WestLB

New Answers in Banking

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Interim Report

January 1 – June 30, 2005

Overview of WestLB Group January 1 – June 30, 2005

Ratios

	1. 1. – 30. 6. 2005 %	2004 %
Return on equity before taxes	14.2	13.2[2]
Cost-income ratio[1]	69.7	79.7

[1] based on income from ordinary activities (MTM)
[2] excluding special items from the EU aid proceedings

Performance Figures

	1. 1. – 30. 6. 2005 € millions	1. 1. – 30. 6. 2004 € millions	Change € millions
Result from ordinary activities	297.5	348.2	– 50.7
Profit before taxes (MTM)	297.5	316.8	– 19.3
Profit after taxes (MTM)	193.9	259.1	– 65.2

Balance Sheet Figures

	30. 6. 2005 € billions	31. 12. 2004 € billions	Change € billions
Total assets	285.8	253.8	32.0
Business volume	410.0	349.2	60.8
Credit volume	246.2	222.3	23.9
Borrowed refinancing funds	264.0	234.1	29.9
Equity capital	4.7	3.8	0.9

Bank Regulatory Capital Ratios (BIS)

	30. 6. 2005	31. 12. 2004	Change € billions
Core capital (€ billions)	6.3	7.6	– 1.3
Capital and reserves (€ billions)*	13.5	14.6	– 1.1
Risk-weighted assets (€ billions)	124.9	118.0	6.9
Core capital ratio (%)	6.4	8.1	
Equity ratio (%)	10.8	12.4	

* after deduction of unused Tier III capital eligible for inclusion

Staff

	30. 6. 2005	31. 12. 2004	Change
Staff*	6,360	6,893	– 533

* Full Time Equivalent

Ratings (unguaranteed, since July 19, 2005)

	Short-Term	Long-Term
Moody’s Investors Service	P-1	A1
Standard & Poor’s	A-2	A-
Fitch Ratings	F1	A-

Chairman's Statement

Dear shareholders and clients,

For some weeks now WestLB has been competing without the protection of state guarantees. Our highly motivated employees are working hard under the new conditions – which incidentally imply a less comfortable rating – to gain the confidence of clients and close new deals. It would be presumptuous to read too much into the successes achieved in the early days of the post-guarantee era, for example in our international business. I nevertheless believe that we are generally well prepared to face the future without state guarantees.

Our shareholders, the rating agencies, the majority of investors and numerous clients have confirmed that, following the elimination of the state guarantees, there is no viable alternative to WestLB's new business model. This is the model in which WestLB declares its unequivocal loyalty to its home market of Germany and above all to North Rhine-Westphalia as the largest and a strong economic region of our country. Here in North Rhine-Westphalia we have laid the foundations in recent months for building a new type of universal bank in collaboration with the savings banks. This partnership between WestLB and the savings banks in North Rhine-Westphalia and Brandenburg is characterised by the fact that it offers our many clients new business incentives and provides a customised service that is unique on the German banking scene.

The figures contained in our statement of income as per June 30, 2005 do not yet reflect this development. The fact that the WestLB Group is able to report a pre-tax profit of € 297.5 million – half of the planned figure for the whole of 2005 – gives us cause for satisfaction, but not more. We are encouraged by the rapid improvement in the volume of business conducted with the savings banks after just six months of working under the new strategy. It is barely twelve months ago that the savings banks concluded two out of three transactions requiring a wholesale banking partner without WestLB. Today the opposite is true, and the number of savings banks transacting business via WestLB is steadily increasing. WestLB's direct business with the savings banks is well above budget.

The implementation of the new strategy requires us to tailor our investment banking operations much more precisely to the needs of our clients and to streamline our cost structures. In their latest reports on WestLB, Standard & Poor's, Moody's and Fitch Ratings, the rating agencies, also pinpointed the need for action to be taken in these areas. We and our shareholders concur with this analysis. We will therefore take decisive action to this effect.

WestLB has used the past months to improve its competitiveness and growth potential with a number of targeted strategic initiatives. The acquisition of Weberbank, which will shortly be formally completed, will enable us to resume our private banking business with high net worth private clients and stabilise earnings, while achieving a critical client mass at a single stroke. Through our joint venture with NORD/LB and Japan's Shinsei Bank Ltd., we will establish ourselves as a strong partner to our clients in the restructuring and subsequent resale of non-performing loans. And finally, we will use Germany's new Pfandbrief Act to relaunch WestLB AG as an issuer of public-sector Pfandbriefe, enabling us to fund our growing volume of state and municipal lending business in an efficient manner.

Following the elimination of the state guarantees, nothing will be the same as it was before for WestLB and the other Landesbanks. More than ever we must work hard to earn the trust and confidence of our clients and investors. WestLB's employees have understood this. We trust we retain your support as we move forward.

Sincerely yours,

Thomas Fischer

Dr. Thomas R. Fischer
Chairman of the Managing Board

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A Strong Alliance

July 18, 2005 marked the end of an era for WestLB – as it did for all of Germany's Landesbanks. With the state guarantees of institutional liability and guarantor liability eliminated, the public sector and private sector banks now stand on a level playing field. WestLB is facing the new challenges in partnership with the savings banks, which are part owners in the Bank through their respective associations. The results for the first half of 2005 signal that WestLB is well equipped for free competition. Profit before taxes (marked to market) reached € 297.5 million.

In pursuit of the goal to considerably reduce the Bank's cost base, the Managing Board adopted the Lean Bank Programme in the spring of this year. This cost-cutting programme is one element in a whole package of measures aimed at creating leaner structures and processes in the Group. In addition, the non-strategic aircraft leasing subsidiary Boullioun Aviation Services Inc. was sold in May 2005 as part of the Bank's efforts to focus on core business.

WestLB took a decisive step towards strengthening its new business model by acquiring Weberbank, a move in keeping with its commitment to reach its stated goal by making strategic acquisitions and entering into strategic cooperations as necessary. In addition, NORD/LB, Shinsei Bank Ltd. and WestLB agreed at the end of June to launch a joint venture known as Servicegesellschaft Kreditmanagement GmbH (SGK), which will purchase and restructure non-performing loans.

In June 2005, WestLB's shareholder structure underwent another minor change with the savings banks associations selling a small portion of their stake in WestLB's equity capital to NRW.BANK.

Shareholder Structure

Regional Association of Westphalia-Lippe	0.214%
Regional Association of the Rhineland	0.214%
State of North Rhine-Westphalia	0.787%
Savings Banks and Giro Association of Westphalia-Lippe	30.335%
Savings Banks and Giro Association of the Rhineland	30.335%
NRW.BANK	38.114%

Alliance with Savings Banks Strengthens Earnings Potential

The alliance between WestLB and the savings banks offers promising opportunities for both parties with respect to tapping new markets. Proof is already at hand with an increased volume of business generated with the savings banks as well as considerably stronger earnings potential from the cooperation. The savings banks are benefiting increasingly from the comprehensive product expertise that WestLB has to offer. We have taken our claim to be the savings banks' window on the world a decisive step forward with the Equity Trading Platform. As the first savings bank, Kreissparkasse Köln has been using the platform since this summer, thereby gaining direct access to trading in real time not only on the entire German stock market, but also on all major European exchanges, without having to be an exchange member. Customers can also use this link to WestLB's trading system to place stock orders outside Europe. Other savings banks have already expressed interest in the product.

Another expression of the alliance's effectiveness is the financing provided to a U.S. parent company of a subsidiary headquartered in North Rhine-Westphalia. Working in close cooperation with the German subsidiary's principal savings bank, our New York Branch, for example, developed a transatlantic structure that ultimately made the business relationship between the savings bank and the customer even stronger. All in all, alliance members are increasingly taking into account the entire network of WestLB when it comes to the international business activities of their clients.

WestLB Life Markets GmbH is yet another example of the Bank's power to innovate. The company buys life insurance policies that have been assigned to the savings banks as collateral. In doing so, the interests of the customer, whose coverage is intact, are protected, as are those of the savings banks, which earn more on the sale. Although we did not start offering this product until the spring of this year, demand is already brisk.

Investment Banking Provides Important Products for the Alliance

Investment Banking is an important product supplier within the new business strategy, not only of standard products but also of tailor-made financial solutions. We were particularly successful in the first half of 2005 in the area of capital market debuts. For example, with NORD/LB acting as co-lead manager we placed an € 840 million promissory note (Schuldscheindarlehen) and a € 30 million registered bond (Namensschuldverschreibung) for the Sparkassenverband Niedersachsen (SVN), the umbrella organisation for savings banks in Lower Saxony.

SVN is using the issue proceeds to refinance the capital increase at NORD/LB. Essen-based RAG also made its first appearance on the international capital markets. A syndicate made up of WestLB and five other leading banks sold the company's five-year revolving credit facility to a broad investor base from the international banking scene. In addition, we successfully placed a variety of structured issues with international investors on behalf of European clients. Some of these issues also involved capital market debuts.

WestLB closed several financing deals in the second quarter that comply with the Sharia. The scale of these deals may be small, but the significance and acceptance of traditional and project-related Islamic financing is growing, particularly in the member states of the Gulf Cooperative Council. Thus, WestLB has already made a name for itself in this sector within a relatively short period of time.

In another project with NORD/LB, WestLB and Shinsei Bank Ltd. launched a joint venture for the purchase, restructuring and sale of non-performing loans. SKG is the first company of its kind in Germany's public sector. SGK offers savings banks and Landesbanks as well as private sector banks the restructuring and processing of non-performing loans in commercial property finance and corporate finance. NORD/LB and WestLB will initially transfer commercial property NPL portfolios worth a total of € 400 million to SGK. The new loan platform will commence operations as soon as the official checks by the cartel authorities in Germany have been completed.

WestLB Strengthens Private Banking with Purchase of Weberbank

In May WestLB announced its acquisition of Weberbank. With the transfer of € 3 billion in assets under management and over 33,000 clients, WestLB will strengthen its position in the business with high net worth private clients in Germany. By purchasing the Berlin-based institution, WestLB acquires a sophisticated client portfolio and a strong brand in the private banking field. The head office of Weberbank, which will trade as a joint stock company in future, will remain in Berlin. High net worth private clients in North Rhine-Westphalia will be served by a branch in Düsseldorf, which is scheduled to open before the end of 2005. The economic aspects of the transaction are scheduled to be completed in autumn of this year. Beyond the addition of Weberbank, the roles of WestLB International S.A. in Luxembourg and Banque d'Orsay remain unchanged in the Group's private banking strategy. Going forward, WestLB will grow its private banking business further by working in close collaboration with the savings banks and serving as their product and service platform in this area. This cooperation between institutions has already borne fruit, especially in terms of the success of structured retail products in the securities business with savings banks' customers. Unit sales to the savings banks in the highly competitive certificate market, for example, rose sharply.

Assets Under Management Growing

WestAM reported a considerable increase of some 13% in its assets under management in the first half of 2005, bringing the total to € 66.7 billion. The positive business trend in the core European markets was one reason, mainly because of substantial additional investments in existing portfolios. Another reason was WestAM's acquisition of new contracts from German and French clients to manage portfolios consisting of European money market and European bond products. Of particular note was our assumption of management responsibility for an emerging markets fund offered to retail investors by DekaBank. Additional investments in various U.S. ABS vehicles managed by Brightwater Capital and a positive market performance, itself triggered mainly by the development of the U.S. and Australian Dollars, also had an effect.

Ratings after Elimination of State Guarantees: Interim Target Met

A key ingredient in the Bank's future success is a rating that secures access to the capital market. Previously, WestLB's rating was largely tied to the rating given to the State of North Rhine-Westphalia as one of WestLB's owners. With the elimination of institutional and guarantor liability on July 19, 2005, the basis for WestLB's rating has changed. The willingness and ability of the Bank's owners to support their institution continue to have some bearing on the rating, but other factors now take precedence when analysing the Bank's creditworthiness. These include the Bank's profitability, risk profile and risk management, capitalisation and liquidity situation, as well as its general business strategy.

Ratings Depend on Issue/Maturity of WestLB Bonds

Creation of the Liability	Maturity of the Liability up to Dec. 31, 2015	 after Dec. 31, 2015
Until July 18, 2001	Aa2/AA-/AAA	Aa2/AA-/AAA
July 19, 2001 to July 18, 2005	Aa2/AA-/AAA	**A1/A-/A-***
As of July 19, 2005	**A1/A-/A-***	**A1/A-/A-***

* New unguaranteed long-term rating (Moody's/S&P/Fitch Ratings)
New unguaranteed short-term rating (P-1/A-2/F1)

In the summer of 2005, all rating agencies confirmed their ratings for WestLB's unguaranteed liabilities – i.e. without the state guarantees. Long-term liabilities issued by WestLB from July 19, 2005 onwards have received ratings of A- from Standard & Poor's, A- from Fitch Ratings and A1 from Moody's. The agencies regard our new business model as being strategically sound in their analyses. They believe that WestLB has adopted the right course in its close cooperation with the savings banks and its decision to concentrate on core strengths and core regions in its international business. The agencies acknowledge that the Bank has streamlined its portfolio in accordance with the new risk strategy and improved its capitalisation and liquidity situation. They believe that the Bank needs to take action to restructure its investment banking operations, improve its cost structures and increase operating profit. WestLB will make every effort to improve its rating further.

Solid Liquidity Situation

We geared our liquidity management and refinancing activities at an early stage to the new environment resulting from the elimination of institutional liability and guarantor liability. Surplus liquidity of more than one year was further increased. In the first half of the year the Bank issued nearly € 9 billion in long-term unsecured notes. WestLB will gradually replace short-term unsecured liquidity with secured financing. Effective management of short-term liquidity is an important element in WestLB's overall liquidity management, particularly in the period as of July 19, 2005.

The Bank is working to broaden its refinancing base further. To this end, we are aiming to be in a position to resume Pfandbrief issuance in the second half of the year. WestLB will thus make use of the possibilities afforded by Germany's new Pfandbrief Act, which went into effect on July 19, 2005. Under the new Pfandbrief strategy, the Bank will focus exclusively on the issuance of public Pfandbriefe. Westdeutsche ImmobilienBank (WIB) will concentrate on real estate lending and the related mortgage bond business. With respect to WestLB Covered Bond Bank plc, which previously issued public Pfandbriefe for the Group, WestLB is currently considering a number of strategic options.

Risk Report

Through active capital management the Asset Liability Committee (ALCO) ensured that the risk tolerance determined for the Bank and the allocated risk capital limits were adhered to at all times.

In the first half of 2005, the Bank made additional headway in refining its credit risk strategy and adjusting it to the risk profile of the new business model. Bearing in mind the goal of optimising the risk-reward profile, the strategy was geared even more closely to client-driven business, which WestLB aims to expand particularly in the Corporate Banking and Investment Banking segments. Individual sub-strategies tailored to the needs of specific customers, products and sectors complement the overall credit risk strategy.

The "Basel II und Gesamtbankrisikosteuerung" project ensures that internal management mechanisms conform to external requirements. The Bank successfully participated in the Quantitative Impact Study (QIS 4). The results of the study strengthen our resolve to use the advanced IRB approach of Basle II. Preparations for filing the application to use the IRB approach are proceeding as planned. The decision of the Federal Financial Supervisory Authority (BaFin) on recognising the methods and procedures for expanding usage of the internal model for market price risks to full use is expected in the second half of 2005.

Quantitative and qualitative instruments for managing operational risks were further refined, particularly with respect to outsourced processes. Whereas IT applications were the focus of risk-self assessment in early 2005, general bank processes have been in the spotlight as the year progresses.

Business Review

Basis of the Interim Reporting

The Interim Report at June 30, 2005 was prepared in accordance with the provisions of the German Commercial Code (HGB), the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV) and the relevant provisions of the German Stock Corporation Act (AktG). Detailed explanations of the accounting and valuation methods are provided in the 2004 Group annual accounts. In preparing the income statement, we have given priority to marking trading book positions to market when calculating the net income from trading operations; this deviates from how this item was reported on the statement of income prepared at December 31, 2004. For the first time, the servicing of silent contributions to capital and similar hybrid capital instruments has been reported as a separate item in the income statement: "Profit attributable under partial profit transfer agreement." In preparing the segment report, the relevant German Accounting Standards (GAS 3 and GAS 3 – 10) were applied. The segment reporting reflects the Group's new organisational structure, which went into effect on January 1, 2005. The year-earlier figures have been adjusted accordingly. All income and expenses of the Corporate Center were allocated among the remaining divisions as part of internal netting.

Statement of Income at June 30, 2005

At € 297.5 million, **profit before taxes based on a mark-to-market valuation of the trading book** is close to the 2005 target attributable to the period. All the same, the € 134.2 million from the second quarter did not quite match the first-quarter result because of the persistently challenging market conditions.

Net interest income, at € 821.0 million, fell € 72.2 million short of the figure for the first half of 2004. The reduction in risk-weighted assets in 2004 and the sale of non-strategic holdings continue to have a significant impact, with the resulting lower volume of investment income. In addition, the interest result from trading activities decreased. However, this effect must be viewed in connection with the increase in net income from trading operations. A dividend payment from West Logistics GmbH following the sale of Klöckner & Co AG is also captured in the net interest income from the second quarter.

The interest margin based on the average risk-weighted assets (BIS) increased by five basis points on the year-earlier period to 1.35%.

Net commission income amounted to € 153.7 million, which was € 16.1 million less than the year-earlier figure. Net commission income from both the lending and securities businesses was adversely affected by the low volume of new deals. In addition, the higher volume of issuing activity – particularly the hybrid Tier 1 capital issued in 2005 – resulted in commission expenses, most of which was non-recurring.

On a mark-to-market basis, **net income from trading operations** stood at € 13.3 million, which represents a gain of € 62.4 million on the year-earlier period. A key factor in the increase was substantial improvement in the business with interest rate and currency-based products.

Other operating expenses/income stood at € 20.3 million. The considerable decrease in leasing income following the sale of Boullioun Aviation Services Inc. factored heavily into the drop from the figure (€ 117.8 million) reported for the same period last year. Ongoing allocations to the two reserve funds with the savings banks in North Rhine-Westphalia as well as the sale of Assetis GmbH in the Westdeutsche ImmobilienBank subgroup also drove down the figure.

Administrative expenses dropped by € 6.4 million to € 890.2 million compared to the year-earlier period. The € 27.3 million decrease in personnel expenses to € 476.7 million is chiefly the result of having a lower headcount and thus lower regular salary payments. The number of full-time employees dropped by 533 to 6,360 in the first half. By contrast, other administrative expenses rose slightly by € 20.9 million to € 413.5 million. Owing to the additional cost containment measures already introduced in the first quarter, we expect administrative expenses to drop further in the quarters ahead.

There was improvement in the cost-income ratio compared with December 31, 2004 as a result of these developments. The ratio fell from 79.7% to 69.7%.

The € –90.0 million in **provisions for credit risks** was derived from the total amount expected for the year. Because of our rigorous system of risk management, we expect our credit risk provisions for the full year to be clearly below budget.

The **result of securities and participations** rose substantially on the previous year by € 158.5 million to € 269.4 million. The growth is mainly due to gains on the sale of additional non-strategic investments.

For the first time, the **profit attributable under partial profit transfer agreements** to the silent contribution as well as the hybrid capital of WestLB New York Capital Investment was reported separately. At June 30, 2005, this profit amounted to € 20.9 million. The year-earlier figure (€ 15.4 million captured in net interest income) was adjusted accordingly.

Segment Results

The following is a six-month-on-six-month comparison of the profit before taxes in the individual segments. The results from the year-earlier period have been adjusted to reflect WestLB AG's new organisational structure.

Corporate Banking & Sparkassen

Pre-tax profit in the Corporate Banking & Sparkassen segment nearly tripled in comparison to the previous year. Playing a major part in this development – and also serving as a testament to the new business model's success – was a sharp rise in net interest income. We also posted a considerable increase in the result of securities and participations for this segment. An improved bottom line at Westdeutsche ImmobilienBank, gains on the sale of our stake in Klöckner & Co. AG and the deconsolidation of Deutsche Anlagen-Leasing GmbH (DAL) had a particularly positive impact. In addition, our rigorous system of credit risk management led to a reduction in our provisions for credit risks.

Investment Banking

The persistently challenging market environment is holding back the result of our Investment Banking segment. At € 192.7 million, the segment's profit is second best among all segments. Compared with the previous year, the net income from trading operations more than doubled. The release of a higher amount of credit risk provisions also had a positive impact on the bottom line.

Private Banking & Asset Management

Due to a drop in personnel expenses, the result of the Private Banking & Asset Management segment before internal services charges is above the year-earlier period despite nearly flat operating income. The expanded overhead charges had an adverse effect here, as they did for all of the segments. The current results in the area of private banking stem from business generated by our Luxembourg subsidiary and Bank d'Orsay. The purchase of Weberbank will enable the Bank to grow its private banking business further.

Asset Liability Management

The much flatter interest rate curve compared to the previous year and the sharply reduced level of interest rates in absolute terms are making it difficult in the Asset Liability Management segment to generate income. What is more, the increased borrowing of refinancing funds has driven down the interest margin. All the same, the segment's € 104.8 contribution to the Group result is significant.

Corporate Center

We distributed all income and expenses of the Corporate Center among the remaining divisions using internal services charges.

Other Units

This segment captures consolidations and profit contributions that do not fall within the scope of the other segments' responsibilities. The main factor behind the segment's profit before taxes in the first half was the adjustment made to reconcile the credit risk provisions from the other segments to the amount attributable to the period based on the anticipated credit risk provisions for the entire year.

Balance Sheet

WestLB Group's **total assets** grew by 12.6% from year-end 2004 to € 285.8 billion. **Business volume** totalled € 410.0 billion.

The **credit volume carried on the balance sheet** was € 246.2 billion, which represents a gain of € 23.9 billion since the beginning of the year. A considerable increase in claims on banks and customers, which rose by € 20.0 billion to € 180.4 billion, factored heavily into this growth. The € 9.0 billion increase in **claims on banks** captured in that figure is attributable mostly to higher volumes of repo transactions, as well as overnight and term money lending, allocated to the trading book. In line with the Group´s strategy, claims on the savings banks in North Rhine-Westphalia and Brandenburg also increased. The € 11.0 billion gain in **claims on customers** is chiefly attributable to repo transactions allocated to the trading book.

Securities/equalisation claims climbed € 12.8 billion to € 88.2 billion. Bonds and other interest-bearing securities accounted for € 11.5 billion of the gain, while shares and other non-interest-bearing securities accounted for € 1.3 billion.

The carrying value of the **equity investments in associated, affiliated and non-affiliated companies** fell by € 0.4 billion to € 2.7 billion. The sale of non-strategic holdings was the primary factor behind the € 0.3 billion drop to € 1.2 billion in the book value of the equity investments in non-affiliated companies. Equity investments in associated companies, which include those in HSH Nordbank AG and the aircraft leasing company S.A.L.E., were almost unchanged at € 0.9 billion. The decrease by € 0.2 billion in the book value of the equity investments in affiliated companies to € 0.5 billion is largely attributable to West Logistics GmbH following the sale of Klöckner & Co AG.

At € 125.2 billion, **liabilities to banks** represent WestLB Group's largest source of refinancing. **Liabilities to customers** stood at € 75.1 billion. The increases of € 13.1 billion in liabilities to banks and € 8.1 billion in liabilities to customers are largely due to higher volumes of repo transactions as well as overnight and term money borrowings.

Certificated liabilities rose by € 8.9 million to € 57.0 million because of an increase in commercial paper, medium term notes and other bearer bonds issued.

The following table shows the changes in **capital and reserves** at June 30, 2005:

WestLB AG Group: Capital and Reserves

	30. 6. 2005 € millions	31. 12. 2004 € millions	Change € millions
Subscribed capital	1,827.9	1,794.6	33.3
Paid-in contributions for agreed capital increase	0.0	250.0	– 250.0
Capital reserves	1,778.0	1,561.3	216.7
Typical silent contributions to capital	760.6	272.5	488.1
Group reserves/Result January 1 – June 30	333.9	– 49.6	383.5
Equalising items for shares of other shareholders	13.8	14.7	– 0.9
Equity capital pursuant to the German Commercial Code (HGB)	**4,714.2**	**3,843.5**	**870.7**
Subordinated liabilities	4,019.8	4,278.4	– 258.6
Profit participation capital	2,648.6	2,648.7	– 0.1
Fund for general bank risks	89.0	89.0	0.0
Other capital and reserves	**6,757.4**	**7,016.1**	**– 258.7**
Total capital and reserves	**11,471.6**	**10,859.6**	**612.0**

The conversion of hybrid Tier 1 capital as of December 31, 2004, which was recorded in the Commercial Registers of Düsseldorf und Münster in the first quarter of 2005, caused changes in the equity capital as compared to year-end 2004. The € 250.0 million formerly reported under "paid-in contribution for agreed capital increase" was allocated to subscribed capital (€ 33.3 million) and capital reserves (€ 216.7 million). There were two tranches of hybrid Tier 1 capital placed in the second quarter, which increased the amount reported as typical silent contributions to capital by a total of € 488.1 million. By successfully placing hybrid Tier 1 capital in April and May 2005, WestLB AG proved that it can pass the "market investor test" applied by the European Commission in connection with the EU state aid proceedings.

The positive development of Group reserves is due in part to the deconsolidation of Deutsche Anlagen-Leasing GmbH and Boullioun Aviation Services Inc. following the sale of stakes in the two companies; GEV Gesellschaft für Energie- und Versorgungswerte mbH and WestLB Systems GmbH were also deconsolidated.

Risk-Weighted Assets and Capital Ratios

At June 30, 2005 the **risk-weighted assets** of WestLB Group pursuant to BIS guidelines stood at € 124.9 billion. This represents an increase of € 6.9 billion since year-end 2004. At the same time, the amount of **own funds** fell by € 1.1 billion with adoption of the 2004 annual accounts and the resulting impact of the 2004 bottom line on the Bank's regulatory capital. While the placement of the hybrid Tier I capital had a positive effect on the Bank's capital backing, the deconsolidation of Boullioun Aviation Services Inc. had an adverse effect. Consequently, the **equity ratio** fell from 12.4% to 10.8% and the **core capital ratio** from 8.1% to 6.4%.

Pending the capital increase to be funded by the State of North Rhine-Westphalia and banking regulators' recognition of the internal risk measurement model for our trading book positions, we expect the capital ratios to rebound to the levels as at the beginning of 2005.

A bank's liquidity is gauged for regulatory purposes using the **liquidity ratio determined pursuant to Principle II**. This ratio compares the funds available to the bank within a given month to the amounts payable by it during the same period. A bank's liquidity is considered sufficient if its liquidity ratio is at least 1.0. For WestLB AG, the ratio averaged 1.2 in the first half of 2005, which is unchanged from the previous year.

Changes in the Scope of Consolidation

Apart from WestLB AG, 55 companies are captured in the Group accounts. The 22 companies of the Boullioun Aviation Services Inc. subgroup were deconsolidated in the second quarter of 2005. The earnings figures reported in the statement of income at June 30, 2005 do not yet reflect any effects from this deconsolidation. In addition, Assetis GmbH, which is part of the Westdeutsche ImmobilienBank subgroup, went from being fully consolidated to recognised at equity following a reduction in the stake in the company.

Events Occurring after June 30, 2005

As a co-owner of HSH Nordbank AG, WestLB is contractually obligated to participate in the recapitalisation of HSH Nordbank AG in proportion to its 26.86% stake in the company. In a first step, HSH Nordbank AG converted € 605 million in silent contributions into capital and capital reserves with effect from July 1, 2005. WestLB AG subscribed for € 162.5 million of the converted capital. To improve the equity capital structure of HSH Nordbank AG, a further € 750 million in silent contributions is scheduled for conversion at the end of 2007.

Outlook

In the coming months WestLB will concentrate on further improving profitability and the quality of its results under the new business model in close cooperation with the savings banks. The main focus will be on the Investment Banking, Asset Management and Private Banking segments. A number of new product initiatives are in the pipeline or were launched already at the beginning of the third quarter. A further focus will be on strengthening earnings and reducing costs further. It is the declared aim of the Bank to lay the foundations for leaner structures in the months ahead. Expenditure is to be reduced by approximately € 110 million this year and we have identified potential savings of an additional € 140 million for the coming year. In particular, it is planned to eliminate functional, geographical or project-related redundancies between the business units and the different locations. Moreover, working processes and IT structures of the Bank will be reviewed. Despite the current difficult economic situation, we remain confident that we will achieve our projected pre-tax profit of approximately € 600 million (mark-to-market) for the whole of 2005.

Group Statement of Income January 1 – June 30, 2005

	1. 1. – 30. 6. 2005 € millions	1. 1. – 30. 6. 2004 € millions	Change € millions
Net interest income	821.0	893.2	– 72.2
Net commission income	153.7	169.8	– 16.1
Net income from trading operations (MTM)	13.3	– 49.1	62.4
Other operating expenses/Income	20.3	117.8	– 97.5
Personnel expenses	– 476.7	– 504.0	27.3
Other administrative expenses	– 413.5	– 392.6	– 20.9
Provisions for credit risks	– 90.0	2.2	– 92.2
Result of securities and participations	269.4	110.9	158.5
Result from ordinary activities	**297.5**	**348.2**	**– 50.7**
Extraordinary result	0.0	– 31.4	31.4
Profit before taxes (MTM)	**297.5**	**316.8**	**– 19.3**
Taxes on income and revenues	– 82.7	– 42.3	– 40.4
Profit attributable under partial profit transfer agreement	– 20.9	– 15.4	– 5.5
Profit after taxes (MTM)	**193.9**	**259.1**	**– 65.2**
For information:			
“Effect of restatement under German HGB”	– 114.7	– 91.7	– 23.0
Profit/Loss after taxes	**79.2**	**167.4**	**– 88.2**

Group Statement of Income, Quarterly Comparison

	2nd Quarter 2005 € millions	1st Quarter 2005 € millions	4th Quarter 2004 € millions	3rd Quarter 2004 € millions	2nd Quarter 2004 € millions
Net interest income	427.7	393.3	312.0	417.2	435.2
Net commission income	78.0	75.7	86.3	80.3	79.4
Net income from trading operations (MTM)	– 35.7	49.0	15.3	– 68.9	– 10.8
Other operating expenses/Income	– 5.2	25.5	20.1	74.7	70.5
Personnel expenses	– 235.9	– 240.8	– 271.3	– 149.0	– 266.6
Other administrative expenses	– 206.2	– 207.3	– 278.3	– 207.3	– 197.9
Provisions for credit risks	– 37.0	– 53.0	92.4	23.3	30.8
Result of securities and participations	148.5	120.9	– 51.5	– 7.2	60.5
Income from reversal of the fund for general bank risks pursuant to § 340 g HGB	0.0	0.0	170.8	0.0	0.0
Result from ordinary activities	**134.2**	**163.3**	**95.8**	**163.1**	**201.1**
Extraordinary result	0.0	0.0	– 1,536.8	– 15.4	– 15.6
Profit before taxes (MTM)	**134.2**	**163.3**	**– 1,441.0**	**147.7**	**185.5**
Taxes on income and revenues	– 60.1	– 22.6	– 29.9	– 12.1	– 21.2
Profit attributable under partial profit transfer agreement	– 13.3	– 7.6	– 7.7	– 7.6	– 7.6
Profit after taxes (MTM)	**60.8**	**133.1**	**– 1,478.6**	**128.0**	**156.7**
For information:					
“Effect of restatement under German HGB”	– 11.8	– 102.9	126.7	– 102.8	– 14.1
Profit/Loss after taxes	**49.0**	**30.2**	**– 1,351.9**	**25.2**	**142.6**

Details of Group Statement of Income

Net Interest Income

	1. 1.–30. 6. 2005 € millions	1. 1.–30. 6. 2004 € millions
Interest Income	**5,004.2**	**5,076.0**
Lending and money market transactions	3,374.0	3,502.5
Interest-bearing securities	1,425.4	1,331.3
Income from equity investments in non-affiliated companies, equity investments in associated companies, profit pooling agreements and shares	204.8	242.2
Interest expenses	**– 4,183.2**	**– 4,182.8**
Net interest income	**821.0**	**893.2**

Interest Margin

	1. 1.–30. 6. 2005 %	1. 1.–30. 6. 2004 %
Based on the average risk-weighted assets (BIS)	1.35	1.30
Based on the average business volume	0.43	0.47

Net Commission Income

	1. 1.–30. 6. 2005 € millions	1. 1.–30. 6. 2004 € millions
Lending business	70.3	76.2
Securities business	47.3	68.8
Other business	36.1	24.8
Net commission income	**153.7**	**169.8**

Net Income from Trading Operations (MTM)

	1. 1.–30. 6. 2005 € millions	1. 1.–30. 6. 2004 € millions
Interest rate and foreign currency business	– 71.2	– 134.9
Equities, index and other business	84.5	85.8
Net income from trading operations (MTM)	**13.3**	**– 49.1**

Other Operating Expenses/Income

	1. 1.–30. 6. 2005 € millions	1. 1.–30. 6. 2004 € millions
Other operating income	157.9	230.5
Other operating expenses	– 131.5	– 107.2
Other taxes	– 6.1	– 5.5
Other operating expenses/Income	**20.3**	**117.8**

Administrative Expenses

	1. 1.–30. 6. 2005 € millions	1. 1.–30. 6. 2004 € millions
Personnel expenses	– 476.7	– 504.0
Other administrative expenses	– 372.6	– 349.8
Depreciation and value adjustments on tangible fixed assets	– 40.9	– 42.8
Administrative expenses	**– 890.2**	**– 896.6**

Provisions for Credit Risks

	1. 1.–30. 6. 2005 € millions	1. 1.–30. 6. 2004 € millions
Allocations	– 268.8	– 133.7
Write-backs	178.4	132.1
Other risk expenses/income	0.4	3.8
Provisions for credit risks	**– 90.0**	**2.2**

Result of Securities and Participations

	1. 1.–30. 6. 2005 € millions	1. 1.–30. 6. 2004 € millions
Result of securities	42.1	64.5
Result of participations	227.3	46.4
Result of securities and participations	**269.4**	**110.9**

Extraordinary Result

	1. 1.–30. 6. 2005 € millions	1. 1.–30. 6. 2004 € millions
Extraordinary income	0.0	0.0
Extraordinary expenses	0.0	– 31.4
Extraordinary result	0.0	– 31.4

Segment Reporting WestLB Group 2005

The segment reporting follows the Group's new organisational structure, which went into effect on January 1, 2005. To facilitate comparison with the primary segments' current results, year-earlier figures have been adjusted to reflect this structure. Unlike the previous year's balance of internal netting, that for 2005 contains an amount for Group overhead that captures costs now allocated to the market segments because of a shift in the approach towards netting internally generated income and expenses. This form of cost allocation is not reflected in the year-earlier figures.

Group Segments

Corporate Banking & Sparkassen	**Investment Banking**	**Private Banking & Asset Management**
Corporates Sparkassen & Public-Sector Clients Westdeutsche ImmobilienBank (WIB) Mergers & Acquisitions Equity Investments Sales Support	Financial Institutions & Global Sales Equity Markets Credit Trading Global Specialised Finance Rates MNC* & Debt Capital Markets Research Investment Banking North America Investment Banking Latin America Sales Support	Private Banking Global Asset Management
Asset Liability Management (ALM)	**Corporate Center**	**Other Units**
Group Treasury Balance Sheet Investment Group (BSIG)	Chairman Operations Risk Management Finance & Controlling Human Resources	Consolidations/Netting

* MNC: Multinational Clients

Primary Segment Report

€ millions	Corporate Banking & Sparkassen	Investment Banking	Private Banking & Asset Management	Asset Liability Management	Corporate Center	Other Units	WestLB Group
Net interest income							
1st half-year 2005	201.7	357.1	– 10.7	213.4	34.9	24.6	821.0
1st half-year 2004	135.8	474.7	7.5	271.3	41.0	– 37.1	893.2
Net commission income							
1st half-year 2005	19.2	79.0	52.5	– 4.3	13.0	– 5.7	153.7
1st half-year 2004	18.8	98.5	51.4	– 9.7	13.5	– 2.7	169.8
Net income from trading operations							
1st half-year 2005	– 0.4	127.4	22.8	– 66.0	1.1	– 71.6	13.3
1st half-year 2004	– 0.1	51.9	4.6	– 89.8	1.3	– 17.0	– 49.1
Other operating expenses/Income							
1st half-year 2005	13.6	– 9.6	– 4.0	– 1.8	49.0	– 26.9	20.3
1st half-year 2004	42.9	2.1	– 1.6	1.5	103.5	– 30.6	117.8
Personnel expenses							
1st half-year 2005	– 56.5	– 127.6	– 37.0	– 8.6	– 193.7	– 53.3	– 476.7
1st half-year 2004	– 61.4	– 119.5	– 48.8	– 8.8	– 214.3	– 51.2	– 504.0
Other administrative expenses							
1st half-year 2005	– 33.7	– 81.9	– 24.5	– 10.1	– 284.1	20.8	– 413.5
1st half-year 2004	– 49.9	– 61.3	– 23.2	– 8.3	– 308.3	58.4	– 392.6
Provisions for credit risks							
1st half-year 2005	8.3	86.6	0.0	11.1	– 0.2	– 195.8[1]	– 90.0
1st half-year 2004	– 24.9	7.7	0.0	0.0	0.1	19.3	2.2
Result of securities and participations							
1st half-year 2005	202.2	52.5	14,3	1,8	– 2.1	0.7	269.4
1st half-year 2004	77.7	19.0	16.2	16.2	3.3	– 21.5	110.9
Balance of internal services charges							
1st half-year 2005	– 99.2	– 290.8	– 26.2	– 32.7	382.1	66.8	0.0
1st half-year 2004	– 45.6	– 178.6	– 1.7	– 21.7	290.4	– 42.8	0.0
Result from ordinary activities							
1st half-year 2005	**255.2**	**192.7**	**– 12.8**	**102.8**	**0.0**	**– 240.4**	**297.5**
1st half-year 2004	**93.3**	**294.5**	**4.4**	**150.7**	**– 69.5**	**– 125.2**	**348.2**
Extraordinary result							
1st half-year 2005	0.0	0.0	0.0	2.0	0.0	– 2.0	0.0
1st half-year 2004	– 0.6	– 3.4	0.1	2.3	– 2.8	– 27.0	– 31.4
Profit before taxes							
1st half-year 2005	**255.2**	**192.7**	**– 12.8**	**104.8**	**0.0**	**– 242.4**	**297.5**
1st half-year 2004	**92.7**	**291.1**	**4.5**	**153.0**	**– 72.3**	**– 152.2**	**316.8**
Segment assets							
30. 6. 2005	34,985.4	149,390.4	12,367.8	84,942.2	9,737.3	– 5,668.7	285,754.4
31. 12. 2004	31,135.2	114,600.9	12,388.8	72,018.1	11,422.4	12,227.2	253,792.6
Segment liabilities							
30. 6. 2005	22,791.0	144,603.2	15,678.4	98,909.9	5,672.3	– 6,647.5	281,007.3
31. 12. 2004	19,604.8	113,894.5	14,839.8	81,284.7	5,268.2	15,057.1	249,949.1
Allocated capital pursuant to the German Commercial Code (HGB)							
30. 6. 2005	965.5	2,069.8	96.7	282.2	1,305.8	– 5.7	4,714.2
31. 12. 2004	854.4	1,838.6	99.8	84.7	1,037.3	– 71.3	3,843.5
Cost-income ratio (based on income from ordinary activities marked to market)[2]							
1st half-year 2005 (%)	32.1	69.6	92.7	27.8	–	–	69.7
1st half-year 2004 (%)	57.1	55.7	94.3	21.1	–	–	72.2
Return on equity (based on average allocated capital pursuant to the German Commercial Code [HGB])[3]							
1st half-year 2005 (%)	65.9	32.0	7.5	–	–	–	14.2
1st half-year 2004 (%)	20.3	40.7	16.7	–	–	–	17.7

[1] includes lump-sum adjustment for latent credit risks (not allocated to a particular segment)

[2] not meaningful for Corporate Center and Other Units

[3] not meaningful for Asset Liability Management, Corporate Center and Other Units

Secondary Segment Report

€ millions	Germany	Europe	North/South America	Asia/ Australia	Adjustment	WestLB Group
Result from ordinary activities						
1st half-year 2005	**290.5**	**249.7**	**37.1**	**4.2**	**– 284.0**	**297.5**
1st half-year 2004	**112.4**	**179.0**	**145.4**	**30.7**	**– 119.3**	**348.2**
of which provisions for credit risks						
1st half-year 2005	2.5	85.7	17.8	– 0.2	– 195.8[1]	– 90.0
1st half-year 2004	– 49.3	31.6	10.8	10.4	– 1.3	2.2
of which result of securities and participations						
1st half-year 2005	189.8	61.1	8.1	5.3	5.1	269.4
1st half-year 2004	69.3	41.5	35.2	0.6	– 35.7	110.9
Profit before taxes						
1st half-year 2005	**290.5**	**249.7**	**37.1**	**4.2**	**– 284.0**	**297.5**
1st half-year 2004	**105.4**	**162.8**	**138.7**	**29.2**	**– 119.3**	**316.8**
Segment assets						
30. 6. 2005	116,890.1	131,638.6	48,128.8	9,280.5	– 20,183.6	285,754.4
31. 12. 2004	103,605.0	125,045.7	36,336.5	9,543.7	– 20,738.3	253,792.6
Segment liabilities						
30. 6. 2005	142,835.0	107,310.6	42,339.8	4,965.9	– 16,444.0	281,007.3
31. 12. 2004	121,725.1	106,755.5	38,314.5	6,528.1	– 23,374.1	249,949.1
Cost-income ratio (based on income from ordinary activities marked to market)						
1st half-year 2005 (%)	62.2	62.4	87.6	88.9	–	69.7
1st half-year 2004 (%)	77.3	67.9	46.8	62.6	–	72.2

[1] includes lump-sum adjustment for latent credit risks (not allocated to a particular segment)

Group Balance Sheet as at June 30, 2005

Assets

	30. 6. 2005 € billions	31. 12. 2004 € billions	Change € billions
Cash/Liquid debt issues	2.9	4.1	– 1.2
Claims on banks	94.4	85.4	9.0
Claims on customers	86.0	75.0	11.0
Securities/Equalisation claims	88.2	75.4	12.8
Equity investments in associated, affiliated and non-affiliated companies	2.7	3.1	– 0.4
Trust assets	0.5	0.5	0.0
Fixed assets	0.6	2.4	– 1.8
Other assets	10.5	7.9	2.6
Total assets	**285.8**	**253.8**	**32.0**

Liabilities

	30. 6. 2005 € billions	31. 12. 2004 € billions	Change € billions
Liabilities to banks	125.2	112.1	13.1
Liabilities to customers	75.1	67.0	8.1
Certificated liabilities	57.0	48.1	8.9
Trust liabilities	0.5	0.5	0.0
Other liabilities	16.6	15.3	1.3
Subordinated liabilities/Profit participation capital	6.6	6.9	– 0.3
Equity capital/Fund for general bank risks	4.8	3.9	0.9
Total liabilities	**285.8**	**253.8**	**32.0**

Details of Group Balance Sheet

Business Volume

	30. 6. 2005 € billions	31. 12. 2004 € billions	Change € billions
Total assets	285.8	253.8	32.0
Contingent liabilities	12.9	13.2	– 0.3
Other commitments/Credit commitments	52.9	48.7	4.2
Administered funds	58.4	33.5	24.9
Business volume	**410.0**	**349.2**	**60.8**

Credit Volume

	30. 6. 2005 € billions	31. 12. 2004 € billions	Change € billions
Claims on banks	94.4	85.4	9.0
Claims on customers	86.0	75.0	11.0
Contingent liabilities	12.9	13.2	– 0.3
Irrevocable credit commitments	52.9	48.7	4.2
Credit volume carried on the balance sheet	**246.2**	**222.3**	**23.9**
Derivatives (credit risk equivalents)	7.3	7.1	0.2
Total credit volume	**253.5**	**229.4**	**24.1**

Details of Derivatives Business

Derivatives as at June 30, 2005

		Interest-Rate Risks € millions	Currency Risks € millions	Other Risks € millions	Netting Effect[1] € millions	Total[2] € millions
1. Total volume		**2,281,433.9**	**287,821.9**	**97,841.9**		**2,667,097.7**
of which	Swaps	1,559,549.7	213,004.1			1,772,553.8
	FRAs[3]	58,270.0				58,270.0
	Interest-rate forward contracts	162,821.1				162,821.1
	Forward exchange transactions		62,124.8			62,124.8
	Credit derivatives			75,702.4		75,702.4
2. Credit equivalents according to Principle I		**54,694.4**	**17,833.8**	**157.5**	**– 49,543.9**	**23,141.8**
3. Credit risk equivalents according to Principle I (counterparty-weighted)		**13,814.8**	**4,802.0**	**903.7**	**– 12,185.5**	**7,335.0**
of which	OECD banks	8,999.9	2,724.0	512.8	– 8,390.9	3,845.8
	Customers	4,768.1	2,021.5	388.9	– 3,794.5	3,384.0
	Public-sector entities	19.2	5.0	0.0	0.0	24.2
4. Share of total risk-weighted assets according to Principle I		**11.4%**	**4.0%**	**0.7%**	**– 10.0%**	**6.0%**

[1] Netting by individual products not possible
[2] Items 2, 3 and 4 after netting
[3] FRAs: Forward Rate Agreements

Governing Bodies of WestLB AG

Members of the Supervisory Board

Dr. Rolf Gerlach, Chairman
President, Savings Banks and Giro Association of Westphalia-Lippe

Gerd-Uwe Löschmann
Deputy Chairman
Director, WestLB AG Düsseldorf

Dr. Karlheinz Bentele
President, Savings Banks and Giro Association of the Rhineland

Jochen Dieckmann (until June 22, 2005)
Former Finance Minister, State of North Rhine-Westphalia

Thorsten Ellwanger
Prokurist, WestLB AG Hamburg

Bernd Fiegler
Deputy Regional Director
ver.di Vereinte Dienstleistungsgewerkschaft

Horst-Wolfgang Klophaus
Manager, WestLB AG Düsseldorf

Hans-Peter Krämer
Chairman of the Managing Board
Kreissparkasse Köln

Joachim Krämer
Senior Managing Director,
WestLB AG Düsseldorf

Dr. Gerhard Langemeyer
(from March 23, 2005)
Lord Mayor, City of Dortmund

Manfred Matthewes
Prokurist, WestLB AG Düsseldorf

Udo Molsberger
Regional Director
Regional Association of the Rhineland

Hans Pixa (until January 3, 2005)
District Administrator (ret.),
Coesfeld District

Dr. Hans-Ulrich Predeick
Regional Councillor
Regional Association of Westphalia-Lippe

Dr. Dietrich Rümker
Former Chairman of the Managing Board
Landesbank Schleswig-Holstein

Heinz-Günter Sander
Bank Officer, WestLB AG Düsseldorf

Gustav Adolf Schröder
Chairman of the Managing Board
Sparkasse KölnBonn

Franz-Georg Schröermeyer
Secretary for Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft

Christiane Stascheit
Deputy Director for the Düsseldorf Region
ver.di Vereinte Dienstleistungsgewerkschaft

Hans-Georg Vogt
Chairman of the Managing Board
Sparkasse Bielefeld

Elisabeth Weber
Prokurist, WestLB AG Düsseldorf

Members of the Managing Board

Dr. Thomas R. Fischer
Chairman

Dr. Norbert Emmerich
Vice Chairman

Dr. Matthijs van den Adel

Klaus-Michael Geiger

Dr. Hans-Jürgen Niehaus

Dr. Manfred Puffer

Rainer Schmitz

Robert M. Stein

Financial Calendar (Subject to alterations)

November 10, 2005	Publication of Interim Report January 1 – September 30, 2005
March 30, 2006	Publication of Annual Report 2005/Annual Press Conference
May 11, 2006	Publication of Interim Report January 1 – March 31, 2006
August 10, 2006	Publication of Interim Report January 1 – June 30, 2006
November 9, 2006	Publication of Interim Report January 1 – September 30, 2006

Publications

The current Interim Report and the Annual Report 2004 are also available in German.

Our Annual and Interim Reports as well as company presentations can be inspected and downloaded at www.westlb.com/ir.

If you have any questions on the Interim Report and WestLB, our Press Department and Investor Relations Department will be pleased to help you.

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Disclaimer
Reservation regarding forward-looking statements

This Interim 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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