New Answers in Banking

30 9

Interim Report

January 1 – September 30, 2005

Overview of WestLB Group January 1 – September 30, 2005

Ratios

	1. 1. – 30. 9. 2005 %	2004 %
Return on equity before taxes	13.9	13.2[2]
Cost-income ratio[1]	71.5	79.7

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

Performance Figures

	1. 1. – 30. 9. 2005 € millions	1. 1. – 30. 9. 2004 € millions	Change € millions
Result from ordinary activities	451.0	511.1	– 60.1
Profit before taxes (MTM)	451.0	464.3	– 13.3
Profit after taxes (MTM)	305.9	387.1	– 81.2

Balance Sheet Figures

	30. 9. 2005 € billions	31. 12. 2004 € billions	Change € billions
Total assets	262.4	253.8	8.6
Business volume	402.0	349.2	52.8
Credit volume	265.8	222.3	43.5
Borrowed refinancing funds	242.8	234.1	8.7
Equity capital	4.8	3.8	1.0

Bank Regulatory Capital Ratios (BIS)

	30. 9. 2005	31. 12. 2004	Change € billions
Core capital (€ billions)	6.3	7.6	– 1.3
Capital and reserves (€ billions)*	13.3	14.6	– 1.3
Risk-weighted assets (€ billions)	131.3	118.0	13.3
Core capital ratio (%)	5.9	8.1	
Equity ratio (%)	10.1	12.4	

* after deduction of unused Tier III capital eligible for inclusion

Staff

	30. 9. 2005	31. 12. 2004	Change
Staff*	6,197	6,893	– 696

* 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,

Almost four months after the elimination of the state guarantees, WestLB is now fully engaged in transforming itself into a competitive, client-driven commercial bank operating both internationally and in its home market of Germany. Our Interim Report at September 30, 2005 shows that we still have some considerable way to go before we reach our objectives. But one thing is quite clear: WestLB is on target both strategically and operationally, and has every chance of achieving its ambitious goals set in mid-2004 for the subsequent three-year period.

A lively debate has been under way in recent weeks inside and outside the Bank about the current situation and future prospects of the public banking sector in Germany, not least in connection with the latest strategy meeting of the German Savings Banks and Giro Association (DSGV) in Berlin. Our alliance with the savings banks in North Rhine-Westphalia, but also in Brandenburg, forms the core of the new WestLB's business strategy. We appreciate the close collaboration in our day-to-day business, which is founded on mutual trust and is proving to be profitable for all concerned. We know that the savings banks and their associations in the Rhineland and Westphalia-Lippe are determined to support WestLB constructively both as shareholders and partners of the Bank. In the months ahead we will continue to build on and develop the strategic dialogue we have begun with all important representatives of the savings banks.

In this Interim Report we reaffirm our confidence that we will achieve a profit before taxes of approximately € 600 million for 2005. This remains our goal in spite of the fact that the weak development of the economy in Germany continues to hit our interest and commission income. Notwithstanding this, the third quarter was the most successful so far this year in both areas. The trading results have also improved. What is more, we are also beginning to reap the rewards of our sound risk management without losing sight of our conservative provisioning policy where this appears to be appropriate. The development of costs, particularly headcount costs, has been distorted by a base effect from the third quarter of 2004. Reducing our cost base – by roughly € 100 million in 2005 alone – will remain one of our major priorities beyond the current financial year.

WestLB has also made good progress on the strategic front during recent months. First, we have announced our intention to form a joint venture with Mellon Financial Corporation, a strong international sales and product partner in asset management. Second, the cooperation agreed between WestLB, Sachsen-Finanzgruppe (SFG) and Sachsen LB will open up further distribution channels for our financial products and solutions. Moreover, the planned cooperation underscores the particularly strong role of WestLB as a partner of the savings bank sector in eastern Germany. In the private banking field we expect to formally complete the acquisition of Weberbank by the end of the year. We can then also launch the activities of the Berlin-based bank in North Rhine-Westphalia with the opening of a branch in Düsseldorf. In Investment Banking, and above all in business with international corporate clients, we are working harder than ever to align this business – which is of major importance for the earnings situation of WestLB – with our new, client-oriented business model.

A few days ago the State of North Rhine-Westphalia underwrote a capital increase for WestLB AG of € 959 million, once again underlining its confidence in the stability and growth potential of the Bank. At the same time there have been indications from the European Commission in Brussels that the measures taken will be regarded as acceptable in bringing about a settlement in the long-standing Wfa state aid proceedings.

Sincerely yours

Thomas Fischer

Dr. Thomas R. Fischer
Chairman of the Managing Board

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WestLB Strategically and Operationally on Target

WestLB remained on course in the third quarter of 2005, noticeably exceeding its performance in the previous year with profit before taxes of € 153.5 million. In implementing the new business model, the Bank is drawing on its existing strengths, but also forging alliances with capable partners when strategically prudent. In September, for example, WestLB signed an agreement with Mellon Financial Corporation to establish a joint venture that will bundle key activities of the two asset managers.

WestLB also intends to form a strategic partnership with Sachsen-Finanzgruppe and Sachsen LB with the aim of bolstering cooperative efforts to develop and market financial products. The cooperation is expected to take effect from the beginning of 2006. With a view to strengthening the collaboration further, the agreement gives WestLB the option of acquiring an equity stake of at least 25.1% in Sachsen LB at a later date, subject to completion of due diligence and approval by the responsible bodies of the two institutions. A decision on this will be made in the course of next year.

In August the Bank's shareholders approved a further strengthening of the capital base, with core capital set to increase by € 959 million. Sole contributor of the funds will be the State of North Rhine-Westphalia. Once the capital increase has been entered in the commercial register (probably in November), WestLB's shareholder structure will change once again. The savings banks associations will continue to hold a combined majority.

Shareholder Structure after the Capital Increase

Regional Association of Westphalia-Lippe	0.18%
Regional Association of the Rhineland	0.18%
State of North Rhine-Westphalia	16.682%
Savings Banks and Giro Association of Westphalia-Lippe	25.475%
Savings Banks and Giro Association of the Rhineland	25.475%
NRW.BANK	32.008%

The intensive preparations for the elimination of institutional liability and guarantor liability on July 19, 2005 paid off. The transition was seamless. As expected, some of our refinancing partners had to reduce the size of their credit lines for WestLB in the wake of the resulting change in the Bank's rating. Like other Landesbanks, we built up the necessary liquidity to weather the change, but were still present in the market after July 19, 2005 with newly issued, unsecured notes. Our primary focus since the elimination of the guarantees has been on structured bonds for retail investors and domestic institutional investors. By September 30, 2005 this resource had provided us with approximately € 600 million in unguaranteed long-term funding. Altogether, the Bank issued € 12.6 billion in long-term notes in the first nine months of the year.

In September the Federal Financial Supervisory Authority (BaFin) granted WestLB a licence to resume its public Pfandbrief business, which means that we will be able to issue Pfandbriefe to refinance our growing state and municipal lending activities. The Bank is in a position to issue its first Pfandbriefe under the new Pfandbrief Act if the market conditions are appropriate.

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. The Bank's risk-taking capacity will benefit in the fourth quarter from the pending capital increase.

The credit risk strategies, which were continually enhanced in 2005, represent a core element of our active portfolio management. Our solid credit risk profile testifies to the successful implementation of these strategies. In addition, targeted sub-strategies help control customer, product and sector-related risk concentrations and optimise the risk-reward ratio.

The Bank has worked diligently in 2005 to prepare for BaFin's review of whether it can employ the advanced IRB approach of Basle II in its rating systems. We have filed the requisite application and provided BaFin with the documentation about our methods and processes. BaFin began its analysis at the beginning of November.

Quantitative and qualitative instruments of Operational Risk Management (ORM) were implemented as planned and further developed. Conducting the Risk Self Assessment (RSA) procedure for banking processes was a focal point in the third quarter. The "Risk Indicators" and "Scenario Analysis" ORM instruments were refined. We also made good progress developing an AMA model for quantifying operational risks.

Business Review

Basis of the Interim Reporting

The Interim Report at September 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 were provided in the 2004 Group annual accounts (Financial Report, pages 62 et seq.). 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 at December 31, 2004. 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." Deconsolidation effects from the sale of equity investments are reported as other operating expenses/income. 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 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 September 30, 2005

Despite a still intensely competitive environment and an economy that remains weak in several respects, we made good progress in the third quarter towards reaching our 2005 earnings target. At € 451.0 million, **profit before taxes** in the first three quarters of 2005 **based on a mark-to-market valuation of the trading book** fell short of the prior-year figure by a narrow € 13.3 million. The € 153.5 million attributable to the third quarter not only exceeded one-fourth of the target (roughly € 600 million) for the whole of 2005 but also surpassed the result for the third quarter of 2004 (€ 147.7 million).

Net interest income, at € 1,289.5 million for the first nine months of this year, fell short of the year-earlier figure by € 20.7 million. This development is attributable primarily to the reduction in the average risk-weighted assets, loss of profit contributions from shareholdings which have meanwhile been sold, pre-funding costs and reduced earnings opportunities in the treasury field due to the development of market interest rates. A dividend payment from West Logistics GmbH resulting from the sale of Klöckner & Co AG as well as profit contributions from the sale of the majority stake in Deutsche Anlagen-Leasing GmbH (DAL) are also included in the net interest income. The interest margin based on the average risk-weighted assets (BIS) increased by 11 basis points from a year earlier to 1.39%.

At € 249.1 million, **net commission income** for the period under review was close to the previous year's level. The chief cause of the noticeable improvement in the third quarter was commission income from project finance deals and securitisations. Commission income from the securities business continues to fall short of our expectations.

On a mark-to-market basis, **net income from trading operations** stood at € 43.6 million, which represents a gain of € 161.6 million from a year earlier. Key contributors were the net € 154.8 million generated from the trading business with interest rate and currency-based products and the € 6.8 million result from equities, index and other trading products.

The primary reasons for the decline in **other operating expenses/income** to € – 17.9 million were non-recurring effects from changes in the scope of consolidation (DAL, Boullioun Aviation Services Inc., Assetis GmbH, WestLB Systems GmbH) and resulting loss of profit contributions from these companies.

Administrative expenses increased by 5.5% to € 1,322.3 million. Personnel expenses rose by € 51.2 million to € 704.2 million. A one-time baseline effect from the third quarter of 2004 had a negative impact here. Other administrative expenses stood at € 618.1 million (+ € 18.2 million). Administrative expenses have nevertheless been falling for three consecutive quarters, indicating that the cost-cutting measures are beginning to take effect. We are confident that we will reduce our expenses by roughly € 100 million by the end of the year.

The **cost-income ratio** improved to 71.5% from 79.7% at December 31, 2004.

The figure for **credit risk provisions** 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 our original forecasts.

At € 284.0 million, the **result of securities and participations** was € 180.3 million higher than a year earlier, mainly due to gains on the sale of non-strategic investments.

At September 30, 2005 the **profit attributable under partial profit transfer agreements** to the silent contribution as well as the hybrid capital of WestLB New York Capital Investment stood at € 37.2 million.

Segment Results

The following is a nine-month-on-nine-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

The new business model is beginning to bear fruit in the Corporate Banking & Sparkassen segment in particular. At € 258.0 million, the segment's pre-tax profit was up € 161.9 million from a year earlier. The chief drivers of this encouraging earnings increase were higher net interest income (+ € 173.0 million) and an improved result of securities and participations (+ € 80.5 million). The much improved bottom line at Westdeutsche ImmobilienBank as well as gains on the sale of Klöckner & Co AG, our majority stake in DAL and non-strategic investments had a particularly positive impact.

Investment Banking

Despite a persistently weak market environment, the Investment Banking segment showed a pre-tax profit of € 325.6 million, the highest of any segment. Before internal netting, the segment's bottom line rose by € 71.2 million compared to the year-earlier period. We notched considerable growth in our commission result from securitisation transactions in the third quarter, particularly in special finance business in Europe and America. Our equities business profited from the overall performance of the international stock markets as well as the growing business with the savings banks. Moreover, the release of a higher amount of credit risk provisions (+ € 87.3 million from a year earlier) testifies to the marked success of our rigorous credit risk management system.

Private Banking & Asset Management

Thanks to higher net income from trading operations as well as lower administrative expenses, the segment's € 35.2 million in profit before overhead charges is up € 29.4 million from a year earlier. At present, our success in the area of private banking is still confined to the activities of our Luxembourg subsidiary and Banque d'Orsay. The purchase of Weberbank, which will be included for the first time in the Group accounts prepared at December 31, 2005, represents a further foundation stone in the expansion of our private banking business. We expect the planned joint venture with Mellon Financial Corporation to create additional positive momentum for our asset management activities.

Asset Liability Management

The Asset Liability Management segment contributed € 135.8 million to Group profit before taxes. Whilst the interest margin was adversely affected by increased borrowing of refinancing funds, a much flatter interest rate curve compared to the previous year and a low level of interest rates in absolute terms reduced the earnings opportunities in the treasury field.

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 which do not fall within the scope of the other segments' responsibilities. The main factor behind the segment's profit before taxes was the adjustment made to reconcile credit risk provisions 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 3.4% from year-end 2004 to € 262.4 billion. **Business volume** stood at € 402.0 billion (+ 15.1%), while the **credit volume carried on the balance sheet** was € 265.8 billion (+ 19.6%). A significant increase of € 34.9 billion in irrevocable credit commitments to € 83.6 billion played a major role in this growth.

Claims rose by € 2.9 billion to € 163.3 billion. **Claims on banks** dropped from € 85.4 billion to € 71.0 billion due to lower volumes of term money lending and notice deposits placed with other banks. **Claims on customers**, by contrast, rose considerably, up € 17.3 billion to € 92.3 billion. The gain was chiefly attributable to repo transactions allocated to the trading book.

Bonds and other interest-bearing securities increased by € 7.3 billion from December 31, 2004 to € 77.2 billion. **Shares and other non-interest-bearing securities** rose by € 2.7 billion to € 8.1 billion.

Equity investments in associated, affiliated and non-affiliated companies fell by € 0.5 billion to € 2.6 billion. The sale of non-strategic holdings (including DAL, Klöckner & Co AG) was the primary factor behind the drop.

On the refinancing side, **liabilities to banks** rose by € 1.6 billion to € 113.7 billion. The increase was mainly attributable to higher volumes of repo transactions as well as overnight and term money borrowings. **Liabilities to customers**, by contrast, decreased by € 2.2 billion to € 64.8 billion. The increase of € 9.6 billion in **certificated liabilities** was chiefly attributable to commercial paper, medium term notes and other bearer bonds issued.

The following table shows the changes in **capital and reserves** at September 30, 2005 and pro forma after the capital increase by the State of North Rhine-Westphalia:

WestLB Group: Capital and Reserves

	Pro forma after capital increase € millions	30. 9. 2005 € millions	31. 12. 2004 € millions	Change 30. 9. 2005 vis-à-vis 31. 12. 2004 € millions
Subscribed capital	2,176.6	1,827.9	1,794.6	33.3
Paid-in contributions for agreed capital increase	0.0	0.0	250.0	– 250.0
Capital reserves	2,388.3	1,778.0	1,561.3	216.7
Typical silent contributions to capital	761.6	761.6	272.5	489.1
Group reserves/Result January 1 – September 30	389.0	389.0	– 49.6	438.6
Equalising items for shares of other shareholders	13.6	13.6	14.7	– 1.1
Equity capital pursuant to the German Commercial Code (HGB)	**5,729.1**	**4,770.1**	**3,843.5**	**926.6**
Subordinated liabilities	4,038.8	4,038.8	4,278.4	– 239.6
Profit participation capital	2,648.6	2,648.6	2,648.7	– 0.1
Fund for general bank risks	89.2	89.2	89.0	0.2
Other capital and reserves	**6,776.6**	**6,776.6**	**7,016.1**	**– 239.5**
Total capital and reserves	**12,505.7**	**11,546.7**	**10,859.6**	**687.1**

The conversion of silent contributions to capital as of December 31, 2004 as well as issuance of new hybrid capital in the second quarter of 2005 caused changes in the equity capital as compared to year-end 2004.

The positive development of Group reserves is due in large part to deconsolidations (including Boullioun Aviation Services Inc., DAL, GEV Gesellschaft für Energie- und Versorgungswerte mbH and WestLB Systems GmbH).

On August 23, 2005, the Shareholders' Meeting approved a capital increase. The increase will raise the Bank's capital by € 348.7 million through the issue of new shares of Class A stock at a price of € 275 each. A total of € 610.3 million will be placed in capital reserves, bringing the total amount gained from the issue price and share premium to € 959.0 million. The State of North Rhine-Westphalia will acquire all of the new shares.

Risk-Weighted Assets and Capital Ratios

WestLB Group's **risk-weighted assets** pursuant to BIS guidelines were € 131.3 billion at September 30, 2005, up € 13.3 billion from year-end 2004.

During the same period, capital and reserves fell by € 1.3 billion. Adoption of the 2004 annual accounts and the resulting impact of the 2004 bottom line on the Bank's regulatory capital, including the expenses incurred in connection with the settlement of the state aid dispute with the European Commission, were the chief cause of the drop. 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. and the modified stake in HSH Nordbank AG had an adverse effect. Consequently, the **equity ratio** fell from 12.4% to 10.1% and the **core capital ratio** from 8.1% to 5.9%. Taking into account the capital increase (pro forma), the equity ratio will rise again to 10.8% and the core capital ratio to 6.8%. Moreover, we expect banking regulators to approve the use of the internal risk measurement model for our trading book positions in the fourth quarter, so that the capital ratios c.p. should rise again at year-end.

A bank's liquidity is gauged for regulatory purposes using the **liquidity ratio 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. WestLB AG continued to average a high ratio of 1.2 in the first nine months of 2005.

Changes in the Scope of Consolidation

Apart from WestLB AG, 53 companies were included in the Group accounts at September 30, 2005. In the third quarter, Deutsche Anlagen-Leasing GmbH (DAL) and WestLB Asset Management (US) LLC were deconsolidated. ITCM KG, part of the Westdeutsche ImmobilienBank subgroup, was also removed from the scope of consolidation. Weberbank will be included in the Group accounts prepared at December 31, 2005.

Events Occurring after September 30, 2005

On October 5, 2005, WestLB reached an agreement to cooperate closely with Sachsen-Finanzgruppe (SFG) and Sachsen LB. The goal of the strategic partnership is to boost cooperative efforts to develop and market financial products and services specifically tailored to the needs of the savings banks in Saxony and their clients. The parties plan to sign a cooperation agreement to this effect later in the year.

As agreed, the State of North Rhine-Westphalia placed € 959.0 million into WestLB as of October 31, 2005 under a capital increase. This increased the State's direct and indirect stake in WestLB to 37.405% (direct holding: 16.682%). With a combined holding of 50.95%, North Rhine-Westphalia's two savings banks associations continue to hold the majority.

Outlook

WestLB expects its risk costs to continue developing favourably until year-end. We will continue to press forward with our initiatives to strengthen our profitability and improve the quality of our results, as well as to reduce the cost base, in the fourth quarter and beyond 2005. Despite the persistently challenging economic climate in our core markets, we are confident that we will achieve our projected pre-tax profit for the current year of approximately € 600 million (MTM).

Group Statement of Income

January 1 – September 30, 2005

	1. 1. – 30. 9. 2005 € millions	1. 1. – 30. 9. 2004 € millions	Change € millions
Net interest income	1,289.5	1,310.2	– 20.7
Net commission income	249.1	250.1	– 1.0
Net income from trading operations (MTM)	43.6	– 118.0	161.6
Other operating expenses/income	– 17.9	192.5	– 210.4
Personnel expenses	– 704.2	– 653.0	– 51.2
Other administrative expenses	– 618.1	– 599.9	– 18.2
Provisions for credit risks	– 75.0	25.5	– 100.5
Result of securities and participations	284.0	103.7	180.3
Result from ordinary activities	**451.0**	**511.1**	**– 60.1**
Extraordinary result	0.0	– 46.8	46.8
Profit before taxes (MTM)	**451.0**	**464.3**	**– 13.3**
Taxes on income and revenues	– 107.9	– 54.4	– 53.5
Profit attributable under partial profit transfer agreement	– 37.2	– 22.8	– 14.4
Profit after taxes (MTM)	**305.9**	**387.1**	**– 81.2**
For information:			
“Effect of restatement under German HGB”	– 85.9	– 194.5	108.6
Profit after taxes	**220.0**	**192.6**	**27.4**

Group Statement of Income, Quarterly Comparison

	3rd Quarter 2005 € millions	2nd Quarter 2005 € millions	1st Quarter 2005 € millions	4th Quarter 2004 € millions	3rd Quarter 2004 € millions
Net interest income	468.5	427.7	393.3	312.0	417.2
Net commission income	95.4	78.0	75.7	86.3	80.3
Net income from trading operations (MTM)	30.3	– 35.7	49.0	15.3	– 68.9
Other operating expenses/income	– 38.2	– 5.2	25.5	20.1	74.7
Personnel expenses	– 227.5	– 235.9	– 240.8	– 271.3	– 149.0
Other administrative expenses	– 204.6	– 206.2	– 207.3	– 278.3	– 207.3
Provisions for credit risks	15.0	– 37.0	– 53.0	92.4	23.3
Result of securities and participations	14.6	148.5	120.9	– 51.5	– 7.2
Income from reversal of the fund for general bank risks pursuant to § 340g HGB	0.0	0.0	0.0	170.8	0.0
Result from ordinary activities	**153.5**	**134.2**	**163.3**	**95.8**	**163.1**
Extraordinary result	0.0	0.0	0.0	– 1,536.8	– 15.4
Profit before taxes (MTM)	**153.5**	**134.2**	**163.3**	**– 1,441.0**	**147.7**
Taxes on income and revenues	– 25.2	– 60.1	– 22.6	– 29.9	– 12.1
Profit attributable under partial profit transfer agreement	– 16.3	– 13.3	– 7.6	– 7.7	– 7.6
Profit after taxes (MTM)	**112.0**	**60.8**	**133.1**	**– 1,478.6**	**128.0**
For information:					
"Effect of restatement under German HGB"	28.8	– 11.8	– 102.9	126.7	– 102.8
Profit after taxes	**140.8**	**49.0**	**30.2**	**– 1,351.9**	**25.2**

Details of Group Statement of Income

Net Interest Income

	1. 1.–30. 9. 2005 € millions	1. 1.–30. 9. 2004 € millions
Interest income	**7,950.7**	**7,584.4**
Lending and money market transactions	5,308.6	5,224.3
Interest-bearing securities	2,162.7	1,996.9
Income from equity investments in non-affiliated companies, equity investments in associated companies, profit pooling agreements and shares	479.4	363.2
Interest expenses	**– 6,661.2**	**– 6,274.2**
Net interest income	**1,289.5**	**1,310.2**

Interest Margin

	1. 1.–30. 9. 2005 %	1. 1.–30. 9. 2004 %
Net interest income in relation to average risk-weighted assets (BIS)	1.39	1.28

Net Commission Income

	1. 1.–30. 9. 2005 € millions	1. 1.–30. 9. 2004 € millions
Lending business	121.2	106.8
Securities business	72.0	95.1
Other business	55.9	48.2
Net commission income	**249.1**	**250.1**

Net Income from Trading Operations (MTM)

	1. 1.–30. 9. 2005 € millions	1. 1.–30. 9. 2004 € millions
Interest rate and foreign currency business	– 50.4	– 205.2
Equities, index and other business	94.0	87.2
Net income from trading operations (MTM)	**43.6**	**– 118.0**

Other Operating Expenses/Income

	1. 1.–30. 9. 2005 € millions	1. 1.–30. 9. 2004 € millions
Other operating income	254.8	404.6
Other operating expenses	– 264.9	– 205.1
Other taxes	– 7.8	– 7.0
Other operating expenses/income	**– 17.9**	**192.5**

Administrative Expenses

	1. 1.–30. 9. 2005 € millions	1. 1.–30. 9. 2004 € millions
Personnel expenses	– 704.2	– 653.0
Other administrative expenses	– 562.4	– 527.8
Depreciation and value adjustments on tangible fixed assets	– 55.7	– 72.1
Administrative expenses	**– 1,322.3**	**– 1,252.9**

Provisions for Credit Risks

	1. 1.–30. 9. 2005 € millions	1. 1.–30. 9. 2004 € millions
Allocations	– 323.6	– 254.0
Write-backs	242.3	236.2
Other risk expenses/income	6.3	43.3
Provisions for credit risks	**– 75.0**	**25.5**

Result of Securities and Participations

	1. 1.–30. 9. 2005 € millions	1. 1.–30. 9. 2004 € millions
Result of securities	56.4	60.8
Result of participations	227.6	42.9
Result of securities and participations	**284.0**	**103.7**

Extraordinary Result

	1. 1.–30. 9. 2005 € millions	1. 1.–30. 9. 2004 € millions
Extraordinary income	0.0	0.0
Extraordinary expenses	0.0	– 46.8
Extraordinary result	0.0	– 46.8

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) Corporate Finance 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

The responsibilities of the Managing Board members and the divisions between segments changed in the third quarter. In order to maintain comparability with prior quarters, we will not report according to the revised segment structure until December 31, 2005.

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							
1.–3. Quarter 2005	377.3	561.3	– 18.6	312.6	52.9	4.0	1,289.5
1.–3. Quarter 2004	204.3	637.2	– 8.1	403.8	55.6	17.4	1,310.2
Net commission income							
1.–3. Quarter 2005	32.6	149.1	62.0	– 7.3	15.8	– 3.1	249.1
1.–3. Quarter 2004	30.5	144.8	69.0	– 11.1	20.8	– 3.9	250.1
Net income from trading operations							
1.–3. Quarter 2005	– 0.5	151.7	33.9	– 102.0	2.5	– 42.0	43.6
1.–3. Quarter 2004	– 1.0	65.9	6.3	– 144.2	2.0	– 47.0	– 118.0
Other operating expenses/Income							
1.–3. Quarter 2005	– 12.0	– 11.5	– 2.4	– 1.3	31.4	– 22.1	– 17.9
1.–3. Quarter 2004	58.8	14.8	0.1	2.7	107.5	8.6	192.5
Personnel expenses							
1.–3. Quarter 2005	– 90.6	– 195.7	– 48.2	– 13.6	– 286.7	– 69.4	– 704.2
1.–3. Quarter 2004	– 86.5	– 147.4	– 55.2	– 12.1	– 298.4	– 53.4	– 653.0
Other administrative expenses							
1.–3. Quarter 2005	– 48.7	– 86.9	– 18.0	– 9.4	– 390.2	– 64.9	– 618.1
1.–3. Quarter 2004	– 72.6	– 103.8	– 31.5	– 12.1	– 433.0	53.1	– 599.9
Provisions for credit risks							
1.–3. Quarter 2005	– 26.0	122.5	0.0	11.2	0.2	– 182.9[1]	– 75.0
1.–3. Quarter 2004	– 76.4	95.1	0.0	– 1.3	6.9	1.2	25.5
Result of securities and participations							
1.–3. Quarter 2005	180.2	73.2	26.5	18.0	– 1.1	– 12.8	284.0
1.–3. Quarter 2004	99.7	– 14.1	25.2	27.9	– 29.5	– 5.5	103.7
Balance of internal services charges							
1.–3. Quarter 2005	– 154.3	– 438.1	– 45.7	– 72.4	575.2	135.3	0.0
1.–3. Quarter 2004	– 59.7	– 266.7	– 2.8	– 32.8	438.8	– 76.8	0.0
Result from ordinary activities							
1.–3. Quarter 2005	**258.0**	**325.6**	**– 10.5**	**135.8**	**0.0**	**– 257.9**	**451.0**
1.–3. Quarter 2004	**97.1**	**425.8**	**3.0**	**220.8**	**– 129.3**	**– 106.3**	**511.1**
Extraordinary result							
1.–3. Quarter 2005	0.0	0.0	0.0	3.0	0.0	– 3.0	0.0
1.–3. Quarter 2004	– 1.0	– 5.3	0.6	3.3	– 3.5	– 40.9	– 46.8
Profit before taxes							
1.–3. Quarter 2005	**258.0**	**325.6**	**– 10.5**	**138.8**	**0.0**	**– 260.9**	**451.0**
1.–3. Quarter 2004	**96.1**	**420.5**	**3.6**	**224.1**	**– 132.8**	**– 147.2**	**464.3**
Segment assets							
30. 9. 2005	38,577.3	110,256.6	9,139.0	102,610.9	8,145.4	– 6,338.7	262,390.5
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. 9. 2005	22,659.2	99,990.7	12,669.2	125,217.8	3,674.3	– 6,590.8	257,620.4
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. 9. 2005	1,018.3	2,085.0	103.4	266.2	1,244.1	53.1	4,770.1
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, MTM)[2]							
1.–3. Quarter 2005 (%)	36.6	65.9	85.0	32.4	–	–	71.5
1.–3. Quarter 2004 (%)	55.9	61.3	96.8	21.0	–	–	72.1
Return on equity (based on average allocated capital pursuant to the German Commercial Code [HGB])[3]							
1.–3. Quarter 2005 (%)	51.7	31.6	15.8	–	–	–	13.9
1.–3. Quarter 2004 (%)	18.4	36.3	7.3	–	–	–	14.5

[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						
1.–3. Quarter 2005	**482.0**	**260.5**	**102.7**	**20.4**	**– 414.6**	**451.0**
1.–3. Quarter 2004	**155.2**	**286.7**	**177.3**	**43.9**	**– 152.0**	**511.1**
of which provisions for credit risks						
1.–3. Quarter 2005	49.8	28.4	16.8	12.9	– 182.9[1]	– 75.0
1.–3. Quarter 2004	– 80.1	61.4	26.3	19.7	– 1.8	25.5
of which result of securities and participations						
1.–3. Quarter 2005	174.1	87.2	12.2	10.4	0.1	284.0
1.–3. Quarter 2004	80.2	49.1	6.1	0.4	– 32.1	103.7
Profit before taxes						
1.–3. Quarter 2005	**482.0**	**260.5**	**102.7**	**20.4**	**– 414.6**	**451.0**
1.–3. Quarter 2004	**145.6**	**262.8**	**166.8**	**41.1**	**– 152.0**	**464.3**
Segment assets						
30. 9. 2005	107,941.1	119,242.2	48,164.3	7,715.6	– 20,672.7	262,390.5
31. 12. 2004	103,605.0	125,045.7	36,336.5	9,543.7	– 20,738.3	253,792.6
Segment liabilities						
30. 9. 2005	139,982.3	92,861.0	36,341.1	4,802.6	– 16,366.6	257,620.4
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, MTM)						
1.–3. Quarter 2005 (%)	62.7	63.2	68.6	87.5	–	71.5
1.–3. Quarter 2004 (%)	77.9	62.8	54.0	70.5	–	72.1

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

Group Balance Sheet as at September 30, 2005

Assets

	30. 9. 2005 € billions	31. 12. 2004 € billions	Change € billions
Cash/Liquid debt issues	1.7	4.1	– 2.4
Claims on banks	71.0	85.4	– 14.4
Claims on customers	92.3	75.0	17.3
Securities/Equalisation claims	85.3	75.4	9.9
Equity investments in associated, affiliated and non-affiliated companies	2.6	3.1	– 0.5
Trust assets	0.5	0.5	0.0
Fixed assets	0.6	2.4	– 1.8
Other assets	8.4	7.9	0.5
Total assets	**262.4**	**253.8**	**8.6**

Liabilities

	30. 9. 2005 € billions	31. 12. 2004 € billions	Change € billions
Liabilities to banks	113.7	112.1	1.6
Liabilities to customers	64.8	67.0	– 2.2
Certificated liabilities	57.7	48.1	9.6
Trust liabilities	0.5	0.5	0.0
Other liabilities	14.2	15.3	– 1.1
Subordinated liabilities/Profit participation capital	6.7	6.9	– 0.2
Equity capital/Fund for general bank risks	4.8	3.9	0.9
Total liabilities	**262.4**	**253.8**	**8.6**

Details of Group Balance Sheet

Business Volume

	30. 9. 2005 € billions	31. 12. 2004 € billions	Change € billions
Total assets	262.4	253.8	8.6
Contingent liabilities	18.9	13.2	5.7
Other commitments/Credit commitments	83.6	48.7	34.9
Administered funds	37.1	33.5	3.6
Business volume	**402.0**	**349.2**	**52.8**

Credit Volume

	30. 9. 2005 € billions	31. 12. 2004 € billions	Change € billions
Claims on banks	71.0	85.4	– 14.4
Claims on customers	92.3	75.0	17.3
Contingent liabilities	18.9	13.2	5.7
Irrevocable credit commitments	83.6	48.7	34.9
Credit volume carried on the balance sheet	**265.8**	**222.3**	**43.5**
Derivatives (credit risk equivalents)	6.9	7.1	– 0.2
Total credit volume	**272.7**	**229.4**	**43.3**

Details of Derivatives Business

Derivatives as at September 30, 2005

	Interest-Rate Risks € millions	Currency Risks € millions	Other Risks € millions	Netting Effect[1] € millions	Total[2] € millions
1. Total volume	**2,251,519.1**	**297,609.2**	**113,044.0**		**2,662,172.3**
of which Swaps	1,465,489.0	214,243.3			1,679,732.3
FRAs[3]	87,182.0				87,182.0
Interest-rate forward contracts	140,759.2				140,759.2
Forward exchange transactions		72,929.0			72,929.0
Credit derivatives			81,361.6		81,361.6
2. Credit equivalents according to Principle I	**50,038.8**	**15,890.4**	**4,689.9**	**– 45,169.4**	**25,449.7**
3. Credit risk equivalents according to Principle I (counterparty-weighted)	**12,536.7**	**4,333.4**	**1,116.4**	**– 11,102.6**	**6,883.9**
of which OECD banks	8,302.2	2,392.2	637.2	– 7,654.1	3,677.5
Customers	4,194.1	1,883.2	477.2	– 3,449.1	3,105.4
Public-sector entities	16.2	6.0	0.0	0.0	22.2
4. Share of total risk-weighted assets according to Principle I	**9.9%**	**3.4%**	**0.9%**	**– 8.7%**	**5.4%**

[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

Dr. Helmut Linssen
(from August 23, 2005)
Finance Minister
State of North Rhine-Westphalia

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 Staschelt
Deputy Director for the Düsseldorf Region
ver.di Vereinte Dienstleistungsgewerkschaft

Hans-Georg Vogt
Chairman of the Managing Board
Sparkasse Bielefeld

Elisabeth Weber
Prokuristin, 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

Rainer Schmitz

Robert M. Stein

Dr. Manfred Puffer
(until August 31, 2005)

Financial Calendar (Subject to alterations)

March 30, 2006	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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