.1	0.0	144.1
Financial assets designated at fair value through profit or loss	52.6	533.6	0.0	586.2
Available-for-sale financial assets	3,046.7	22.2	15.4	3,084.3
Total	3,099.3	1,465.5	202.4	4,767.2
Financial liabilities held for trading (derivative)	0.0	856.8	0.0	856.8
Liabilities under repurchase agreements (repos)	0.0	0.0	0.0	0.0
Negative fair values of derivative hedging instruments	0.0	229.0	0.0	229.0
Financial liabilities designated at fair value through profit or loss (incl. subordinated capital)	202.4	2,132.8	0.0	2,335.2
Total	202.4	3,218.6	0.0	3,421.0

72. Reconciliation of Level 3 securities

Information in accordance with IFRS 7.27B

	FV as at 1 Jan. 2009	Purchases	Additions to Level 1	Additions to Level 2	Additions/ disposals due to reclassifi- cations	Additions/ disposals due to changes in consoli- dated Group	Sales	Disposals from Level 1	Disposals from Level 2	Net income from permanent impairment losses or reversals of impairment losses on available-for-sale financial assets transferred to the income statement	Gains and losses reported in the income statement	Fair value changes reported in the income statement	FV as at 31 Dec. 2009
Balance sheet item													
Financial assets held for trading	0.0	192.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	- 5.3	187.0
Positive fair values of derivative hedging instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available-for-sale financial assets	17.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	- 6.3	15.4
Total	17.0	194.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	- 11.6	202.4
Financial liabilities held for trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities under repurchase agreements (repos)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Negative fair values of derivative hedging instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss (incl. subordinated capital)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Summe	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The financial instruments reported under Level 3 comprise loans subject to syndication requirements and a fund unit in a closed-end real estate fund.

The closed-end real estate fund is measured using a net present value method. The sale of fund units in the short term is contractually prohibited.

A sensitivity analysis (+/- 1 bp) of the loans to be syndicated revealed a fair value change of less than €10 thousand. The fair value of the unit in the closed-end real estate fund is determined by the fund management company on the basis of the fund assets. A sensitivity analysis is therefore not possible here.

73. Contingencies and commitments

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

	31 Dec. 2009 € million	31 Dec. 2008 € million
Contingent liabilities		
– from guarantees and warranty agreements	845.7	846.1
Other commitments		
– irrevocable loan commitments	912.8	1,217.2

The disclosures were adjusted to reflect the presentation in accordance with IFRS 5. See Note 4 “Presentation in accordance with IFRS 5” for details.

Recognised provisions (Note 58) take adequate account of contingent liabilities in connection with risks related to the lending business.

74. Other financial obligations

The WestImmo Group has other financial obligations of €72.8 million (previous year: €73.6 million).

Annual rental and leasing obligations amount to €8.4 million (previous year: €8.8 million), of which €0.7 million (previous year: €0.7 million) is owed to affiliated unconsolidated companies. The agreements have a remaining term of up to 11 years.

The following table shows the aggregate future minimum lease payments attributable to non-cancelable operating leases in which WestImmo is the lessee:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Minimum lease payments		
– up to 1 year	6.9	6.6
– 1 to 5 years	32.0	27.4
– more than 5 years	24.4	30.7
Total	63.3	64.7

The following other obligations do not relate to operating leases:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Other obligations		
– up to 1 year	7.3	7.4
– 1 to 5 years	2.0	1.2
– more than 5 years	0.2	0.2
Total	9.5	8.9

Annual rental and leasing obligations include minimum lease payments of €6.9 million (previous year: €6.6 million) and contingent rent of €1.2 million per annum (previous year: €1.7 million). Subleases generated proceeds of €0.8 million (previous year: €0.8 million).

Significant leases with side agreements have not been entered into, with the exception of an option to purchase a property used by the Group at the end of the agreed lease period in 2019.

75. Deposit protection

WestImmo is affiliated with the Guarantee Fund of the Central Savings Banks/Central Giro Institutions in the Deutscher Sparkassen- und Giroverband (German Savings Bank Association). The Bank had an additional funding requirement of €36.7 million (previous year: €38.1 million) at the balance sheet date.

With effect from 20 September 2007, WestImmo, as a Group company of WestLB AG, was also admitted to the Reservefonds (Reserve Funds) of the Westfälisch-Lippischer Sparkassen- und Giroverband (WLSGV – Savings Banks and Giro Association of Westphalia-Lippe) and of the Rheinischer Sparkassen- und Giroverband (RSGV – Savings Banks and Giro Association of the Rhineland) with a share of 4.875% in each case. The funds each comprise cash funds of €250.0 million and an additional funding requirement in the same amount.

In connection with the measures implemented to support WestLB AG in 2008, to which the Reserve Funds of the Savings Banks Associations also contributed, the member institutions of these associations were informed of their proportionate additional funding requirements. In this context, the WLSGV does not classify WestImmo as a risk unit with WestLB AG, despite the fact that WestImmo is a contractually defined member of the Group, but as an independent member and therefore concludes that WestImmo has an unlimited payment obligation. In addition to ongoing contributions, this would also entail an obligation to make additional payments to the Reserve Funds; such an obligation cannot be ruled out. The resulting potential total payment obligation is €73.8 million.

To obtain final clarification on this matter, the WLSGV brought an action against WestImmo at the Mainz Administrative Court in October 2009. The WLSGV is claiming the contributions for 2008 and 2009 of €1.5 million in each case, as well as receivables arising from a share attributable to WestImmo of €12.0 thousand relating to a savings bank that is exempted from the additional funding requirement. The Bank has now responded to the action and, on the basis of legal opinions that it has obtained, believes that it is not liable for any payment obligations or additional funding requirements.

76. Letter of comfort

Apart from political risk, WestImmo ensures in the amount of its 100% interest that WIB Real Estate Finance Japan K.K., Tokyo, is able to meet its obligations. The total amount for which it is liable is unlimited.

77. Trust activities

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

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

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to customers	26.6	34.2
Trust assets	26.6	34.2
Deposits from banks	21.6	34.2
Deposits from customers	5.0	0.0
Trustee liabilities	26.6	34.2

78. Managed assets

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to customers	1.2	1.5
Total	1.2	1.5

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

79. Related party disclosures

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

Transactions with consolidated companies, associates and other investees

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to customers		
– affiliated unconsolidated companies	0.2	0.0
– associates, joint ventures and other investees	37.2	7.0
Non-current financial assets		
– affiliated unconsolidated companies	0.7	0.5
– associates, joint ventures and other investees	1.6	0.2

	31 Dec. 2009 € million	31 Dec. 2008 € million
Deposits from customers		
– affiliated unconsolidated companies	0.6	0.0
– associates, joint ventures and other investees	3.4	0.0

No guarantees were issued.

Transactions with our owner are as follows:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Loans and advances to banks	23.7	573.3
Financial assets held for trading	248.9	300.9
Total	272.6	874.2

	31 Dec. 2009 € million	31 Dec. 2008 € million
Deposits from banks	1,873.9	1,452.1
Securitised liabilities	2,363.9	2,162.7
Financial liabilities held for trading	264.2	271.9
Other liabilities	0.0	1.3
Total	4,502.0	3,888.0

There are contingent liabilities to the owner of €38.5 million; WestLB AG is the beneficiary of this transaction.

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

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

80. Remuneration of executive body members

	31 Dec. 2009 € million	31 Dec. 2008 € million
Aggregate remuneration of the Managing Board	1.8	2.3
– of which fixed salary	1.1	1.6
– of which performance-related	0.7	0.7
Aggregate remuneration of former Managing Board members and their surviving dependents	0.3	0.3
Pension provisions for former Managing Board members and their surviving dependents	4.8	4.8

The remuneration of the Managing Board in 2009 amounted to €1.8 million (previous year: €2.3 million). Former Managing Board members received €0.3 million (previous year: €0.3 million). The members of the Supervisory Board received remuneration amounting to €0.3 million (previous year: €0.3 million). Pension obligations for former Managing Board members amount to €4.8 million (previous year: €4.8 million).

Members of key management personnel consist of all members of the Managing Board.

81. Loans to executive body members

In fiscal year 2009, the members of the Managing Board were granted loans amounting to €0.2 million (previous year: €0.3 million). The term of the loans ends in fiscal year 2022 at the latest. The nominal rates of interest range from 3.96% to 4.8%. In fiscal year 2009, members of the Supervisory Board received loans amounting to €0.1 million (previous year: €0.1 million). The term of the loans ends in fiscal year 2019 at the latest. The nominal rate of interest is 4.66%.

No contingent liabilities were entered into in favour of executive body members in either 2009 or 2008.

82. Auditors' fee in accordance with section 314 (1) no. 9 of the HGB

	31 Dec. 2009 € million	31 Dec. 2008 € million
Financial statement audits	0.8	1.6
Other assurance and valuation services	0.2	0.1
Tax advisory services	0.0	0.0
Other services	0.0	0.0
Total	1.0	1.7

83. Securitisation of loans

No loans and advances to customers were securitised as at 31 December 2009 (previous year: €0 million).

84. Number of staff

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

	Male	Female	Total 2009	Total 2008
German Group companies/branches	232	195	427	467
Foreign Group companies/branches	27	25	52	48
Total	259	220	479	515

There were no vocational or similar apprentices in either 2009 or 2008.

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

The accompanying consolidated financial statements will be approved for publication by the Managing Board on 10 May 2010 and submitted to the Supervisory Board for approval.

86. Members of the Supervisory Board and the Managing Board

Supervisory Board

Hubert Beckmann Chairman
Deputy Chairman of the Managing Board
WestLB AG

Dr. Hans-Jürgen Niehaus Deputy Chairman
Member of the Managing Board
WestLB AG

Raimund Bär
Chairman of the Staff Council
Westdeutsche ImmobilienBank AG

Michael Breuer
President
Savings Banks and Giro Association of the Rhineland

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

Thomas Groß
Member of the Managing Board
WestLB AG

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

Hendrik Hering
Minister
Ministry for Economics, Transport, Agriculture and Viticulture of Rhineland-Palatinate

Matthias Wargers
Head of Group Development
WestLB AG

Managing Board

Dr. Peter Knopp
Chairman of the Managing Board

Claus-Jürgen Cohausz
Member of the Managing Board
Member of the Managing Board for Front Office

Rainer Spielmann

Member of the Managing Board

Member of the Managing Board for Credit Management, Risk Management, Finance and Accounting

Members of the Supervisory Board held the following offices
in accordance with section 340 a (4) no. 1 of the HGB:

Raimund Bär

Westdeutsche ImmobilienBank AG, Mainz

WestLB AG, Düsseldorf

87. Appointments of Managing Board members to statutory supervisory bodies

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

88. Appointments of employees to statutory supervisory bodies

The following employees hold the following offices or exercise the following functions at the companies
listed below:

Family name	First name(s)	Name and legal form of company in which office was held	Office/Function	Private or Bank appointment
Adler	Marcus	Allvaris GmbH	Management	Bank
Adler	Marcus	WestProjekt & Consult Gesellschaft für Projektentwicklung und Consulting mbH	Management	Bank
Adler	Marcus	Sevens Düsseldorf GbR	Management	Bank
Bär	Raimund	Westdeutsche ImmobilienBank AG	Supervisory Board	Bank
Bär	Raimund	WestLB AG	Supervisory Board	Bank
Bergmann	Michael	UFW-Greven	President	Private
Chapman	Nigel	The Association of Property Bankers Limited	Director	Private
Cohausz	Claus-Jürgen	Deutsch-Britische Industrie- und Handelskammer	Hesse Regional Committee	Bank
Engler	Uwe	Westdeutsche ImmobilienHolding GmbH	Management	Bank
Figgen	Frank	Stadt Hamm	Council	Private
Figgen	Frank	HAM TEC GmbH-Technologiezentrum, Gründerzentrum für Unternehmen in Hamm	Shareholders' Meeting	Private
Fohrmann	Andreas	Fischerinsel Beteiligungs GmbH	Management	Bank
Fohrmann	Andreas	WMO Entwicklungsgesellschaft mbH	Management	Bank
Forrest	Madeleine	The Association of Property Bankers Limited	Director	Private
Dr. Ghaemmaghami	Mike	WIB Real Estate Finance Japan K.K.	Management	Bank
Hilgemann	Rainer	Projektentw.-Ges. Gartenstadt Wildau Röthegrund II mbH	Management	Bank
Hilgemann	Rainer	Projektgesellschaft Klosterberg mbH	Management	Bank
Lukas	Friedrich	Wohnungsverein 1893 eG, Münster	Supervisory Board	Private
Menke	Ulrich	West Zwanzig GmbH	Management	Bank
Menke	Ulrich	Allvaris GmbH	Management	Bank
Menke	Ulrich	WestProjekt & Consult Gesellschaft für Projektentwicklung und Consulting mbH	Management	Bank
Neumann	Ewald	Zimbal Grundstücksverwaltungsgesellschaft mbH i.L.	Management	Bank
Plagemann	Thomas	Fischerinsel Beteiligungs GmbH	Management	Bank
Santen	Anne	Gewerbegebiet Münster Loddenheide mbH	Management	Bank
Santen	Anne	Dalberger Hof GmbH (ehemals West Neunzehn GmbH)	Management	Bank
Schweikert	Ludwig	WPW Immobilienentwicklungsgesellschaft Nr. 1 mbH	Management	Bank
Weber	Martin	Westdeutsche ImmobilienHolding GmbH	Management	Bank

89. Events after the balance sheet date

There were no events of particular significance after the balance sheet date.

90. List of shareholdings

Investments/shares in affiliated companies (section 285 no. 11 of the HGB, section 313 [2] of the HGB, section 340a [4] no. 2 of the HGB) (as at 31 December 2009):

No.	Name/town or city	Equity interest %	Voting power if different	Currency code	Equity in € thousands	Profit/loss in € thousands	Total asset € thousands
I. Companies included in the consolidated financial statements							
1. Consolidated subsidiaries							
a. Subsidiaries in accordance with IAS 27							
1	Westdeutsche ImmobilienHolding GmbH, Mainz ⁵⁾	94.60		EUR	5,539	0	48,257
2	WestGkA Management Gesellschaft für kommunale Anlagen mbH, Düsseldorf ⁵⁾	89.87	95.00	EUR	642	0	123,378
3	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH, Düsseldorf ⁵⁾	94.60	100.00	EUR	1,559	0	7,059
4	WIB Real Estate Finance Japan K.K., Tokyo, Japan ⁵⁾	100.00		JPY	10,798	4,439	945,346
5	WMO Erste Entwicklungsgesellschaft mbH & Co. KG, Bonn ⁵⁾	47.54	50.25	EUR	- 7,498	556	20,280
b. Subsidiaries in accordance with SIC-12							
6	Wire 2008-1 GmbH, Frankfurt am Main	0.00	0.00	EUR	-	-	-
2. Joint ventures accounted for using the equity method							
7	FEN Fachmarktzentrum ehemaliges Eisstadion Nürnberg GmbH & Co. KG, Berlin ⁴⁾	50.00		EUR	1,304	389	2,794
3. Associates accounted for using the equity method							
8	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH, Berlin ⁴⁾	47.50		EUR	- 1,452	- 636	12,546
II. Companies not included in the consolidated financial statements							
1. Unconsolidated subsidiaries							
a. Subsidiaries in accordance with IAS 27							
9	Allvaris GmbH, Düsseldorf ⁴⁾	94.92	100.00	EUR	870	- 41	977
10	BfP Beteiligungsgesellschaft für Projekte mbH, Düsseldorf ⁴⁾	75.68	80.00	EUR	25	0	28
11	Fischerinsel Beteiligungs-GmbH, Mainz ³⁾	100.00		EUR	24	- 1	27
12	Fischerinsel Vermietungs-GmbH & Co. KG, Mainz ⁴⁾	100.00		EUR	- 354	- 1,185	1,037
13	GkA Gesellschaft für kommunale Anlagen mbH, Düsseldorf ⁴⁾	89.87	100.00	EUR	133	50	803
14	GkA Grundstücksgesellschaft Hilden mbH, Hilden ⁴⁾	43.14	60.00	EUR	58	5	6,776
15	Infrastrukturentwicklungsgesellschaft Hilden mbH, Hilden ⁴⁾	46.73	52.00	EUR	61	1	16,846
16	ITCM Immobilien Consulting und Management GmbH & Co. KG i.L., Hamburg ¹⁾	94.60	100.00	EUR	-	-	-
17	ITCM Immobilien Consulting und Management Verwaltungsgesellschaft mbH i.L., Hamburg ¹⁾	94.60	100.00	EUR	-	-	-
18	LIFE.VALUE Construction GmbH, Düsseldorf ⁴⁾	89.87	100.00	EUR	554	8	1,502
19	LIFE.VALUE GmbH & Co. Building 1 KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 1,843	- 750	5,786
20	LIFE.VALUE GmbH & Co. LivingLofts KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 319	- 135	1,267
21	LIFE.VALUE GmbH & Co. Loft 1 KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 1,287	- 515	4,185
22	LIFE.VALUE GmbH & Co. Palace 1 KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 2,735	- 992	8,717
23	LIFE.VALUE GmbH & Co. 10 Broome KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 500	- 127	2,121
24	LIFE.VALUE GmbH & Co. 11/14 Centre KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 324	- 166	1,933
25	LIFE.VALUE GmbH & Co. 2 Sullivan KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 412	- 245	3,150
26	LIFE.VALUE GmbH & Co. 3 Thompson KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 233	- 198	3,074
27	LIFE.VALUE GmbH & Co. 4 Wooster KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 178	- 245	1,724
28	LIFE.VALUE GmbH & Co. 5 Greene KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 266	- 232	655
29	LIFE.VALUE GmbH & Co. 6 Houston KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 448	- 110	1,778
30	LIFE.VALUE GmbH & Co. 7/8 Prince KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 1,438	- 347	5,915

No.	Name/town or city	Equity interest %	Voting power if different	Currency code	Equity in € thousands	Profit/loss in € thousands	Total asset € thousands
31	LIFE.VALUE GmbH & Co. 9 Spring KG, Düsseldorf ⁴⁾	82.72	100.00	EUR	- 563	- 140	2,365
32	LIFE.VALUE Properties GmbH, Düsseldorf ⁴⁾	82.78	100.00	EUR	155	23	169
33	Objekt Marktpassage Frechen GmbH & Co. KG, Düsseldorf ⁴⁾	94.92	100.00	EUR	- 232	- 338	15,191
34	PE Projekt-Entwicklungsgesellschaft mbH, Düsseldorf ⁴⁾	94.92	100.00	EUR	25	0	371
35	PM Portfolio Management GmbH, Düsseldorf ⁴⁾	94.92	100.00	EUR	100	38	127
36	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG, Bad Homburg ²⁾	45.83	51.00	EUR	-	-	-
37	Projekt Carrée am Bahnhof Verwaltungs-GmbH, Bad Homburg ²⁾	45.83	51.00	EUR	-	-	-
38	Projektentwicklungsgesellschaft Gartenstadt Wildau Röthegrund II mbH, Wildau ⁴⁾	94.00		EUR	- 6,337	- 73	7,267
39	Projektgesellschaft Klosterberg mbH, Münster ⁴⁾	94.00		EUR	- 402	-112	1,103
40	RI Rheinische Immobiliengesellschaft mbH & Co. Fünfte Verwaltungs KG, Düsseldorf ⁴⁾	94.92	100.00	EUR	43	- 6	47
41	West Zwanzig GmbH, Mainz ⁴⁾	100.00		EUR	25	1	25
42	WIP Westdeutsche Immobilien Portfolio Management GmbH, Düsseldorf ⁴⁾	100.00		EUR	601	24	862
43	WMO Entwicklungsgesellschaft mbH, Bonn ⁴⁾	47.54	100.00	EUR	30	1	32

2. Joint venture

44	FEN Fachmarktzentrum ehemaliges Eisstadion Nürnberg Verwaltungs GmbH, Berlin ⁴⁾	50.00		EUR	47	3	52
45	Frankonia Eurobau Max-Viertel GmbH, Nettetal ⁴⁾	25.00		EUR	- 16,525	- 1,576	356,817
46	GID Gesellschaft für Innenstadtentwicklung in Duisburg mbH, Hamburg ⁴⁾	45.00		EUR	- 17	4	18
47	Grundstücksentwicklungsgesellschaft Krohnstieg-Süd mbH, Bremen ⁴⁾	45.00		EUR	- 2,698	- 288	4,567
48	Kampnagel 3. Grundstücksentwicklungsgesellschaft mbH i.L., Hamburg ¹⁾	33.60		EUR	-	-	-
49	Kampnagel 4. Grundstücksentwicklungsgesellschaft mbH i.L., Hamburg ¹⁾	33.60		EUR	-	-	-
50	Objektgesellschaft KAP am Südkai mbH i.L., Köln ¹⁾	25.00		EUR	-	-	-

3. Associates

51	BBT Wohnungsbeteiligungs GmbH & Co. KG i.L., Stuttgart ¹⁾	21.59		EUR	-	-	-
52	Entwicklungsgesellschaft Wohnpark Unna-Süd mbH, Unna ⁴⁾	33.33		EUR	285	64	2,564
53	EPM Assetis GmbH, Frankfurt/M. ⁴⁾	28.38	30.00	EUR	25,756	2,693	54,144
54	EVIS Euro Vertano Investment Services Sp. z o.o., Warszawa, Polen ³⁾	33.33		PLN	12	4	55
55	GML Gewerbepark Münster-Loddenheide GmbH, Münster ⁴⁾	33.33		EUR	10,032	- 347	21,365
56	Projekt Zeppelin-Center Friedrichshafen Verwaltungs GmbH i.L., Bonndorf ¹⁾	25.00		EUR	-	-	-
57	Reschop Carré Hattingen GmbH, Düsseldorf ⁴⁾	40.00		EUR	- 906	- 468	22,314
58	Reschop Carré Marketing GmbH, Düsseldorf	40.00		EUR	-	-	-
59	Retail Property Development GmbH, Hamburg ⁴⁾	50.00		EUR	18	- 2	19
60	RI Rheinische Immobiliengesellschaft mbH, Düsseldorf ⁴⁾	37.97	40.00	EUR	26	0	551
61	RI Rheinische Immobiliengesellschaft mbH & Co. Erste Verwaltungs KG, Düsseldorf ⁴⁾	37.97	40.00	EUR	6,604	575	7,212
62	RPD Management GmbH, Hamburg ⁴⁾	50.00		EUR	22	- 1	23
63	StadtGalerie Witten GmbH, Düsseldorf ⁴⁾	40.00		EUR	- 1,012	- 1,103	18,916
64	StadtGalerie Witten Marketing GmbH, Düsseldorf	40.00		EUR	-	-	-
65	WPW Immobilienentwicklungsgesellschaft Nr. 1 GmbH, Trier ⁴⁾	33.33		EUR	329	8	331

1) In liquidation

2) No information available


3) Only available data relates to 31 December 2007

4) Only available data relates to 31 December 2008

5) Preliminary 2009 financial statements

Mainz, 9 March 2010


Dr. Peter Knopp


Claus-Jürgen Cohausz


Rainer Spielmann

Audit opinion

We have audited the consolidated financial statements prepared by Westdeutsche ImmobilienBank AG, Mainz – comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, the notes to the financial statements and the segment reporting – together with the group management report for the fiscal year from 1 January 2009 to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315 a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] are the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Eschborn/Frankfurt am Main, 12 March 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dombek
Wirtschaftsprüferin
[German Public Auditor]

Hunkel
Wirtschaftsprüfer
[German Public Auditor]

Responsibility Statement

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

Mainz, 9 March 2010



Dr. Peter Knopp



Claus-Jürgen Cohausz



Rainer Spielmann

Report of the Supervisory Board

2009 was another extremely difficult year for the banking sector due to the ongoing financial market crisis coupled with one of the most severe recessions in the past 100 years. Nevertheless, WestImmo generated a strong result in the last fiscal year, expanding its business model and its business strategy as a supplier of commercial real estate finance in its core market with local expertise on the international markets.

The success of the Bank's strategy is based on the dedication of its Managing Board and employees, as well as on consistently constructive cooperation with the Staff Council. The Supervisory Board would like to thank them all for their hard work.

Cooperation between the Managing Board and the Supervisory Board

During the course of 2009, the Supervisory Board examined in detail the effects of the financial market crisis on the Bank, its business development and its strategic focus. 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, planning, the risk position and risk management, as well as business strategy and compliance. 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 strategy, business development and risk management, as well as other current developments. The Supervisory Board supports the Bank's strategic development.

Supervisory Board Meetings

The Supervisory Board held four ordinary meetings in the fiscal year under review. One member of the Supervisory Board attended less than half of the meetings of the full Board, with justifiable reasons being given for his absence.

At the meeting on 6 March 2009, the Supervisory Board took note of the Managing Board's report on the effects of the financial market crisis on WestImmo in particular. This report stated that WestImmo had been able to issue Pfandbriefe again at the beginning of the year and that spreads were also increasing. The Managing Board reported on developments both in the strategic portfolio and in the other holdings that do not belong to this. In the process it focused in particular on the current status of the discontinued Private Customers segment.

At the meeting on 11 May 2009, the Managing Board reported on the effects of the economic crisis on the real estate markets and the Bank's portfolio. It outlined both the negative trend in gross domestic product in Europe, the USA and Japan and the decline in real estate prices, rents and commercial real estate transactions. In addition, the Managing Board informed the Supervisory Board of various scenarios for the economic crisis and the knock-on effects on WestImmo, especially with respect to the need for allowances for losses on loans and advances.

At the meeting on 27 August 2009, the Managing Board reported among other things on the current status of the Private Customers segment, which is intended for sale, and on the liquidity risks arising from the economic crisis.

Additions and updates to this report were provided at the meeting on 26 November 2009. In addition, the Managing Board informed the Supervisory Board of the current status of the sale process for WestImmo. Consequently, the sale was also taken as the basis for the planning for 2010, which the Supervisory Board took note of together with the forecast for 2011 and 2014. In addition, an update of the report on the Reserve Fund was provided, as was information on the current status of the planned sale of EPM Assetis.

The Supervisory Board again discussed the consolidated financial statements as at 31 December 2007 and the Group management report for fiscal year 2007, both in the versions dated 10 December 2008, which it approved in their amended form by circulating written documents. In addition, it took note of the amended condensed consolidated financial statements as at 30 June 2008 and the amended condensed Group management report for the first half of 2008, both in the versions dated 10 December 2008.

Changes in the Composition of the Supervisory Board

Matthias Wargers resigned from the Supervisory Board effective 15 February 2010. The Supervisory Board would like to thank Mr Wargers for his consistent support and advice.

Committees

The Supervisory Board has established three expert committees: the Main Committee, the Risk Committee and the Audit Committee.

The Risk Committee held four meetings in the fiscal year under review, at each of which it discussed in detail the overall bank risk, risk management and the risk situation in relation to the individual risk types (credit, market, liquidity and operational risk). The Risk Committee also discussed separate analyses of loan subportfolios, the implementation and application of Basel II, the new version of the MaRisk, the audit reports and analyses of the securities portfolio. At the same time, the Risk Committee is the highest decision-making authority for loan approvals and decided on the loan exposures presented to it by the Managing Board by circulating written documents.

The Audit Committee held two meetings in the year under review. At its meeting on 27 April 2009, the Committee took note of the annual report by the Internal Audit department for 2008. At its meeting on 19 November 2009, it took note of the key audit findings for 2009 and Internal Audit planning for 2010.

Furthermore, the Managing Board reported at both meetings on the situation regarding internal and external audits. At its meeting on 27 April 2009, the Audit Committee took note of the annual financial statements prepared as at 31 December 2008, including the management report, and the consolidated financial statements prepared as at 31 December 2008, including the management report, as well as the external audit reports and the unqualified audit opinions.

The audit reports were discussed with the auditors and the financial statements and management reports prepared were discussed with the Managing Board. As a result, the Audit Committee obtained its own view of the situation and did not raise any objections. It recommended that the Supervisory Board adopt the annual financial statements and approve the consolidated financial statements.

In addition, at its meeting on 19 November 2009, the Audit Committee took note of the legislative changes resulting from the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act).

The Main Committee met once in the year under review, on 6 March 2009, when it dealt mainly with Managing Board issues. In addition, the Committee discussed the determination of the variable remuneration for Managing Board members, among other things.

The chairs of the expert committees reported regularly to the Supervisory Board on the committees' work.

Annual/consolidated financial statements 2008

Following the statutory audit and its own examination by the Audit Committee and the full Supervisory Board, the Supervisory Board adopted the Bank's annual financial statements as at 31 December 2008 and its management report for fiscal year 2008 on 11 May 2009. It also approved the consolidated financial statements as at 31 December 2008, including the Group management report for fiscal year 2008.

Annual/consolidated financial statements 2009

In accordance with the resolution by the Annual General Meeting on 11 May 2009, Ernst & Young, Eschborn, audited the annual financial statements prepared as at 31 December 2009, including the management report, and the consolidated financial statements prepared as at 31 December 2009, including the Group management report. Following their audits, the auditors issued unqualified audit opinions on each set of financial statements, including the management reports.

The annual financial statements were prepared in accordance with the accounting principles laid down in the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IASs/IFRSs).

At its meeting on 14 April 2010, the Audit Committee took note of the prepared financial statements and the management reports as well as the audit reports. Following discussion of the audit reports with the auditors and subsequent discussion with the Managing Board, the Audit Committee raised no objections and recommended that the Supervisory Board adopt the annual financial statements and approve the consolidated financial statements.

At its meeting on 22 April 2010, the Supervisory Board took note of the prepared financial statements and the management reports as well as the audit reports, the unqualified audit opinions and the report of the Chairman of the Audit Committee. The financial statements, including the management reports, the audit reports and the audit findings were made available to the Supervisory Board members in good time. There was a telephone link to the auditor during the Supervisory Board meeting.

Following its examination and discussion, the Supervisory Board adopted the annual financial statements as at 31 December 2009 and approved the consolidated financial statements as at 31 December 2009.

Mainz, 22 April 2010



Hubert Beckmann
Chairman of the Supervisory Board

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 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

Westdeutsche ImmobilienBank AG

Names and Locations

Members of the Managing Board, Managing Directors and Branch Managers

Members of the Managing Board

Dr. Peter Knopp
Chairman

Claus-Jürgen Cohausz

Rainer Spielmann

Managing Directors and Branch Managers National and International Investors

Thomas Brand
Managing Director
Berlin

Andrew S. Cooper
Managing Director
North America

Peter Denton
Managing Director
UK/London Branch

Werner Doetsch
Managing Director
Rhine-Main/Special Financing

Heribert Eisenburger
Managing Director
North Rhine-Westphalia/Benelux

Martin Erbe
Managing Director
Continental Europe

Dr. Mike Ghaemmaghami
Managing Director
Asia-Pacific

Mounir Hamrouni
Branch Manager (acting)
Paris

Emil Kajer
Branch Manager
Prague

Thomas Kreimer
Managing Director
Savings Banks

Lee Mays
Branch Manager
Madrid

Ulrich Lindhaus
Managing Director
Southern Germany

Oliver Pleiner
Managing Director
Northern Germany

Maciej Tuszyński
Branch Manager
Warsaw

Information correct as of March 2010

Heads of Central Departments

Gerhard Bappert

Risk Management/Equity Investments

Elvira Dettweiler-Scholz

Human Resources

Hartmut Eisermann

Credit Management

Uwe Engler

Balance and Accounting

Frank Heid

Board Administrative Staff/

Group Development/

Orga/IT/Services

Heinrich Hunecke

Legal

Tobias Ilgen

Treasury

Piet Kok

Property Valuation & Research

Thomas Plagemann

Real Estate Joint Ventures

Peter Schott

Securitisation

Francisco Vázquez Gómez

Internal Audit

Martin Weber

Retail Banking

Subsidiaries

Manager

Dr. Mike Ghaemmaghami
WIB Real Estate Finance Japan K.K.

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Information correct as of March 2010

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Deputy Chairman of the
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WestLB AG

Dr. Hans-Jürgen Niehaus

Deputy Chairman
Member of the Managing Board
WestLB AG

Raimund Bär

Chairman of the Staff Council
Westdeutsche ImmobilienBank AG

Michael Breuer

President
Savings Banks and Giro Association
of the Rhineland

Dr. Rolf Gerlach

President
Savings Banks and Giro Association
of Westphalia-Lippe

Thomas Groß

Member of the Managing Board
WestLB AG

Gerhard Heilgenberg

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

Hendrik Hering

Minister
Ministry for Economic, Transport,
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Conception, Creation and Production

Westteam Marketing GmbH, Düsseldorf

Mainz, April 2010

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Reservation regarding forward-looking statements

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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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