

11 June 2007

# Financials Flash

Pan European Equity  
Europe  
**Financials**

## Top Picks

Banks	Insurance	Speciality Finance	Real Estate
Commerzbank	Mediolanum	Indus	DIC Asset AG (11/06/2007)
Deutsche Bank	Aviva	MPC	Estavis AG (05/06/2007)
Dexia	Allianz AXA Munich Re		

## In this issue:

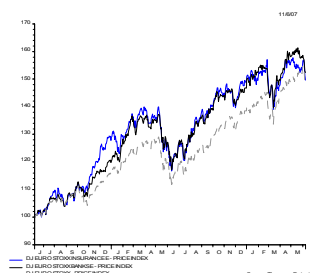
- **DIC Asset AG** (Buy (Add)), Upside potential close to 30% => upgrade to Buy, p. 2
- **Colonia Real Estate AG** (Buy (Add)), Upgrade to Buy, p. 3

## Key data

08 June 2007		
DJ Stoxx	385.10	-0.10%
DJ Stoxx Insurance	288.01	-0.88%
DJ Stoxx Banks	517.90	0.10%
Rel. perf. Insurance	3m	3.74%
	6m	1.48%
	12m	-18.60%
Rel. perf. Banks	3m	2.81%
	6m	1.03%
	12m	-3.42%
10 year Euro (%)	10y	4.56
10 year Euro expected (%)	3m	4.20
	6m	4.30
	12m	4.30
Exp. Market return (%) (SML)		9.35
Risk Premium		6.05

Source Datastream

## Relative performance



## Sector sales

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# DIC Asset AG

## Upside potential close to 30% => upgrade to Buy

After the recent drop in the share price we now see close to 30% potential to our target price. DIC Asset is one of the most dynamic companies in our universe. The has company confirmed that including the acquisitions made ytd it will buy commercial property worth more than €1bn. Given the improved outlook for rental increases, especially in the office sector and the company's good track record, we see the current share price level as an excellent opportunity to buy the stock.

### DIC Asset AG Forecasts and multiples

Year End Dec	Sales (€m)	EBITDA (€m)	EPS (€)	P/E (x)	EV/EBITDA (x)	Yield (%)
2006 A	38	37	0.85	31.8	36.6	2.8
2007 E	97	111	1.44	18.8	21.2	7.0
2008 E	164	178	1.97	13.7	15.2	8.5
2009 E	201	224	2.36	11.5	14.6	10.7
Net cash/Share <sup>1</sup>	-€55.2					
NAV/Share	€23.1					

Source Company, WestLB Research estimates

<sup>1</sup> Cash/debt at end of current year

<b>Buy</b> (Add)	<b>€27.0</b>
Target Price:	€35.0
Reuters Code:	DAZG.F
Bloomberg Ticker:	DAZ G4
EPS	
Dec 2006 A	€0.85
Dec 2007 E	€1.44
Dec 2008 E	€1.97
Dec 2009 E	€2.36
WestLB Research Estimates	
Market Cap:	€771m

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**Christoph Bossmann**

11/06/2007

# Colonia Real Estate AG

## Upgrade to Buy

Due to the recent drop in the share price the potential to our target price has increased to more than 30%. Thus we are upgrading Colonia to Buy. In addition, we have raised our earnings estimates after the excellent Q1 figures and the increase in the company's guidance.

### Colonia Real Estate AG Forecasts and multiples

Year End	Sales	EBITDA	EPS	P/E	EV/EBITDA	Yield
Dec	(€m)	(€m)	(€)	(x)	(x)	(%)
2006 A	129	9	1.52	21.2	98.5	-
2007 E	184	76	2.27	14.2	18.4	-
2008 E	262	128	3.26	9.9	12.7	-
2009 E	317	167	3.73	8.7	11.4	-
Net cash/Share <sup>1</sup>	-€28.6					
NAV/Share	€15.1					

Source Company, WestLB Equity Research estimates

<sup>1</sup> Cash/debt at end of current year

- **The bulk of the increase in estimates is due to increased estimates for the asset and fund management business, which performed very well in Q1.** In addition, the company announced that it was currently setting up another nursery home fund, which we had not factored into our estimates. Due to a faster than anticipated reduction in vacancies there was also a small increase in our estimates for rental income. However, we had already factored in the higher target of appr. 30,000 flats for the residential portfolio. Our forecasts for 2008 and 2009 include a portfolio growth of just 10,000 units per year, which looks conservative against the targeted expansion in 2007.

### Changes in estimates

€ m	2007		2008		2009	
	new	old	new	old	new	old
Revenues	183.6	172.5	262.5	249.5	316.6	303.7
EBIT excl. Valuation gains	75.5	65.6	128.4	120.8	166.8	157.5
PTP	81.1	67.7	125.8	110.1	143.8	127.2
Net after minorities	55.5	44.2	92.6	83.1	105.9	95.8

Source Company, WestLB Research estimates

- **The share of this fast-growing company has now come down to a very attractive level.** The P/E for 2008 is now single digit, while we are expecting revenues to increase by more than 20% each year. Thus we upgrade Colonia to Buy.

Dr. G. Kanders

11/06/2007

Buy	€32.3
(Add)	
Target Price:	€42.0
Reuters Code:	KBUG.DE
Bloomberg Ticker:	KBU GY
EPS	
Dec 2006 A	€1.52
Dec 2007 E	€2.27 (€1.79)
Dec 2008 E	€3.26 (€3.13)
Dec 2009 E	€3.73 (€3.58)
WestLB Research Estimates	
Market Cap:	€716m

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## Banking Indices – Performance and Valuation

	P/E 07	Price/Book 07	Return on Equity 07	% Change 1 Week	% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change 1 Year
WestLB Germany Index	10.6 x	1.6 x	14.79%	-4.5%	-3.9%	7.0%	13.9%	30.5%
WestLB Benelux Index	11.1 x	1.9 x	17.53%	-2.6%	-3.2%	7.4%	14.6%	29.4%
WestLB France Index	10.3 x	1.5 x	14.93%	-4.2%	-5.7%	5.8%	6.8%	23.0%
WestLB Iberia Index	11.7 x	2.3 x	20.08%	-4.3%	2.8%	1.0%	2.1%	26.8%
WestLB Ireland Index	10.0 x	2.0 x	19.48%	-5.5%	-6.2%	-10.4%	-4.9%	16.3%
WestLB Italy Index	12.8 x	1.5 x	12.13%	-1.7%	-8.7%	0.1%	4.3%	22.4%
WestLB Scandinavian Index	10.8 x	1.7 x	16.19%	-4.5%	-4.8%	-3.8%	0.4%	20.6%
WestLB UK Index	10.9 x	1.9 x	17.54%	-0.9%	-0.1%	-0.2%	0.5%	11.1%
WestLB Commercial Banking Index	10.9 x	1.8 x	16.08%	-3.1%	-3.1%	7.2%	12.4%	30.0%
WestLB Investment Banking Index	10.9 x	2.1 x	19.54%	-5.9%	-4.5%	2.0%	3.5%	18.2%
WestLB Retail Banking Index	11.2 x	1.7 x	15.49%	-1.9%	-4.5%	-1.8%	2.4%	20.3%
WestLB Retail Emerging Markets Index	12.5 x	2.2 x	17.16%	-2.6%	0.8%	5.5%	7.3%	20.0%
WestLB Equity Markets Recovery Index	12.0 x	2.4 x	20.28%	-5.4%	-5.2%	2.7%	6.4%	21.7%
WestLB Basel II Index	9.9 x	1.7 x	16.86%	0.2%	0.4%	-4.5%	2.9%	19.9%
WestLB Exchanges Index	23.5 x	8.7 x	36.88%	-3.3%	2.6%	8.9%	17.7%	54.3%
WestLB Dividend Yield Index	10.6 x	2.0 x	19.33%	-1.7%	-3.2%	-2.0%	0.2%	17.9%
WestLB Speciality Finance Index	18.8 x	2.6 x	13.63%	-3.3%	-5.0%	5.6%	12.1%	15.4%
WestLB Real Estate Index	10.2 x	1.8 x	17.22%	-3.9%	-1.8%	-2.8%	-0.2%	16.0%
WestLB Capital Strength Index	11.5 x	1.9 x	16.92%	-3.8%	-1.9%	2.3%	2.9%	12.2%
WestLB CEE Index	13.0 x	1.6 x	12.29%	-2.7%	-3.2%	3.5%	8.7%	36.0%
WestLB SRI Champions Index	11.2 x	1.9 x	17.16%	-2.0%	-1.8%	5.0%	7.4%	18.0%
WestLB Takeover Targets Index	13.0 x	1.9 x	14.59%	-2.5%	-0.4%	5.8%	13.9%	34.3%
DJ Stoxx /2/ Banks	11.5 x	1.9 x	16.36%	-3.2%	-2.8%	1.7%	4.3%	20.5%
DJ Stoxx 50	12.4 x	2.3 x	18.21%	-2.9%	-0.7%	5.0%	6.2%	19.0%

Source JCF, WestLB Research

**Banks**

Name	Reuters code	Currency (Company)	Price	Target Price	Recommendation	Previous Recommendation	Latest recommendation change date	Coverage Analyst Name
Aareal Bank	ARLG.F	€	38.00	44.00	Add	Hold	14/08/2006	CB
ABN Amro	AAH.AS	€	35.23	38.40	Hold	Reduce	20/03/2007	RB
Allied Irish Bank	ALBK.L	€	21.04	25.70	Add	Hold	23/02/2006	CB
Bank of Ireland	BKIR.L	€	15.30	19.50	Add	Buy	04/06/2007	CB
Barclays	BARC.L	£	722.50	680.00	Reduce	No Rating	09/05/2007	NS
BNP-Paribas	BNPP.PA	€	87.16	106.00	Add	Buy	23/02/2007	CB
comdirect	CDBG.DE	€	10.03	11.40	Hold	Reduce	14/05/2007	JT
Commerzbank	CBKG.DE	€	35.24	46.00	Buy	Add	24/04/2007	JT
Crédit Agricole	CAGR.PA	€	29.48	37.00	Add	Buy	12/01/2006	CB
Credit Suisse	CSGN.VX	CHF	88.20	103.00	Add	Buy	14/11/2005	GK
DAB bank	DRNG.DE	€	8.33	10.80	Buy	Add	22/05/2007	JT
DEPFA BANK	DEPF.DE	€	13.35	14.50	Hold	Add	22/05/2007	RB
Deutsche Bank	DBKGn.DE	€	106.46	<b>136.00</b>	Buy	Add	02/11/2006	GK
Dexia	DEXI.PA	€	22.98	29.00	Buy	Hold	12/06/2006	RB
Erste Bank der österr. Sparkassen	ERST.VI	€	58.89	62.00	Hold	Add	24/05/2006	RB
Fortis	FOR.BR	€	30.20	40.00	Hold	Add	22/04/2004	RB
HBOS	HBOS.L	£	1,070.00	1,250.00	Add	No Rating	04/05/2007	NS
Hypo Real Estate Group	HRXG.DE	€	48.20	60.00	Add	Buy	24/01/2007	CB
HypoVereinsbank	HVMG.DE	€	41.60	34.00	Hold	Sell	12/01/2007	RB
IKB	IKBG.F	€	26.06	36.00	Buy	Add	16/05/2007	JT
Intesa Sanpaolo	ISP.MI	€	5.52	6.40	Add	Hold	12/12/2006	JT
KBC Group	KBKt.BR	€	98.00	110.00	Add	Buy	14/05/2007	RB
Lloyds TSB	LLOY.L	£	567.50	560.00	Reduce	No Rating	01/06/2007	NS
Postbank	DPBGn.F	€	63.66	63.00	Reduce	Hold	15/11/2006	JT
Société Générale	SOGN.PA	€	140.25	155.00	Hold	Add	23/04/2007	CB
UBS	UBSN.VX	CHF	75.30	89.00	Add	Buy	03/05/2007	GK
UniCredito Italiano	CRDI.MI	€	6.76	7.45	Hold	Sell	27/07/2006	RB

Source JCF, WestLB Research estimates

**Speciality Finance**

Name	Reuters code	Currency (Company)	Price	Target Price	Recommendation	Previous Recommendation	Latest recommendation change date	Coverage Analyst Name
Deutsche Börse	DB1Gn.DE	€	165.35	164.00	Hold	Reduce	01/03/2007	JT
GrenkeLeasing	GKLG.DE	€	33.00	34.00	Hold	Reduce	25/04/2007	RB
HCI Capital	HXCIGn.DE	€	14.96	20.00	Buy	Add	21/05/2007	JT
INDUS Holding	INHG.F	£	30.45	38.00	Buy	Add	06/03/2007	GK
London Stock Exchange	LSE.L	€	1343.00	1190.00	Sell	Reduce	01/06/2007	JT
MPC Capital	MPCG.DE	€	71.07	84.00	Buy	Add	03/05/2007	JT
OMX	OMX.ST	SEK	222.50	237.00	Hold	Add	30/05/2007	JT

Source JCF, WestLB Research estimates

**Real Estate**

Name	Reuters code	Currency (Company)	Price	Target Price	Recommendation	Previous Recommendation	Latest recommendation change date	Coverage Analyst Name
Colonia Real Estate AG	KBUG.DE	€	32.30	42.00	Buy	Add	11/06/2007	GK
DESIGN Bau	D2BG.DE	€	8.30	13.00	Buy	No Rating	16/11/2005	TE
Deutsche EuroShop	DEQGn.DE	€	55.72	68.00	Add	Hold	15/05/2006	GK
Deutsche Wohnen AG	DWNGn.DE	€	35.75	51.00	Add	Hold	20/04/2007	TE
DIC Asset AG	DAZG.F	€	27.05	35.00	Buy	Add	11/06/2007	GK
Estavis AG	E7S.DE	€	27.08	36.00	Buy			TE
IVG Immobilien	IVGG.F	€	29.34	35.00	Hold	Reduce	20/04/2007	GK
Patrizia Immobilien AG	P1ZGn.DE	€	14.56	14.50	Hold			TE
Vivacon AG	VIVG.DE	€	26.30	31.00	Add			TE

Source JCF, WestLB Research estimates

**Insurance Companies**

Name	Reuters code	Currency (Company)	Price	Target Price	Recommendation	Previous Recommendation	Latest recommendation change date	Coverage Analyst Name
Aegon	AEGN.AS	€	14.70	17.50	Add	Hold	09/03/2007	AS
AGF	AGFP.PA	€	124.18	125.00	Hold	Reduce	15/03/2006	AS
Allianz	ALVG.F	€	163.10	209.00	Buy	Add	06/06/2007	AS
AMB Generali	AMBG.F	€	113.90	117.00	Hold	Add	30/01/2007	TN
Aviva	AV.L	£	770.00	910.00	Add	No Rating	25/10/2004	SW
AWD	AWDG.DE	€	31.80	34.50	Hold	Buy	14/11/2006	TN
AXA	AXAF.PA	€	31.00	37.00	Add	Hold	27/07/2005	AS
CNP	CNPP.PA	€	93.25	100.00	Hold	Reduce	25/04/2007	TN
Converium	CHRN.S	US\$	21.90	23.00	Hold	Reduce	20/02/2007	TN
Cash Life AG	SGSG.DE	€	24.00	33.00	Buy	Add	21/05/2007	SW
Generali	GASI.MI	€	29.46	38.50	Add	Hold	12/04/2006	TN
Hannover Rück	HNRGn.DE	€	34.18	37.00	Hold	Add	04/05/2007	AS
ING Groep	ING.AS	£	32.45	37.50	Add	Buy	04/09/2006	AS
Mediolanum	MED.MI	€	6.26	7.50	Add	Hold	20/01/2006	TN
MLP	MLPG.F	€	15.80	18.20	Hold	Add	07/02/2006	TN
Münchener Rück	MUVGn.DE	€	132.45	151.00	Add	Hold	09/02/2006	AS
Nürnbergger	NLVGn.F	€	74.50	85.00	Hold	Add	04/08/2000	SW
Prudential	PRU.L	€	722.00	725.00	Hold	Buy	20/02/2004	SW
SWISS LIFE R	SLHN.VX	£	320.75	365.00	Add	Hold	23/01/2007	SW
Swiss Re	RUKN.VX	CHF	113.60	130.00	Add	Hold	05/03/2007	TN
Zurich Financial Services	ZURN.VX	CHF	365.00	425.00	Add	Hold	18/05/2007	AS
Fondiarria - SAI	FOSA.MI	US\$	36.00	37.50	Hold	Add	09/11/2006	TN

Source JCF, WestLB Research estimates

## Sustainability Rating\*

Company	SRI-Rating	Environment	Governance	Stakeholder	Controversies
Aareal Bank	n.a.	n.a.	n.a.	n.a.	n.a.
ABN-Amro Holding	A++	↑	↗	↑	↑
Aegon	A	⇒	↗	⇒	↑
AGF	n.a.	n.a.	n.a.	n.a.	n.a.
Allianz	A	↑	↗	↗	↓
Allied Irish Banks	A	↘	↗	⇒	↑
AMB Generali Holding	n.a.	n.a.	n.a.	n.a.	n.a.
Aviva	A+	↗	↗	↗	↑
AWD Holding	n.a.	n.a.	n.a.	n.a.	n.a.
AXA	A	↗	↗	↗	↗
Bank of Ireland	B++	⇒	⇒	⇒	↑
BNP Paribas	A	⇒	↘	⇒	↗
Cash Life	n.a.	n.a.	n.a.	n.a.	n.a.
CNP Assurances	A	↘	⇒	↗	↑
comdirect bank	n.a.	n.a.	n.a.	n.a.	n.a.
Commerzbank	B++	⇒	↘	⇒	↑
Converium	B+	↘	↗	↘	↑
Credit Agricole	A+	↗	⇒	↗	↑
Credit Suisse Group	A++	↑	⇒	↑	↑
DAB Bank	n.a.	n.a.	n.a.	n.a.	n.a.
Depfa Bank	B	↓	↓	↓	↑
Deutsche Bank	A	↑	⇒	⇒	⇒
Deutsche Boerse	B	↓	↘	↓	↑
Deutsche EuroShop	n.a.	n.a.	n.a.	n.a.	n.a.
Deutsche Postbank	n.a.	n.a.	n.a.	n.a.	n.a.
Deutsche Wohnen	n.a.	n.a.	n.a.	n.a.	n.a.
Dexia	A+	↗	↗	↗	↑
DIC Asset AG	n.a.	n.a.	n.a.	n.a.	n.a.
Erste Bank der Österr. Sparkassen	B+	↘	↘	↘	↑
Euronext N.V.	n.a.	n.a.	n.a.	n.a.	n.a.
Fondiarria SAI	n.a.	n.a.	n.a.	n.a.	n.a.
Fortis	A+	↗	↗	⇒	↑
Generali	n.a.	n.a.	n.a.	n.a.	n.a.
Grenkeleasing	n.a.	n.a.	n.a.	n.a.	n.a.
Hannover Rueckversicherungs	n.a.	n.a.	n.a.	n.a.	n.a.
HCI Capital	n.a.	n.a.	n.a.	n.a.	n.a.
Hiscox	n.a.	n.a.	n.a.	n.a.	n.a.
HVB Group	A+	↗	↗	↗	↑
Hypo Real Estate Group	B+	↘	↗	↘	↑
IKB Deutsche Industriebank	n.a.	n.a.	n.a.	n.a.	n.a.
INDUS	n.a.	n.a.	n.a.	n.a.	n.a.
ING Groep	A+	↑	↗	↗	↗
Intesa San Paolo	n.a.	n.a.	n.a.	n.a.	n.a.
IVG Holding	n.a.	n.a.	n.a.	n.a.	n.a.
KBC Holdings	A+	↗	⇒	⇒	↑
London Stock Exchange	n.a.	n.a.	n.a.	n.a.	n.a.
Mediolanum	B+	↘	↘	⇒	↑
MLP	n.a.	n.a.	n.a.	n.a.	n.a.
MPC	n.a.	n.a.	n.a.	n.a.	n.a.
Muenchener Rueckversicherungs	A+	↑	⇒	⇒	↑
Nuernberger	n.a.	n.a.	n.a.	n.a.	n.a.
OMX	n.a.	n.a.	n.a.	n.a.	n.a.
Prudential	A	⇒	↗	⇒	↑
Société Générale	A+	↗	↘	↗	⇒
Swiss Life Holding	B+	⇒	↘	↓	↑
Swiss Reinsurance	A+	↗	↗	↗	↑
UBS	A+	↑	⇒	⇒	↗
Uni Credito Italiano	A+	↗	↘	↗	↑
Zurich Financial Services	B+	↘	↗	↓	↑

\*“Best in class” (DJ STOXX 600 classification)

Source WestLB Research

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**WestLB Equity Research: Distribution of ratings as of 01 June 2007**

Coverage universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy/Add	148	55	Buy/Add	49	73
Hold	90	33	Hold	16	24
Sell/Reduce	31	12	Sell/Reduce	2	3

\*Companies from which WestLB AG or an affiliate or subsidiary has received compensation for investment banking services within the past 12 months.

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