

Report as of December 31, 2010

Financial Stability Board (FSB) Report

1. Introduction

With a view to strengthening the resilience of the financial institutions and markets, the Financial Stability Board (FSB, formerly the Financial Stability Forum) and the Senior Supervisors Group (SSG) recommended that market transparency should be improved through additional disclosure of special portfolio data. With this in mind, WestLB has been publishing its FSB Report on a half-yearly basis since June 30, 2008. The current report provides updated information as of December 31, 2010. It contains information on the following special portfolios:

ABCP Conduit Sponsored by WestLB:

The following description refers to the Compass programme, which is the sole remaining ABCP conduit sponsored by WestLB after termination of the Paradigm programme. WestLB provides credit facilities to Compass and acts as the programme administrator.

Exposure to Monoline Insurers:

This portfolio consists of WestLB's direct exposures to US bond insurers (monoline insurers) as well as exposures to third parties insured by these companies.

Leveraged Finance:

This portfolio comprises commitments to finance or refinance company takeovers with a high leverage ratio. A separate internal rating procedure is used to distinguish this business segment from other finance activities of the Bank.

As in prior publications, the following sub-portfolios are not part of the reporting:

- WestLB's project and acquisition financing portfolio, where most of the loans are granted to SPVs which are not members of the Group. This portfolio is part of the standard lending business of the WestLB Group.
- A large portion of the structured credit trading portfolio has been sold. WestLB fully secures the remaining exposure by means of single and multi-name credit default swaps as well as derivatives on credit indices.
- Hedge fund exposure, since its risk level is not significant given its small volume as well as secured and thus low risk structure.
- The financial institutions portfolio since the risk situation in the financial sector is generally perceived to have stabilised and the portfolio itself is considered a standard sub-portfolio of the Bank which represents a normal part of the business and therefore is discussed as part of other disclosure requirements.

At the end of 2009, the Special Fund Financial Market Stabilisation (SoFFin), the Bank and its owners agreed on a spin-off of risk positions and non-essential strategic assets into a federal-law workout entity. On April 30, 2010, non-essential strategic portfolios were transferred to Erste Abwicklungsanstalt (EAA), with retroactive effect from January 1, 2010. The special portfolios discussed below have remained in the core bank.

2. ABCP Conduit Sponsored by WestLB

The ABCP conduit Compass described hereafter is administered by WestLB. Since July 16, 2010 cash-backed credit facilities have been made available to the conduit by the bank (following the discontinuation of grandfathering, i.e. the guarantee of the State of North Rhine-Westphalia) enabling a continued issuance of commercial paper with a rating of A1/P-1. The volume of cash collateral fully covers the volume of papers issued (including transaction costs and FX-risk).

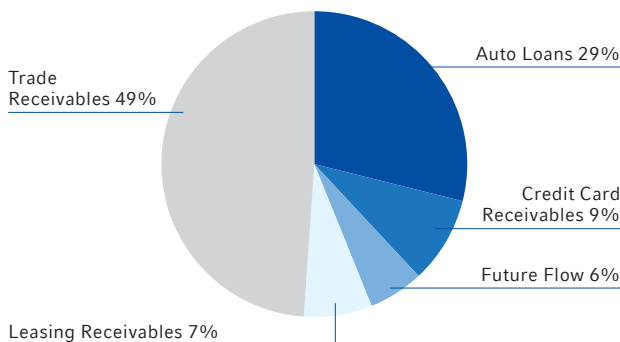
Per December 31, 2010, the volume of the commercial paper issued by Compass amounted to € 326m (US\$ 432m); the total refinanced volume based on purchased receivables was € 2.4bn, financed by issued commercial papers issued (as of December 31, 2010: € 0.3bn) and drawings of the credit facilities provided by WestLB. A total of 36 transactions are part of the Compass programme. The expected loss is covered multiple times by Credit Enhancements provided by the receivables' sellers or third parties.

Due to the continued challenging situation in the commercial paper market, WestLB refinances a major part of the Compass programme (European pools) via credit facilities. The US pools are refinanced by issuance of commercial paper.

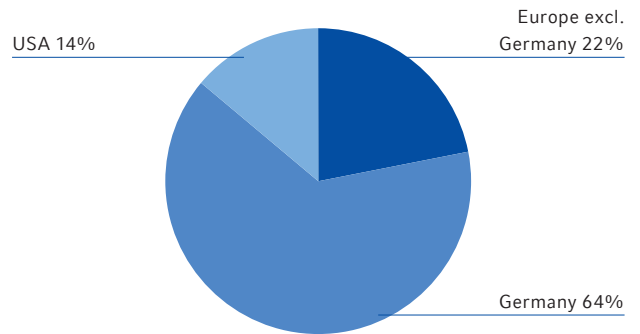
€bn	Programme Volume	Total Volume of issued CPs	CP Purchased by WestLB
31/12/2009	4.4	4.4	3.2
31/12/2010	2.4	0.3	0

The charts below show the significant characteristics of the underlying portfolios in the programme.

Breakdown by Asset Classes

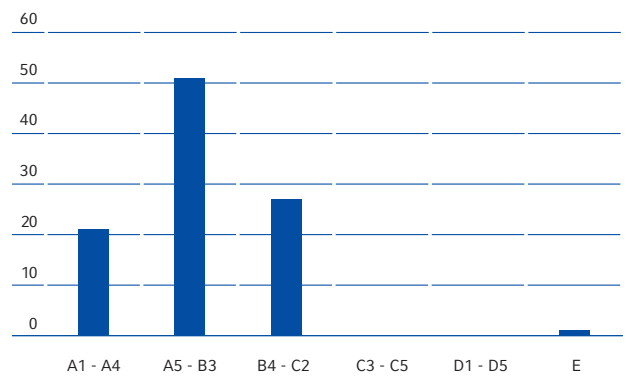


Breakdown by Regions



Breakdown by Internal Ratings

(in %)



Despite a deterioration in credit quality during 2010, nearly three quarters of the assets carry a rating which corresponds to an external rating of "A". The portion of the assets with ratings in the sub-investment grade range is only 1%. The underlying assets are broadly diversified among debtors in Germany, the EU and the US.

A volume of approximately € 419m from single transactions within the ABCP programme was transferred by spin-off to EAA.

3. Exposure to Monoline Insurers

Direct Exposure to Monoline Insurers

The direct exposure to monoline insurers, which consists of securities and derivatives, decreased by around € 47m to € 3.5m as of December 31, 2010 due to the expiration of transactions (as of December 31, 2009: € 50.2m). One hundred percent of the remaining exposure is in the sub-investment grade range.

Indirect Exposure to Monoline Insurers

As of December 31, 2010, the indirect exposure to monoline insurers amounted to approximately € 127m (December 31, 2009: € 1.16bn). This exposure represents receivables the Bank is owed by third parties which are insured by monoline insurers. The indirect exposure at December 31, 2010 had decreased by € 1.04bn compared with December 31, 2009 due to the transfer of non-essential strategic assets to EAA, amortisation, and expiration of monoline guarantees. From today's perspective, the underlying transactions, which have maturities in 2012 and 2013, remain of sufficient quality even without monoline insurance. The Bank does not expect any defaults at this time.

When viewing the risk in isolation, i.e. without accounting for monoline guarantees, 39.6% of the transactions carry a rating in the AAA to A- range and 60.4% are in the BBB+ to BBB- range.

The indirect exposure no longer includes any purchase commitments for securities issued by US municipalities and guaranteed by monoline insurers.

4. Leveraged Finance

The table below shows the Bank's exposure resulting from loans and loan commitments for the financing or refinancing of company takeovers which are highly leveraged.

€m	31/12/2009	3/12/2010
Undrawn lines	465	105
Drawn lines	3,115	543
Total	3,580	648

As part of the strategy to focus on core businesses, the Bank withdrew from its leveraged finance activities with financial investors and transferred the predominant portion of that portfolio to EAA. The exposure to leveraged loans is considerably lower as a result, having decreased around 82% compared with December 31, 2009.

The remaining portfolio has a solid sectoral and regional diversification (Europe 72%, Asia-Pacific 21%, Americas 7%). The single-name concentrations are appropriate, especially given the sharp reduction in the size of the portfolio and total number of transactions (Top 5: 38% of the total exposure). The transactions carry ratings in the sub-investment grade range, which is typical of this type of business, with most ratings (approximately 67%) in the BB to B+ range. No individual allowances were in place for this portfolio as of December 31, 2010 (December 31, 2009: € 55m).

List of Abbreviations

ABCP	Asset Backed Commercial Paper
EAA	Erste Abwicklungsanstalt
SPV	Special Purpose Vehicle
US	United States

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