

19 December 2008

Financials Flash

Pan European Equity
Europe
Financials

Top Picks

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	ZFS		

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Fair Value REIT AG

Buy €3.3
(Remains Unchanged)

Target Price: €6.0
Reuters Code: FVIG.DE
Bloomberg Ticker: FVI GR
EPS adj.
Dec 2007A €0.38
Dec 2008E €-0.45
Dec 2009E €-1.68 (-1.67)
Dec 2010E €0.52 (0.56)
WestLB Research estimates
Market Cap: € 31m

Current recommendation since 19/06/2008
Previous recommendation was No Rating

For disclosures and statements required by regulatory bodies, please see the last page.

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Fair Value REIT AG

Airport Office II sold

- Fair Value announced the sale of its office property at the Düsseldorf Airport. The company sold the newly constructed and fully rented property at yield of 6.3% and recorded a €1m sales gain. The sale reduces debt and together with the change in REIT legislation (accepting minorities as equity) there is in our view no more danger that Fair Value is going to violate the REIT equity ratios due to valuation losses. Nevertheless we are reducing our estimate for the dividend from €0.35 to €0.2 as the company did not record sufficient sales gains to achieve a result at the parent level that would allow it to pay a significantly higher dividend.

Fair Value REIT AG forecasts and multiples

Year End	Sales	EBITDA	EPS adj.	P/E	EV/EBITDA	Yield
Dec	(€m)	(€m)	(€)	(x)	(x)	(%)
2007A	4	-1	0.38	8.7	-144.0	0.0
2008E	13	9	-0.45	-7.4	13.4	6.1
2009E	14	9	-1.68	-2.0	12.4	10.6
2010E	14	9	0.52	6.3	12.2	10.6
Net cash/Share ¹	-€7.4					
NAV/Share	€9.6					

¹ Cash/debt at end of current year

Source Fair Value REIT AG, WestLB Research estimates

- The realized gain is likely to offset our estimated valuation gains and thus there is no change in estimates for 2008. For the following years there are minor changes due the lower rental income, but also offsetting factors on the costs and financing side. Due to the lower amount of property in the balance sheet there is less risk for devaluation in 2009.

Changes in estimates

€m	2008E			2009E			2010E		
	new	old	change	new	old	change	new	old	change
Rental income	12.7	12.7	0.0%	13.8	15.1	-8.6%	13.9	15.2	-8.6%
Rental result	10.4	10.4	0.0%	12	13.2	-9.1%	12.3	13.4	-8.2%
Costs	-2.8	-2.8	0.0%	-2.8	-2.8	0.0%	-2.7	-2.9	-6.9%
EBITDA	7.8	7.8	0.0%	9.1	10.3	-11.7%	9.3	10.4	-10.6%
Sales gains	1	0	n.a.	0	0	n.a.	0	0	n.a.
Valuation result	-8.8	-7.8	12.8%	-16.5	-16.7	-1.2%	0.1	0.3	-66.7%
Result from associates	-0.2	-0.2	0.0%	-5.3	-5.3	0.0%	3	3	0.0%
Financial result	-4.8	-4.8	0.0%	-5.8	-6.8	-14.7%	-5.8	-6.7	-13.4%
Net attributable result	-4.2	-4.2	0.0%	-15.8	-15.7	0.6%	4.9	5.3	-7.5%
EPS (€)	-0.45	-0.45	0.0%	-1.68	-1.67	0.6%	0.52	0.56	-7.1%
NAV (€)	9.61	9.61	0.0%	7.73	7.64	1.2%	7.9	7.75	1.9%

Source WestLB Research estimates

- Apart from the sale of the Airport Office object the company did record some sales at the level of the participations. But as the money is not distributed to funds holders in 2008 this will not lead to an increase of the German-GAAP parent

company result. Therefore it is possible that the company can only distribute a dividend of €0.2 (0.35).

- **We do not change our target price as the sale of the property reduces devaluation and refinancing risks that are currently the main concern for the investors.**

Dr. Georg Kanders

19 December 2008

European Banks and Insurance

	Code Reuters	Reporting Currency	Price Close	Price Target	Rating Current	Rating Previous	Rating Latest change
Aareal Bank	ARLG.F	EURO	5.1	11.0	Buy	Add	02/04/2008
Aegon	AEGN.AS	EURO	4.8	3.2	Hold	Add	08/05/2008
Allianz	ALVG.F	EURO	73.3	105.0	Buy	Add	06/06/2007
AMB Generali	AMBG.F	EURO	74.0	60.0	Reduce	Hold	04/12/2008
Anglo Irish Bank	ANGL.L	EURO	0.3	3.5	Buy	Add	28/11/2007
AXA	AXAF.PA	EURO	15.7	25.5	Add	Hold	12/08/2008
Banco Popular	POP.MC	EURO	6.2	6.2	Hold	Reduce	17/01/2008
Barclays	BARC.L	UK POUNDS	140.0	460.0	Hold	Reduce	09/10/2007
BBVA	BBVA.MC	EURO	8.7	10.0	Hold	Buy	11/11/2008
BNP-Paribas	BNPP.PA	EURO	33.0	52.0	Buy	Add	10/11/2008
Cash Life AG	SGS.DE	EURO	2.2	3.5	Hold	Buy	31/07/2008
CNP	CNPP.PA	EURO	52.0	100.0	Hold	Reduce	25/04/2007
comdirect	CDBG.DE	EURO	5.3	8.0	Buy	Add	07/08/2007
Commerzbank	CBKG.DE	EURO	6.0	7.0	Reduce	Buy	28/10/2008
Credit Suisse	CSGN.VX	SWISS FRANCS	30.2	51.0	Buy	Add	02/08/2007
Crédit Agricole	CAGR.PA	EURO	8.1	10.0	Hold	Add	15/05/2008
DAB bank	DRNG.DE	EURO	2.3	3.0	Buy	Add	11/01/2008
DESIGN Bau	D2BG.DE	EURO	2.6	8.0	Buy		12/03/2008
Deutsche Bank	DBGn.DE	EURO	25.8	51.0	Buy	Add	12/06/2006
Deutsche Börse	DB1Gn.DE	EURO	54.9	59.0	Hold	Reduce	08/02/2008
Deutsche EuroShop	DEQGn.DE	EURO	22.2	25.0	Add	Buy	10/12/2008
Deutsche Wohnen AG	DWNG.DE	EURO	6.5	17.0	Buy	Add	12/06/2007
Dexia	DEXI.PA	EURO	2.7	7.5	Buy	Hold	24/05/2006
DIC Asset AG	DAZG.DE	EURO	4.6	11.0	Buy	Add	16/07/2008
Estavis AG	E7S.DE	EURO	1.5	1.7	Hold	Buy	15/02/2008
Fair Value REIT AG	FVIG.DE	EURO	3.5	6.0	Buy	No Rating	19/06/2008
Fondiarria - SAI	FOSA.MI	EURO	13.4	23.0	Add	Buy	01/09/2008
Generali	GASI.MI	EURO	19.5	22.5	Add	Hold	28/05/2008
GrenkeLeasing	GKLG.DE	EURO	19.2	24.0	Buy	Add	27/10/2008
Hannover Rück	HNRGn.DE	EURO	22.9	25.0	Add	Hold	21/10/2008
HCI Capital	HXCIGn.DE	EURO	1.5	2.2	Hold	Reduce	24/11/2008
HSBC	HSBA.L	US DOLLARS	6.3	6.2	Sell	Reduce	18/11/2008
Hypo Real Estate Group	HRXG.DE	EURO	2.8	2.0	Reduce	Hold	06/10/2008
INDUS Holding	INHG.F	EURO	11.7	22.0	Buy	Add	06/03/2007
ING Groep	ING.AS	EURO	7.1	10.5	Hold	Buy	20/10/2008
Intesa Sanpaolo	ISP.MI	EURO	2.4	6.0	Buy	Add	14/05/2008
IVG Immobilien	IVGG.F	EURO	5.0	13.0	Buy	Add	03/08/2007
KBC Group	KBC.BR	EURO	23.6	25.5	Hold	Add	04/12/2008
Lloyd Fonds	L1OG.DE	EURO	2.5	3.2	Hold	Reduce	18/11/2008
Lloyds TSB	LLOY.L	UK POUNDS	126.4	330.0	Add	Hold	23/04/2008
Mediolanum	MED.MI	EURO	3.1	3.6	Add	Buy	13/03/2008
MLP	MLPG.F	EURO	9.8	9.9	Hold	Add	21/02/2008
MPC Capital	MPCG.DE	EURO	4.6	4.3	Hold	Add	16/07/2008
Münchener Rück	MUVGn.DE	EURO	108.0	122.0	Hold	Add	18/12/2008
Nürnberger	NLVGn.F	EURO	47.0	55.0	Hold	Add	04/08/2000
Patrizia Immobilien	P1ZGn.DE	EURO	1.1	1.4	Reduce	Hold	02/04/2008
Postbank	DPBGn.F	EURO	12.8	22.0	Add	Hold	05/11/2008
Prudential	PRU.L	UK POUNDS	376.8	380.0	Add	Hold	24/10/2008
Royal Bank of Scotland	RBS.L	UK POUNDS	46.5	55.0	Hold	Add	26/11/2008
Société Générale	SOGN.PA	EURO	34.1	76.0	Hold	Buy	28/01/2008
SWISS LIFE	SLHN.VX	SWISS FRANCS	67.6	95.0	Hold	Add	12/11/2008
Swiss Re	RUKN.VX	SWISS FRANCS	48.7	77.0	Hold	Buy	02/04/2008
UBS	UBSN.VX	SWISS FRANCS	14.7	24.0	Buy	Add	26/07/2007
UniCredit Group	CRDI.MI	EURO	1.6	5.0	Hold	Add	17/03/2008
Vivacon AG	VIVG.DE	EURO	3.5	4.0	Reduce	Add	13/11/2008
Zurich Financial Service:	ZURN.VX	US DOLLARS	234.7	325.0	Buy	Add	17/08/2007

Source JCF, WestLB Research estimates

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Buy/Add	104	47	Buy/Add	27	63
Hold	84	38	Hold	14	33
Sell/Reduce	31	14	Sell/Reduce	2	5

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