

Interim Report

September 30, 2009

30 9

Key Figures

Financial Data January 1 – September 30, 2009

	1. 1. – 30. 9. 2009	1. 1. – 30. 9. 2008	Change	
			absolute	%
Performance Figures in € millions				
Net interest income	1,347	897	450	50
Impairment charge for credit losses	- 582	- 345	- 237	- 69
Net interest income after impairment charge for credit losses	765	552	213	39
Net fee and commission income	204	289	- 85	- 29
Net trading result	137	631	- 494	- 78
Result from financial investments	52	52	0	0
Administrative expenses	863	1,040	- 177	- 17
Other operating income and expense	- 33	237	- 270	> - 100
Restructuring expenses	0	117	- 117	- 100
Profit before income tax	262	604*	- 342	- 57
Income taxes	- 78	- 72	- 6	- 8
Profit/loss after income tax	184	532	- 348	- 65
	30. 9. 2009	31. 12. 2008	Change	
			absolute	%
Balance Sheet Figures in € billions				
Total assets	258.8	288.1	- 29.3	- 10
Equity	4.2	3.8	0.4	11
Bank Regulatory Capital Ratios (SolvV)				
Core capital in € billions	5.2	5.7	- 0.5	- 9
Own funds in € billions	7.8	8.9	- 1.1	- 12
Risk-weighted assets in € billions	84.2	88.5	- 4.3	- 5
Core capital ratio in %	6.2	6.4	-	-
Overall ratio in %	9.3	10.1	-	-
Employees				
Number of employees	5,401	5,957	- 556	- 9
Full-time employees	5,153	5,663	- 510	- 9

Current Ratings	Short Term	Long Term	Public Pfandbrief
Moody's Investors Service	P-1	A2	Aaa
Standard & Poor's	A-2	BBB+	AAA
Dominion Bond Rating Service	R-1 (middle)	A (high)	(-)

* € 962 million thereof attributable to the ring-fence gain from the risk shield

Chairman's Statement

Dear partners and clients,

WestLB concluded the first nine months of 2009 with a pre-tax profit of € 262 million. Given the persisting challenging market environment, our earnings development is satisfactory. The main profit drivers were net interest income, which rose sharply, and administrative expenses, which have fallen on a sustainable basis.

It is becoming increasingly apparent that the course we embarked on at an early stage in 2008 of reducing risk and focusing on our core competencies is the right one and the only alternative. Our prime task at this juncture is to boost our earnings from the customer business further and to improve our cost efficiency. And we are making good progress in this regard: In the first nine months of the year we quintupled sales of capital-guaranteed investment products for the retail customers of the savings banks to € 5.9 billion. The financing subsidiary of Volkswagen mandated us to act as Joint Lead Manager and Arranger for the first auto financing securitisation to be placed in the capital market since September 2008. We have further expanded our market position in the project finance field, and we are offering the savings banks in the Rhineland and Westphalia the possibility to participate in this form of financing as well as in loans for German corporate clients. We are not only noticing the increased customer demand in the lending business but also on the liabilities side of the balance sheet. The strong demand for the two senior unsecured benchmark bonds which we recently issued – the first since July 2005 – indicate the considerable confidence placed in us by investors. These examples make one thing abundantly clear: WestLB is prepared to shoulder its responsibility as a financing partner for German industry in conjunction with the savings banks.

The Bank is also able to report success on the risk front. At the end of September 2009 we signed agreements which will lead to the ring-fencing of non-strategic assets with a volume of € 85 billion. In a first step a sub-portfolio of structured securities with a volume of approximately € 6 billion was guaranteed by SoFFin pursuant to § 8 of the amendment to the Financial Markets Stabilisation Act (FMStFG). For this WestLB's owners have provided SoFFin with a pro-rata counter-guarantee amounting to € 4 billion. We are currently engaged in constructive talks regarding a permanent ring-fenced solution, which are due to be concluded in the coming weeks.

The support provided by SoFFin is, of course, not without implications: WestLB will, and indeed must, accept and implement the rules which are laid down by SoFFin if a bank avails itself of the possibilities available under the FMStFG. WestLB is responding to the consequences of the financial market crisis with a new and transparent remuneration system, details of which have still to be finalised. The rules are based on several principles: First, they are tailored to sustainability. Second, total remuneration and individual elements of the remuneration takes appropriate account of the respective function, personal performance, the economic situation, profitability and the future perspectives of the Group.

With the ring-fencing of non-strategic assets, the core bank is now beginning to take shape. Freed from risks, the core bank will focus on business with customers. Backed by a strong product platform and building on a sustainable improvement in our risk discipline, we will remain an attractive partner offering incremental value to our customers. Join us in shaping the future of the core bank for the benefit of its customers, investors and employees – and hence of our owners. My Board colleagues and I thank you for your loyal support, and we remain fully committed to earning this support anew in the months ahead.

Sincerely yours



Dietrich Voigtländer
Chairman of the Managing Board

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Publications/Disclaimer

Group Interim Statement of Financial Condition

Economic Setting

The worst global recession in post-war history now appears to have bottomed out. After economic output dropped sharply in many regions of the world at the beginning of the year, it appears likely that GDP started to grow again in most countries in the third quarter. Abatement of the uncertainty shock that dates from the Lehman insolvency, which occurred a little more than a year ago, and, most notably, the massive momentum generated by economic policy drove the present moderate stabilisation. Ultra-expansive monetary policy as well as fervently backed economic programmes and bank bailouts had a stimulating effect. In Germany, for example, private consumption would have stagnated in the first half without the availability of the so-called scrapping bonus, a cash incentive to trade in old motor vehicles and buy new ones. Instead, consumer spending rose considerably. In a similar vein, the increase in unemployment would have been far worse, and would have dampened the mood among private households, if short-time working had not been considerably expanded.

Propelled by China, the Emerging Asia region has taken the leading role in the global economic cycle. The U.S. economy, which still contracted slightly in the second quarter, has bottomed out in the meantime and started to grow again in the third quarter. The situation in the euro area is similar. We believe it also returned to growth in the third quarter. However, the pace of recovery differed greatly among the individual member states. Whereas France and Germany succeeded in pulling themselves out of the recession in the summer, Spain's economy is likely to have shrunk again in the third quarter. Of all components of the German economy, private consumption proved a source of growth after several years of lacklustre consumer spending. The country's exports, which suffered a steep decline as the world economic crisis unfolded, have been stabilising since the summer. Business spending, by contrast, has remained weak throughout the entire period.

So far, all major central banks have held firm to their extremely expansionary monetary policy. In the U.S., UK and Switzerland, for example, the central banks have been pursuing a de facto zero interest rate policy for quite some time. They have supplemented this strategy with additional monetary policy tools, including the purchase of corporate and government bonds, to support the real economy and credit system. The ECB likewise loosened the monetary reins considerably, lowering its benchmark interest rate to 1% in May, the lowest level in the history of the monetary union. In addition, the central bank expanded its refinancing spectrum by introducing a twelve-month option in its tender operations with banks and commencing the purchase of covered bonds in the summer. The situation in the credit and financial markets has improved over the course of this year. Money market rates have dropped significantly as a result of the measures taken by the central banks. The spreads between several other countries' government bonds and German Bunds narrowed, as did those of corporate bonds. It is still too early to sound the all-clear, however. The inter-bank market has not yet begun to function normally again more than one year after the Lehman insolvency. Despite the nascent economic recovery, banks' balance sheets are showing an increasing focus on loan portfolio risks, since corporate bankruptcies typically lag behind economic developments.

Inflationary pressure not only receded further worldwide; in many countries consumer prices even decreased from a year ago in absolute terms. In Germany, for example, they were 0.3% lower in September than in the same period last year. The inflation rate is expected to return to positive territory by the end of the year.

Even though the economy has recovered rather better than expected recently because of the massive stimulus provided by economic policy, a broad-based and self-sustaining upswing is still not in sight. The underutilisation of capacity is enormous, and many companies will have little choice but to reduce capacity further and also cut headcount. There is a strong argument, therefore, that the revival of world trade will not yet trigger an improvement in the very things which

make a recovery self-sustaining, namely capital spending by businesses and, ultimately, the employment market and private consumption. What is more, the effects of the financial market crisis on the real economy will continue to have an adverse impact on economic activity until well into next year. Despite the improvement in the second half of the year, we expect the economy in many parts of the world to post the largest annual contraction since World War II. World GNP is likely to shrink by 1.3%, an unprecedented figure in the post-war era. In Germany, we expect GDP to decline by 5% in 2009. The growth path in 2010 will tend to be rather flat and bumpy. Aggregate economic output is unlikely to return to its pre-crisis level until 2012 at the earliest.

Developments in the Banking Sector

Conditions in the banking sector remained challenging in the first nine months of 2009. The long-term consequences of the recession are giving rise to a significant increase in credit risk provisioning requirements. Moreover, further rating migration is putting additional pressure on capital adequacy. Corporate bond issuance continued to thrive. The seasonal dip typically experienced during the summer months was apparent only in August. Hence, bond issuance remained at a high level again in the third quarter.

In September, the leaders of the twenty most important industrialised nations and emerging economies gathered for the G-20 world financial summit in Pittsburgh, USA, and reached agreement on key building blocks of a new financial market architecture. The G-20 resolutions envisage a substantially higher capital adequacy, improved capital quality and tighter liquidity requirements for banks. The new regulations are expected to take effect by the end of 2012. Some publicly traded banks have already responded, taking advantage of the improved conditions on the stock markets to increase their capital or issue junior bonds. In light of stricter regulatory requirements, banks will be aiming to reduce their risks and balance sheets and to concentrate on their core business.

Structural Changes in the WestLB Group

The amendment to the Financial Markets Stabilisation Act (FMStFG) came into force on July 23, 2009. It provides German banks and their domestic and foreign subsidiaries with the opportunity to transfer structured securities acquired up to December 31, 2008 to a special purpose vehicle organised in Germany (SPE model). The law also allows for the creation of workout entities within the Financial Market Stabilisation Agency ("Anstalt in der Anstalt") into which, in addition to structured securities, non-strategic assets, for example loans that fall outside the scope of the core business, can be transferred (workout entity model).

We are seeking to make use of the possibilities available under this act to ring-fence non-strategic assets with a volume of approximately € 85 billion. In this connection the Bank and its owners are currently engaged in intensive negotiations with SoFFin.

In a first step a sub-portfolio of structured securities with a volume of approximately € 6 billion was guaranteed by SoFFin pursuant to § 8 of the FMStFG at the end of September 2009. For this WestLB's owners provided SoFFin with a pro-rata counter-guarantee amounting to € 4 billion. The sub-portfolio is to be transferred to a permanent ring-fenced solution by November 30, 2009. The provisional SoFFin guarantee for the sub-portfolio as well as the next steps leading to the permanent ring-fencing of the entire portfolio will comply fully with the requirements laid down by the European Commission.

The resolutions will enable the Bank to comply with the decision of the European Commission of May 12, 2009 regarding the reduction of total assets and risk-weighted assets and at the same time strengthen its business model, which is clearly focused on the Bank's clients and competencies.

The transfer of risk-bearing securities portfolios to the Phoenix special purpose vehicle in the first quarter of 2008 (see also the consolidated financial statements as of December 31, 2008) was reviewed by the European Commission to determine its compliance with EU state aid law. The agreement reached with the Commission in May 2009 provides, amongst other things, for the streamlining of WestLB's domestic and foreign branch network. Following the sale of Weberbank Actiengesellschaft (Weberbank) in the second quarter of this year, the Bank announced the sale of its Hungarian subsidiary WestLB Hungaria Bank ZRt. (WestLB Hungaria) on July 8, 2009 and of Servicegesellschaft Kreditmanagement GmbH on July 15, 2009. In addition, the representative offices in Johannesburg, Peking and Houston were closed by the end of July 2009. In September WestLB announced the closure of its branches in Münster, Bielefeld and Dortmund by the end of 2009 and Cologne by mid-2010. Further closures of locations are envisaged by the end of the year.

At its meeting on September 11, 2009, the Supervisory Board unanimously appointed Dietrich Voigtländer as the new Chairman of the Managing Board with immediate effect. Dietrich Voigtländer had been Acting Chairman of the Managing Board since May 18, 2009.

Business Review

Performance

For the first nine months of the year, we are reporting a Group profit before income tax of € 262 million (9M 2008: € 604 million) and a profit after income tax of € 184 million (9M 2008: € 532 million). The result of the prior-year period was strongly influenced by the ring-fence gain from the risk shield in the amount of € 962 million, of which € 763 million was reflected in the net trading result, € 88 million in the impairment charge for credit losses and € 111 million in the result from financial investments. Adjusted for this effect, we improved on the profit before income tax of the first three quarters of the previous year by € 620 million.

Income, which rose by a considerable 39% to € 475 million, drove this encouraging performance. Excluding the effect of the ring-fence gain in the previous year, we registered significant growth in our net interest income and net trading result, in particular. Net fee and commission income, by contrast, receded as market conditions remained challenging. In addition, we reduced administrative expenses compared with the first nine months of 2008 by a sizeable 17%, which contributed € 177 million towards the earnings improvement. On the downside, the impairment charge for credit losses increased by € 149 million due to the economic slowdown. Finally, there have been no restructuring expenses to report this year, which accounted for € 117 million in the previous year.

For the first nine months of 2009, the cost/income ratio reached 51%, and the return on equity before taxes 7%. Because of the Phoenix effect, the corresponding prior-year figures are not comparable.

Net Interest Income

Net interest income rose substantially to € 1,347 million, following € 897 million in the first three quarters of 2008. The money market business drove this growth, despite the adverse effects of the challenging market environment and the higher costs for long-term refinancing. Higher margins in new business with corporate clients also had a positive effect.

Impairment Charge for Credit Losses

Our impairment charge for credit losses for the first nine months of 2009 reflects a net allocation of € 582 million (previous year € 345 million). The figure for the year-earlier period included a reversal of € 88 million in charges previously taken on commitments which were ring-fenced off the balance sheet as part of the risk shield. However, the net allocation still rose considerably year on year when adjusting for this effect, especially because of the rating downgrades attributable to the global recession. We have taken due account of all discernible risks.

Net Fee and Commission Income

Net fee and commission income decreased by € 85 million, or 29%, from the same period a year ago to € 204 million. The decrease was attributable on the income side to the securities and custody business, which remained weak because of market conditions. At the same time, the considerable expansion of the certificate business and related sales commissions led to a substantial increase in fee and commission expense. The corresponding income from the certificate business is reflected in the net trading result. The results in the lending and syndicated lending business were slightly above, and the result in the payments business well above, the previous year's figures.

Net Trading Result

The net trading result amounted to € 137 million, following € 631 million in the first three quarters of the previous year, a figure which had been largely shaped by the ring-fence gain from the risk shield in the amount of € 763 million. Our debt markets (interest rate products) business has been particularly successful this year, whilst our equity markets (equity products) business has made no positive contributions to earnings.

The government bonds and similar assets in our portfolio, i.e. top-rated securities, gained approximately € 147 million in value. We recorded negative effects of around € 122 million from market-induced credit spread changes with own liabilities, for which we apply the fair value option. Measurement mismatches, which despite having positions that are economically hedged are unavoidable because of the application of IAS 39, drove the trading result down by approximately € 78 million. On the whole the trading result, and therefore the overall result, are heavily influenced by measurement effects and cannot be extrapolated for the full year.

Result from Financial Investments

We are reporting income of € 52 million as our result from financial investments for the first nine months of 2009, which matches the previous year's level. The year-earlier figure was driven by the transfer of portfolios to Phoenix, which generated income of € 111 million. The positive result of the current year is largely attributable to the € 54 million in income generated in the third quarter from the sale of a non-strategic investment.

Administrative Expenses

We reduced administrative expenses by a considerable 17%, or € 177 million, from the first nine months of 2008, to € 863 million. Personnel expenses were down € 91 million, or 18%, to € 429 million. The headcount reductions built into the restructuring plan and lower non-linear salary components drove this decrease. The number of full-time employees fell by 510 to 5,153 in the first three quarters of 2009; factoring in the sale of Weberbank, headcount is down by 725 compared with the end of the third quarter of the previous year. By keeping a tight rein on operating costs, we also lowered our other administrative expenses from € 468 million to € 380 million, a decrease of 19%. Our comprehensive measures generated significant savings for nearly every cost type.

Other Operating Income and Expense

The net figure for other operating income and expense stood at € – 33 million. The deconsolidation of Weberbank proved to be a substantial drag on earnings at € – 57 million. The year-earlier figure of € 237 million was largely the result of € 304 million in income generated from the deconsolidation of various structured investment vehicles in connection with the risk shield.

Segment Results

The front office and Corporate Center units made the following contributions to WestLB Group's result before taxes for the third quarter of 2009:

Verbund & Real Estate

The Verbund & Real Estate segment covers all activities with savings banks, the public sector, retail clients and mid-cap corporate clients as well as in the area of real estate finance. Organisationally, the sales units for the Verbund business are also assigned to this segment. However, these units' costs and the related income are reported in either the Capital Markets or Transaction Banking segment, depending on the nature of the sale made.

The result before taxes in this segment amounted to € 5 million in the first three quarters of 2009, compared with € – 6 million the year before.

The deconsolidation of Weberbank, which resulted in a € 57 million charge captured in other operating expense, is included in this result. Without this effect, the result would have exceeded that of the previous year by roughly € 68 million. The income boost is primarily attributable to a € 46 million increase in net interest income, which stems from a successful money market business and higher margins in the business of Weberbank (up to June 30, 2009) and Westdeutsche ImmobilienBank AG (WestImmo).

General economic developments, particularly in the real estate sector, factored heavily into the doubling of the impairment charge for credit losses (€ – 34 million) as well as into the € 12 million increase in charges to the result from financial investments (€ – 17 million) related to write-downs on participations.

Administrative expenses, at € 101 million, were down 23% from a year earlier due to the savings achieved in personnel and other administrative expenses as well as the sale of Weberbank as of June 30, 2009.

Corporates & Structured Finance

The Corporates & Structured Finance segment captures all results from standard and structured lending to corporate clients and from the joint venture in asset management.

We succeeded in improving our result before taxes in this segment from € 63 million to € 158 million.

Both German and international corporates business showed positive development. Of particular note were the successful placement of several promissory note transactions, the engagement as mandated lead arranger in important acquisition finance deals, the strengthening of our leading position in international project finance and our strong position in corporate bonds.

All of the segment's operating units achieved improvements in net interest income. Net fee and commission income was unchanged from the previous year despite the challenging market conditions.

After the transfer of a portion of the portfolio to the Portfolio Exit Group (PEG), the impairment charge for credit losses attributable to this segment also drew level with the previous year's figure.

Administrative expenses, at € 94 million, were sharply lower than the year before (€ – 46 million) thanks to systematic efforts to cut costs and restructure processes.

Capital Markets

The Capital Markets segment comprises the Debt Markets, Equity Markets, Treasury and Research business units.

The noticeably higher result for the period of € 489 million (9M 2008: € 26 million) was fuelled by a systematic focus on core clients and core competencies in the Debt Markets unit. The business with public-sector clients, the retail operations of the savings banks and the business in structured and non-structured interest rate and money market products with corporate clients deserve special mention in this regard. Moreover, the Bank underscored its strong position in the bond business. In our capacity as Lead Arranger we placed various issues for public-sector and corporate clients.

The Equity Markets unit improved its result significantly, but continued to suffer from the adverse market conditions in the period under review, which curbed investors' risk appetites and resulted in lower sales. However, this was more than offset by higher demand for interest rate products in Debt Markets.

Administrative expenses, at € 78 million, were clearly below the previous year's € 127 million, essentially because of concerted efforts to control operating expenditure and reduce personnel expenses.

Transaction Banking

The Transaction Banking segment combines the activities of the payments business and the consumer credit business, which is run via readybank ag.

Despite the economic environment, we achieved a slight increase in our business volume in payments. We also expanded the activities of readybank ag in 2009. New business in the first three quarters of 2009 increased by approximately 93% from the previous year, due in large measure to growth in the number of savings banks with which we cooperate.

Income in payment transactions suffered, especially because of the falling interest rates. This was evidenced above all in our benefit from the float business and in the interest income generated on demand deposits. Whereas the float volume was slightly higher than the previous year, the average interest rate has fallen significantly since the beginning of 2009. By contrast, the high customer sales in currency and precious metals trading had a positive effect on net fee and commission income.

With growth in new business, especially from the savings banks distribution channel, readybank ag posted a considerable increase in income, with the gain in net interest income being driven by the more favourable refinancing rates attributable to market conditions.

The higher volume of new business, together with a further improvement in residual credit insurance rates, increased readybank ag's net fee and commission income.

The impairment charge for credit losses at readybank ag in 2009 is attributable to the severe economic downturn.

Administrative expenses, at € 48 million, were below the level of the previous year, largely because of the reduction in personnel expenses.

Portfolio Exit Group (PEG)

The PEG segment pools all of the results from portfolios which the Bank has identified as non-strategic and plans to wind down or ring-fence off the balance sheet.

Despite the persisting upheaval in the capital markets, the segment's pre-tax result was positive at € 32 million (9M 2008: € – 414 million).

The chief reason for this improvement was the narrowing of credit spreads in recent months, which produced positive valuation effects from our secondary market portfolios, especially those comprising government bonds, state-guaranteed securities and debt instruments issued by financial institutions. These more than compensated for the valuation losses taken on own issues assigned to this segment.

Only limited year-on-year comparisons of the individual earnings components are possible, since charges dating back to the first quarter of 2008 from structured investment vehicles, which are reflected in the net interest income and net trading result, were offset by positive deconsolidation effects in connection with the risk shield, which are reported in the net figure for other operating income and expense.

The € 49 million result from financial investments was predominantly attributable to the proceeds from the sale of a non-strategic investment (€ 54 million).

Administrative expenses, down by a total of € 27 million to € 46 million, decreased substantially compared to the previous year, because of prudent cost management and the above-mentioned deconsolidation of structured investment vehicles at the end of the first quarter of 2008.

Corporate Center

The Corporate Center units provide services for the front-office and sales units and carry out central management functions in the Group, including IT and Services, central staff functions, Risk Management and Finance and Controlling.

Administrative expenses in the Corporate Center units continued to decline because of the various cost-cutting and restructuring programmes already introduced in previous years. At € 443 million, they were a total of € 102 million, or 19%, below their previous year's level. Headcount reductions, which proceeded according to plan, a sharp decrease in non-linear salary components and structural operating cost reductions contributed to this improvement. Reduced outlays for consulting services also kept administrative expenses down. Moreover, with marketing activities reduced substantially this year, marketing expenses have declined sharply.

All expenses and income of the Corporate Center units were allocated among the remaining divisions as part of the internal netting process.

Other

This segment captures consolidations, adjustments made for reconciliation to Group figures and profit contributions which do not fall within the scope of the other segments' responsibilities, such as allocations to provisions for retirees and donations. It also captures measurement mismatches related to the application of IAS 39 (€ – 78 million) and portions of the valuation results from own liabilities (€ – 40 million). In the year-earlier period, the ring-fence gain from the risk shield (€ 962 million) and restructuring expenses (€ 117 million) were reported here.

Financial Status

WestLB Group's **total assets** were below their level at the end of 2008, decreasing by € 29.3 billion, or 10%, to € 258.8 billion. The decrease is predominantly attributable to the ongoing systematic reduction of non-customer-related assets as well as lower fair values of derivative financial instruments. In addition, we registered decreases in our ABCP programme as a result of the state of the market; we selectively reduced new business in certain foreign locations. Combined with our efforts to ring-fence non-strategic assets off the balance sheet and sell additional participations, we are therefore making good progress in meeting the conditions and deadline imposed by the European Commission for a reduction in total assets.

At the end of the third quarter of 2009, the volume of loans and advances had decreased by a total of € 7.7 billion from year-end 2008 to € 116.3 billion. **Loans and advances to banks** fell by € 0.3 billion to € 11.5 billion and **loans and advances to customers** by € 7.4 billion to € 104.8 billion.

Receivables under reverse repurchase agreements increased by € 4.6 billion compared with June 30, 2009, and were nearly unchanged from the end of 2008 at € 29.9 billion.

The items trading assets and trading liabilities reflect the value of the securities, derivatives and other positions we hold for trading purposes. The volume of **trading assets** at September 30, 2009 was € 70.3 billion, which was € 17.9 billion below the figure at December 31, 2008. The primary reasons for the decrease were lower positive fair values from derivative financial instruments and a reduction in money market assets.

Financial assets designated at fair value decreased by € 2.5 billion to € 23.7 billion.

Financial investments, most of which are assigned to the available-for-sale category, edged slightly lower, down € 0.6 billion to € 10.7 billion.

On the refinancing side, liabilities to banks stood at € 29.1 billion and liabilities to customers at € 26.8 billion, which corresponds to decreases of € 6.6 billion and € 3 billion, respectively, from the end of 2008.

Certificated liabilities rose by € 2.7 billion to € 37.9 billion. Amid challenging market conditions, we view this increase, which we achieved without SoFFin guarantees for issues, as a sign of our strong placement power.

Liabilities under repurchase agreements increased by € 1.6 billion to € 43.1 billion in the first nine months of 2009.

Trading liabilities decreased by a total of € 14 billion to € 53.9 billion in the first three quarters of 2009, primarily because of lower negative fair values from derivative financial instruments.

Financial liabilities designated at fair value decreased by € 9.5 billion to € 52.8 billion. Whilst the liabilities to banks and liabilities to customers included here fell by € 11.7 billion and € 1.4 billion, respectively, certificated liabilities climbed by a total of € 3.6 billion in the first nine months of 2009.

Due to scheduled repayments and currency effects, our subordinated debt receded by € 0.9 billion to € 5.4 billion.

Risk-Weighted Assets and Capital Ratios

The Bank's risk-weighted assets totalled € 84.2 billion at September 30, 2009, which represents a decrease of € 4.3 billion from the amount reported as of December 31, 2008. The guarantee issued by SoFFin came into play for a portfolio of structured securities effective September 30, 2009. This, coupled with currency effects, compensated for the increase in risk-weighted assets attributable to rating downgrades and the procyclical effects resulting from the recalibration of our rating systems. In addition, the risk exposure determined by application of the Credit Risk Standardised Approach was lower, since the portion of internally rated positions increased. We also continued the sale of non-strategic risk assets.

The overall capital ratio dropped to 9.3% from 10.1%, and the core capital ratio dropped to 6.2% from 6.4%.

These decreases are predominantly the result of capital effects, which more than offset the decrease in risk-weighted assets. The capital deduction for allowances for specific risks formed during the year and the shortfall (excess of expected loss over allowances for specific risks) both played a role, as did the decrease in core capital related to year-end accounting and currency effects. The volume of supplementary capital decreased on account of subordinated issues which were reaching their maturity or were no longer eligible for inclusion.

Liquidity

WestLB strengthened its liquidity and funding position in the first three quarters of 2009, in particular through the issue of longer-term senior unsecured bonds with a volume of € 16.5 billion.

As our regulatory liquidity ratio proves, we have access to sufficient liquid resources. A bank's liquidity is evaluated for regulatory purposes using the liquidity ratio determined pursuant to the German Liquidity Regulation (LiqV), which sets the cash available within a given month in relation to the payment obligations which may be called in during the same period. A bank's liquidity is considered sufficient if this ratio is at least 1.0. At WestLB AG, the ratio for the period from January to September 2009 averaged 1.13.

Events Occurring after September 30, 2009

In line with the conditions set by the European Commission, WestLB continued to downsize its branch network in the fourth quarter of 2009. We have contacted the respective local regulatory authorities regarding our planned closure of the following representative offices by the end of 2009: Buenos Aires, Kiev, Mexico City, Mumbai and Santiago de Chile.

Outlook

Even if the decisive action taken by national governments worldwide succeeded in halting the economic downturn in the third quarter, the possible economic upswing in 2010 is likely to be subdued. Corporate insolvencies will increase

appreciably in the coming months. As an export nation, Germany will also be especially hard hit by the long-term consequences of the recession. In addition to the uncertainty which still surrounds future developments in the financial markets, the banking sector can expect to see an increase in defaults in the lending business. This is aggravated by the fact that the sector has to adapt to regulatory changes which require higher capital and liquidity buffers and sharply reduced balance sheets.

WestLB is meeting the challenges of the current market climate by strengthening its customer business, reining in costs and pressing ahead with the efforts under way since mid-2008 to improve the risk structure. We are also involved in extensive deliberations with our owners and SoFFin about removing non-strategic assets with a volume of approximately € 85 billion from the balance sheet and placing them in a workout entity pursuant to the amendment to the Financial Markets Stabilisation Act.

We expect higher pressure on earnings in the fourth quarter of 2009 compared with the preceding quarters. For one thing, the costs associated with guaranteeing the sub-portfolio by SoFFin and the owners will have an adverse impact. Together with the credit risk provisioning requirements, which are likely to rise further, this is expected to result in lower earnings in the final quarter of 2009 compared with the previous quarters.

Group Statement of Income

	Notes	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions	Change	
				€ millions	%
Interest income		7,281	8,922	-1,641	-18
Interest expense		5,934	8,025	-2,091	-26
Net interest income	(3)	1,347	897	450	50
Impairment charge for credit losses	(4)	-582	-345	-237	-69
Net interest income after impairment charge for credit losses		765	552	213	39
Fee and commission income		394	423	-29	-7
Fee and commission expense		190	134	56	42
Net fee and commission income	(5)	204	289	-85	-29
Net trading result	(6)	137	631	-494	-78
Result from financial investments	(7)	52	52	0	0
Administrative expenses	(8)	863	1,040	-177	-17
Other operating income and expense	(9)	-33	237	-270	> -100
Restructuring expenses		0	117	-117	-100
Profit before income tax		262	604*	-342	-57
Current income taxes		-52	-71	19	27
Deferred income taxes		-26	-1	-25	> -100
Profit after income tax		184	532	-348	-65
Attributable to:					
- Shareholders of WestLB		184	532	-348	-65
- Minority interests		0	0	0	-

* € 962 million thereof attributable to the ring-fence gain from the risk shield

Group Balance Sheet

Assets

	Notes	30. 9. 2009 € millions	31. 12. 2008 € millions	Change € millions	%
Cash and balances with central banks		1,221	2,125	- 904	- 43
Loans and advances to banks	(10)	11,484	11,768	- 284	- 2
Loans and advances to customers	(11)	104,793	112,233	- 7,440	- 7
Allowances for losses on loans and advances	(12)	- 1,586	- 1,219	- 367	30
Receivables under reverse repo transactions		29,930	29,959	- 29	0
Trading assets	(13)	70,333	88,222	- 17,889	- 20
Positive fair values from derivative hedging instruments		1,856	1,322	534	40
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		174	227	- 53	- 23
Financial assets designated at fair value	(14)	23,715	26,226	- 2,511	- 10
Financial investments	(15)	10,705	11,330	- 625	- 6
Property and equipment	(16)	452	480	- 28	- 6
Intangible assets	(17)	167	155	12	8
Current income tax assets		289	286	3	1
Deferred income tax assets		194	185	9	5
Other assets		811	529	282	53
Assets held for sale	(27)	4,285	4,294	- 9	0
Total assets		258,823	288,122	- 29,299	- 10

Liabilities and Equity

	Notes	30. 9. 2009 € millions	31. 12. 2008 € millions	Change € millions	%
Liabilities to banks	(18)	29,068	35,619	- 6,551	- 18
Liabilities to customers	(19)	26,757	29,722	- 2,965	- 10
Certificated liabilities	(20)	37,903	35,237	2,666	8
Liabilities under repurchase agreements		43,086	41,455	1,631	4
Trading liabilities	(21)	53,911	67,945	- 14,034	- 21
Negative fair values from derivative hedging instruments		771	881	- 110	- 12
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		948	746	202	27
Financial liabilities designated at fair value	(22)	52,843	62,325	- 9,482	- 15
Provisions	(23)	1,554	1,629	- 75	- 5
Current income tax liabilities		397	475	- 78	- 16
Deferred income tax liabilities		61	3	58	> 100
Other liabilities		1,710	1,772	- 62	- 3
Liabilities held for sale	(27)	193	156	37	24
Subordinated debt	(24)	5,448	6,336	- 888	- 14
Equity		4,173	3,821	352	9
- Share capital		2,270	2,270	0	0
- Capital reserve		2,031	2,031	0	0
- Silent contributions to capital		469	469	0	0
- Retained earnings		- 155	- 314	159	51
- Foreign currency translation reserve		- 85	- 47	- 38	- 81
- Revaluation reserve		- 367	- 581	214	37
- Actuarial gains and losses from defined benefit obligations		10	- 7	17	> 100
Total liabilities and equity		258,823	288,122	- 29,299	- 10

Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity

€ millions	Share capital	Capital reserve	Silent contributions to capital	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Actuarial gains and losses from defined benefit obligations	Equity before minority interests	Minority interests	Group equity
Balance at January 1, 2008	2,243	1,861	666	- 204	65	- 134	- 33	4,464	0	4,464
Distribution to shareholders				- 24				- 24		- 24
Other changes in shareholders' equity				46				46		46
Total recognised income and expense for the period				532	- 65	- 77	113	503		503
Balance at September 30, 2008	2,243	1,861	666	350	0	- 211	80	4,989	0	4,989
Balance at January 1, 2009	2,270	2,031	469	- 314	- 47	- 581	- 7	3,821	0	3,821
Distribution to shareholders				- 24				- 24		- 24
Other changes in shareholders' equity				- 1				- 1		- 1
Total recognised income and expense for the period				184	- 38	214	17	377		377
Balance at September 30, 2009	2,270	2,031	469	- 155	- 85*	- 367	10	4,173	0	4,173

* includes € - 3 million in assets held for sale

Statement of Recognised Income and Expense

The total results of WestLB for the period comprise the income and expenses shown in the statement of income and those directly captured in equity.

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Profit after income tax	184	532
Net income recognised directly in equity	193	– 29
Change in revaluation reserve	236	– 110
Change in foreign currency translation reserve	– 37	– 65
Actuarial gains and losses from defined benefit obligations	22	162
Tax on items taken directly to or transferred from equity	– 28	– 16
Total recognised income and expense for the period	377	503
Attributable to:		
– Shareholders of WestLB	377	503
– Minority interests	0	0

Cash Flow Statement

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Cash and balances with central banks at the end of the previous period	2,125	2,471
Cash flow from operating activities	– 590	– 403
Cash flow from investing activities	675	– 846
Cash flow from financing activities	– 912	244
Changes in cash due to changes in scope of consolidation	– 66	– 638
Changes in cash due to changes in exchange rates	– 11	18
Cash and balances with central banks at the end of the period	1,221	846

Additional information about the liquidity management practices of WestLB Group is contained in the Risk Report of the Annual Report 2008.

Notes to the Group Financial Statements

Accounting Policies

1. Basis of Preparation

Based on the "IAS Regulation", we have prepared the interim financial statements in accordance with the International Financial Reporting Standards (IFRS), as well as additional regulations applicable under § 315 a (1) of the German Commercial Code (HGB), which we were required to apply as of the reporting date. The condensed financial statements meet in particular the requirements of IAS 34 (Interim Financial Reporting).

The information contained in these interim financial statements should be read in conjunction with the information contained in the published and certified Group financial statements as of and for the year ended December 31, 2008. We have taken account of all developments up to the Managing Board's preparation of the interim financial statements on November 9, 2009.

We used the same accounting policies to prepare the interim financial statements as were used to prepare the 2008 Group financial statements.

The use of IFRS requires that management make certain estimates and assumptions which can have a not insignificant impact on the statement of income, the recognition and carrying value of assets and liabilities as well as the disclosure of contingent assets and liabilities. Even when our estimates are based on available information, past experience and other criteria, including expectations concerning future events, actual, future results may still vary from our estimates.

The interim report was not reviewed by our external auditors.

2. Scope of Consolidation

WestLB Group specifically includes the following companies and sub-groups:

WestLB Group (companies, directly consolidated)

WestLB AG, Düsseldorf	
Bank WestLB Vostok (ZAO), Moscow, Russia	
Banque d'Orsay S.A., Paris, France	
Basinghall Finance plc, London, UK	
Clavis Securities plc, London, UK	
Compass Securitisation Limited, Dublin, Ireland	
Compass Securitization LLC, Wilmington/Delaware, USA	
GOD Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
GOH Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
International Leasing Solutions Japan KK, Tokyo, Japan	
readybank ag, Berlin	
WestLB (Italia) Finanziaria S.p.A., Milan, Italy	
WestLB Asset Management (US) LLC, New York, USA	
WestLB Bank Polska S.A., Warsaw, Poland	
WestLB Covered Bond Bank plc, Dublin, Ireland	
WestLB Europa Holding GmbH, Düsseldorf	
WestLB Europe (UK) Holdings Ltd., London, UK	
WestLB Finance Curaçao N.V., Willemstad, Netherlands Antilles	
WestLB Fund Investments Ltd., London, UK	
WestLB Hungaria Bank ZRt., Budapest, Hungary	
WestLB International S.A., Luxembourg, Luxembourg	
WestLB Ireland plc, Dublin, Ireland	
WestLB Mellon Asset Management Holdings Ltd., London, UK	
WestLB New York Capital Investment Ltd., Jersey, Channel Islands	
WestLB Securities Inc., Dover/Delaware, USA	
WestLB Securities Pacific Ltd., Hong Kong, People's Republic of China	
WestLB UK Ltd., London, UK	
West Merchant Ltd., London, UK	
WLB Funding S.A. de C.V., SOFOM, Mexico City, Mexico	
Banco WestLB do Brasil S.A., São Paulo, Brazil	Subgroup with 2 companies
Westdeutsche ImmobilienBank AG, Mainz	Subgroup with 12 companies

WestLB Mellon Asset Management Holdings Ltd. (WMAM), London, U.K., is included in the Group financial statements as a joint venture and is reported at equity.

As planned, WestLB finalised its sale of Weberbank Actiengesellschaft, Berlin, to Mittelbrandenburgische Sparkasse; as a result, Weberbank was removed from the scope of consolidation effective June 30, 2009.

WestLB Asia Pacific Ltd., Singapore, a specialist in structured finance for southern Asia, was also removed effective June 30, 2009 after its operations were discontinued and capital fully repaid.

Segment Reporting

Profit is accounted for and managed within WestLB Group at business unit level on the basis of WestLB's profit centre accounting. The portfolios, results and resources of the specific business units are combined into segments which represent the businesses and areas in which WestLB Group is active.

The segment reporting is prepared in accordance with IFRS 8. The segments are formed on the basis of WestLB Group's internal management practices and reflect the focus and market presence of the business units as well as the functional synergies among organisational units.

The Portfolio Exit Group (PEG) segment pools all of the results from portfolios which the Bank has identified as non-strategic and therefore plans to wind down or ring fence off the balance sheet. It was added to the segment reporting in the first quarter of 2009, and the year-earlier figures have been adjusted accordingly. In view of the intensive negotiations concerning a ring-fencing solution (see "Events Occurring after September 30, 2009"), the internal designation used previously for the segment was changed.

Group Segments

<u>Verbund & Real Estate</u>	<u>Corporates & Structured Finance</u>	<u>Capital Markets</u>	<u>Transaction Banking</u>
Verbund Westdeutsche ImmobilienBank AG	Corporates Structured Finance Corporate & Structured Finance Products Asset Management	Equity Markets Debt Markets Research Treasury	Transaction Services readybank ag
<u>Portfolio Exit Group – PEG</u>	<u>Corporate Center</u>	<u>Other</u>	
Investment Management/ Portfolio Exit Group	Chairman Risk Management Finance & Controlling Human Resources Information Technology Organisation & Services Operations	Consolidations/ Netting	

The following table depicts the contributions which the individual segments made to the consolidated result for the third quarter of fiscal years 2008 and 2009. The segment results are derived from internal management data, which can be reconciled with our financial accounting data. As part of internal management, there are internal transactions between the individual segments which serve a variety of purposes, including to pass on funds internally, allocate maturity structure and net interest margin contributions and support risk management. As a result, determining the income each segment generates with external customers could be obtained only at high expense or effort. Any net results from internal transactions are eliminated in the Other segment.

There are no measurement differences to the Group financial statements.

€ millions	Verbund & Real Estate	Corporates & Structured Finance	Capital Markets	Transaction Banking	Portfolio Exit Group – PEG	Corporate Center	Other	WestLB Group
Net interest income								
1. 1. – 30. 9. 2009	174	292	743	51	243	– 32	– 124	1,347
1. 1. – 30. 9. 2008	128	278	441	70	85	– 25	– 80	897
Impairment charge for credit losses								
1. 1. – 30. 9. 2009	– 34	– 91	– 4	– 12	– 435	0	– 6	– 582
1. 1. – 30. 9. 2008	– 17	– 87	– 35	– 13	– 180	– 3	– 10	– 345
Net fee and commission income								
1. 1. – 30. 9. 2009	43	207	– 96	34	39	– 15	– 8	204
1. 1. – 30. 9. 2008	40	207	– 8	29	37	– 10	– 6	289
Net trading result								
1. 1. – 30. 9. 2009	5	– 26	134	0	230	0	– 206	137
1. 1. – 30. 9. 2008	11	– 12	– 39	0	– 335	16	990	631
Result from financial investments								
1. 1. – 30. 9. 2009	– 17	14	– 2	0	49	– 1	9	52
1. 1. – 30. 9. 2008	– 5	– 11	0	0	– 48	– 1	117	52
Administrative expenses								
1. 1. – 30. 9. 2009	101	94	78	48	46	443	53	863
1. 1. – 30. 9. 2008	131	140	127	53	73	545	– 29	1,040
Other operating income and expense								
1. 1. – 30. 9. 2009	– 56	1	– 12	– 2	– 1	10	27	– 33
1. 1. – 30. 9. 2008	3	15	5	– 3	169	26	22	237
Restructuring expenses								
1. 1. – 30. 9. 2009	0	0	0	0	0	0	0	0
1. 1. – 30. 9. 2008	0	0	0	0	0	0	117	117
Internal charging								
1. 1. – 30. 9. 2009	– 9	– 145	– 196	– 40	– 47	481	– 44	0
1. 1. – 30. 9. 2008	– 35	– 187	– 211	– 37	– 69	542	– 3	0
Profit before income tax								
1. 1. – 30. 9. 2009	5	158	489	– 17	32	0	– 405	262
1. 1. – 30. 9. 2008	– 6	63	26	– 7	– 414	0	942*	604*

* € 962 million thereof attributable to the ring-fence gain from the risk shield

Notes to the Group Statement of Income

3. Net Interest Income

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Interest income from		
– Loans and advances to banks and customers	3,771	4,382
– Financial assets available for sale	262	608
– Financial assets held to maturity	18	8
Current income from		
– Financial assets available for sale	24	57
– Interests in associates and joint ventures	– 1	4
Net interest and dividend income from		
– Instruments held for trading	1,082	1,971
– Instruments designated as at fair value	– 898	– 2,127
Interest expenses for		
– Liabilities to banks and customers	2,169	2,599
– Certificated liabilities	770	808
– Subordinated debt (excluding designated holdings)	212	299
Net income from hedging relationships	– 53	8
Net income from other transactions	293	– 308
Net interest income	1,347	897

The net income from other transactions primarily comprises interest income and interest expense from hedging derivatives which meet the requirements for hedge accounting under IAS 39, and from amortisation entries made in connection with the portfolio hedge accounting. It also captures the interest expense from the measurement of IFRS pension obligations and the interest effect from unwinding.

4. Impairment Charge for Credit Losses

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Allocations		
– to allowance for losses on loans and advances	– 645	– 494
– to provisions for lending operations	– 6	– 52
Write-backs		
– from allowance for losses on loans and advances	68	148
– from provisions for lending operations	8	35
Income from written-off loans and advances	15	10
Direct write-offs of loans and advances	– 22	8
Impairment charge for credit losses	– 582	– 345

An € 88 million portion of the ring-fence gain from the risk shield was attributable to the reversal of allowances on loans and receivables in the first three quarters of 2008.

5. Net Fee and Commission Income

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Lending and syndicated lending business	243	236
Securities and deposit business	– 73	23
Payment transactions	40	28
Trust activities	0	1
Other	– 6	1
Net fee and commission income	204	289

6. Net Trading Result

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Result from sale and measurement of trading instruments	176	596
Result from foreign currency translation	97	119
Result from sale and measurement of financial instruments designated at fair value	– 136	– 84
Net trading result	137	631

A € 763 million portion of the ring-fence gain from the risk shield was attributable to results from sales captured in the year-earlier period's net trading result.

7. Result from Financial Investments

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Result from sale and measurement of available-for-sale assets	58	57
Result from sale and measurement of interests in associates	1	0
Result from sale of consolidated subsidiaries	7	0
Other result from financial investments	– 14	– 5
Result from financial investments	52	52

A € 111 million portion of the ring-fence gain from the risk shield was attributable to the results from sales captured in the result from financial investments for the first three quarters of 2008.

8. Administrative Expenses

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Personnel expenses	429	520
– Wages and salaries	346	429
– Compulsory social security contributions	42	45
– Expenses for pensions and other employee benefits	41	46
Other administrative expenses	380	468
Depreciation and amortisation	54	52
– of property and equipment	31	33
– of software and other intangible assets	23	19
Administrative expenses	863	1,040

9. Other Operating Income and Expense

	1. 1. – 30. 9. 2009 € millions	1. 1. – 30. 9. 2008 € millions
Other operating income	76	380
Other operating expense	109	143
Other operating income and expense	– 33	237

Notes to the Group Balance Sheet

10. Loans and Advances to Banks

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Banks in Germany	3,289	3,384
Banks in other countries	8,195	8,384
Loans and advances to banks	11,484	11,768

11. Loans and Advances to Customers

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Corporate clients	95,816	102,496
Public-sector clients	5,469	6,195
Private clients	3,508	3,542
Loans and advances to customers	104,793	112,233

12. Risk Provisions in the Lending Business

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Allowances for losses on loans and advances	1,586	1,219
– Allowances for specific risks	1,395	1,053
– Allowances for portfolio risks	191	166
Provisions for contingent liabilities	45	51
– Provisions for specific risks	44	45
– Provisions for portfolio risks	1	6
Risk provisions in the lending business	1,631	1,270

13. Trading Assets

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Bonds and other interest-bearing securities	10,272	11,261
Shares and other non-interest-bearing securities	1,389	1,137
Positive fair values from derivative financial instruments	52,638	66,956
Other trading assets	6,034	8,868
Trading assets	70,333	88,222

14. Financial Assets Designated at Fair Value

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Bonds and other interest-bearing securities	16,173	18,484
Shares and other non-interest-bearing securities	72	359
Loans and advances to banks	3,000	3,420
Loans and advances to customers	4,470	3,963
Financial assets designated at fair value	23,715	26,226

15. Financial Investments

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Financial investments available for sale	10,045	10,310
Financial investments held to maturity	589	944
Interests in companies reported at equity	68	68
Investment property	3	8
Financial investments	10,705	11,330

16. Property and Equipment

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Land and buildings	368	376
Office equipment	74	93
Other property and equipment	10	11
Property and equipment	452	480

17. Intangible Assets

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Goodwill	9	9
Software	158	146
Intangible assets	167	155

18. Liabilities to Banks

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Banks in Germany	21,825	25,736
Banks outside Germany	7,243	9,883
Liabilities to banks	29,068	35,619

19. Liabilities to Customers

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Corporate clients	24,633	24,729
Public-sector clients	1,814	3,098
Private clients	310	1,895
Liabilities to customers	26,757	29,722

20. Certificated Liabilities

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Bonds and notes issued	25,197	21,164
Money market instruments	12,706	14,064
Own acceptances and promissory notes outstanding	0	9
Certificated liabilities	37,903	35,237

21. Trading Liabilities

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Negative fair values from derivative financial instruments	50,738	64,651
Delivery obligations on short sales of securities	1,935	2,601
Other trading liabilities	1,238	693
Trading liabilities	53,911	67,945

22. Financial Liabilities Designated at Fair Value

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Liabilities to banks	11,776	23,486
Liabilities to customers	20,426	21,787
Certificated liabilities	20,641	17,052
Financial liabilities designated at fair value	52,843	62,325

23. Provisions

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Provisions for pensions and similar obligations	808	817
Provisions in the lending business	45	51
Provisions for personnel expenses	441	505
Other provisions	260	256
Provisions	1,554	1,629

24. Subordinated Debt

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Subordinated liabilities	2,848	3,656
Profit participation capital	1,597	1,597
Hybrid capital	869	869
Deferred interest	143	211
Measurement effects (IAS 39)	- 9	3
Subordinated debt	5,448	6,336

The measurement effects associated with IAS 39 pertain to changes in fair value resulting from the application of micro fair value hedge accounting and the fair value option.

Other Information

25. Derivative Financial Instruments

The breakdown of derivative financial instruments is as follows (nominal values):

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Products based on interest rates	2,456,930	1,968,323
Products based on exchange rates	234,876	255,010
Products based on share prices and other prices	79,655	53,786
Credit derivatives	139,479	139,411
Derivative transactions	2,910,940	2,416,530

26. Contingent Liabilities and Other Commitments

	Sept. 30, 2009 € millions	Dec. 31, 2008 € millions
Contingent liabilities from guarantees and indemnity agreements	8,241	9,764
Other commitments from irrevocable loan commitments	47,582	65,642

Outstanding purchase commitments to the structured investment vehicle Harrier have been reported under other commitments from irrevocable loan commitments. As part of the risk shield, Phoenix will assume all of the financial instruments acquired under purchase commitments, freeing WestLB entirely from the related economic risks. In return, any fees and commissions earned on these commitments will be passed on to the special purpose vehicle. The liquidity commitment to Greyhawk no longer exists.

27. Assets and Liabilities Held for Sale

As a result of the decision to concentrate on commercial real estate transactions, new residential lending was ceased as of January 1, 2009. WestImmo still intends to sell the retail arm of its operations.

It has now been more than the prescribed period of one year since the decision to sell was reached and since the operations were first reported pursuant to the provisions of IFRS 5. This is largely because of the worsening economic conditions (financial market crisis). In this respect, the delay has been caused by events beyond WestImmo's control. WestImmo has taken account of the change in the underlying conditions by adapting the sales strategy for its retail operations on the basis of the market situation. The relevant items are captured in our segment reporting as part of the Portfolio Exit Group segment.

As part of the strategic realignment of the Bank, preparations were completed in the second quarter of 2009 for the sale of subsidiary WestLB Hungaria, which is predominantly treated as part of the Capital Markets segment in our segment reporting. WestLB announced the sale of WestLB Hungaria on July 8, 2009. The criteria of IFRS 5 for a separate presentation of the company as a disposal group were first met as of June 30, 2009.

In addition to the above, there was one unconsolidated participation earmarked for sale which first met the criteria of IFRS 5 in full as of June 30, 2009 and was treated accordingly in the financial statements. That participation is captured in the Verbund & Real Estate segment.

The planned sales chiefly involve loans and advances to customers in the amount of € 4,250 million and liabilities to customers and banks in the amount of € 188 million.

28. Restatements Pursuant to IAS 8

In the wake of the financial market crisis and resulting liquidity squeeze, we decided with respect to refinancing the asset-generating operations of ABCP conduits to purchase that portion of the commercial paper issued in the Compass Programme which could not be placed with third parties rather than to inject liquidity.

As a result, the issuing securitisation vehicles Compass Securitisation Limited, Dublin, Ireland, and Compass Securitization LLC, Wilmington, Delaware, USA, were consolidated for the first time in the Group financial statements as of December 31, 2008, with retroactive effect from October 17, 2007 and December 21, 2007, respectively. The previous year's figures have been restated at the appropriate places in the Notes.

There was no impact on the consolidated result or on equity. The difference in reporting constitutes the primary change. The purchased notes had been reported as trading assets (held-for-trading category). With the consolidation, they are now reported as loans and advances to customers (loans and receivables category).

29. Amendments to IAS 39 and IFRS 7 “Reclassification of Financial Assets”

In conformity with the amendments to IAS 39 and IFRS 7, we reassigned certain trading assets and available-for-sale assets to the loans and receivables category in the second half of 2008. The assets reassigned were ones which, as of their effective date of reclassification, we no longer intended to sell or trade in the short term, but to hold for the foreseeable future. The reclassifications occurred at the respective fair values determined on the reclassification date and, in the case of trading assets reclassified as loans and receivables, increased the profit before income tax by € 132 million. The reclassification of available-for-sale assets as loans and receivables caused the € 481 million these assets had regained in value not to be captured in equity in the reporting period.

No reclassifications have been made in 2009.

The following table shows the cumulative carrying values and fair values of the reclassified assets:

	Carrying Value as of Reclassification € billions	Carrying Value Sept. 30, 2009 € billions	Fair Value Sept. 30, 2009 € billions
Trading assets reclassified as loans and receivables	1.6	1.4	0.9
Available-for-sale assets reclassified as loans and receivables	3.9	3.8	3.7
Total	5.5	5.2	4.6

At the time of reclassification, the effective interest rates on the reclassified assets were between 1.3% and 14.4%, with expected obtainable cash flows of € 8.3 billion.

The reclassified financial assets contributed € 105 million to the profit before income tax in the period under review.

30. Market Price Risk

The value at risk (VaR) is determined in accordance with the quantitative guidelines of the German Solvency Regulation (SolvV) for the internal measurement of market risks approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). These assume a confidence level of 99% as well as a holding period of one trading day and an observation period of 250 trading days. For a detailed description of the methodology we use and the organisation of the Risk Management division, please refer to the Annual Report for the year ended December 31, 2008.

Confidence level 99%/1-day holding period	Total Utilisation		thereof Trading Book	
	1. 1. – 30. 9. 2009 € millions	1. 1. – 31. 12. 2008 € millions	1. 1. – 30. 9. 2009 € millions	1. 1. – 31. 12. 2008 € millions
Value at risk on reporting date	244	253	13	17
Minimum value at risk	192	105	12	11
Maximum value at risk	300	264	22	35
Average value at risk	233	159	15	20

After rising sharply in the first half of the year because of the extreme volatility in the financial markets, VaR utilisation for the consolidated trading book and banking book without the Phoenix portfolio stabilised at a high level in the third quarter of 2009. It decreased slightly at the end of the quarter, as the extreme market movements following the Lehman insolvency are gradually becoming less of a factor in risk calculations. Total VaR changed by only an insignificant amount in the third quarter of 2009 and was affected by an increase in the amount of unsecured paper issued by WestLB for liquidity back-up purposes. Credit spread risk remains the chief risk driver, but was reduced slightly through own issues, a weaker U.S. Dollar and repayments. The interest rate risk is low compared with the previous quarters and mainly driven by Euro and U.S. Dollar positions. Equity price risk is nearly unchanged, with a share in our overall market price risk of approximately 5%.

A change was made in the first quarter of 2009 to the calculation methodology applied to the Phoenix portfolio, from a static VaR premium of € 65 million to a dynamic approach based on updated exposure data from the portfolio manager PIMCO. Because of the sharp increase in market volatility coupled with rating downgrades in this segment, its VaR utilisation had tripled to € 216 million, but then started to recede again in the third quarter of 2009 and closed the period at € 176 million.

Of course, the new measurement methodology no longer recognises the risk-mitigating effect of the risk shield. Since the beginning of this year, the value at risk for the Phoenix portfolio has been calculated on a monthly basis and is no longer captured in the above table.

31. Group Statement of Income, Quarterly Comparison

	1. 7.– 30. 9. 2009 € millions	1. 4.– 30. 6. 2009 € millions	1. 1.– 31. 3. 2009 € millions	1. 7.– 30. 9. 2008 € millions	1. 4.– 30. 6. 2008 € millions	1. 1.– 31. 3. 2008 € millions
Net interest income	458	495	394	336	365	196
Impairment charge for credit losses	- 214	- 194	- 174	- 159	- 129	- 57
Net interest income after impairment charge for credit losses	244	301	220	177	236	139
Net fee and commission income	64	67	73	96	110	83
Net trading result	- 112	37	212	- 43	- 103	777
Result from financial investments	54	- 12	10	- 47	- 7	106
Administrative expenses	290	293	280	284	393	363
Other operating income and expense	0	- 48	15	- 39	- 3	279
Restructuring expenses	0	0	0	- 87	204	0
Profit before income tax	- 40	52	250	- 53	- 364	1,021
Current income taxes	30	- 60	- 22	45	- 81	- 35
Deferred income taxes	- 30	20	- 16	- 40	- 21	60
Profit after income tax	- 40	12	212	- 48	- 466	1,046
Attributable to:						
- Shareholders of WestLB	- 40	12	212	- 48	- 466	1,046
- Minority interests	0	0	0	0	0	0

32. Members of the Managing Board and Supervisory Board

WestLB Managing Board

Dietrich Voigtländer

Chairman (from September 11, 2009, previously Acting Chairman)

Hubert Beckmann

Vice Chairman

Klemens Breuer

(Deputy Member until June 30, 2009,
Member from July 1, 2009)

Thomas Groß

Dr. Hans-Jürgen Niehaus

Werner Taiber

Heinz Hilgert

Chairman (until May 18, 2009)

WestLB Supervisory Board

Michael Breuer, Chairman

President

Savings Banks and Giro Association of the Rhineland

Doris Ludwig, Vice Chairwoman

Director

WestLB AG Düsseldorf

Raimund Bär

Chairman of the Staff Council

Westdeutsche ImmobilienBank AG (WestImmo)

Dietmar P. Binkowska (from February 18, 2009)

Chairman of the Managing Board

NRW.BANK

[Rolf Finger](#)

Secretary for Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft

[Dietmar Fischer](#)

Director
WestLB AG Düsseldorf

[Dr. Rolf Gerlach](#)

President
Savings Banks and Giro Association of Westphalia-Lippe

[Cornelia Hintz](#)

Secretary
ver.di Vereinte Dienstleistungsgewerkschaft

[Sigrid Janetzko](#)

Bank Director
WestLB AG Düsseldorf

[Dr. Wolfgang Kirsch](#)

Regional Director
Regional Association of Westphalia-Lippe

[Christiane Kutil-Bleibaum](#)

Director
WestLB AG Düsseldorf

[Dr. Gerhard Langemeyer](#)

Former Lord Mayor
City of Dortmund

[Dr. Helmut Linssen](#)

Finance Minister
State of North Rhine-Westphalia

[Annette Lipphaus](#)

Regional Head of Legal Protection
ver.di Vereinte Dienstleistungsgewerkschaft

[Dr. Siegfried Luther](#)

Former Vice Chairman of the Executive Board
Bertelsmann AG

[Manfred Matthewes](#)

Director
WestLB AG Düsseldorf

[Heinz-Günter Sander](#)

Director
WestLB AG Düsseldorf

[Hans-Georg Vogt](#)

Chairman of the Managing Board
Sparkasse Bielefeld

[Harry Voigtsberger](#)

Regional Director
Regional Association of the Rhineland

[Alexander Wüerst](#)

Chairman of the Managing Board
Kreissparkasse Köln

Financial Calendar

March 23, 2010	Annual Press Conference, Publication of Provisional Group Financials for 2009
May 20, 2010	Publication of Group Financials March 31, 2010
August 12, 2010	Publication of Group Financials June 30, 2010
November 18, 2010	Publication of Group Financials September 30, 2010

Subject to changes

Publications

The Interim Report and the Annual Report 2008 are also available in German. In case of doubt the German version shall be binding.

Our annual reports and interim reports as well as company presentations can be inspected and downloaded at www.westlb.com/ir.

Our Press Department and our Investor Relations Department will be pleased to answer your questions concerning the Interim Report and WestLB AG.

Our interim reports are printed on FSC-certified paper.

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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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