WestLB

A Strong Partnership for Performance and Security.

Annual Report 2003

Key Figures

WESTLB GROUP

in millions	2003 €	2002 €
Total assets	256,244	265,601
Business volume	365,242	396,916
Credit volume	234,446	261,342
Risk-weighted assets according to Principle I	135,294	155,182
Certificated liabilities	55,059	58,148
Deposits	176,215	182,594
Capital and reserves	11,004	12,861
Net interest income	1,891	1,540
Net commission income	438	692
Net income from trading operations	1	177
Personnel expenses	985	1,218
Other administrative expenses	843	1,056
Operating result before provision for risks	757	366
Risk provisions/result of evaluation	– 2,204	– 1,945
Profit/loss after taxes	– 1,897	– 1,730
Staff	7,738	9,621

BIS overall ratio	12.2%	10.1%
BIS core capital ratio	7.6%	5.8%
Overall ratio according to Principle I	12.5%	10.5%
Return on equity	– 37.3%	– 27.9%
Cost-income ratio	70.7%	86.1%

Ratings	Short Term	Long Term
Moody’s	P-1	Aa2
Standard & Poor’s	A-1+	AA
Fitch Ratings	F1+	AAA

Organisation Chart

CLIENTS BUSINESS GROUP

SPARKASSEN
- Sparkassen

PUBLIC-SECTOR CLIENTS
- Public-Sector Clients

REAL ESTATE CLIENTS
- Westdeutsche ImmobilienBank, Mainz

CORPORATE CLIENTS
- Corporate Clients

FINANCIAL INSTITUTIONS
- Financial Institutions

PRODUCTS BUSINESS GROUP

FINANCING
- Central Credit Management
- Credits Germany/Europe
- Credits America
- Credits Asia/Pacific

CORPORATE FINANCE
- Global Specialised Finance/ Transaction Management/Credits
- Global Specialised Finance/ Origination/Structuring
- Equity Markets
- Mergers & Acquisitions

ASSET MANAGEMENT
- Global Asset Management
- Banque d'Orsay, Paris

FINANCIAL MARKETS
- Global Financial Markets
- WestLB International, Luxembourg
- WestLB Covered Bond Bank, Dublin

EQUITY INVESTMENTS
- Equity Investments

SERVICES
- Group Operations
- Transaction Services

A Strong Partnership for Performance and Security.

WestLB's performance is underpinned by the combined capabilities of the Savings Banks Finance Group. Building on our successful partnerships, we are now challenged to pool the resources available within the Group and focus them on our shared goals. In this context, it will be of primary importance to allocate the tasks at hand in a way which ensures that the respective strengths of each partner can be exploited to maximum effect.

As a member of this strong partnership, we offer our clients – i.e. savings banks, corporate clients, financial institutions, institutional and public-sector clients – the best possible support and security. This way they can operate successfully in their respective markets, building on innovation and flexibility in their day-to-day activities. As a reliable and resourceful banking partner, we develop individual solutions tailored to the specific requirements of our clients and thus help them move their business forward.

Chairman's Statement

Dear shareholders and clients,

There is no point in glossing over the facts. The year under review saw WestLB AG travel a rocky road as a result of adverse economic conditions, but also because of self-inflicted problems. At the same time the financial statements for 2003 document our ability to pursue the right course – both in terms of our balance sheet and our business strategy – towards a successful and dependable future for WestLB as a strong partner of the Savings Banks Finance Group. I would like to take this opportunity to thank our owners and business partners for their loyalty in a difficult year. I call upon you to place your confidence in the new WestLB and help to lead it towards a prosperous future.

Our 2003 financial statements reflect WestLB's uncompromising resolve to eliminate all the discernible risks in the Group lending and investment portfolios that have been apparent since the end of 2002. At the same time the financial statements pave the way for the necessary focus on a new business model. This will enable us to prepare for the elimination of guarantor liability and institutional liability in 2005, a development which will adversely impact the rating of WestLB and of all other Landesbanks in Germany.

The profound transformation and reorganisation of the Bank, which was accompanied by the appointment of new members of the Managing Board of WestLB AG including myself as chairman, clearly left their mark on the financial statements for 2003. In order to cover all identifiable risks in the lending and equity investment portfolios, WestLB Group incurred charges of € 2.2 billion, which were significantly higher than the figure of € 1.95 billion in 2002. The parallel restructuring of the Bank, and in particular the related reduction in headcount, entailed additional extraordinary expenses of roughly € 391 million.

> **"Our 2003 financial statements reflect WestLB's uncompromising resolve to eliminate all the discernible risks in the Group lending and investment portfolios that have been apparent since the end of 2002."**

Operating profit before risk provisions and the result of evaluation more than doubled to € 757 million, mainly as a result of a strict programme of cost-cutting measures and a sharp increase in net interest income. Going forward, however, this level of profitability is unsatisfactory and was insufficient to offset a loss of almost € 1.9 billion on our balance sheet for 2003.

What are the main strategic and business decisions that lie behind these figures?

WestLB has eliminated all discernible risks in its lending business by taking a charge amounting to € 1.18 billion at Group level. In this context, we are assuming that this will also cover all the financial implications of our investment in the UK-based Boxclever Group. At the same time we have laid the foundations for an efficient, state-of-the-art management of credit risks by investing heavily in manpower, technology and systems to meet the future needs of our lending business.

In addition, we covered all discernible risks in our equity investment portfolio by taking a charge of € 1.04 billion. Listed investments were written down to their market value as of the reporting date. Non-listed investments, including our participations in other Landesbanks, are now also valued conservatively in the balance sheet. Provisions of € 416 million have been established to cover the business risks in the aircraft leasing operations of the Boullioun sub-group.

By taking these tough financial decisions, WestLB has acquired new room for manoeuvre, allowing for the controlled expansion of high-margin lending activities as well as the planned pro-active management of our equity investments without putting ourselves under undue time pressure.

The realignment of our business model means that WestLB has now largely withdrawn from its principal finance activities. Going forward, risky, high-volume investments involving significant lending exposures will no longer be a part of our business activities.

"The new business model will enable us to lay the foundation for obtaining an "A" category rating once the funding advantages afforded by guarantor liability and institutional liability cease to apply from mid-2005."

The new strategy, along with our unwavering resolve to keep a tight lid on costs, means that a controlled reduction of staff numbers is unavoidable. At the end of 2005 WestLB Group will have 6,200 employees; this compares to 7,750 at the end of 2003 and over 9,600 at the end of 2002.

At the time of the presentation of this Annual Report, the remaining headcount reductions are clearly manageable. This gives our many highly qualified and extremely motivated employees the security that they will continue to find attractive jobs at WestLB Group in the future offering a clear perspective. At the same time, the Bank will selectively strengthen its workforce in order to be able to offer the first-class products and services required by our clients and business partners.

The new WestLB will position itself as a European commercial bank with headquarters in North Rhine-Westphalia. Together with our owners and representatives of the Savings Banks Finance Group, we are working hard on a new business model that promises profitable growth for WestLB and its business partners. Now at an advanced stage, our highly constructive talks have focused on a close contractually bound business partnership and a joint liability scheme between the Bank and the savings banks in North Rhine-Westphalia and Brandenburg.

On the one hand, the new model will emphasise the expertise, close customer relationships and standing of the savings banks in their local markets. On the other hand, WestLB, as a competence centre and acknowledged player in the international financial markets, will provide the savings banks and medium-sized corporate clients with attractive services and products as well as efficient execution. The new business model goes hand in hand with the capital increase planned for 2004. I expect our savings banks to take a larger stake than in the past and also to hold shares directly in the Bank. Equally, I expect that the State of North Rhine-Westphalia will remain a highly esteemed and significant shareholder of WestLB AG.

I am convinced that WestLB’s future business model is the only viable option for the Bank and its owners. A return to the former business model cannot and will not occur. The new business model will enable us to lay the foundation for obtaining an “A” category rating once the funding advantages afforded by guarantor liability and institutional liability cease to apply from mid-2005.

At the same time WestLB, in close partnership with the savings banks, will position itself as a strong, independent and reliable institution in the ongoing process of consolidation and restructuring taking place in the German and European financial sector. I have no doubt that, on any rational analysis, the economic and social importance of the public-sector banks for our country is beyond question. Over ten million customers of the Savings Banks Finance Group in North Rhine-Westphalia alone are clear evidence of this.

WestLB will contribute crucially towards strengthening the performance and attractiveness of the public-sector banks in 2004. I trust that you, our owners and business partners, will continue to give us your full support in this process.

Sincerely yours,

Thomas Fischer

Thomas R. Fischer
Chairman of the Managing Board

The Managing Board

Dr. Thomas R. Fischer

Chairman of the Managing Board since Jan. 1, 2004; Responsible for Group Strategy/ Controlling, Group Auditing, Legal, Group Communications/Investor Relations; previously member of the Managing Board of Deutsche Bank AG; Chairman of the Managing Board of Landesgirokasse Stuttgart; graduate economist; Dr. rer. pol; aged 56

Dr. Matthijs van den Adel

Member of the Managing Board since Jan. 1, 2004; Chief Risk Officer; responsible for Risk Management Support & Control, Central Credit Management, Westdeutsche ImmobilienBank; previously with Fortis Bank Nederland, Managing Director Central Balance Sheet and Risk Management and Treasurer; graduate economist; Dr. rer. Pol.; aged 59

Dr. Norbert Emmerich

Member of the Managing Board since May 1, 2004; Responsible for Sparkassen and Public-Sector Clients; previously Chairman of the Managing Board of Sparkasse Münsterland Ost; graduate in business management; Dr. rer. pol; aged 53

Klaus-Michael Geiger

Member of the Managing Board since 2003 Chief Operating Officer; responsible for Group Operations, Chief Information Office, Equity Investments; previously member of the Managing Board of Dresdner Bank AG and Chief Information and Technology Officer; qualified banker; aged 42

Dr. Manfred Puffer

Member of the Managing Board since 2002
Responsible for Equity Markets, Global Financial Markets, Corporate Clients, Financial Institutions; previously CFO of Kirch Vermögensverwaltungs GmbH; Head of trading units at HypoVereinsbank AG/ Bayerische Vereinsbank AG; M.A./PhD in social and economic science; aged 40

Rainer Schmitz

Deputy Member of the Managing Board since October 23, 2003; Employee Relations Director; responsible for Global Asset Management, Human Resources, Banque d’Orsay; previously Business Unit Head at WestLB, including Equity Markets, Investment Banking, Asset Liability Management; qualified banker; aged 56

Markets

Innovative financial solutions and customised products enabled WestLB to hold its ground in a challenging market environment. The following chapter provides an overview of the development in the business segments.

Lending Business — All our lending activities are guided by a consistent focus on risk and return. This creates security – also for our clients.

The volume of the traditional lending business (excluding specialised finance) declined by approx. 9.5% on the previous year to € 41 billion. The decline was mainly attributable to a reduction in new business with corporate clients, reflecting the greater focus on risk and profitability. In Germany the lending volume decreased by 2% to € 10 billion and outside Germany by 12% to € 27.4 billion. In view of the very high number of bankruptcies once again, loan loss provisions were roughly on a par with the previous year.

Credit Portfolio Management Refined

In addition to the consistent focus on risk and profitability, the decline in the lending volume was due to the selective sale of credit portfolios in the context of our overall credit portfolio management. The active management of our credit portfolio aims to reduce cluster risks (individual, sector and country risks) and deteriorating credit risk positions as well as risk-weighted assets.

Apart from ongoing sales and hedging programmes, synthetic securitisation within the framework of the WISDOM transaction represents an important milestone in our portfolio management. In this context, the default risk of a credit portfolio is structured into different risk tranches and transferred to investors. The risk transfer is performed "synthetically" with the help of credit default swaps and credit linked notes, which means that the credits remain on the Bank's balance sheet and are not sold or assigned. The underlying portfolio amounting to approx. € 2 billion comprises more than 300 commercial loans of borrowers in Europe, North America and Asia.

Preparations for Basle II in Full Swing

In the light of the new equity regulations for banks (Basle II) which are likely to take effect in 2007, preparations are now in full swing in the lending business. As the individual risk content will in future form the basis for the capital backing of risk-weighted assets, internal rating systems are gaining in importance as a means of measuring risk. The Bank has used internal rating systems for many years. In order to ensure coverage of the entire credit portfolio, we revised all existing rating systems with respect to Basle II and developed new rating procedures in

2003. We introduced a number of them last year and the others will be gradually phased in during 2004. All systems will be implemented by means of a database containing the historical data required under Basle II.

Given that WestLB is aiming for the advanced approach based on internal ratings, the risk parameters required for weighting risk must be calculated individually. In addition to calculating the probability of default for each rating class, we have developed methods for estimating other future risk parameters and begun to collect and file historical data for this purpose. In this connection, work has also begun on establishing a securities database.

Real Estate Activities Reorganised

In a new forward-looking business model, the Bank has pooled its real estate expertise, which was previously separated in WestLB and Westdeutsche ImmobilienBank (WIB). A wholly owned subsidiary of WestLB, Westdeutsche ImmobilienBank has been the specialist bank and centre of competence for real estate finance and real estate investment banking in WestLB Group since July 2003. Drawing on WestLB’s sound expertise of the capital markets, WIB offers the full range of products and advisory services in the field of real estate finance, from structured, cash flow-based financing to equity financing, portfolio finance and portfolio transactions. A key cornerstone of the new business model is the joint development of market potential in close cooperation with the savings banks.

In the year under review, WIB’s performance on the sales side was impressive, with new business growing by 20% to approx. € 4.7 billion. Business with national investors increased sharply by 31% to € 1.6 billion. Private housing finance posted dynamic development, notably via the “ImmoBank *direkt*” sales channel, and almost doubled to € 1.1 billion. Business with international investors, which accounted for 42% of total loans approved, declined by 7% to € 1.9 billion. Earnings did not remain unaffected by the unfavourable economic conditions. At € 7.3 million, operating profit before provision for risks was significantly lower than in the previous year. The low level of interest rates was reflected in reduced net interest income.

Specialised Finance — WestLB continues to strengthen its solid position in a market which promises sustained growth as well as significant benefits for our clients.

Against the background of the persisting weakness in numerous markets, we maintained our risk-oriented lending policy in specialised finance in 2003. In addition to successfully restructuring a number of commitments, we generated new business of high quality in the different segments of our specialised finance business. In the context of WestLB's future strategic orientation, we will increasingly make our expertise available to medium-sized corporate clients and the savings banks, notably in the areas of foreign trade and leasing finance.

Anti-Cyclical Commodity Finance Successful

Given its anti-cyclical nature, structured commodity finance business was again lively. WestLB repeated the strong performance of the previous year, strengthening its market position in selected regions. In Brazil we became the market leader for structured soft commodities. We expanded our business further in Asia, above all in China.

The market for structured commodity finance was characterised by two major trends in the energy sector in 2003. In the case of financing for major Russian oil producers, the market rewarded the positive developments in Russia in the form of significantly lower lending margins, prolongations of repayment periods and less restrictive financing structures. On the other hand, one could detect a growing geographic diversification in the portfolios of the commodity finance banks. Demand for commodity finance increased, for example, in Latin America and West Africa as well as in Asia and Russia.

WestLB transacted a substantial number of deals in important commodity markets in 2003. These included a renewed export pre-financing for Ukraine's state-owned gas industry, a debut financing for one of Nigeria's largest crude oil producers and a jumbo loan for a state-owned West African oil company.

Proven Expertise in Foreign Trade

Despite subdued investment activity worldwide, earnings from our export finance business increased once again last year. Thanks to our pan-European approach, we were able to employ our expertise in numerous large-scale projects in countries such as Algeria, Turkey, Russia and China as well as in Southern Europe.

Moreover, we have developed strategies that reflect our growing focus on medium-sized companies and savings banks. Going forward, we intend to expand our export financing activities for medium-sized companies in Germany, and in North Rhine-Westphalia in particular. We will also increasingly make available our expertise in the field of export finance to the savings banks.

MYBANK

"Making effective use of the international capital markets."

| Rüdiger A. Günther Management Spokesman, CLAAS KGaA mbH, Harsewinkel

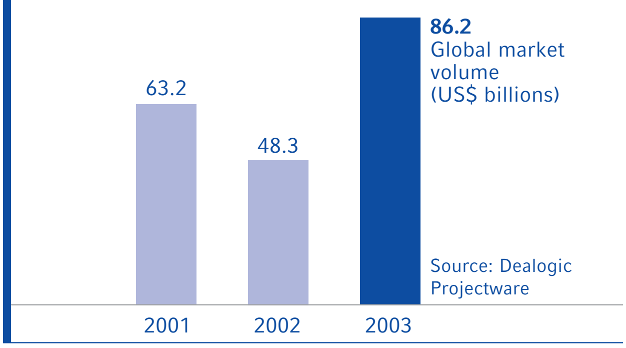
Mr. Günther, over the past ten years CLAAS has reported an average increase in sales of ten percent. What is your formula for success?
CLAAS sees itself as a technological leader; our name stands for innovation, quality and service. Our formula for success is to offer not only first-class machines but solutions for the entire agricultural process chain.

What was the financial strategy that helped you become a global player?
Remaining independent is our primary goal. Agricultural machinery is today a global business, and CLAAS is at home on fields and farmlands all around the world. This applies not only to our products and services but also to our financing activities. Traditional banking partners are an important element in this context, but CLAAS has also made use of the international capital markets for many years. The issue of profit participation certificates and eurobonds, the use of syndicated loans and ABS transactions and, most recently, a private placement in the USA helped us diversify and internationalise our financing profile. On the financial side we are positioned like a listed company, in terms of financing we are the benchmark in the SME sector.

How does a private company like CLAAS build the confidence required for the use of instruments such as bond issues?
Investors' confidence and our reputation in the capital markets are based on the successful management of our debt positions as well as on our Treasury department, which is organised like a relationship bank for all Group companies. It procures the necessary funds, finances production and sales and is responsible for managing currency and interest rate risks. Moreover, CLAAS has consistently implemented corporate governance regulations and pursued a policy of open financial communication.

In your international expansion, you are dependent on powerful banking partners such as WestLB. What kind of expertise is important in this cooperation?
Banking is above all a service provided by people. Apart from specialist expertise and personal commitment, an understanding of the special aspects of our business is crucial. Our markets are located away from the usual capital market centres. A local presence and proximity to our business are therefore essential, especially with regard to our future growth markets in Eastern Europe and South America.

PROJECT FINANCE MARKET RECOVERS NOTICEABLY



Given the limited opportunities for growth in the forfaiting market worldwide, we focused our activities, thereby improving profitability significantly. We were named "Best Forfaiting Institution" by "Euromoney" magazine for the sixth time in a row since 1998. Innovative products such as the "WestLB Tricon Islamic Forfaiting Fund" launched in 2003 reinforced our leading position.

Project Finance Market Recovers

The global project finance market made a pronounced recovery in 2003; the total financing volume grew by approx. 78% to US$ 86.2 billion. Ranked 7th, WestLB consolidated its position among the leading arrangers of project finance worldwide. Once again we received numerous awards from renowned international trade magazines.

The international energy sector, and the electricity industry in particular, was characterised by comprehensive restructuring in 2003. Oil and gas projects in Europe and America provided attractive business opportunities, from exploration and processing to transport via pipelines and ships. A particular focus for WestLB was on liquefied natural gas ("LNG") projects; we played a leading role in LNG projects in Egypt, Oman, Qatar and Nigeria as well as the "Bonny Gas" ship transport project in Nigeria. Together with the International Finance Corporation, a World Bank subsidiary, and three leading project finance banks, WestLB developed the "Equator Principles", which aim to guarantee compliance with high environmental and social standards in the project finance field. Adopted in June 2003, the "Equator Principles" have meanwhile been accepted by 20 banks worldwide.

2003 was a year of consolidation and a new beginning for telecoms finance. We successfully participated in particular in the refinancing of existing networks. The financing of infrastructure projects, which require long lead times to take full effect, has developed very favourably. Highlights included several large-scale projects in the United Kingdom (modernisation of London's underground system, installation of a satellite-based communications system for the Ministry of Defence), in Italy (refinancing of Rome Airport, construction of a refuse incineration plant in the Naples region) and in Korea (construction of a new container terminal in the port of Pusan).

Our project finance activities in Australia continued to focus on traditional energy and infrastructure projects such as gas pipelines and toll roads. We also participated in the financing of one of the largest wind power plants in South Australia. The plant will help to reduce the country's emission of pollutants, a declared aim of the government.

Leveraged Finance and Leasing Business Expanded

Our leveraged finance business developed favourably in 2003. We played a prominent role in more than a dozen transactions and once again supported a number of private equity investors in the bidding process.

In 2003 we pooled our structured leasing and structured products activities in the Financial Solutions unit; we concluded numerous deals, thereby consolidating our strong position in the cross-border leasing market and in film financing. The focus of our activities was previously on the UK market; in view of the increasing orientation towards public-sector clients and medium-sized companies, we will expand our activities in Germany and other EU countries.

Asset Securitisation Market Growing Strongly

The asset securitisation market in Europe grew by 30% to € 210 billion in the year under review. WestLB expanded its market position, primarily by strengthening its presence in London and Düsseldorf. A securitisation for Kazakh savings bank Halykbank, the first asset-backed transaction in the former CIS, and the transaction for Akbank, the Turkish commercial bank, deserve special mention here. Both transactions earned us the title of "Best Securitisation Arranger 2003" from Euromoney magazine. We also strengthened our leading position in the emerging markets with an asset-backed transaction for Turkiye Vakiflar Bankasi of Turkey.

In addition, we used securitisation to manage our own credit portfolio. Last year, for example, we arranged a € 1 billion securitisation of housing loans and a € 2 billion securitisation of international corporate loans.

We launched a securitisation project for the SME sector to harness the potential afforded by securitisation for medium-sized companies. We offer our clients and the savings banks a standardised asset backed securities (ABS) version, thereby reducing the costs and expenditure associated with conducting ABS transactions. This programme will enable us to reduce the minimum transaction volume from € 50 million to € 10 million.

Trading — A broad range of customised and innovative products ensures customer satisfaction and a good performance.

Successful Interest Rate and Foreign Exchange Business in the Money Markets

Against a backdrop of less clear interest rate trends, business with short-term interest rate products in the Global Financial Markets business unit developed favourably in 2003. By maintaining a constant market presence and actively marketing our core products (money market products, FX forwards, short-term derivatives and repo trading), we were able to cushion the impact of the challenging market conditions. The clear market trend towards securitised and collateralised financial instruments continued; pro-active risk management – a core competence of WestLB – likewise gained in importance.

Foreign exchange business was also characterised by high volatility in 2003. Our clients and our proprietary trading activities benefited from our timely prediction of a rise in the gold price. In view of the growing importance of electronic trading systems for our clients, we are systematically expanding our relationships with the main foreign exchange trading platforms. We will shortly offer a customised quantitative online analysis tool, a hitherto unique offering in the foreign exchange markets that will enable clients to manage their risks much more effectively and transparently.

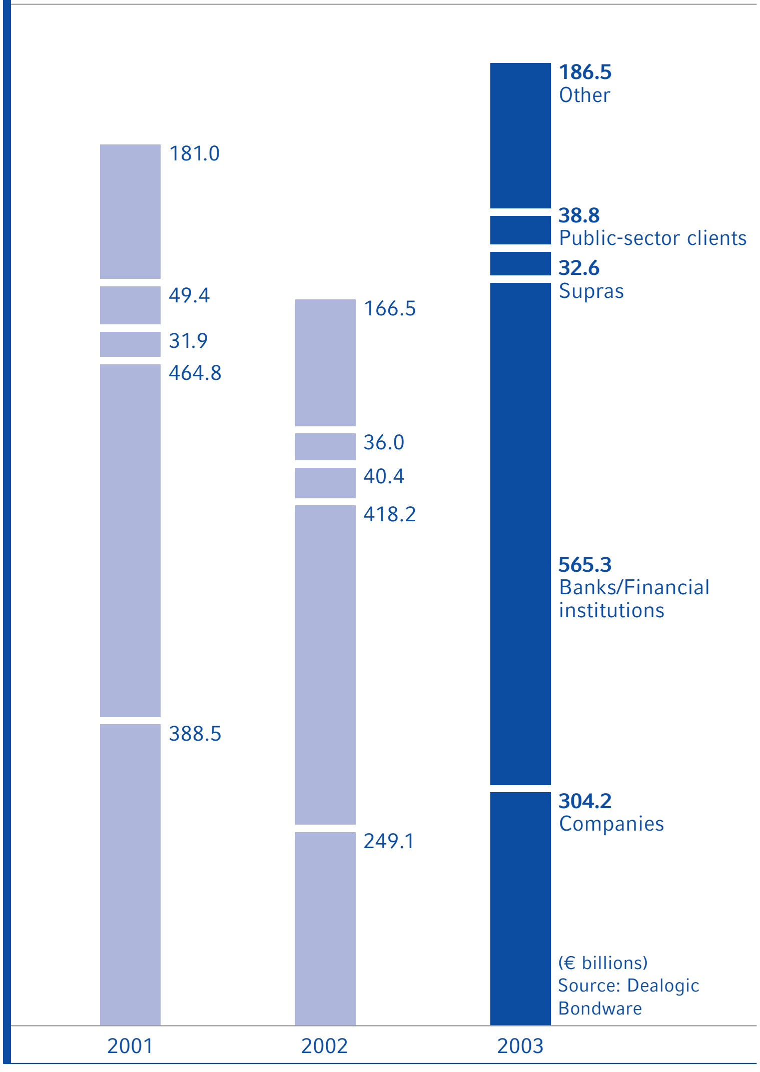
Thanks to a diversified risk strategy, our activities in the emerging markets generated good results. We positioned ourselves pro-actively in the major markets (Brazil, Russia, Turkey), whilst adopting an opportunistic risk approach in the more volatile markets (Poland, Hungary).

Market Position in Syndicated Loans Maintained

The European syndicated loan market reported a volume of US$ 680 billion in 2003, which was more or less on a par with the previous year. The trend towards fewer transactions with larger volumes continued. WestLB received 74 mandates with a transaction volume of US$ 62.7 billion, which represented a market share of 9.2%. Our mandates were primarily in the utilities, financial institutions, governments and government agencies, telecommunications, oil & gas and construction and engineering sectors.

Syndicated loans continue to support the good relationships with our core customers. The transactions for Aurelis Real Estate GmbH & Co. KG (guaranteed by Deutsche Bahn AG), De Beers s.a., Edison S.p.A in Italy, TUI AG, Gazprom and the Republic of Hungary deserve special mention here. Our strong market position was reflected in the international league tables of “Dealogic Loanware”: In the category Mandated Lead Arrangers, we were ranked 14th in Western Europe and 4th in the region Central and Eastern Europe, Middle East and Africa.

EUROBONDS: STRONG GROWTH IN THE PRIMARY MARKET



Schuldscheindarlehen Facilitate Access to the Capital Market

One of the fastest growing products is the syndicated Schuldscheindarlehen for companies. This product is very important for the future positioning of WestLB, as both the transaction volume and structure make it eminently suitable for medium-sized companies wishing to tap the capital market. In 2003, we received numerous mandates with an overall financing volume of more than € 1 billion. In some cases mandates resulted in follow-up transactions; following the successful placement of a Schuldscheindarlehen for GRENKELEASING AG, for example, we were awarded the mandate for the company's debut bond issue.

Proven Placement Power in the Bond Market

The total issuing volume in the primary market for Eurobonds rose by approx. 24% to € 1,127 billion in 2003. The primary market for corporate bonds grew by 22% and for bank bonds by roughly 35%.

WestLB was once again able to maintain its market position, lead managing over 80 bond issues of German and international clients. We were placed tenth in the relevant league table of German issuers. The € 1 billion issue for Deutsche Telekom AG, in particular,

"Solid growth through efficient management of capital."

| Henri de Castries Chairman of the Managing Board and Chief Executive Officer, AXA S.A., Paris

Mr. de Castries, AXA has developed within a short space of time from a French regional insurer into a top global player in the insurance industry. What were the factors behind this success story?
Vision and a strategy to achieve this vision. The vision started under the leadership of Claude Bébéar, who recognized the importance of being global in an industry that manages risk. AXA's strategy is to focus on one business: financial protection, to have strong positions in that business in key markets across the world, namely the U.S., Europe and selected Asian markets. And with that platform in place, to leverage our scale and expertise to improve our efficiency, productivity and profitability.

How did you manage to maintain your leading global position and your AA rating in spite of the difficult framework conditions in your industry?
The key success factor that helped the Group overcome the recent turbulences was a clear and focused strategy to attract solid organic growth. On top of that, AXA has delivered on its promises and is now being rewarded for its strong and early commitment to reduce costs and improve its operational excellence as well as its efficient management of capital.

In your opinion, what are the main challenges facing the industry as a whole and your company in particular? How do you plan to deal with them?
Financial market volatility, claims inflation and regulatory changes affect the profitability of insurance companies, but challenges are opportunities. The environment is in fact reinforcing the fundamentals of the industry as well as the strong players. In this context, AXA's strong discipline in risk and capital management, as well as clear focus on its core businesses while improving quality and efficiency, are and will continue to be the pillars of its success.

underscored our placement power in the market. We also secured a strong position in the automobile sector, for example as bookrunner for the € 600 million issue of Volkswagen Bank GmbH, the € 1.5 billion transaction for Ford Motor Credit Company and the € 2.5 billion issue for General Motors Acceptance Corporation (GMAC), which consisted of two tranches.

Ongoing internationalisation, which was reflected in debut bonds of Irish, UK and Austrian issuers, was the main driving force behind the growth of the European covered bond market. WestLB lead managed covered bond issues for HBOS, AyT Cédulas Territoriales and WestLB Covered Bond Bank plc in Dublin. "International Financing Review" (IFR), the trade magazine, ranked us among the top ten bookrunners for jumbo covered bonds.

In the growing public-sector client segment, WestLB was ranked No. 2 bookrunner in IFR's "Regional Authorities" league table. Of particular note here was the first rated € 2 billion benchmark bond for the State of Berlin.

Integration of Credit Products and Further Expansion of Asset Backed Business

At the end of the year we integrated the asset securitisation business in the Debt Capital Markets unit in order to offer our clients a seamless range of credit products. As a result, we have created a uniform platform which combines all capital market activities under one roof, from acquisition and structuring of transactions to trading, syndication, distribution and swaps. We already achieved initial synergies with the successful placement of the "Blue Heron" and "House of Europe" transactions, a series of customised securitisations of mortgage-backed securities.

With a view to expanding our asset-backed business in the USA, we acquired Rathgar Capital Management (Bermuda), the manager of a structured investment vehicle (SIV). Renamed Harrier Finance Ltd., the vehicle will serve as a platform for developing innovative ways of purchasing asset classes such as trade receivables and ABS credit products, which are not normally included in SIVs. Moreover, Harrier will be used increasingly as an alternative to the Bank's asset backed commercial paper programme, as it can also issue medium term notes.

Innovative Product Solutions

We positioned ourselves successfully in the market with new products and tailor-made strategies for different target client groups. Recently we began to offer German insurance companies a complete analysis of their portfolios as well as solutions for hedging the reinvestment risk resulting from the long-term nature of their insurance contracts. In addition to advising and assisting clients on using structured interest rate products, we develop customised product solutions and IT tools for calculation, analysis and simulation purposes. The new product "FrITS" enabled us to expand the strategic cooperation with the savings banks. With the help of the FrITS pricing tool, the savings banks can offer their medium-sized corporate clients quick and straightforward solutions for their interest rate and currency management needs on the Internet.

Substantial Increase in Earnings in Luxembourg

Our subsidiary WestLB International S.A., Luxembourg, posted a net profit for the year of € 37.6 million, an increase of 25.3% on the figure for 2002. As in the previous years, the Bank paid out a dividend of € 30 million. All business areas of the Bank contributed to this encouraging result. Private Banking clearly benefited from the recovery of the stock markets, while the Trading units were able to exploit the volatilities in the money and capital markets. New investments in secondary market credit assets were meanwhile made only with issuers meeting very high standards of creditworthiness.

Equities Business Reports Positive Results Again

On July 1, 2003, the entire equities business was concentrated in the Equity Markets business unit. Panmure UK, which specialises in equities business with small and medium-sized companies in the UK, was sold to investment bank Lazard at the beginning of 2004. Following this comprehensive restructuring and with the markets recovering, the equities business made a positive contribution to earnings again last year.

Equity Markets focuses on European large caps as well as German mid and small caps. In addition to equity research, sales and trading, the range of services offered includes product development and equity derivatives trading as well as the complete spectrum of equity-related capital market products. The equities business is conducted out of Düsseldorf, London and New York.

European Equities Universe

Our equity research activities cover the Dow Jones STOXX Large 200 companies in all major sectors, almost the entire Euro STOXX 50 universe and virtually all 110 stocks of the DAX family. The product portfolio also includes a European and a German equity strategy product as well as a range of products in the field of Socially Responsible Investments. For years we have enjoyed an excellent reputation among our clients for our expertise, in particular with regard to German equities.

Innovative Capital Market Products

Our Equity Capital Markets team successfully completed a large number of capital market transactions in 2003 and developed numerous innovative product solutions tailored to the needs of our clients. The most important transactions included the issue of a convertible bond for a large German company and several capital increases for medium-sized German companies. Furthermore, we actively participated in investment management solutions for financial services providers and public-sector clients.

Derivatives Business Clearly Expanded

The equity derivatives business was once again successful in 2003. Sales of these structured products doubled over the previous year to € 1.5 billion. In addition to the business with savings banks, this was due to the expansion of our sales cooperations with other banks (third-party transactions). In the year under review, the first joint equity retail product, the MOVE bond, was launched with other Landesbanks under the lead management of WestLB. Moreover, in the trading business we acquired several leading German retail fund providers and investment companies as new customers. Last year we began to offer the savings banks an integrated equity and equity derivatives service. In the field of derivatives research, we significantly expanded our range of services, with a clear focus on near-market ad-hoc commentary.

Mergers & Acquisitions – Active in a Quiet Market

Our M&A activities focus on giving independent strategic advice and on project management in connection with mergers and acquisitions. We acted as financial advisor on numerous transactions in 2003, including the acquisition of London Forfaiting by FIMBank and Raven Mount’s takeover bid for Swan Hill, the UK housebuilder, which was characterised by a highly innovative structure. We also participated in a number of public takeovers in Germany, including Systems Union Group’s takeover of MIS AG, the business intelligence provider, Siemens AG’s takeover of Cycos AG, the telecommunications software company, and the acquisition of GELSENWASSER AG by the two utilities Stadtwerke Bochum and Stadtwerke Dortmund. The market for mergers & acquisitions picked up noticeably in the second half of the year. It is expected to improve during 2004; to date, there are some signs that confidence in the market is gradually returning, which should benefit our M&A activities.

Services — Our services are driven by our focus on investors, the value of the investments we offer and the effective exploitation of cost advantages.

WestAM: New Products for a New Market Environment

After the turbulent developments on the capital markets, the investment needs of our clients have changed significantly. They are generally less willing to take risks and frequently have a greater need to hedge their investments, while at the same time client demand for investments offering steady returns has increased substantially.

In view of this, our globally operating asset management subsidiary WestAM developed new products and product variants which offer stable income, actively manage risk and pursue absolute return targets. We created optimised offerings for our clients, above all with our multi-strategy funds and new forms of equity funds. Our advisory expertise in asset allocation, which is becoming increasingly important for institutional investors both from a strategic and tactical point of view, is of particular importance.

Highly Rated Funds with Wide Range of Products

Total assets under management increased to approx. € 39.5 billion (2002: € 37.7 billion) in 2003. In many cases, our products outperformed their relevant benchmarks, for example with euro bonds, convertible bonds and emerging markets.

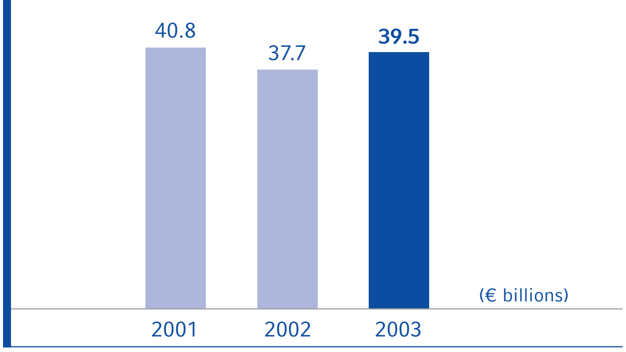
Our clients benefited especially from this. A number of our products were again among the best in the market, obtaining five and four-star ratings. Standard & Poor's, the fund rating agency, this year gave us several awards for products of our WestAM Compass fund family. The WestAM Compass Emerging Markets fund obtained first place in Europe for rating periods of three years and five years. We were also the third-best asset manager in Europe in the "Specialist Group" category over five years.

In line with our global strategic orientation, we will focus in future on our core markets in Europe. The percentage of our clients from Germany already increased last year from 58% to 60% and in France and other European countries from 14% to 18%. We will continue to systematically expand this position with our successful products and our proven management concept.

Cooperation with Savings Banks Expanded

WestLB Asset Management Kapitalanlage-gesellschaft mbH (WestAM KAG), which conducts asset management business in Germany, stepped up its cooperation with the savings banks. More than 110 savings banks are now numbered among its clients; at € 9.0 billion, they account for roughly 40% of WestAM KAG's total assets under

ASSETS UNDER MANAGEMENT: FURTHER INCREASE AFTER MARKET-DRIVEN CONSOLIDATION



management. Besides European equity and bond products, the savings banks are making increasing use of specialised offers such as the euro dividend portfolio and high yield and corporate products.

Employee Pension Schemes Get Off to a Good Start

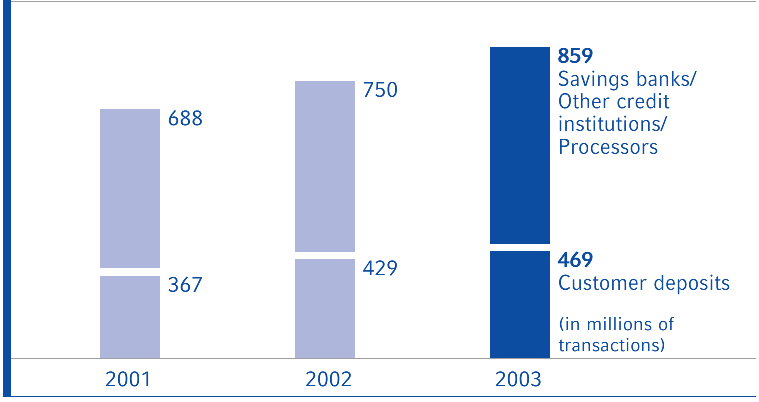
West Pensionskasse AG and West Pensionsfonds AG, our company pension scheme subsidiaries, reported an encouraging improvement in business in their second year of existence. West Pensions Consult GmbH, our consulting subsidiary, concluded numerous deals with corporate employers, in particular for employee pension schemes. At the same time there was a significant increase in agreements with individual employees, due not least to the successful cooperation with the savings banks. At more than € 1,500, the average level of contribution exceeded our expectations.

Going forward, one particular focus will be on expanding our range of products regarding the discharge/transfer of pension liabilities to off-balance-sheet structures. The current debate about the revised assessment of pension provisions by rating agencies will create interesting business opportunities, which can also be exploited by the savings banks.

Payments: Strategic Reorientation

We increased the volume of domestic payment transactions by almost 13% and at the same time enhanced the quality of our services. This was achieved, among other things, with the help of WestLB CashLine® Web, a browser-based product that supports corporate clients in their day-to-day financial planning. Our range of web-based cash management services has attracted a growing number of corporate clients and especially local authorities and has also met with growing interest as a white-labelling solution within the Savings

STEADY GROWTH OF DOMESTIC PAYMENT TRANSACTIONS



Banks Finance Group. We plan to add "ITS Compact", a financial planning tool, to our product offering in 2004.

In the area of international payments, the focus was on implementing the EU directive on payments within the single market. With our participation in the new STEP2 clearing system of the European Banking Association (EBA), we are one of a number of pilot banks in Germany that will provide a new settlement infrastructure which will be used for outgoing payment transactions by nearly all savings banks and Landesbanks. In the field of incoming payment transactions, we received a mandate from DZ BANK AG and its affiliated cooperative banks. As a service provider in the STEP2 clearing system, WestLB is therefore the leading bank in Germany.

With a view to further strengthening our market position in the payments field, we signed an agreement with DZ BANK AG. We are currently looking into the possibility of a possible cooperation in the payments area through a participation in the Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG (TAI AG).

Card-based customer retention schemes continue to gain in importance. In this context, we successfully supported Lidl GmbH & Co. KG in connection with the launch of an EC cash payment system at all its branches. In addition, we assisted tobaccoland Automatengesellschaft mbH & Co. KG in the nationwide introduction of retailer cards for the conversion of cigarette vending machines and issued a co-branding MasterCard for Germany's Beamten-Selbsthilfe-Werk (BSW).

In the field of trade finance, the focus last year was on centralising and optimising the settlement processes as well as refining the related web-based access systems for clients and savings banks. Following on from this, we will implement client-enabled expert systems for savings banks and other clients in 2005.

Equity Investments — WestLB offers a wide range of customised products to meet companies' growing need for equity.

Following the strong consolidation in the previous year, the private equity market recovered somewhat in 2003. The persisting uncertainty in the capital markets and sluggish economic activity nevertheless clearly left their mark. IPOs as a form of exit were still not an option in Germany; at the same time there was a continuing trend to invest in companies with stable turnover and mature products.

WestLB's Equity Investments business unit offers clients customised equity solutions in the private equity, mezzanine capital and equity warehousing product segments. The product range covers bridge and growth finance, management buy-outs, silent partnerships and profit participation certificates.

Like other private equity providers, WestLB consolidated its portfolio in 2003. At the same time we stepped up marketing and sales of private equity products for medium-sized (Mittelstand) and large companies. In particular, there was increased demand for mezzanine capital, frequently in the form of profit participation certificates.

Stronger Sales Efforts Bearing Fruit

Last year we made a number of direct investments in medium-sized companies. These include, among others, new investments in TFL Holding GmbH, a global leader in the production of chemicals for the leather and leather processing industry, and in AdCoCom GmbH, a manufacturer and distributor of system components for mobile telephony. We also made direct investments in financial service providers, for example GFKL Financial Services AG and Fraikin S.A., the French commercial vehicle leasing company. The largest buy-out in Germany in 2003 was the sale of Aurelis, the real estate subsidiary of Deutsche Bahn AG, where we, together with Westdeutsche ImmobilienBank, were a significant part of the investment consortium.

In the mezzanine finance segment, new investments primarily focused on the food and trading sectors in 2003. For instance, we made available profit participation capital to Humana Milchunion Group, Germany's second largest milk processing company, enabling it to strengthen its equity base significantly.

In addition to direct investments, we provided equity indirectly through selective fund investments. Last year, for instance, we invested in Altor 2003, the Scandinavian Mittelstand fund.

Successful Divestments

A particularly successful exit for WestLB was the IPO of Wolfson Microelectronics plc, the Scottish mixed signal chip manufacturer, which was one of the largest technology IPOs on the London Stock Exchange in the past three years. This investment is a perfect example of our strategy to support medium-sized companies through different phases of their development. As part of the streamlining of our portfolio we sold our interests in Deutsche Börse AG, Irish Reinsurance Holdings Ltd. and Cologne-based Madaus AG.

Strategic Investments: Laying the Foundation for the Future

Against the backdrop of the abolition of institutional liability and guarantor liability, we continued with the restructuring of our bank and near-bank investments. We acquired 100% of the shares in Westdeutsche ImmobilienBank, thus laying the foundation for pooling and strengthening our expertise in the real estate financing field. In our capacity as a shareholder in Landesbank Schleswig-Holstein, we supported the latter's merger with Landesbank Hamburg into HSH Nordbank AG, thereby making an important contribution towards establishing viable business models for the future in the public-law banking sector.

Private Equity Market Offers Opportunities

The equity investments market is expected to recover in 2004, in particular as a result of the growing demand for equity capital on the part of medium-sized companies and further divestments by major companies, which offer potential for buy-out financing. Moreover, financing restrictions imposed under Basle II – especially for medium-sized companies – could fuel demand for alternative sources of capital such as private equity. With an invested portfolio of roughly € 1.7 billion, we will intensify our marketing and sales efforts in the area of direct investments, mezzanine finance and fund investments and offer these multi-faceted instruments to medium-sized companies and the commercial clients of the savings banks.

Restructuring of Principal Finance Activities Making Good Progress

We made good progress in connection with the restructuring of our principal finance portfolio last year. We sold our 21% interest in Pubmaster, thereby bringing our investment in the UK pub operator to a successful conclusion. We also arranged a debt/equity financing for the purchase of Odeon, the UK's biggest cinema chain, and received an early loan repayment from BhS, the UK retail chain. Our principal finance portfolio comprised investments in Odeon, whisky distiller Whyte & Mackay and Mid Kent Water at the end of 2003.

MYBANK

"We attach great importance to commitment."

| Dr. Ulf M. Schneider Chairman of the Managing Board, FRESENIUS AG, Bad Homburg

Dr. Schneider, what effects will healthcare policy have on your business?
The healthcare sector is facing a financing dilemma in many industrialised countries – life expectancy is increasing, new therapies are required, and at the same time costs need to be cut. On the one hand, this means growing pressure on prices of products and services; on the other hand, innovation is increasingly becoming an important factor for success.

Your growth strategy focuses in particular on acquisitions. How do you finance them?
It is true that we have grown considerably in recent years through acquisitions, which has helped us achieve leading market positions in many countries. At present we are focusing on growing organically, increasing our profitability and improving our returns on cash flow. Small to medium-sized acquisitions will complement our growth and we will finance these from the cash flow.

What other banking services do you need apart from growth financing?
In addition to the traditional money and capital market services, which include the full range of risk management products, we are increasingly turning to banks for help in connection with our activities abroad, especially in the emerging markets. Our needs frequently range from straightforward account management, payment transactions and cash management to the provision of credit lines to finance our working capital.

What is the crucial factor when it comes to choosing your banking partner – a wide range of products and services or individual, high-powered products, industry expertise or competitive prices?
All the factors mentioned are important, without any particular aspect being crucially important in each case. We attach great importance to commitment. By this, we mean a reliable banking partner who is interested in a lasting, comprehensive and resilient relationship that is attractive for both parties in the long term, instead of concentrating only on individual transactions. When it comes to preparing and implementing the transactions, we expect professionalism, flexibility, fairness and speed.

Sparkassen — By optimising its range of products and services, WestLB has laid the foundation for even closer cooperation within the Ṡ-Finance Group.

Last year we further expanded our close cooperation with the savings banks with a variety of product initiatives. The focus of our efforts was on tailoring our range of products and services even better to the specific requirements of the savings banks and their customers. Our aim is to deepen the cooperation with the savings banks substantially and build it into a more closely integrated partnership. This will enable us to support the roughly 130 savings banks in North Rhine-Westphalia and Brandenburg in their proprietary and customer business even more effectively in our capacity as the central institution for the savings banks.

Continuing Strong Demand for Structured Products

Against the background of continued economic weakness in 2003, business with the savings banks developed positively. Despite persisting uncertainty in the capital markets, the volume of our securities business with the savings banks increased slightly. While sales of bonds picked up, equity sales declined again.

In customer securities business, we concentrated on further developing our range of capital-guaranteed structured products. In view of the uncertainty prevailing on the stock markets, these products met with strong demand on the part of savings bank customers. As a result, we were able to expand our strong position in this segment to become market leader. Our asset management activities for the savings banks also developed favourably, with assets under management showing a further increase.

Thanks to our strong position in the market, for example in securitisation, structured capital market products and derivatives financing, we are able to offer the savings banks a wide array of products in these highly promising business segments. These products continue to gain in importance above all for the savings banks' small and medium-sized corporate clients.

Within the framework of the long-standing cooperation agreement, the savings banks in Brandenburg availed themselves of our extensive range of products and services again in 2003, primarily with a view to optimising their interest rate and portfolio structures. Sales increased in all business segments, in some cases significantly.

Product Initiatives Launched

The framework agreement signed with the two North Rhine-Westphalian savings banks associations in August 2002 is based on an extensive range of products which WestLB will make available to the savings banks and their customers. In addition, a comprehensive poll was conducted among the savings banks last year, which resulted in further product initiatives being launched. A number of these have already been implemented successfully.

MYBANK

"WestLB is a think-tank and an important product supplier."

Heinz Welter Chairman of the Managing Board, Sparkasse Neuss

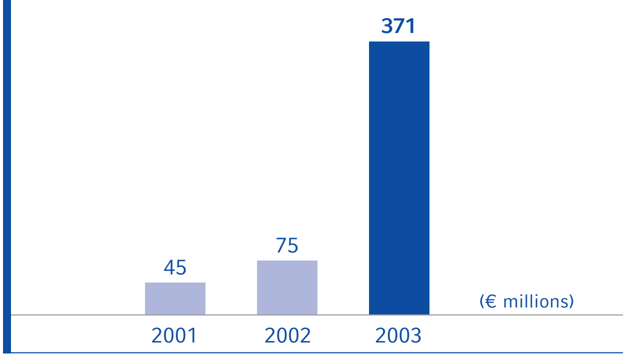
Mr. Welter, Sparkasse Neuss can look back on 175 years of successful business. What are your objectives for the future?
We aim to maintain our high market share in the retail banking segment and operate even more efficiently in the future. We want to remain a strong, preferred partner to local authorities and small and medium-sized businesses. This means that these clients can be sure we will continue to provide them with the services they need at a reasonable price in the future.

How does WestLB support you in this?
WestLB is a think-tank and an important product supplier, for instance in the securities business. We rely in particular on WestLB's specialist expertise for products which we do not wish to develop ourselves, such as structured investment products and equity research. In particular, our clients have shown growing interest in the wide range of capital-guaranteed certificates. WestLB also supports our international business and with regard to capital market transactions. Its support is especially important for our major clients, for example in the joint lending business, in order to be able to provide the required volumes and spread the risks. In this area there is clearly significant potential for increased cooperation.

How could savings banks and WestLB cooperate more closely in the future?
We need a clear distribution of roles and tasks, as this will enable us to use our respective strengths even more effectively. Closer cooperation with WestLB could allow us to reduce the number of tasks performed in-house, in order to pool joint activities and cut production costs. Moreover, small and medium-sized companies offer considerable possibilities for closer cooperation.

As a representative of one of the major savings banks in the Rhineland, how can you actively help to shape the partnership between WestLB and the savings banks?
Representatives of the savings banks and WestLB meet on a regular basis in various committees, for instance in our joint advisory board. This board, of which I am also a member, discusses how the current framework agreement between WestLB and the savings banks associations can be implemented in detail. The frank and open discussions we have there are important, particularly when it comes to critical issues.

CUSTOMER SECURITIES BUSINESS: STRONG DEMAND FOR STRUCTURED PRODUCTS



In the field of corporate finance, we provided a focused range of products for medium-sized companies. In the syndicated loan business we agreed to use the DSGV rating as a shared communication platform to ensure that decision-making processes are faster and more efficient.

In addition, we are pressing ahead with the refinement of credit pooling and asset backed securities (ABS) structures. Together with the savings banks, we have already completed ABS transactions for their customers. Furthermore, we launched a new securitisation programme for medium-sized companies in the context of our asset-backed activities.

In international business, and in trade finance in particular, we are currently developing a user-based pricing model in joint workshops with the savings banks which is geared to their specific requirements.

Moreover, we have succeeded in revitalizing the funding business for the savings banks within a short space of time via WestLB Covered Bond Bank plc, Dublin, which was established in October 2002. In 2003 the funding volume almost quadrupled over the previous year. We are also working closely with savings banks on ways of expanding their funding base, for example through the issuance of Pfandbriefe and pooling into jumbo Pfandbriefe.

We developed the “FrITS” interest rate and currency management system specifically for the savings banks’ corporate client business. This enables the savings banks to offer their corporate clients the full range of interest rate and currency management products including derivatives.

Stronger Integration of Savings Banks Planned

The diversity and strength of WestLB AG’s product range form the basis for a deeper cooperation, which is to be expanded into an even more closely integrated partnership in the future. With a view to deepening the cooperation further, we will establish integrated teams with their own budgets for the special needs and requirements of the savings banks in all relevant product and service segments.

Public-Sector Clients — Long-standing experience and an excellent knowledge of the specific requirements of this customer segment make WestLB a preferred banking partner.

In our capacity as municipal bank for the local authorities in North Rhine-Westphalia, we have been a partner to public-sector clients for many years. We are familiar with the tasks and challenges faced by the central, regional and local authorities and their operating companies better than most other banks. In the past year, we expanded in particular our business activities with products that involve the provision of advisory expertise, making use of our comprehensive experience of the capital markets. The focus was on capital market finance, debt and investment management and innovative services for local authorities.

Increased Financing via the Capital Market and Private Investors

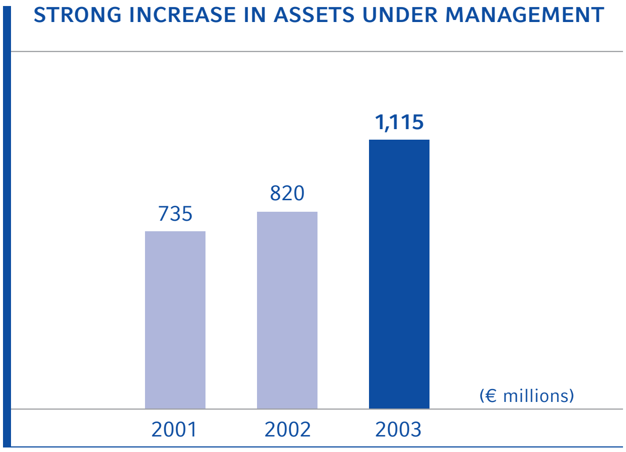
WestLB was the leading German bank with regard to the arranging and placement of bonds for Germany's federal states in 2003. We were lead arranger and co-lead arranger on 13 occasions respectively and participated in numerous private placements. As a result we were ranked second by the trade journal "International Financing Review" for issues of municipal bonds. We also played a leading role in numerous international bond issues for the Federal Government and public-sector clients.

Due to public-sector clients' increasingly tight budgets, public-private partnership (PPP) schemes are gaining in importance. WestLB is closely involved in the initiatives of the Federal Government and the State of North Rhine-Westphalia in this field. Our subsidiary Westdeutsche KommunalConsult advised a number of local authorities in their search for private investors for their infrastructure projects. These included, for instance, the City of Monheim, which we advised in connection with the preparation and implementation of the bidding procedure for the first school refurbishing project in North Rhine-Westphalia.

Debt and Investment Management Ease Pressure on Budgets

Public authorities are making increasing use of derivatives to manage their debt portfolios. One of the market leaders in this segment, WestLB was the first German bank to develop the concept of debt portfolio management. In this context, the local authority commissions WestLB to manage the interest rate structure of its debt portfolio with the help of derivatives. In 2003, we received assignments from numerous local authorities, including Remscheid, Siegen, Flensburg and the Regional Association of Westphalia-Lippe. We also developed derivatives for short-term municipal loans which generate an interest rate below money market rates, and these met with strong demand on the part of our customers.

Our comprehensive range of products and services for optimising the equity portfolios of public-sector clients also proved highly popular. To increase their returns, we offered our clients convertible bonds, stock options,



securities lending and repo transactions. Moreover, by employing derivatives we were able to reduce the price risk considerably.

With regard to investment management for public-sector clients, we offer attractive alternatives to traditional money and capital investments in cooperation with our subsidiary WestAM. Last year, long-term assets under management for public-sector clients rose sharply to € 1,115 million (2002: € 820 million). Our customers also invested heavily in the WestAM Sécurité money market fund, which consistently ranks among the leading European money market funds.

Growing Demand for Innovative Services

Public-sector clients' demand for online services continues to grow. Our WestLB CashManagement product enables local authorities to conduct online liquidity management without changing established internal structures or existing bank connections. We won assignments from several local authorities to reduce their administrative expenses and generate higher interest income.

In the cross-border leasing segment, we supervised complex transactions for major German cities in our role as financial services provider. The focus of municipal infrastructure leasing was on water and sewage networks. Municipal companies particularly appreciated our strategy and acquisition advice in the areas of healthcare and water supply. We advised a number of cities on the privatisation of their clinics as well as Stadtwerke Bochum and Stadtwerke Dortmund on the acquisition of GELSENWASSER AG, a water and gas utility company.

Deepening Business Relations with Public-Sector Clients

As part of the future strategic orientation of the Bank, we aim to deepen our business relations with the central, regional and local authorities and their companies further. We serve the local authorities throughout North Rhine-Westphalia; as the central institution for the savings banks in North Rhine-Westphalia and Brandenburg, we support the savings banks in the field of municipal finance. In 2004, our business activities will focus on debt management and on optimising the investment portfolio of the public authorities. In addition, we will step up our advisory services for local authorities on structuring and implementing public-private partnership solutions.

MYBANK

"Active interest rate management helps us make considerable savings."

| Volker W. Weidner Mayor of the City of Unna

Mr. Weidner, the financial situation of Germany's municipal and local authorities is critical. What is the budget situation like in Unna?
It is very strained indeed. Thanks to a strict policy of consolidation, we were able to eliminate the old deficits from the nineties in excess of € 15 million by 2002. Unfortunately, a sharp increase in welfare spending, together with rapidly declining trade tax revenues amounting to several million euros, means that we will be forced to submit a new budget consolidation plan. However, we expect to achieve a balanced budget again by the year 2009.

Where do you get the financial scope needed to make investments?
The City of Unna has systematically divested itself of non-essential operating assets to ensure that additional public-sector investments can be made. Moreover, the public sector in Unna cooperates with private partners. Examples include a contracting model in the energy sector and IT equipment for schools.

What role does debt portfolio management play?
It plays an increasingly important role. In times like these, it is very important to keep interest charges on loans at a low level, have planning security for loans and minimise risks. We, too, have benefited from the recent low level of interest rates. Active interest rate management also helps us make considerable savings. In this context, we benefit from WestLB's professional support as an external partner.

How is this cooperation organised?
There is a clear distribution of roles. Together with WestLB, we define the guidelines for the portfolio strategy and the diversification of risk. One of these, for instance, is to align the term of a loan with the useful life of the capital goods. WestLB manages the interest rate structure with the help of derivatives and secures access to the financial markets. We can concentrate on the liquidity management, i. e. incoming and outgoing payments, financial planning and refinancing.

Are there any other plans for cooperation?
Yes. We have established a joint development company with WestLB and Sparkasse Unna, our house bank, which plays an important role in key areas of municipal activity. The aim is to transform a military site into a residential housing complex. The close network with our two financial partners and with associations and economic development institutions will, we hope, enable us to provide important stimulation for the region in the future.

The Company

Major challenges were faced by WestLB and its employees in the year under review. In a difficult situation the Bank set the course towards a successful future.

Joining Forces — A close partnership with the savings banks provides a sound basis for our competitiveness.

A Clear Focus on the Future

With Group total assets of € 256.2 billion, WestLB AG is one of Germany's leading financial services providers. It is a reliable and innovative partner to its clients, offering a wide range of products and services tailored to their specific needs. WestLB is developing a new business model to further strengthen its market position after the elimination of institutional liability and guarantor liability in mid-2005. It will position itself as a European commercial bank with headquarters in North Rhine-Westphalia in close partnership with the savings banks. It is the central institution for the savings banks in North Rhine-Westphalia and Brandenburg, an international commercial bank focused on Europe and a partner to medium-sized companies domiciled primarily in Germany and in North Rhine-Westphalia in particular. WestLB's expertise is concentrated in the areas of structured finance, capital market and private equity products, asset management, lending, transaction services and real estate finance.

WestLB responded to the changed European environment at an early stage by concentrating on commercial business operations and adopting the legal form of a joint-stock company in 2002. WestLB AG is a wholly owned subsidiary of NRW.BANK, an institution under public law owned by the State of North Rhine-Westphalia (43.2%), the savings banks and giro associations of the Rhineland and Westphalia-Lippe (16.7% each) and the Regional Associations of the Rhineland and Westphalia-Lippe (11.7% each).

A Strong Partner in a Strong Alliance

As a member of the Savings Banks Finance Group, WestLB cooperates closely with its partners. It is the central institution for the 130 savings banks in North Rhine-Westphalia and Brandenburg, tailoring its products to their particular needs and acting as the link to the international capital markets. The Bank also teams up with the savings banks to develop customised solutions for the savings banks' medium-sized corporate clients, for example in risk management, trade finance, M&A, private equity and asset management. Going forward, WestLB will seek to forge even closer links within the Savings Banks Finance Group. Thanks to their broadly-based and systematic cooperation, the partners have created a solid foundation for securing and expanding their market position in an increasingly competitive environment. This cooperation based on partnership is also the driving force for WestLB as a member of the German Savings Banks and Giro Association (DSGV). In addition, WestLB is a member of the Federal Association of Public-Sector Banks (VÖB).

As an internationally operating commercial bank serving major corporate clients and institutional investors, the focus of WestLB's activities is on Europe. The Bank also maintains branches and representative offices in the most important financial centres around the world.

Other important customer groups for WestLB include medium-sized companies and financial institutions as well as public-sector clients. For these target groups the Bank offers a wide range of products and services tailored specifically to their individual requirements.

Sustainable Management

The success of WestLB's business mission hinges both on its ability to build and nurture long-standing customer relationships and to inspire confidence in the Bank's capability on the part of all relevant social groups. In this context, capability means not only the reliable provision of financial services but also the responsible and transparent management and control of the Bank with due consideration being given to economic, environmental and social concerns in all its business activities.

To provide a meaningful framework for sustainable management, WestLB has adopted its own corporate governance rules which are largely based on the German Corporate Governance Code for listed companies. The Bank revised these rules in the year under review and implemented a process to monitor compliance.

WestLB's clear acceptance of sustainable management was underpinned in 2003 with the introduction of Group-wide sustainability principles and the establishment of a dedicated Sustainability Management department which will be responsible for ensuring the strategic integration of the sustainability concept across all business activities.

In June 2003, the Bank was a signatory to the Equator Principles, a sustainability standard in the field of project finance which WestLB developed together with three other banks and the International Finance Corporation (IFC). By adopting the Equator Principles, WestLB has undertaken to fund only projects whose sponsors accept the environmental and social standards laid down in the Equator Principles. This standard has meanwhile been accepted by 20 banks.

WestLB offers its customers proprietary investment products which focus on sustainability. The Bank also publishes research on socially and environmentally responsible investment strategies. Furthermore, WestLB maintains its own sustainability rating system for the Dow Jones STOXX-600 companies and organises conferences which are directly related to the issue of sustainability.

WestLB optimises its own consumption of resources with the help of an internal environmental management system and has published all pertinent data in annual environmental reports since 1997.

For WestLB, sustainable management also means assuming social responsibility and, in particular, helping to preserve and shape the quality of life for the people in North Rhine-Westphalia, its home region. WestLB actively supports numerous projects, institutions and activities primarily in the spheres of art and culture, education and science, sport and in the charitable field. ZUKUNFT NRW, a foundation set up by WestLB in 1995, promotes an environmentally compatible approach to structural change.

Shaping the Future Takes Teamwork — By leveraging its employees' expertise and flexibility and targeting personnel development, WestLB is rising to the challenges of today's markets.

The restructuring and cost-cutting programme initiated in 2002 continued in the past year and was adjusted for the period up to the end of 2005. Under this programme it is planned to reduce headcount further to 6,200.

Last year the total number of employees in the Group fell by 1,883 (– 19.6%) to 7,738 (2002: 9,621). Changes in the consolidated Group companies had opposing effects on staff numbers. For example, Westdeutsche Immobilienbank, Mainz, was integrated into the Group with 738 employees; WPS Bank, with 593 employees, was sold and is therefore no longer counted among the consolidated companies.

We use a variety of innovative personnel management tools to implement the necessary job reductions. The measures agreed with the employee representatives, which include agreements on part-time working, measures to promote occupational mobility, early retirement schemes and internal staff transfers, aim to ensure that the savings are achieved in a socially acceptable manner and to avoid compulsory redundancies. As a result of the decline in the number of employees, personnel expenses in the WestLB Group fell further by € 233 million (– 19.1%) to € 985 million (2002: € 1,218 million).

Personnel Development in 2003: Managing the Transition

Despite the difficult prevailing conditions, we continued to provide first-class training activities, focusing on effective measures which can be implemented quickly. We offer a wide range of specialised training programmes to support the process of structural change within the Bank. One focus of our activities was on technical and product training, which enabled us in particular to develop our expertise in the capital markets, corporate finance and credit risk business segments. Our training activities also concentrated on foreign languages skills and measures designed to optimise sales and marketing activities. A total of 3,444 employees attended the internal and external training seminars offered by the Bank in 2003.

In addition to seminars, we also focus on personnel development projects tailored to individual requirements. Last year these included, above all, measures to accompany the change management process that is now under way within the Bank. In this context, we provided training to optimise team processes, advanced training for management staff and assistance in connection with other change processes.

In the coming year, our personnel development programme will again have three main areas of emphasis: one-to-one counselling and coaching, the refinement of product expertise and the development of personnel systems for providing effective human resources support for our management staff.

PERMANENTLY EMPLOYED STAFF AT DECEMBER 31, 2003
GERMANY – ABROAD

	Permanently Employed Staff (total)	Permanently Employed Staff (full-time)
WestLB AG – Germany	3,122	2,966.2
WestLB AG – abroad	1,833	1,816.5
WestLB AG total	**4,955**	**4,782.7**
WestLB Group	**7,738**	**7,544.3**

Rolled out in 2002, our e-learning application BEST@WestLB was developed further. Well over 1,000 employees participated in various online learning programmes last year. In 2004 we will add further learning modules, notably in the area of international financial products. In this context, we will increasingly enter into strategic partnerships with programme providers of international repute.

Promoting Talent and Opening Up Career Opportunities

We aim to offer our clients the best possible financial products and services. Our employees are the crucial factor of success in this regard. We need talented young staff to enable us to master the challenges that lie ahead.

In times of economic change, we believe it is our responsibility to offer young people a career perspective. Even though we will train fewer apprentices in the future, they will continue to form an important reservoir for junior staff. At December 31, 2003, a total of 189 (2002: 231) young persons were engaged in apprenticeship training in the Group to qualify as bankers, office communications staff, graduates in business administration, computer specialists and graduates in information technology. In 2004 we will largely centralise our apprenticeship training activities in Düsseldorf. WestLB will continue to provide apprenticeship training in the above disciplines, though to a lesser extent than in the past.

In addition to apprenticeship training, promoting and training young talent is a cornerstone of our personnel policy. Despite the decline in numbers, WestLB's internal development programme, which assists employees in taking part in on-the-job qualification schemes, continues to play an important role. A total of 100 employees participated in the various initiatives in 2003 (2002: 146).

This year we will expand our qualification programme and offer specialised trainee programmes to university graduates. The individualised training programme will be closely geared to the specific requirements of the business units involved and focus on international investment banking.

Personnel Marketing on the Internet

The ambitious and challenging tasks performed at WestLB mean that the Bank is able to offer its employees attractive jobs in an internationally operating group. Recognising that there is a continuing need to attract qualified talent, our personnel marketing activities aim to position WestLB as an attractive employer to future staff. Only in this way will it be possible to cover the continuing need for well-qualified junior staff.

Different tools and communication channels are used for these so-called "employer branding" activities. WestLB's Internet "career page" plays a particularly important role in this context. It is an ideal platform for providing interested applicants with detailed, up-to-date information about WestLB's corporate philosophy as well as entry and career opportunities. In a study commissioned by "manager magazin", the German business magazine, over 1,300 students and young professionals were polled about their preferences regarding German-language career pages and websites. The study covered 140 leading employers. In this cross-sector comparison, WestLB's career pages achieved an excellent 12th place; in a direct comparison with competitors from the financial sector, WestLB ranked among the best.

One focus of our personnel marketing activities is on cultivating and expanding our relations with universities and their students. The aim of these close relations is to attract interested students to participate in work experience schemes and to encourage graduates to begin their careers at WestLB. One of the tools used in this context is "bankmasters", a bank management game organised by WestLB, which enjoys an excellent reputation among students and professors alike. A total of 68 students completed a work experience scheme in the Bank lasting at least six weeks in 2003.

For many years we have offered potential job applicants from universities a particularly attractive student support programme entitled CampusCircle. A total of 251 students are currently enrolled on this programme. In order to participate in CampusCircle, students must have close links to WestLB, either because they completed apprenticeship training with the Bank prior to commencing their studies or participated in a work experience scheme before or during their studies.

Equal Opportunities and Diversity

Promoting equal opportunities for men and women in the workplace is part of WestLB's diversity concept. The diversity programme helps WestLB lay the foundation for harnessing the national and cultural diversity of its employees and the resulting talents for maximum creativity, innovation and team spirit. The concept is founded on the idea of providing employees with the best possible working environment, regardless of their nationality, sex, religion, age or culture. It

KEY STAFF FIGURES

	2003	2002
Personnel expenses in the WestLB Group (€ millions)	**985**	**1,218**
– wages and salaries	**757**	890
– pensions and other employee benefits	**227**	327
Staff in the WestLB Group	**7,738**	**9,621**
WestLB AG staff	**4,955**	**5,547**
– Germany	3,122	3,464
– abroad	1,833	2,083
– apprentices and trainees	127	178
– male/female staff (in %)	54.6/45.4	54.6/45.4

includes aspects such as work-life balance, i.e. the compatibility of private and professional life, intercultural management and issues such as fairness in the workplace. WestLB considers openness, mutual respect and tolerance to be essential prerequisites for creativity, successful cooperation and identification with the company and therefore key factors for improving employees' performance and abilities.

The programme for the promotion of equal opportunities was expanded further in 2003. In addition to initiatives for ensuring the compatibility of private and professional life (child care facilities, part-time working, flexible working hours), we support the activities of the women's network for the promotion of equal opportunities. Apart from the internal mentoring programme, which aims to prepare qualified women for specialist and management positions, WestLB also participates in a cross-mentoring programme organised by Düsseldorf-based companies. Under this programme, WestLB mentees are supported in their professional development by experienced mentors from different companies in Düsseldorf for a certain period; in return, WestLB mentors look after mentees from the other companies in the network.

Acknowledgement

The competitive challenges and the additional unique burdens resulting from the restructuring programme and headcount reductions made strong demands on our employees in 2003. We would like to take this opportunity to thank all employees for their efforts and commitment on behalf of the Bank in 2003, without which we would not have been able to reach the targets we set ourselves. Our thanks extend especially to the staff council, which supported the necessary staff reductions in a constructive manner. With its support, it was possible to implement personnel adjustments in a socially acceptable manner and avoid compulsory redundancies. The staff council's responsible cooperation served the interests of both the employees and the Bank.

Financial Report

Figures, Facts, Developments – In 2003 WestLB Group laid the foundation for strengthening its market position with a new business model, a systematic elimination of risk and a resolute cost-cutting programme.

Contents

WestLB AG Group Statement of Financial Condition at December 31, 2003

WestLB Group

WestLB Group consists of WestLB AG, Düsseldorf/Münster, together with WestLB's 433 affiliated companies (75 of which are consolidated).

WestLB AG continues to dominate the business activities of WestLB Group; in terms of total assets after consolidation, WestLB AG accounts for approximately 85.2%, while the consolidated subsidiaries account for 14.8%.

The following chart depicts the major companies of WestLB Group and their share in total consolidated assets.

COMPOSITION OF THE WESTLB GROUP

	Total Assets Dec. 31, 2003 € billions	Total Assets Dec. 31, 2002 € billions	Changes Dec. 31, 2002 to Dec. 31, 2003 in %
WestLB AG, Düsseldorf/Münster	218.2	238.3	– 8.4
WestLB International S.A., Luxembourg	15.8	15.3	3.3
Westdeutsche ImmobilienBank, Mainz (in prior years 50% pro rata)	20.1	8.0	> 100
WestLB Ireland plc, Dublin	4.0	4.6	– 13.0
WestLB Covered Bond Bank plc, Dublin	7.0	1.8	> 100
WestLB (Italia) Finanziaria S.p.A., Milan	0.9	1.4	– 35.7
Banco WestLB do Brasil, São Paulo	1.0	1.2	– 16.7
Boullioun Group	2.0	2.8	– 28.6
Other Group companies	19.2	25.8	– 25.6
Consolidations	– 32.0	– 33.6	– 4.8
WestLB Group	256.2	265.6	– 3.5

Changes in the number and type of companies included in the consolidated accounts are a reflection of the Bank's revised business policy. WestLB bolstered its real estate finance business by acquiring the remaining shares of Westdeutsche ImmobilienBank (WIB). As a result, WIB was no longer consolidated on a pro rata basis in 2003, but fully consolidated.

Restructuring of South American operations led to the deconsolidation of Banque Européenne pour l'Amérique Latine (BEAL), which was subsequently renamed Compagnie Belge de la WestLB (CBW) S.A. CBW will concentrate on liquidating its receivables portfolio. Two other companies active in South America, Euroconsult und WestAM do Brasil, merged into Europart and were also deconsolidated.

Another step towards streamlining Group operations was the merger of formerly consolidated WestLB France S.A. into WestLB AG's Paris branch.

Investment banking also underwent restructuring in the year under review. Effective January 9, 2004, the key assets of WestLB Panmure Ltd. were sold and the company renamed. The Equity Markets business unit now directs the former activities from Düsseldorf.

A joint venture aimed at assisting our industrial clients with their M&A activities led to the consolidation of Heidelberger Zement South-East Asia GmbH as an associated company.

Another noteworthy project is WestLB's involvement in the bundling of Deutsche Bahn AG's real estate business. As part of this project, WestLB acquired a considerable stake in Aurelis Real Estate GmbH & Co. KG, which is now an associated company of WestLB.

Development in the Year Under Review

Despite an improved operating result, 2003 was a difficult year for WestLB Group.

In addition to challenging market conditions, the adjustments made to offset the risks in the lending and equity investments businesses identified at year-end 2002 had a considerable adverse affect on WestLB AG in 2003. In order to adequately cover these risks, the sum of € 2,203.7 million was allocated to risk provisions, a marked increase over the previous year's € 1,945.3 million.

In parallel with the Bank's efforts to cover its discernible risks, the Managing Board pressed ahead with the necessary restructuring measures and began work on a new business strategy for WestLB AG. The restructuring measures led to an extraordinary result of € –390.8 million, most of which was due to headcount cuts.

The Bank's actual operating result was higher in 2003 than in the previous year. Net operating income stood at € 757.2 million.

Due to a rigorous system of cost management, personnel and operating expenses were sharply reduced in the year under review, which considerably improved the result from ordinary activities.

Income was noticeably higher despite the lower-than-expected commission result in the areas of special finance and project finance.

The operating result in 2003 was not enough to make up for the realignments made in the Bank's portfolios and resulting increase in risk provisions. Thus, the Group posted a net loss of € 1,897.4 million in the year under review, which it offset with transfers from reserves and silent contributions. The profit participation capital of WestLB AG will be serviced as agreed.

Economic Setting

The steep rise in crude oil prices and widening reach and persistence of the bear market engendered by the Iraq conflict and looming war in the region plagued the world economy into the spring of 2003. The spread of SARS also impacted economic activity, particularly in South-East Asia.

Given the precarious state of the economy and disinflationary trends, the possibility of deflation started to weigh heavier on the minds of the financial markets. In response, central banks cut interest rates even further and yields on the capital markets fell, even if only temporarily, to historical lows.

Following a swift end to military combat in Iraq and the containment of SARS, the economic climate improved visibly around the globe. The wait-and-see attitude vanished, spending that had been put on hold was resumed, and the stock markets quickly broke free of their longest and most severe slump in post-war history. All in all, the buoyant forces in the world economy clearly regained the upper hand.

The U.S. was at the helm of the global upswing once again. Fuelled by the combined force of an unusually expansionary monetary and fiscal policy, demand and production rose sharply enough to cause average annual growth in the U.S. gross domestic product to rise to 3.1%, a gain of 0.9 percentage points over the year before, despite weak growth in the first few months of 2003. Of course, this "forced" expansion had its downside. The U.S. budget deficit and trade deficit continued to balloon, exerting pressure on the international monetary system.

South-East Asia also picked up considerable momentum after the SARS threat subsided. China positioned itself as a centre of growth in the region and won greater attention from the world economy because of its vitality and high absorptive capacity. Even in Japan, which was plagued by deflation in the year under review, the forces of growth still gained the upper hand.

In contrast to these developments, the German economy remained stagnate well into summer, as did the economies of numerous other Western European countries. It was not until the end of the year that a slight recovery took hold. Gross domestic product in Germany was down 0.1% from its 2002 level; GDP in the euro area was up a mere 0.4%.

Development in the Banking Sector

After a slew of difficult years with some massive losses, the European banking industry finally reached a turning point in the year under review. Operating results before risk provisions rose sharply; improvements in gross income were accompanied by declining costs and falling cost-income ratios.

In the German banking sector, there were concerted efforts to continue to reduce headcount. The cycle of rising operating costs – particularly in the area of IT – was broken. Developments on the markets for key capital market products turned positive again in 2003. Fostered by further drops in interest rates and brisk demand for corporate bonds, particularly solid growth was seen in the market for fixed income products in the first half of 2003. The earnings situation with stocks, particularly German stocks, also started to pick up as the year progressed, as did the margins with corporate clients, where considerable improvements were made. These positive trends notwithstanding, the favourable income growth at European banks with a substantial U.S. business is being overshadowed by the euro's strength against the dollar.

Structural Changes

Following the creation of WestLB AG in 2002 after the separation of the development bank and state bank (Staatsbank) activities of the former WestLB GZ, 2003 saw a sustained focus on positioning WestLB AG as the central institution for the savings banks in North Rhine-Westphalia and as a European commercial bank headquartered in North Rhine-Westphalia. The internal organisation of WestLB AG and Group structures alike were affected.

In addition to its registered office in Düsseldorf und Münster, WestLB maintains branch offices in Berlin, Cologne, Dortmund, Frankfurt am Main, Hamburg and Munich. Elsewhere in Europe, WestLB AG's customers are served by branches in Istanbul, London, Madrid, Milan and Paris, while outside Europe there are branches in Hong Kong, New York, Singapore, Shanghai, Sydney, Tokyo and Toronto. There are also representative and sales offices in other major financial centres worldwide.

As part of concentrating its international operations, WestLB continued to review its worldwide branch network. The representative offices in Bangkok, Jakarta, Mumbai and Taipei were closed in 2003; the local markets there will now be served by the remaining offices in the region. WestLB also continued to restructure its South American operations; business in Argentina, previously handled by subsidiary Banque Européenne pour l'Amérique Latine (BEAL) S.A., will be handled in future by a representative office in Buenos Aires.

In the course of strengthening its market position in key businesses, WestLB bundled its real estate activities in the year under review by acquiring the remaining shares of Westdeutsche ImmobilienBank (WIB) from Landesbank Baden-Württemberg and Landesbank Rheinland-Pfalz Girozentrale. WestLB now holds 100% of the shares in WIB. All of real estate finance and the related advisory services are now bundled in WIB as a competence centre for real estate; the capital market-based products and services of WestLB will complement WIB's work.

WestLB streamlined its equities business to suit the new market conditions and realised substantial cost savings in the process. The core equities business, with its emphasis on large European companies and medium-sized German companies, and M&A consulting have been bundled into separate operating segments; that part of the equities business of subsidiary WestLB Panmure Ltd. which focused on small and medium-sized UK companies was sold at the beginning of 2004. The UK market continues to be served by the branch in London.

WestLB pressed ahead with restructuring its portfolio in the Principal Finance business unit in the 2003 fiscal year and successfully sold its stake in UK pub chain Pubmaster. Additional measures are in the process of being implemented.

In the payments field, WestLB laid the groundwork for a pronounced strengthening of its market position. A memorandum of understanding was signed with DZ BANK AG on cooperating in the area of domestic and international payment transactions. The intention is for WestLB to acquire a stake in Transaktionsinstitut der DZ BANK AG, and contribute its system for processing international payments to the joint venture.

WestLB made considerable progress restructuring its business activities in 2003, particularly in the area of cost management. Costs were slashed an additional € 445.6 million in the year under review; coupled with the cost-cutting measures realised in 2002, that represents total savings of € 785.6 million.

EU Proceedings

The recent history of WestLB has been characterised not only by the challenges posed by the market, but also by the questions raised about the integration of the Wohnungsbauförderungsanstalt (Wfa), as well as about institutional and guarantor liability. As Germany's largest and most international Landesbank, WestLB has been the centre of attention – often as a representative of the entire public-law financial sector – in the struggle to settle the controversy over key issues facing the European banking market.

In 1992 the State of North Rhine-Westphalia integrated the Wohnungsbauförderungsanstalt (Wfa) into WestLB as a contribution in kind, a move which brought WestLB roughly € 2 billion in additional liable capital. This capital was a key factor in WestLB's growth and the long-term increase in WestLB's value in the nineties. The Federal Banking Supervisory Office and the Directorate-General of the European Commission responsible for banks expressly upheld the recognition of Wfa's assets as qualified contributions towards WestLB's capital adequacy. Later on, some of the other federal states took similar measures for their Landesbanks.

In 1994 Germany's Federal Association of Private Banks (BdB) filed a complaint with the European Commission which challenged the remuneration for the Wfa capital. Their complaint resulted in the Commission's decision of 1999 that the integration of Wfa was to be regarded as impermissible aid. The sole basis of the Commission's decision was that the remuneration for the Wfa integration was too low.

The German Federal Government, State of North Rhine-Westphalia and WestLB filed appeals against the Commission's decision with the European Courts, in which they argued that the Commission's decision was not proper from a business standpoint or from the standpoint of the letter of the law and the laws on state aid. A number of analyses and reports from economic and tax experts supported their view.

The European Court held that the decision of the European Commission in 1999 was invalid, because the Commission failed to comply fully with its obligation to substantiate the 12% base rate of return and 1.5% risk premium it alleged should have been the basis of the remuneration for the Wfa capital.

Since both of these parameters were of paramount importance to the economic analysis underlying the Commission's strategy, the Court was unable to make any definitive judgement on the reasonableness of the Wfa remuneration.

However, the Court also explained that it was not permitted to substitute its own economic analysis for the Commission's, and by doing so, afforded the Commission considerable leeway in the economic points of the matter at hand, points which are taken out of the realm of the Court's judgement as a result. Therefore, it is to be expected that the Commission will follow the standard procedure in such cases and issue a new decision, since its original decision was overturned.

Elimination of Guarantor Liability and Institutional Liability

Separately from the proceedings described above, the European Banking Association filed its own complaint with the European Commission, the goal of which was to have institutional liability and guarantor liability for public-law banks recognised as state aid and held to be at odds with European competition law. The Commission agreed and demanded that the Federal Republic of Germany eliminate these liability mechanisms.

In order to protect the public-law banks from the ongoing pressure of lengthy court battles and to keep the market from suffering as a result, WestLB reached an out-of-court settlement with the Commission. The settlement provides for the continued existence of public-law banks; however, after a transitional phase ending on July 18, 2005, institutional liability and guarantor liability will be eliminated. The new liability structures taking their place will be more akin to the relationship between a shareholder and a corporation organised under private law.

The guarantors of public-law banks will retain the right to provide their institutions with capital, but they will have to do so under prevailing market terms in order to comply with European aid law.

The rules and transitional periods set forth in the understanding reached with the Commission are as follows:

All liabilities incurred by July 18, 2001 remain fully covered by institutional and guarantor liability until the time they mature. For creditors of banks that were supported by institutional and guarantor liability, such as WestLB AG, this means that there will be no changes for liabilities made by the July 18, 2001 deadline (i.e. these claims are grandfathered in).

Institutional liability and guarantor liability will remain in effect in their present form during the transitional period, which lasts from July 19, 2001, through July 18, 2005.

Any liabilities incurred during this transitional period are completely covered by guarantor liability so long as they mature by December 31, 2015.

With respect to these liabilities and up until the time that all such liability items have matured, the guarantors will completely satisfy the obligations arising from their guarantor liability, as soon as they have properly determined and set forth in writing that the creditors of such liabilities cannot be satisfied from the respective institution's assets. This explicitly includes the possibility of servicing debts precisely at the same time they fall due. The giving of a notice as normally required under aid law will not be necessary.

The mandatory rules and regulations have been established in the applicable state laws.

WestLB's New Direction

WestLB wasted no time tackling the challenges faced by its business model in the changing banking environment. As a result of the EU proceedings and the elimination of institutional and guarantor liability, the former Westdeutsche Landesbank Girozentrale was divided into Landesbank NRW, a development bank and state bank (Staatsbank) of North Rhine-Westphalia, and WestLB AG, a commercial bank and central institution for the savings banks.

In the course of 2004, WestLB will complete the development of its new business model, which will focus on cooperating with and providing services for the savings banks in North Rhine-Westphalia. It will do so without compromising the position it has earned as a European commercial bank.

Statement of Income

WestLB Group reported an operating result before risk provisions of € 757.2 million in the year under review. For various reasons, most notably a figure of € – 2,203.7 million for its risk provisions/result of evaluation, WestLB Group posted a net loss for the year of € 1,897.4 million. Transfers from reserves, as well as a pro rata transfer from silent contributions, were used to offset the net loss. WestLB's profit participation capital is being serviced in accordance with the terms on which it was issued.

STATEMENT OF INCOME

	2003 € millions	2002 € millions	Changes € millions	%
Net interest income	1,891.4	1,540.0	351.4	22.8
Net commission income	438.1	692.2	– 254.1	– 36.7
Net income from trading operations	1.4	177.3	– 175.9	> – 100
Personnel expenses	– 984.7	– 1,217.7	233.0	– 19.1
Other administrative expenses	– 843.3	– 1,055.9	212.6	– 20.1
Other operating expenses/income	254.3	230.1	24.2	10.5
Operating result before risk provisions/ result of evaluation	**757.2**	**366.0**	**391.2**	**> 100**
Risk provisions/result of evaluation	– 2,203.7	– 1,945.3	– 258.4	13.3
Operating result after risk provisions/ result of evaluation	**– 1,446.5**	**– 1,579.3**	**132.8**	**8.4**
Extraordinary result	– 390.8	– 88.1	– 302.7	> – 100
Profit/loss for the year before taxes	**– 1,837.3**	**– 1,667.4**	**– 169.9**	**– 10.2**
Taxes on income and revenues	– 60.1	– 62.2	2.1	– 3.4
Profit/loss for the year after taxes	**– 1,897.4**	**– 1,729.6**	**– 167.8**	**– 9.7**

Net Interest Income

Net interest income was very satisfactory in the year under review, increasing by € 351.4 million to € 1,891.4 million. The main reason for the increase was a marked improvement in the result from money market and securities trading activities.

Net Commission Income

The net commission income of € 438.1 million is much lower than the previous year's result of € 692.2 million. A more selective lending policy, particularly in the case of structured products, was the main factor behind this development.

Net Income from Trading Operations

Net income from trading operations was € 1.4 million for the year. Though negative, the sales/evaluation result with interest rate products captured in this item should be regarded in close connection with the marked rise in net interest income, since substantial profit shares from money market and securities trading activities are reflected in the interest result. The marked-to-market result earned in equities and equity derivatives trading is considerably higher than the result under the German Commercial Code (HGB).

Administrative Expenses

The cost-cutting measures introduced in previous years were systematically pursued in the year under review. Administrative expenses were reduced by a total of € 445.6 million to € 1,828.0 million in 2003.

Scheduled headcount cuts and fewer allocations to pension provisions were responsible for most of the 19.1% drop in personnel expenses, which stood at € 984.7 million for the year.

At € 843.3 million, other administrative expenses were down € 212.6 million from a year earlier. Measures aimed at standardizing and coordinating IT architecture also helped reduce the cost basis in the year under review. Additional cost savings in IT can be expected in the years to come.

Other Operating Surplus

Other operating surplus rose 10.5% to € 254.3 million. Income resulting from the write-back of excess provisions and increased rental income from renewed building leases were the main factors behind this increase.

Risk Provisions/Result of Evaluation

The risk provisions/result of evaluation comprise the following line items from the form used to prepare the Group statement of income:

- Income from the release of the special item with partial reserve character
- Write-downs and other allowances for claims and certain securities, as well as allocations to provisions for credit risks
- Write-downs and other allowances for equity investments in affiliated companies, equity investments in non-affiliated companies and securities treated as fixed assets, as well as expenses resulting from the assumption of losses

When allowances and provisions are written back, the amount of the write-back is deducted from the corresponding risk expense in the lending and equity investments business.

Risk provisions and the result of evaluation increased by € 258.4 million to € 2,203.7 million as compared to the previous year.

RISK PROVISIONS/RESULT OF EVALUATION

	2003 € millions	2002 € millions	Changes € millions	 %
Result of provisions for credit risks	– 1,181.8	– 1,984.8	803.0	– 40.5
Result of participations	– 1,043.5	177.7	– 1,221.2	> – 100
Result of securities	21.6	– 138.2	159.8	> 100
Risk provisions/result of evaluation	**– 2,203.7**	**– 1,945.3**	**– 258.4**	**13.3**

The result of provisions for credit risks stood at € – 1,181.8 million, an improvement of € 803.0 million over the year earlier. This development is tied to the objective set in the previous year of systematically realigning the risks in the lending business and covering the discernible risks in full. Weak economic activity, industry-specific risks and corporate scandals fuelled the need for greater risk provisions overall in 2003.

Increased write-downs on equity investments shaped the result of participations, which stood at € – 1,043.5 million for the year. Efforts to fully cover all risks were made here, too; all equity investments in listed companies were written down to their market values. All discernible risks with equity investments in non-listed companies were likewise taken into account. In addition, allocations to provisions in the amount of € 415.9 million for risks in the business of the Boullioun subgroup are also included in this item.

Extraordinary Result

As part of the structural realignment and personnel changes introduced in previous years, extraordinary expenses of € 395.0 million were incurred in the year under review. In addition to the costs associated with personnel restructuring measures scheduled for 2004/2005, this item includes one-time expenditures related to adapting office space needs and IT systems.

The extraordinary income of € 4.1 million reflects the last instalment on the purchase price for the private banking business, which was sold in 2002.

Taxes on Income and Revenues

The tax expense of € 60.1 million is slightly below the level of the previous year. It is mainly attributable to the positive results of foreign subsidiaries.

Performance of the Segments

Even though they were less severe than in 2002, the defaults to take into account in the **Lending** segment in 2003 were still substantial. There were also sizeable allocations to provisions to account for likely risks. While the operating result slipped slightly because of these and other factors, e.g. a drop in risk-weighted assets, the decline in required risk provisions made for a noticeable improvement in the result before taxes as compared to the previous year.

WestLB continued to focus its lending business on Europe in the year under review, reducing its level of activity in North America, South America and the Asia/Pacific region. For profitability reasons, a move away from individual commitments was also introduced. In addition, real estate lending activities were bundled into Westdeutsche ImmobilienBank in a move to strengthen WestLB's market position in this area.

Business development in the **Special Finance** segment was plagued, among other factors, by an adverse market environment in 2003, particularly in the areas of aircraft and project finance. In order to streamline its portfolio, WestLB concentrated on introducing a sustainable risk management system into this segment, and efforts to focus on core competencies, a Bank-wide strategy in 2003, were also pursued. The individual allowances made for exposure in the U.S. transportation, energy and telecom sectors, as well as the allocations to provisions for risks in the business of the Boullioun subgroup, cover all risks currently discernible in the Special Finance portfolio. Despite the difficulties faced in the Special Finance segment in recent years, its strategic importance remains intact. The meeting of objectives and favourable cost-income ratio prove that WestLB is capable of exploiting the existing market potential in a cost-effective manner.

WestLB also succeeded in the period under review in cementing its outstanding market position in the area of project finance. It participated as the mandated lead arranger in 22 transactions representing a total volume of some US$ 1.7 billion, which corresponds to a world market share of 2.7%. In addition, WestLB earned numerous distinctions (among them "Best Global Oil & Gas Bank") from internationally recognised project finance publications, including Project Finance Magazine, Project Finance International, Infrastructure Journal and Global Finance Magazine.

After a difficult 2002, the **Trading** segment achieved a turnaround in the year under review. Besides the successes of an improving equities business, WestLB also realised substantial earnings growth in its money market activities and in its trading of emerging market securities.

WestLB streamlined its equities business to suit the new market conditions and realised substantial cost savings in the process. A significant rise in income and effective cost management led to a much improved operating result as compared to the previous year. Due to restructuring, in the equities business in particular, there were one-time expenditures roughly equivalent to the previous year's level. Capital-preserving business trends and the approval received from the Federal Financial Supervisory Authority (BaFin) to use the internal value-at-risk model for measuring the equity capital tied up by trading activities led to a marked rise in the return on Principle I capital.

Business in the **Services** segment was unsatisfactory in 2003. Global Asset Management, for instance, still reported a deficit because of the ongoing difficult market environment. In contrast, Transaction Services managed to offset its drop in income with cost savings.

In its Payments business, WestLB laid the groundwork for a pronounced strengthening of its market position. A memorandum of understanding was signed with DZ BANK AG on cooperating in the area of domestic and international payment transactions. The intention is for WestLB to acquire a stake in Transaktionsinstitut der DZ BANK AG. By bundling activities, Transaktionsinstitut will expand its market position considerably; both parties hope to realise significant, sustainable cost savings. Continued efforts aimed at streamlining business and reducing capacity resulted in restructuring expenses. Some of these expenses represent provisions set aside for layoffs in 2004. Consequently, the measures introduced will not have a positive impact on the result of the Services segment for another few years.

Banque d'Orsay, which is part of the Services segment, performed significantly better in the year under review thanks to higher income from equities arbitrage and gains on sales from its bond portfolio. Nevertheless, these positive trends were not enough to counteract the negative performance of the segment as a whole.

The **Equity Investments** segment captures the results of the Equity Investments and Principal Finance businesses, as well as the equity results of Landesbank Rheinland-Pfalz Girozentrale and HSH Nordbank AG and the results of other Group companies. Due to an improved earnings situation and a marked decline in expenses, particularly in the area of personnel, the operating result of this segment was substantially higher as compared to the previous year. WestLB pressed ahead with restructuring its portfolio in the Principal Finance business unit in the 2003 fiscal year and successfully sold its stake in UK pub chain Pubmaster. Nevertheless, write-downs on other commitments in Principal Finance and on certain holdings in the Equity Investments business group made a substantial contribution to the Group's negative result for the year.

The **Internal Service Units** provide services for the Group's client and product units. The services are charged to the business units that request them on the basis of internal prices. The internal prices correspond to market prices, or where this is not possible, they reflect fair prices. This procedure ensures that the allocation of costs for needed resources is economical. It also encourages a cost-conscious approach to the use of resources which transcends the boundaries of profit centres and creates an incentive for providing services on a more cost-effective basis. The results of this segment chiefly reflect the overhead costs that could not be charged to other units. The efforts taken to trim staff and further cost-cutting measures are resulting in lower personnel and other administrative expenses. Significant savings were realised in the area of IT, in particular.

The main items included in the **Other** segment are the consolidations that take place at the segment level. These include the netting of income and expenses, the elimination of intragroup results, as well as the netting of internally generated income and expenses necessary for creating an accurate picture of the segment results. The expenses of the client business units, which represent a large part of the Group's selling expenses, are also captured here, as are the expenses for the Managing Board and staff council. The Other segment also captures the income-reducing adjustments made to keep the marked-to-market segment results in line with the valuation guidelines of the German Commercial Code (HGB). The expenses from lumped risk provisions, allocations to reserves under § 340 (f) of the German Commercial Code (HGB) and profit components that cannot be directly attributed to other segments are also reported in the Other segment.

Balance Sheet

WestLB Group's total assets declined in 2003. Portfolio realignment and the decline in the value of assets denominated in a foreign currency resulting from exchange rate movements were the main factors driving this development.

The year-on-year comparison of key items on the balance sheet is as follows:

ASSETS

	Dec. 31, 2003 € billions	Dec. 31, 2002 € billions	Changes € billions	Changes %
Cash, liquid debt issues and bills of exchange	17.2	10.7	6.5	60.7
Claims on banks	70.3	77.0	– 6.7	– 8.7
Claims on customers	84.9	88.8	– 3.9	– 4.4
Securities/Equalisation claims	68.4	72.8	– 4.4	– 6.0
Equity investments in affiliated and non-affiliated companies	5.5	6.4	– 0.9	– 14.1
Trust assets	0.5	0.5	0.0	0.0
Fixed assets	2.1	2.8	– 0.7	– 25.0
Other assets	7.3	6.6	0.7	10.6
Total assets	**256.2**	**265.6**	**– 9.4**	**– 3.5**

LIABILITIES

	Dec. 31, 2003 € billions	Dec. 31, 2002 € billions	Changes € billions	%
Liabilities to banks	106.1	118.8	– 12.7	– 10.7
Liabilities to customers	70.1	63.8	6.3	9.9
Certificated liabilities	55.1	58.1	– 3.0	– 5.2
Trust liabilities	0.5	0.5	0.0	0.0
Other liabilities	13.4	11.5	1.9	16.5
Subordinated liabilities/ Profit participation capital	7.2	7.6	– 0.4	– 5.3
Equity capital/Fund for general bank risks	3.8	5.3	– 1.5	– 28.3
Total liabilities	**256.2**	**265.6**	**– 9.4**	**– 3.5**
Contingent liabilities	14.2	17.3	– 3.1	– 17.9
Other commitments/Credit commitments	65.0	78.2	– 13.2	– 16.9
Administered funds	29.8	35.8	– 6.0	– 16.8
Business volume	**365.2**	**396.9**	**– 31.7**	**– 8.0**

Credit Volume

WestLB's credit volume stood at roughly € 241 billion at December 31, 2003, compared to € 269 billion at the end of 2002.

Additional measures aimed at systematic credit portfolio management were implemented in fiscal year 2003. These included a reduction in individual credit risks and sector risks through syndication and placements on the secondary market. Generally speaking, the measures focused on WestLB's international lending business.

In addition to its revised strategy, the lending business had to contend with uncertain economic conditions in 2003, which resulted in reduced activity in the corporate clients business in Germany and only a measured degree of new business abroad. In addition, adequate risk provisions had to be established for the risks in the lending business.

The decline of € 13.2 billion in irrevocable credit commitments is largely the result of business trends at the New York branch, which was providing fewer liquidity support lines for asset backed commercial paper programmes as of the balance sheet date. The credit default swaps of the investment portfolio captured under contingent liabilities were down € 0.7 billion to € 3.2 billion.

CREDIT VOLUME

	Dec. 31, 2003 € billions	Dec. 31, 2002 € billions	Changes € billions	%
Claims on banks	70,302	77,039	– 6,737	– 8.7
Claims on customers	84,916	88,762	– 3,846	– 4.3
Contingent liabilities	14,233	17,341	– 3,108	– 17.9
Irrevocable credit commitments	64,995	78,200	– 13,205	– 16.9
Credit volume carried on the balance sheet	**234,446**	**261,342**	**– 26,896**	**– 10.3**
Derivatives (credit risk equivalents)	6,506	7,554	– 1,048	– 13.9
Total credit volume	**240,952**	**268,896**	**– 27,944**	**– 10.4**

Securities Holdings

The total holdings of € 63.1 billion in bonds and other interest-bearing securities include money market instruments in the amount of € 1.7 billion, bonds in the amount of € 60.3 billion and own bonds in the amount of € 1.1 billion, which are held to keep prices stable. Most of the money market instruments are denominated in foreign currencies.

The securities of the investment portfolio are carried as long-term investments of the Bank (i.e. valued as fixed assets) and funded almost entirely with matching maturities and currencies; this is predominantly the case with the liquidity reserve.

The book value of the shares and other non-interest-bearing securities held by the Group was around € 5 billion at December 31, 2003. Of that, the volume of shares in investment funds was nearly unchanged at € 2.7 billion. Most of the investment funds were established by Group companies and are mainly for own investment purposes.

Equity Investments in Associated, Affiliated and Non-Affiliated Companies

The carrying value of the equity investments in associated, affiliated and non-affiliated companies totalled € 5.5 billion at December 31, 2003. This represents a drop of € 810.9 million from the previous year. The investees include banks, financial services institutions and other companies, the latter group consisting of major industrial companies as well as medium-sized enterprises.

With respect to equity investments in non-affiliated companies, additions included the acquisition of shares in Fraikin Groupe S.A., as well as a sizeable investment in Aurelis Real Estate GmbH & Co. KG (€ 99.7 million). Major retirements included the sale of shares in Hypo Real Estate Holding AG and the sale of the stake in IRP Holdings Ltd., Dublin.

Through its subsidiary WestLB Beteiligungsholding GmbH, WestLB holds 37.5% of the share capital of Landesbank Rheinland-Pfalz Girozentrale and 26.9% of the subscribed capital of HSH Nordbank AG. Both of these banks are associated companies of WestLB.

In the year under review, WestLB AG increased the stake it holds in Klöckner & Co AG through West Logistics Gesellschaft für Logistikbeteiligungen mbH from 5.5% to 94.9%. Because the shares of Klöckner & Co AG are being held for the purpose of being sold, it was not included in the consolidated accounts.

As part of realigning its real estate business, WestLB purchased shares of Westdeutsche ImmobilienBank (WIB) with a par value of € 96 million (purchase price € 184 million) from Landesbank Baden-Württemberg and Landesbank Rheinland-Pfalz Girozentrale, with retroactive effect to January 1, 2003. This changed Westdeutsche ImmobilienBank's classification from that of a jointly managed company to a wholly owned subsidiary. WIB's core capital was increased by € 250 million in the course of the year under review. After acquiring all of WIB's capital, WestLB's real estate finance activities are now bundled in WIB as the Bank's sole competence centre for real estate finance. As part of WestLB's new business model, WIB will serve as a specialist bank for real estate business. Increasing the stake in WIB was the prerequisite for this move.

Effective January 1, 2003, all shares in former subsidiary WPS WertpapierService Bank AG were sold to the Savings Banks and Giro Association of the Rhineland and the Savings Banks and Giro Association of Westphalia-Lippe.

In addition, sizeable write-downs were taken on the Bank's holdings in listed companies. This had a negative impact on the values shown on the balance sheet.

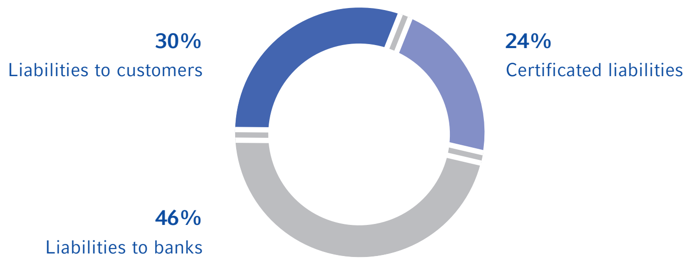
Customer and Bank Deposits

At € 106.1 billion, deposits from banks represent WestLB's largest source of refinancing. Customer deposits were at € 70.1 billion, a slight increase over the previous year.

Issuing Business

With an issuing volume of € 18.4 billion, WestLB Group enjoyed a strong presence on the domestic and international bond markets in 2003. The liquid benchmark bonds with maturities of five and ten years issued with WestLB as lead manager met with brisk demand in the domestic market and abroad and were placed on highly attractive terms. As a result, WestLB continued to systematically extend its yield curve. Also extremely successful was the placement of a € 300 million junior bond of WestLB. WestLB also flexed its muscle on the international scene with a number of issues in other currencies as well, including USD, GBP, CHF, JPY, HKD, SKK (Slovak Korunas) and LVL (Latvian Lats). In 2003 WestLB bolstered its position in the structured issues segment, with convincing placements of a number of equity linked products, like the MOVE Bond and Top-7 Bond, which highlighted its expertise in the segment. Numerous structured interest rate and currency products, as well as private placements tailored to special investor needs, rounded out WestLB's issuing activity in the year under review.

BREAKDOWN OF REFINANCING AT DECEMBER 31, 2003 (%)



Dublin-based WestLB subsidiary WestLB Covered Bond Bank plc issued its first Irish asset covered security (€ 2 billion with a maturity of 5 years) and also launched a US$ 5 billion global commercial paper programme in the short-term segment.

Own Funds

Under § 10 of the German Banking Act (KWG), as well as under Principle I, WestLB must have adequate capital and reserves to back its operations. Specifically, its capital and reserves must not fall below 8% of the sum of the risk-weighted assets of its investment book and 12.5 times the relevant amount for the market risk positions in its trading book. WestLB AG subgroup well exceeded this equity capital ratio at all times in 2003.

The capital and reserves recognised for German banking regulatory purposes consist of liable equity capital (core capital and supplementary capital) and Tier III capital. For the WestLB AG subgroup, these own funds totalled € 16,896 million at December 31, 2003. The breakdown of WestLB's eligible capital and reserves under the German Banking Act (KWG) is depicted in the following table. Both the data as at December 31, 2003, as well as after the transfer from reserves to offset the net loss for the year, are shown.

	WestLB AG Subgroup Dec. 31, 2003 € millions after WestLB AG's result for the year	WestLB AG Subgroup Dec. 31, 2003 € millions	WestLB AG Subgroup Dec. 31, 2002 € millions
Core capital	**6,676**	**8,871**	7,813
Paid-in capital	6,468	6,468	6,473
Disclosed reserves	7,420	9,327	9,439
Intragroup profit	–	–	12
Asset contributions of silent partners	2,296	2,709	1,531
Special item for general bank risks under § 340 (g) of the German Commercial Code (HGB)	499	499	397
Net loss for the year	– 503	– 503	– 324
Intangible assets	– 44	– 44	– 54
Book value of the capital shares accounted for by Group companies	– 10,244	– 10,494	– 10,441
Capitalised aggregation difference under § 10 a (6) Sentences 6 and 7 of the German Banking Act (KWG)	784	909	780
Supplementary capital	**6,316**	**7,288**	6,798
Deductions from core and supplementary capital	**– 111**	**– 111**	– 109
Liable capital	**12,881**	**16,048**	14,502
Tier III capital	**1,945**	**848**	1,760
Total own funds	**14,826**	**16,896**	16,262
Unused Tier III capital	– 293	–	– 10
Own funds under § 2 (2) and (3) Principle I	**14,533**	**16,896**	16,252

At January 2, 2003, WestLB had taken in silent contributions of € 1,250.0 million. WestLB does not have to repay these silent contributions. Instead, they will be converted at a rate of 750% into capital and reserves over five annual instalments of € 250.0 million each. The conversion of the portion due on December 31, 2003 has already begun. After recording the capital increase in the Commercial Register, the capital will increase by € 33.3 million and the capital reserves by € 216.7 million. In the amount remaining after the conversion initiated on December 31, 2003 (i.e. € 1,000.0 million), the silent contributions shared 17.8%, or € 412.9 million, in the loss for the fiscal year.

Unlike the consolidation performed under the German Commercial Code (HGB), the consolidation of the equity investments in HSH Nordbank AG and Landesbank Rheinland-Pfalz Girozentrale for regulatory purposes is done on a pro rata basis.

The profit participation rights and subordinated liabilities of the WestLB Subgroup included in the capital and reserves for regulatory purposes satisfy the requirements of § 10 (5), (5 a) and (7) of the German Banking Act (KWG). There can be no early repayment obligation on the subordinated liabilities. In the event the Bank goes bankrupt or is liquidated, the profit participation rights and subordinated liabilities will not be repaid until all unsubordinated claims have been satisfied.

The breakdown at December 31, 2003, by maturity and amount, of the supplementary capital eligible to be included in the capital ratio for regulatory purposes is as follows:

WESTLB SUBGROUP BREAKDOWN BY MATURITY

Maturity Date	Profit Participation Capital Dec. 31, 2003 € millions	Subordinated Liabilities Dec. 31, 2003 € millions
2004	–	181.4
2005	153.2	201.8
2006	250.8	305.0
2007	582.1	587.1
2008	350.1	859.5
2009	741.1	1,866.9
2010	407.4	767.7
2011–2015	670.4	1,725.2
2016–2030	25.0	997.0
2031–2040	–	448.3
2041–2050	–	144.5
Total	**3,180.1**	**8,084.4**

Based on the capital and reserves recognised for regulatory purposes, the following Principle I ratios were determined at December 31, 2003:

RISK-WEIGHTED ASSETS AND EQUITY CAPITAL RATIO PURSUANT TO KWG

	WestLB AG Subgroup Dec. 31, 2003 € millions after WestLB AG's result for the year	WestLB AG Subgroup Dec. 31, 2003 € millions	WestLB AG Subgroup Dec. 31, 2002 € millions
Risk-weighted assets of the investment book	106,381	106,381	124,557
12.5 x the relevant amount for market risk positions	28,913	28,913	30,625
Total	**135,294**	**135,294**	**155,182**
Equity capital ratio	12.1	15.1	11.6
Overall ratio	10.7	12.5	10.5
Core capital ratio	5.7	7.7	5.7

Unlike the Basle II recommendations (BIS ratio), Principle I only recognises an implicit core capital ratio. The Principle I ratio is calculated for costing purposes by subtracting the capital tied up in the trading book from core capital and dividing the result by the risk-weighted assets of the investment book multiplied by 100.

The ratios determined in accordance with the Basle II recommendations are as follows:

RISK-WEIGHTED ASSETS AND EQUITY CAPITAL RATIO PURSUANT TO BIS

	WestLB AG Subgroup Dec. 31, 2003 € millions after WestLB AG's result for the year	WestLB AG Subgroup Dec. 31, 2003 € millions	WestLB AG Subgroup Dec. 31, 2002 € millions
Risk-weighted assets of the investment book	116,467	116,467	135,073
12.5 x the relevant amount for market risk positions	22,363	22,363	23,625
Total	**138,830**	**138,830**	**158,698**
Overall ratio	10.3	12.2	10.1
Core capital ratio	5.7	7.6	5.8

For regulatory purposes it is only necessary to determine the BIS ratio for the entire Group. Doing so for the WestLB Subgroup, and then monitoring the result, is done chiefly for internal purposes.

WestLB tracked the continued development of the capital adequacy recommendations currently followed by internationally operating banks (Basle I) throughout the year under review and actively participated in their refinement through its memberships in banking associations.

Even before the consultation period for the New Basle Capital Accord (Basle II) was over, WestLB began implementing the capital adequacy recommendations contained therein in 2002 with a series of coordinated efforts and projects (including, most notably, the creation of a database of credit ratings and collateral, the determination of the risk parameters as required under Basle II, the ascertainment of operational risks, market discipline and the updating of IT systems). By starting early, the Bank has given itself the time it needs to archive data and to meet the new accord's deadlines. Much has been accomplished in the way of a ratings database and ascertainment of operational risks. Use of the internal rating procedures already developed for a large part of the Bank's loan portfolio has been mandatory since the beginning of 2004. To ascertain the operational risks, an Intranet-based platform has been established for keeping an up-to-date log of loss events, as required by the regulatory authorities. The options Basle II provides allow full use of the risk-reducing effects of collateral, provided certain risk parameters – exposure at default, loss given default – are determined on the basis of sufficiently long data histories (several years) and incorporated into the internal risk management system. The work on determining these parameters, as well as on a computerised system for capturing the relevant collateral electronically, should be complete in the first half of 2004.

Employees

Restructuring of WestLB Leads to Cutbacks and Reassignments

As part of restructuring the Bank and ensuring its future viability, the Managing Board is pressing ahead with plans to reduce headcount to 6,200 by the end of 2005. Good progress was made in the year under review. Further cuts were made as the headcount at domestic and international branch offices was reduced and responsibilities were concentrated in individual locations. Nevertheless, the reintegration of some subsidiaries offset some of the personnel cuts. For example, the sale of WPS WertpapierService Bank AG (WPS Bank) as of January 1, 2003, to the two savings banks and giro associations in North Rhine-Westphalia reduced headcount by 593 employees. In contrast, the acquisition of the remaining shares of Westdeutsche ImmobilienBank resulted in the addition of 738 employees to WestLB Group effective July 31, 2003. Overall, the total number of employees in WestLB Group dropped from 9,621 to 7,738 at December 31, 2003.

In making the necessary headcount cuts, WestLB uses innovative personnel tools which ensure that future reductions in its workforce will also be handled in a socially responsible manner. Employees are only terminated for compelling business reasons when the cuts made as part of the personnel strategy developed with employee representatives are not sufficient.

Job Training and Personnel Development

In order to offer its customers the high-quality financial products and services they have come to expect, WestLB relies on well-trained and highly motivated employees. The employees guarantee the Bank's ability to meet future challenges successfully. For these reasons, WestLB attaches great importance to job training and strategy-based training. In fiscal year 2003, training measures focused on cultivating and refining job skills, particularly specialist knowledge in innovative product fields. In addition, employees and management also receive instruction on dealing with and managing change.

A Good Education Equals Solid Performance

Despite the current headcount reductions, WestLB depends on its ability to attract and hire young talent. Apprentices are a key factor in this regard. WestLB trained fewer new employees in 2003 compared to previous years as a result of the organisational demands of dividing the former Westdeutsche Landesbank Girozentrale. Nevertheless, there were still 189 employees (2002: 231) engaged in apprenticeship training or equivalent training at December 31, 2003.

To attract new talent, WestLB increasingly uses the new media. Potential applicants are invited to browse the career pages on WestLB's website. According to a study by a Swedish management consulting firm which examined the German career pages of 140 leading employers, WestLB ranked high among its direct competitors, placing first in a sector comparison.

WestLB offers young professional women additional opportunities to develop their careers, and has been dedicated to equal opportunity in the workplace for years. In 2003, the Bank expanded its efforts to promote equal opportunity and in mid-year joined a cross-mentoring programme that supports qualified women as they seek specialist and management positions. Cross-mentoring has gained in popularity over the last few years. With it the Bank can offer its female talent the opportunity to see how other companies and other corporate cultures function.

Equal opportunity is part of WestLB's overall programme to promote diversity at the workplace. By promoting diversity and recognising the wide array of talents stemming from the different ethnic and cultural backgrounds of our employees, WestLB seeks to foster the most in creativity, innovation and teamwork. The aim of the diversity programme is to create the best possible work environment for our employees, regardless of their sex, age, nationality, religion or culture. Issues that are tackled include work life balance, intercultural management and fairness at the workplace. WestLB regards openness, mutual respect and tolerance as prerequisites for creativity, successful teamwork and dedication, and thus as keys to increasing employees' willingness and ability to perform.

Performance-Based Compensation and Flexible Work Schedules

The Bank rewards good work with good pay. In doing so, it looks more and more to the marketplace for guidance on its compensation guidelines and factors in performance and results when deciding on employees' pay. The Bank has refined its compensation models and added new programmes, taking its current requirements into account. The goal of the new models is to keep top-performing employees motivated and ensure their long-term commitment to the Bank.

Flexible work scheduling has been a part of the Bank's culture for years. In 2003 a pilot test was run in a few select areas of the Bank on a system whereby employees are allowed to set their work schedules largely independently. The advantage of this model is the ability it affords employees to strike a balance between customer service, efficiency and personal interests.

Environmental Protection Becomes Sustainability Management

By signing the United Nations Environment Programme's (UNEP's) Statement by Banks on the Environment and Sustainable Development in January 2002, one of the promises that WestLB made was to comply with all regional, national and international environmental requirements applicable to its business activities and services. By transforming its successful environmental management programme into a comprehensive system of sustainability management, WestLB is making good on its promise to promote sustainable development. WestLB's clear belief in sustainability has been summarised in Group-wide sustainability principles that build on the Guidelines for Environmentally Friendly and Sustainable Development adopted in 2000.

Effective Organisational Structures as the Basis for Sustainability Management

In order to implement the principle of sustainability in all Group areas effectively and with a view to the long term, WestLB decided to create an organisational basis for its sustainability programme. A Sustainability Management department is currently being formed which is deliberately separated from the Bank's client business and reports directly to the Chairman of the Managing Board. In this way, the department is designed to be a competence centre for decision-making and implementation that is both neutral and effective. The Sustainability Management department will assume the planning, management and supervision of all sustainability activities in the Bank and will also be responsible for further developing the Bank's sustainability strategy over time.

Sustainability in Finance

Sustainability criteria already factor into WestLB's strategy for managing credit risks and the process of assigning credit ratings to customers. In an effort to promote a sustainability standard in the area of project finance, WestLB worked with three other banks and the International Finance Corporation (IFC), a subsidiary of the World Bank, to develop what are known as the Equator Principles. WestLB officially adopted the Equator Principles in June 2003. In doing so, the Bank committed to provide financing for projects only if the borrowers meet certain environmental and social criteria. The principles are based on the existing guidelines of the World Bank and International Finance Corporation (IFC). Twenty banks have adopted the Equator Principles. In 2002, these adopting banks managed over 70% of world project finance volume.

Sustainability in Investment Products and Research

Sustainability is not just a topic for the lending and finance activities of WestLB. The Bank also offers its customers proprietary products and research on socially responsible and environmentally friendly investment strategies.

For example, as the first underwriter to do so, WestLB issued certificates in April 2002 which track the performance of the Dow Jones Euro STOXX^{SM} Sustainability Index. The index captures the leading European companies in terms of sustainability principles. In addition, the Pension Dynamic Fonds and KölnWerteFonds of WestLB Asset Management Kapitalanlagegesellschaft (WestAM) invest exclusively in stocks that are listed in the Dow Jones Euro STOXX^{SM} Sustainability Index.

The Bank's research analysts integrate sustainability into their company spotlights and, in special issue reports, investigate the impact of sustainability-relevant factors like climate change on companies, sectors and investor behaviour. WestLB also issues its own sustainability ratings for the companies listed in the Dow Jones STOXX 600. Several times each year WestLB holds conferences on topics directly linked to sustainability. In 2003, conference topics included climate change, tourism and automobiles.

Social Responsibility

To fulfil its social responsibilities, WestLB initiates and supports numerous projects, institutions and activities. These include commitments to the arts and culture, charities and sponsorships, as well as memberships in various organisations, development programmes and associations.

WestLB's ZUKUNFT NRW foundation (The Future of North Rhine-Westphalia) is spearheading efforts towards change, particularly those aimed at protecting the environment, as demonstrated in its AKWA 2100 project on finding alternatives to municipal water supply and sewage disposal.

Environmental Protection "at Work"

WestLB laid the groundwork for creating a comprehensive sustainability management programme when it created its environmental management system several years ago, a system which seeks to optimise environmental protection within the Group. WestLB has regularly prepared environmental responsibility reports on its operations since 1997. These reports give an account of all of WestLB's environmentally relevant data, which are captured, documented and evaluated in accordance with uniform standards. In addition, business processes are measured on the basis of environmental factors and the results are used to set goals and develop measures aimed at reducing resource consumption within the Group.

Paper consumption has been cut by more than half since 2000, and effective 2003 the Bank uses only recycled paper for internal purposes. The consumption of electricity, heat and drinking water has also been substantially reduced in recent years, as has the pollution by company cars. When the Bank's buildings are renovated, greater effort is made to install systems that preserve resources. For example, the use of radiant cooling ceilings, energy-saving light bulbs and optimised lighting schedules allows for continual improvement in consumption levels.

WestLB promotes environmental protection within its ranks by holding information and training seminars for employees.

Risk Report

Integrated Bank-Wide Risk Management

Risk is a permanent part of banking. Banks accept risks knowingly with the goal of generating income. It is a fundamental principle of WestLB's business policy to approach such risks responsibly and with an eye towards returns. WestLB's risk management is based on the risk profile approved by the Bank's decision makers. In order to provide adequate risk management, risks must be identified, uniformly measured and continually monitored.

Organisation

WestLB Group has a centralised system of risk management that is implemented by the responsible departments of WestLB AG. This means that not only WestLB AG's business structures are subject to supervision, but those of Group subsidiaries, as well. The Westdeutsche ImmobilienBank subgroups and the Boullioun Group apply their own risk management and risk monitoring processes in addition to those of WestLB Group.

WestLB Group's risk management structure is centralised, both from an institutional and organisational perspective. The Supervisory Board determines the Group's risk profile and sets the framework for risk management. Its Risk Committee regularly verifies that the Group is on course with the targets, standards and quality of the various risk categories. The Managing Board analyses the risk-return position at least once every two weeks, paying close attention to solvency and liquidity, as well as to the adherence to limits. In managing risks, the Group's decision makers are supported by an independent Risk Management department which reports directly to the Managing Board and is responsible for measuring, monitoring and managing the various risk categories. This department is headed by the Managing Board's Chief Risk Officer (CRO).

The Risk Management Support & Control (RMS&C) unit is in charge of developing the methods for the Group's risk management, as well as performing the measurements used for risk-return management and for analysing how much risk the Group can bear. Using these methods and measures as a basis, RMS&C offers integrated reporting on all risk categories, including an analysis of the loan portfolio. In the year under review, operational risk controlling was also added to the tasks of RMS&C.

As before, RMS&C is responsible for independently managing the risks (market price risks, risks of interest rate movements) in the trading and investment portfolios, as well as managing the counterparty default risks in the trading business and introducing new products into the trading business. By using the instruments developed for these tasks and relying on its decentralised presence, RMS&C is a vital part of overall Bank-wide risk management.

The regional loan departments (Germany/Europe, America, Asia/Pacific) and Global Specialised Finance – Transaction Management – are responsible for the operating functions of the lending business (back office work). This includes analysing the risks associated with each commitment (giving approvals and issuing ratings), as well as monitoring adherence to the limits that have been set.

The Central Credit Management (CCM) unit has overall responsibility for managing the Bank's worldwide counterparty default and country risk in the lending business. This includes:

- developing methods and setting Bank-wide lending standards,
- implementing the guidelines set by regulatory authorities,
- managing selected individual exposures through final loan approval or through helping the loan departments make a decision on approval,
- active loan portfolio management.

The Asset & Liability Committee (ALCO) manages the Bank's assets and liabilities structure, as well as its liquidity risk and the risk of interest rate movements. The members of the Managing Board responsible for the Bank's client business and risk management are part of the Asset & Liability Committee. The Capital & Mismatch Management (CMM) unit is responsible for implementing the measures resolved by ALCO. Global Financial Markets (GFM) is responsible for the daily management of the liquidity risk.

Routine management of participation risks is the responsibility of the Equity Investments business group.

The appropriateness and effectiveness of the risk management overall is constantly monitored by the Group Auditing unit. As an independent supervisory entity, the Group Auditing unit reports directly to the Managing Board with its results, analyses and evaluations, as well as with any recommendations.

The Legal Department offers advice and support for a variety of tasks related to risk management, including collateral agreements.

Risk Measurement and Management

Individual risks are measured using a variety of methods, each tailored to the requirements of the respective risk category. The methods themselves are part of a larger system encompassing all products and business units which is used to determine the Bank's economic capital. Economic capital represents the security buffer required by the Bank at any given time to cover unanticipated losses from its current commitments. Unlike regulatory capital, which is largely geared towards investor protection, economic capital helps the Bank gauge its own risk tolerance. Using economic capital as its starting point, the Bank can work on reducing its risk profile by, for example, systematically diversifying and spreading its risks across products, sectors, regions and activities. Thus, economic capital is a far more appropriate standard for the Bank's risk management than regulatory capital.

To arrive at a figure for economic capital, the Bank takes the value-at-risk (VaR) approach. VaR is used to estimate the potential future losses of a given portfolio which will not be exceeded with a given likelihood within a specified period of time.

Economic capital is calculated for counterparty default, participation, market price, operational and business risks. The Bank uses a loan portfolio model to determine its counterparty default risk that represents an extension of the CreditRisk+™ model widely used in banking. Within this loan portfolio model, counterparty default risk is determined by taking the credit standing of the borrowers and any clusters in the portfolio into account. This process is crucial in understanding how to achieve the appropriate level of diversification and granularity among counterparty default risks. This approach is a useful tool in optimising the portfolio and managing cluster risks.

The Asset Liability Management (ALM) unit and individual trading units deploy VaR on the basis of a Monte Carlo simulation technique. VaR is also used for measuring operational risks.

The economic capital determined by using VaR creates the foundation for risk-return management and for comparing the Bank's risk to its risk coverage. The goal of risk-return management is to determine the most optimal allocation of the Bank's available economic capital among the business units that are generating sufficient returns for the risks taken. With this goal in mind, economic capital was integrated into the Bank's budget process for the first time in the year under review. It represents a key piece of information that the Managing Board can use to manage the Bank and implement strategy.

In addition, the use of uniform risk ratios makes it easier to compare the different risk categories within the context of the Bank's overall documented exposure. This documented exposure is complemented by the concentration of reporting in RMS&C. When RMS&C issues a report, that report provides an up-to-the-minute view of the Bank's risk exposure and how it came to be, and also serves as the basis for decisions on what, if any, countermeasures need to be taken. Such reports also discuss the progress made implementing specific risk management measures.

All of these factors make reporting a vital tool for supporting and monitoring the Bank's risk strategy.

Counterparty Default Risks

The framework for managing all counterparty default risks and for the loan portfolio was the credit risk strategy that the Managing Board adopted in 2003. Binding throughout the Group, this strategy sets out in detail the criteria and terms of the risk policy and the guidelines for assuming credit risks. The Minimum Requirements for the Lending Activities of Banks, or MaK, served as the basis for the strategy. In light of how much risk could be borne, limits were set to prevent sector clusters and clusters based on loan volume. Each year, the entire Managing Board will review the credit risk strategy of the previous year and adopt a revised strategy.

Managing Individual Risks

The two pillars of risk management at the individual commitment level are the credit approval process and the ongoing monitoring process. Each credit approval takes into consideration the total commitments which an individual borrower, or, if applicable, a group of companies, has with the WestLB Banking Group. The borrower's creditworthiness and the risk of the transaction or item of property are analysed and documented in a credit application file prepared by the relevant loan or special finance department. The risk evaluation gives rise to an internal rating that plays a significant role in the remaining credit approval process, as well as in risk-return and portfolio management. Depending on the magnitude of the borrower's total commitments and the credit rating awarded, joint credit approval competence is delegated to the relevant customer and lending units or, in the case of special finance, to Global Specialised Finance and CCM. Credit applications that fall outside of certain parameters are reviewed by CCM. CCM gives an opinion on these applications and then passes them on to the Managing Board for a decision.

The foundation of the ongoing monitoring process is the credit monitoring file prepared at least once a year on each individual borrower. Like the credit application file created in the application phase, the credit monitoring file includes a review of the borrower's creditworthiness, as well as a review of the borrower's credit rating and collateral.

In 2003, the Bank added to its risk management processes a Group-wide database that serves as a unified watchlist. If a loan threatens to become non-performing because of the worsening situation of a borrower, that loan is added to the WestLB Global Watchlist (WGW) and subject to closer scrutiny and support. Thus, as a tool for planning and monitoring the implementation of countermeasures, the watchlist serves the risk reporting needs of the Group and also plays a central role in determining where allowances for doubtful accounts need to be taken.

Problem cases are earmarked for closer monitoring and generally transferred to CCM. The goal is to limit the Bank's potential losses by formulating restructuring strategies in a timely manner.

As part of regular reporting, a quarterly report is prepared for the Managing Board which looks at current risk developments in order to portray the Bank's needs for risk protection and recommend allowances for specific credit risks. When deciding on the amount of specific allowances in light of the risks posed, the following steps are taken:

- analyse the borrower's anticipated cash flows in order to determine its future solvency,
- value the borrower's net assets in order to estimate the anticipated proceeds of liquidating existing collateral and,
- if applicable, find out what prices credit default swaps or loans of the borrower are getting on the secondary market.

In addition to the recommendations for the last quarter, a year-end summary of the recommendations made throughout the year is prepared by the loan departments, CCM, Group Auditing and Group Finance. The Managing Board uses this report as a basis for determining allocations to the risk provisions.

Portfolio Management

The structure of the loan portfolio is regularly reviewed in order to ensure its compatibility with the risk policy defined by the Managing Board.

Central responsibility for credit risk management has been delegated to the Credit Portfolio Committee (CPC), a committee consisting of Managing Board members and chaired by the Chief Risk Officer. The Portfolio Management department prepares the CPC's regular meetings, recommends measures and ensures implementation of the CPC's resolutions. CPC's management of credit risk positions is a higher-order management that takes the whole Bank and the entire loan portfolio into consideration.

In the year under review, its first in existence, the Portfolio Management department successfully implemented active management measures in the loan portfolio. In addition to managing Bank-wide clusters, the bulk of the measures focused on the traditional lending business. Active portfolio management involves increasing profitability, but also involves actively reducing credit risk, most notably by controlling risk clusters (be they at the individual borrower, sector or country level).

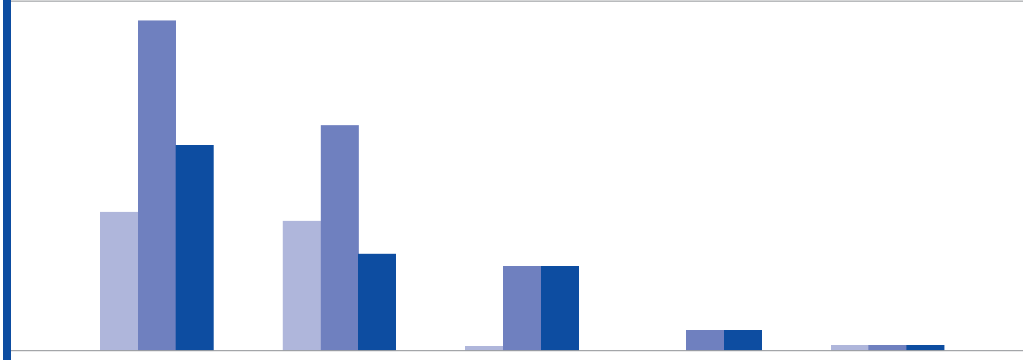
Global measures implemented by Portfolio Management in 2003 included:

- setting additional sector limits and formulating sector strategies
- reducing individual cluster risks
- reducing the number of unprofitable loans
- increasing the core capital ratio by reducing risk-weighted assets
- managing country clusters

These goals were reached through rigorous management of new lendings, as well as comprehensive sell-off and collateralisation measures. The Portfolio Management department will continue to systematically expand its activities. At the end of 2003, the first synthetic securitisation was structured and successfully placed. It involved transferring to the market the default risk on a € 2 billion portfolio of loans to companies in Europe, America and Asia. In years past, WestLB had demonstrated its success at securitizing mortgage loans and placing the resulting mortgage bonds (Pfandbriefe) on the market.

Credit Commitments

BREAKDOWN BY RISK TYPE AT DECEMBER 31, 2003



	Total Portfolio	Credit Risk	Issuer Risk	Pre-Settlement Risk	Other Risks
■ External lines at Dec. 31, 2003	151,320	142,457	4,390	0	4,473
■ Total lines at Dec. 31, 2003	363,058	245,343	92,500	20,643	4,573
■ Amounts utilised at Dec. 31, 2003	225,064	107,370	92,500	20,643	4,551

- External lines at Dec. 31, 2003
- Total lines at Dec. 31, 2003
- Amounts utilised at Dec. 31, 2003

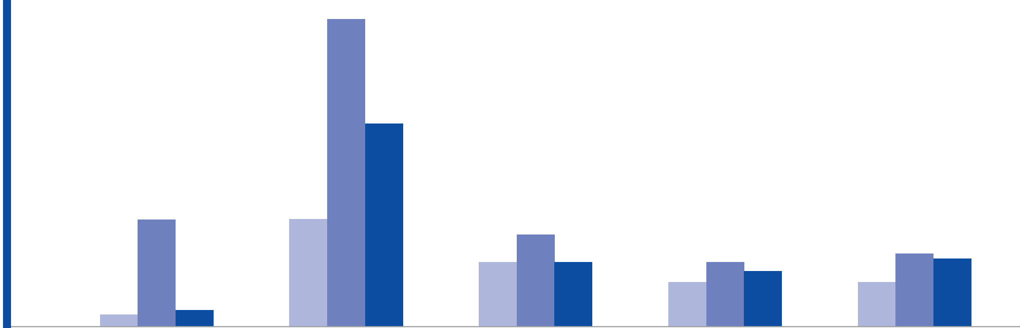
The majority of WestLB Group's counterparty default risks are credit risks and issuer risks. For the most part, credit risks are posed by lendings in the money market, the traditional lending business, as well as special finance and construction and project finance. Of the issuer risks, half come from the trading book. With respect to the investment book, governments and banks are the largest issuers. For issuer and pre-settlement risks, the total credit lines are shown at the amounts at which they have been utilised. The category "other risks" mostly includes participation risks vis-à-vis third parties.

BREAKDOWN BY RATING PROCEDURE APPLIED

Rating Procedure Applied	External Lines Dec. 31, 2003 € millions	%	Total Lines Dec. 31, 2003 € millions	%	Amounts utilised Dec. 31, 2003 € millions	%
Companies	40,562	26.8	57,086	15.7	31,253	13.9
Banks	9,946	6.5	118,466	32.6	64,010	28.4
Governments/Central banks	1,079	0.7	39,215	10.8	38,240	17.0
Central, regional and local authorities	11,379	7.5	20,738	5.7	13,105	5.8
Project finance cash flow	10,511	7.0	10,889	3.0	7,238	3.2
Asset backed transactions	21,154	14.0	28,697	7.9	6,448	2.9
WIB	20,359	13.5	22,288	6.2	20,795	9.2
Other	36,330	24.0	65,679	18.1	43,975	19.6
Total	**151,320**	**100.0**	**363,058**	**100.0**	**225,064**	**100.0**

The above table shows (with the exception of WIB) the breakdown of the entire portfolio by internal rating method used and also provides a summary of how the portfolio is divided among customer groups and transaction types. Governments/Central banks, banks, and central, regional and local authorities, the vast majority of which have good credit ratings, account for a good half of the credit line amounts utilised. The category "Other", in addition to capturing those commitments (e.g. to private clients, other financial institutions, insurance companies) which are rated using a procedure other than the ones for the major customer and product groups, also captures commitments for which a rating procedure has been devised, but not yet technically implemented.

BREAKDOWN BY MATURITY



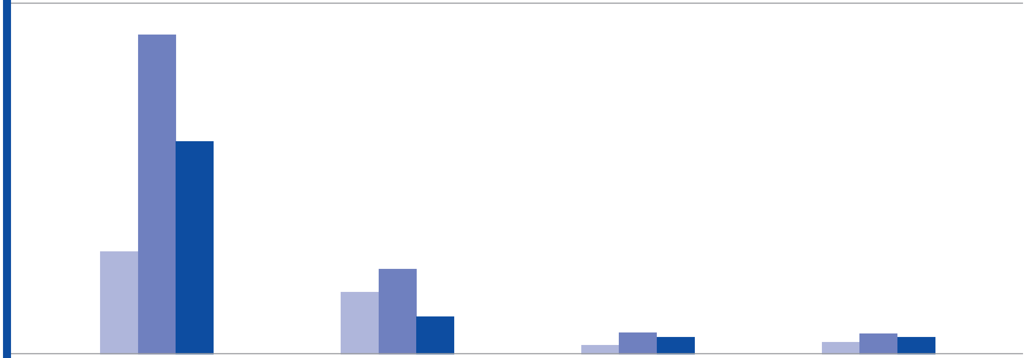
	u.f.n.	up to 1 year	1 to 4 years	4 to 8 years	> 8 years
■	6,624	61,256	35,366	22,727	25,347
■	61,204	173,886	51,419	35,808	40,741
■	8,961	114,244	35,445	29,450	36,964

■ External lines at Dec. 31, 2003: 151,320
■ Total lines at Dec. 31, 2003: 363,058
■ Amounts utilised at Dec. 31, 2003: 225,064

€ millions

The majority of commitments are short-term commitments of up to 1 year (55% of the amounts utilised). The high total lines associated with the maturity range "u. f. n." ("until further notice"), as compared to the amounts utilised/external lines, is due to the available balances on general lines of credit extended to other banks within the Group.

BREAKDOWN BY REGION



	Industrial Europe	Industrial America	Industrial Asia	Emerging Markets
■	84,748	50,394	6,590	9,588
■	261,387	69,883	15,677	16,111
■	173,796	27,717	11,913	11,638

- ■ External lines at Dec. 31, 2003: 151,320
- ■ Total lines at Dec. 31, 2003: 363,058
- ■ Amounts utilised at Dec. 31, 2003: 225,064

€ millions

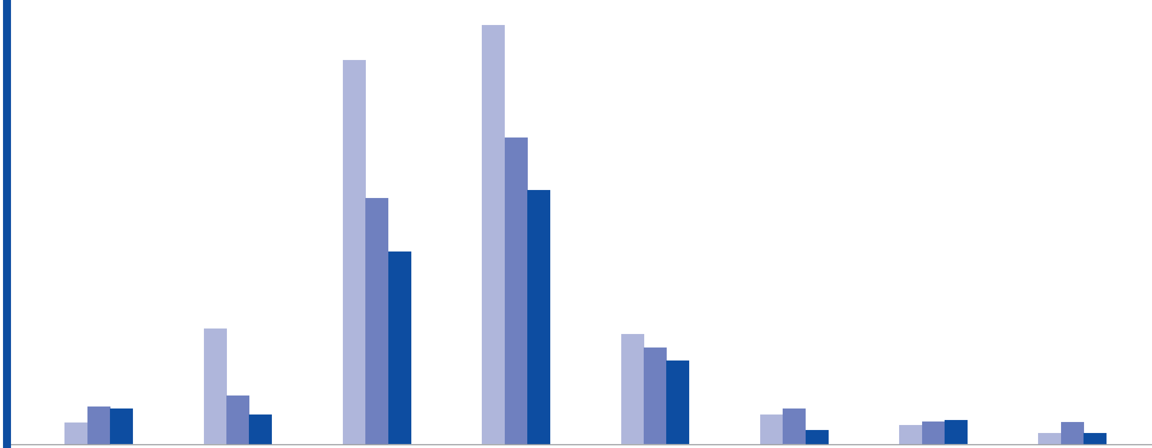
The regional emphasis of the overall portfolio is on European industrialised nations, which account for 77% of the total amounts utilised. More than one-third (39%) of the total amounts utilised is attributable to Germany. Emerging market (EM) countries account for roughly 4.4% of the total lines (2.5% EM America, 1.4% EM Central Europe, 0.5% EM Asia). The exposure within the EM countries is mainly in the financial services sector (incl. central banks) and in unitary states.

Ratings Breakdown in Corporate Clients/Commercial Real Estate Finance

Fiscal year 2003 was characterised by the persistence of the global economic downswing. It continued to affect how ratings were distributed within the corporate clients and banks portfolios.

As was the case in previous years, most of the customers in WestLB's corporate clients portfolio are rated 3 or 3/4. The conspicuous decline in the amount of the lines is partly due to the transfer of construction finance transactions to Westdeutsche ImmobilienBank, whose business is not reflected in the above chart. In addition, portfolio realignment and exchange rate effects – most notably the strength of the euro against the dollar – resulted in lower credit line limits.

RATINGS BREAKDOWN IN CORPORATE CLIENTS/COMMERCIAL REAL ESTATE FINANCE AT DECEMBER 31, 2001, 2002 AND 2003, RESPECTIVELY, ON THE BASIS OF EXTERNAL LINES



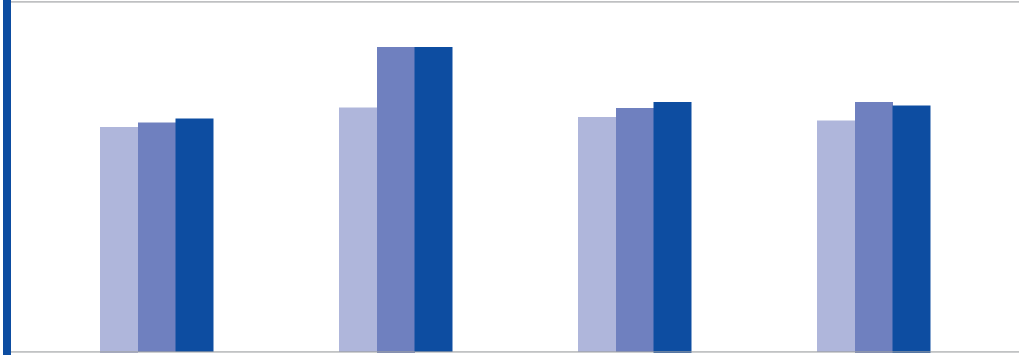
	1	2	3	3/4	4	4/5	5	6
Dec. 31, 2001	1,539	7,132	23,298	25,373	6,768	2,146	1,527	988
Dec. 31, 2002	2,627	3,157	14,969	18,649	6,079	2,477	1,617	1,597
Dec. 31, 2003	2,504	1,997	11,879	15,543	5,252	1,221	1,683	981

Dec. 31, 2001
Dec. 31, 2002
Dec. 31, 2003

€ millions

Average Ratings in Corporate Clients/Commercial Real Estate Finance

AVERAGE RATINGS IN CORPORATE CLIENTS/COMMERCIAL REAL ESTATE FINANCE AT YEAR-END 2001, 2002 AND 2003, BASED ON AMOUNTS UTILISED



	Europe	America	Asia	Total
■	3.67	3.98	3.81	3.77
■	3.73	4.97	3.94	4.05
■	3.78	4.96	4.08	4.01

- Dec. 31, 2001
- Dec. 31, 2002
- Dec. 31, 2003

The drop in the average rating in the America portfolio in the previous year was chiefly because of the crisis in South America and other economic influences.

The average rating across all three sub-portfolios at year-end 2003 was 4.01, which corresponds to a credit rating of 3/4.

Risk Provisions/Result of Evaluation

The amount reported in risk provisions/result of evaluation under the result of provisions for credit risks encompasses the P&L effects resulting from the evaluation of acute and latent counterparty default risks:

RISK PROVISIONS/RESULT OF EVALUATION – LENDING BUSINESS

	Allocations to Allowances € millions	Write-Backs from Allowances € millions	Net Allowances € millions	Other Risk Exp./Income € millions	Risk Result € millions
Acute counterparty default risk	**1,125.9**	**277.1**	**– 848.8**	**– 125.6**	**– 974.4**
Credit rating risk	1,054.8	123.5	– 931.3	– 129.8	– 1,061.1
Country risk	71.1	153.6	61.8		82.5
Other risk				4.2	4.2
Latent counterparty default risk	**220.6**	**13.2**	**– 207.4**		**– 207.4**
	1,346.5	**290.3**	**– 1,056.2**	**– 125.6**	**– 1,181.8**

The allocations to risk provisions are also discussed in the section on the Statement of Income.

Country Risk

The Bank defines country risk as the risk that a borrower will not (or will no longer) be able to service its foreign currency debt because of a worsening of the general economy or the political situation in the borrower’s home country. Based on this definition, any credit granted by WestLB that is not denominated in the borrower’s home currency faces a potential country risk and should be included in the country exposure list.

When determining the credit volumes subject to a country risk, WestLB goes well beyond the classical transfer risk. When assigning risk to a country, the Bank not only takes the borrower’s country of residence into account; the country risk of the borrower’s ultimate parent company, the providers of collateral and any other guarantors is also considered.

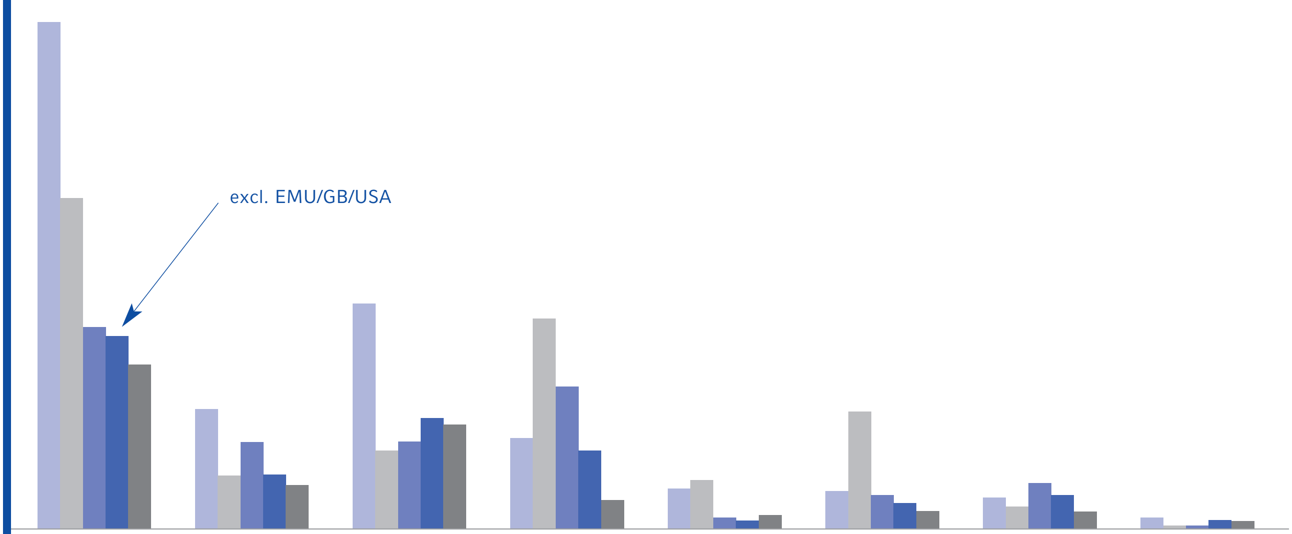
The data found in the country risk recording system CORESY is used to analyse the credit volume affected by a particular country risk. Commitments are assigned to a specific country in accordance with the CORESY report. When determining the credit volume to be analysed, finance projects that are of special importance to the country (co-finance packages with supranational institutions, short-term trade finance for the import of food, etc.) and those that are backed by political/moratorium guaranties are excluded. Lines/disbursements that have not been drawn upon are also excluded, as are trade portfolios for which the country risk was considered when the portfolio was marked to market. When determining the amount to allocate to the provisions for country risks, standard bad loan charge ratios are used.

The Bank's Economics Department assigns internal ratings to all relevant countries, which are reviewed at regular intervals. Numerical country limits are determined on the basis of the country rating, the country's size, as reflected in its gross domestic product, as well as the Bank's risk-bearing potential. Depending on the rating category, the country limits are divided on the basis of fixed ratios into limits for short-term business and limits for long-term business.

The Country Limit Committee is in charge of centralised country limit management. In addition to determining the scale of the limits, the Country Limit Committee handles questions related to the methodologies and procedures of country risk management. The final decision on country limits rests with the Managing Board, which works on the basis of the Country Limit Committee's recommendations. CCM continually monitors the usage of limits for non-trading products and reports its findings to the Managing Board and the Risk Committee. RMS&C monitors and reports on trading products.

The use of individual country limits is managed by the regional client business units. Their country managers work with the individual product units to determine how much of a country's overall limit is needed and used. The country managers also control the distribution of resources among the various product units from a risk-return point of view.

USAGE OF COUNTRY LIMITS BY RATING CATEGORY



	A Countries	B1	B2	B3	B3/C1	C1	C2	C3
Group CL current	18,230	4,248	8,041	3,261	1,337	1,272	1,107	370
Usage Dec. 31, 2000	12,065	1,976	2,951	7,728	1,810	4,352	856	49
Usage Dec. 31, 2001	7,337	3,240	3,151	5,241	446	1,391	1,700	32
Usage Dec. 31, 2002	7,048	2,058	4,054	2,952	409	1,062	1,355	382
Usage Dec. 31, 2003	6,018	1,670	3,840	1,097	601	786	681	235

Group CL current
Usage Dec. 31, 2000
Usage Dec. 31, 2001
Usage Dec. 31, 2002
Usage Dec. 31, 2003

€ millions

In 2003 the Bank continued its policy of systematically reducing its commitments in countries with poor ratings.

Counterparty Default and Country Risks in Trading Operations

Trading transactions with external customers are subject to default risk related to the counterparty and/or country involved. The controlling and management activities undertaken to counteract the risk of default in the trading business require a wide array of tools and consolidation into one uniform process. The individual steps are as follows:

The correct measurement and modelling of the counterparty default and country risks forms the basis. The aim is to develop customer-specific and type-specific risk profiles over the life of transactions by taking into account the unique aspects of a given product. With derivatives based on interest rates, the Banks uses a Monte Carlo-based portfolio simulation method.

The RMS&C unit incorporates the exposures into the relevant limits every day. Thus, the Group has a central record of all counterparty and issuer limits in trading, which ensures uniform and up-to-the-minute risk monitoring.

The responsible decision makers determine all counterparty and country risk limits in the trading business using the Group-wide credit processing mechanisms. Limit compliance is checked daily. Once it has been determined that a limit has been exceeded, the trading unit issues an opinion and the Managing Board members responsible for the RMS&C unit and for the trading units are informed. In addition, standard reports regularly report on how close active operations are coming to the limits set.

Issuer limits for short-term liquid positions in the trading units are generated by RMS&C, on the basis of a ratings-dependent matrix determined by the Managing Board, and monitored daily. In its work, RMS&C relies on up-to-the-minute market information so that it can ensure proactive and timely risk management in this segment. The goal is to make greater use of the information which is available in the market on ratings changes, credit spreads and liquidity changes to determine what, if any, immediate action to take. This market-informed style of limit management is also part of the lending process and the monitoring of limits on large-scale commitments.

In order to reduce the counterparty risks in the derivatives business, the Bank systematically works with collateral agreements. Specifically, it uses the standard master agreements available on the market, which provide for close-out netting and the provision of security. Collateral management (which generally takes the form of daily margins calls by the Group Operations unit) is taken into account by RMS&C as part of the Bank-wide management of counterparty default risks.

The legal and operational requirements for recognising this type of risk reduction are defined within the Bank by the Netting Committee. The substantial amount of legal documentation that is required also helps with measuring the Principle I capital ratios for counterparty risks. Internal risk management and reporting to external parties both make use of information that is contained in a Bank-wide legal database.

In addition to monitoring the risks posed by individual customers, RMS&C supports the management of counterparty default risk in the Bank's overall portfolio by analysing and quantifying the risks from trading operations, which are then incorporated into the relevant modelling.

Implementing Basle II and the Minimum Requirements for the Lending Activities of Banks (MaK)

To the extent a specific rating procedure exists for the relevant customer and product groups, the loan and product units determine an internal rating for each customer.

Ratings are given as part of the approval process for new loans, as well as part of the regular monitoring of existing loans, and are based on the up-to-the-minute risks analyses performed. The risk analyses incorporate quantitative and qualitative elements that are determined on the basis of a pre-set system.

The individual credit rating determined reflects a standardised default probability for each customer that forms the basis of the Bank's risk pricing and loan portfolio analysis.

The Bank has had an internal rating system in place for more than 14 years for corporate clients that are grouped into one of its major portfolios. Other rating systems have been added over the years. As of December 31, 2003, 78% of the Group's credit line volume (excluding WIB) was being rated internally.

Given the requirements that are expected to emerge from the Basle II Accord, the Bank intends to add rating systems for additional client portfolios and special portfolios, as well as to revamp existing systems and test them for compliance with Basle II. The first of these new and revamped systems were introduced in the middle of 2003. The remaining systems will be introduced gradually over the course of 2004. All internal and external rating data will be stored in a central ratings database, thus providing a comprehensive and uniform basis for all ratings data required under Basle II.

To complement the systematic capturing of probability of default (PD) in the ratings database, improvements will be made to the Global Watchlist in order to archive and chronicle the exposure at default (EAD) and loss given default (LGD).

As part of Bank-wide preparations for Basle II, two additional lending projects have been conceived which will fall under the responsibility of Central Credit Management in terms of their methods and under the responsibility of the loan departments in terms of their technical support.

The first is a collateral database project involving the development of methodological guidelines for analysing collateral and building the data warehouse required for the full inclusion of collateral in the advanced internal ratings-based (IRB) approach.

The second is the LGD/EAD project, which involves developing methodological strategies for estimating LGD and EAD. In future, these two risk parameters will play a central role in determining the equity capital ratios of loans and other risk-weighted assets of the investment book. The necessary data histories will be structured with the help of the data captured in the WestLB Global Watchlist and the collateral database.

In the year under review, the Bank reviewed its organisational structure and workflow with a view toward compliance with the Minimum Requirements for the Lending Activities of Banks (MaK). Most of the defined requirements have been implemented. Currently, the Bank is deploying a standardised process for handling new products.

WestLB has a voice on the Federal Financial Supervisory Authority's (BaFin's) expert panel on MaK.

Market Price Risks

Managing Market Price Risks

The Bank's Managing Board is responsible for setting the risk policy and profitability goals of the trading business. It also defines trading strategies that determine which products are offered to what customers on which markets. The required limits and framework for risk management are derived by looking at the budget and considering how much risk the Group can bear.

The individual trading units are responsible for their own risk management within the guidelines defined by the Managing Board. They are directly accountable for the risks and returns of their activities.

By providing decision makers with regular risk analyses and key information about all required risk and earnings ratios, the RMS&C unit actively supports the risk management of the trading business. Individual risk committees for market price risks regularly meet with RMS&C to discuss the risk exposure in the trading business. The entire Managing Board meets at least once every two weeks to discuss the risk situation in the trading business and in asset liability management.

WestLB satisfied the Minimum Requirements for the Trading Activities of Banks at all times in the year under review.

Measuring Market Price Risks

The market risks in WestLB Group's trading and investment portfolios are computed daily. The Bank manages its market price risks by using a combination of risk management variables, including value at risk (VaR), sensitivities and stress tests.

In the process, the following types of market price risks are differentiated:

- Interest rate risk (including general and specific interest rate risks)
- Share price risk (including general and specific share price risks)
- Currency risk (including commodity price risks)

At the end of 2002, the Bank received BaFin's approval to begin using the internal VaR model to determine Principle I equity capital ratios for the trading business. The approval also covers all of WestLB's foreign branches. The internal model fully captures general interest rate risks. Work is currently under way to teach the model to recognise specific interest rate risks, currency risks and share price risks. Once the model can recognise these additional risks, it will be possible to calculate the capital necessary to cover all the market risks in the trading business by using the internal model exclusively.

Value-at-Risk Approach

The value-at-risk (VaR) approach is what the majority of all internationally operating banks use to determine market price risk under normal market conditions. VaR is used to estimate the potential future losses of a given portfolio which will not be exceeded with a given likelihood within a specified period of time. The VaR technique can be applied consistently to all products and markets, which makes it possible to compare risks between different portfolios.

The VaR model employed at the Bank for interest rate and foreign exchange risks is based on a Monte Carlo simulation technique. For internal purposes, VaR calculations are done on the unweighted basis of the last 250 changes to all market parameters that materially impact the portfolio, assuming a holding period of one day and a confidence level of 95%. For external purposes, a confidence level of 99% and a holding period of ten days are assumed.

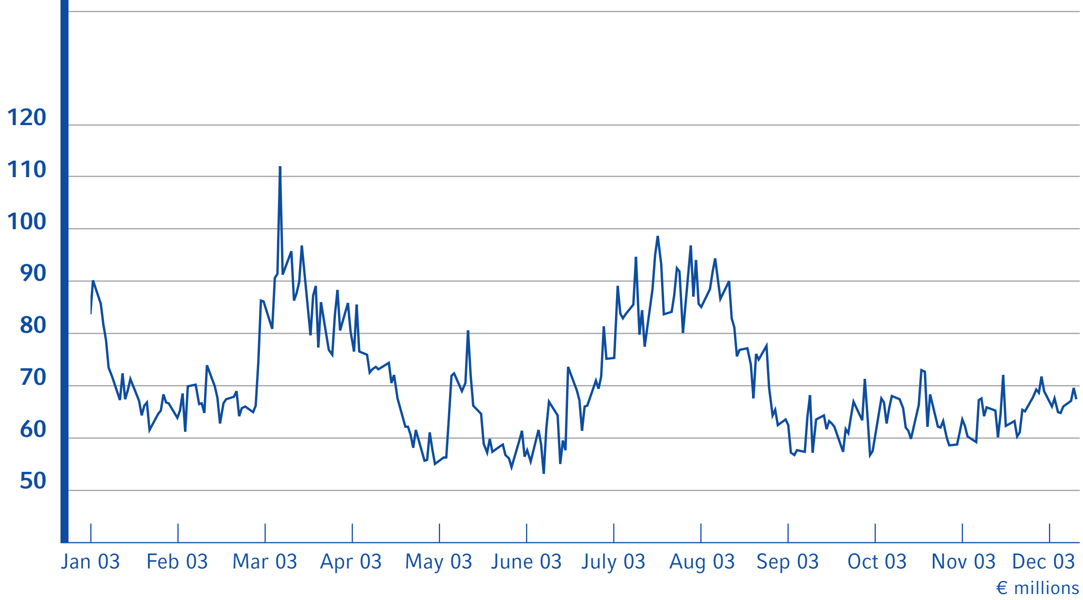
Market risks are measured using a central data warehouse that makes it possible to reprice the relevant trading products and identify non-linearities and diversification on all trading levels, regardless of the front office systems used.

In order to determine value at risk, it is necessary to make statistical assumptions about the change in the risk factors used. The Bank assumes a standard logarithmic distribution of the daily variance and uses the variance-co-variance approach when performing its Monte Carlo simulations. The (co-)variants are determined on the basis of a time series of equally weighted logarithmic changes in the risk factors.

The Monte Carlo-based market price risk calculations are also used to determine stock risks. Doing so ensures that diversification effects are included and that non-linear risks are adequately captured.

Based on a confidence level of 99% and a holding period of ten days, the values at risk in 2003 were as follows:

DAILY VALUE AT RISK IN THE TRADING UNITS IN 2003
(HOLDING PERIOD OF 10 DAYS; CONFIDENCE LEVEL OF 99%)

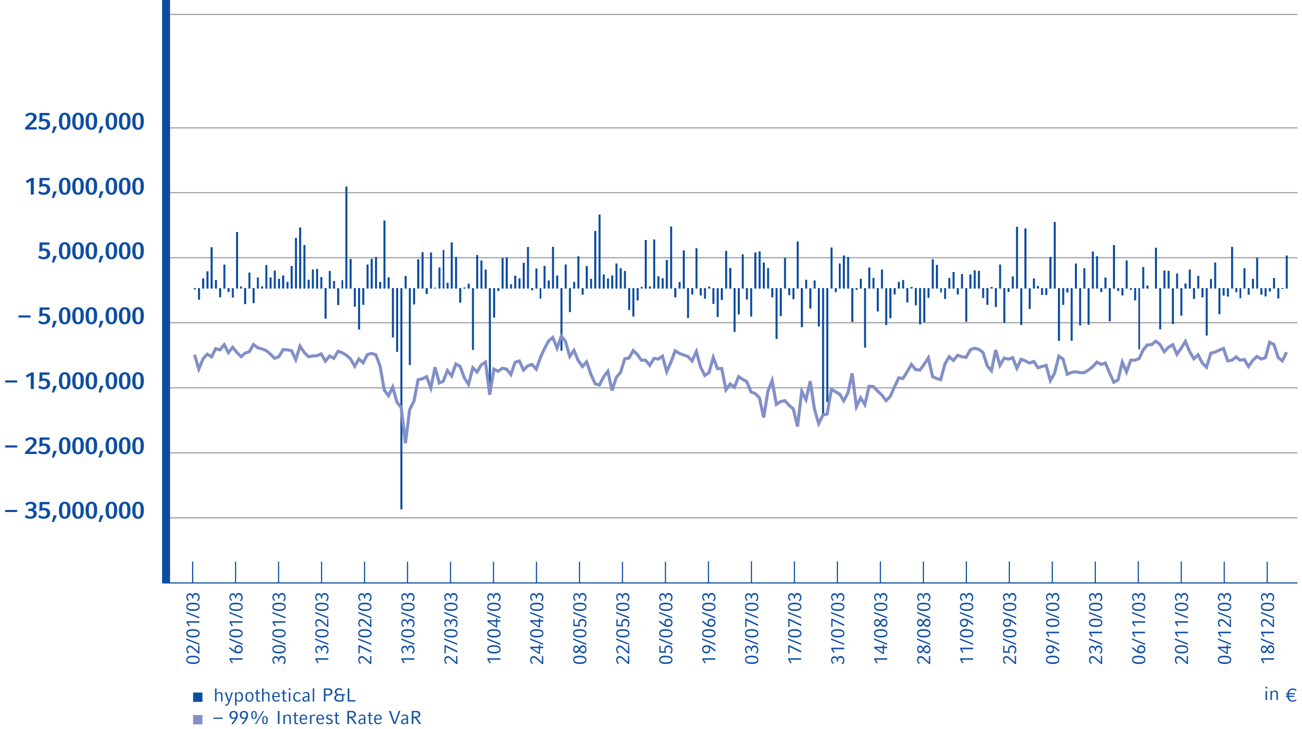


VALUE AT RISK IN WESTLB GROUP'S TRADING UNITS IN 2003
(CONFIDENCE LEVEL OF 99%, HOLDING PERIOD OF 10 DAYS)

	VaR at Dec. 31, 2003 € millions	Minimum VaR in 2003 € millions	Maximum VaR in 2003 € millions	Average VaR in 2003 € millions
WestLB Group	77.8	57.2	113.6	75.3
GFM	53.1	36.9	91.9	55.7
Equities	19.3	9.5	22.4	14.5
Other*	7.1	4.1	12.7	7.3

* incl. Banque d'Orsay, WestLB Int. S.A., Luxembourg, WSP Equities, Strategic Stock Positions, Specialised Finance, WPSI

INTERNAL MODEL – CLEAN BACK TESTING FOR WESTLB'S GENERAL RISK OF INTEREST RATE MOVEMENTS (99% CONFIDENCE LEVEL, HOLDING PERIOD OF 1 DAY) – JANUARY 2, 2003 – DECEMBER 31, 2003



The quality of the Bank's risk measurement is monitored continuously. A key element of this quality control is testing the risks parameters that are being used (back testing) for the general risk in interest rate movements. In addition to daily risk analyses, there are quarterly analyses. The conclusions drawn make an important contribution towards improving the VaR model. The results are also incorporated into the model validation that takes place every six months. The goal of the six-month validation is to ensure that the VaR model is capable of adequately determining risks, even if the risk parameters change. In 2003, the hypothetical P&L exceeded the VaR on two occasions. This is in keeping with the two to three anomalies one would expect in the course of a year when using a VaR model with a confidence level of 99%.

Stress Testing

Whereas VaR estimates the maximum loss under normal market conditions, scenario analyses simulate less likely movements in market parameters which are not captured by the confidence interval of our VaR calculations. When performing these scenario analyses, the Bank uses parametric and historical scenarios. Stress tests are performed on a weekly basis, with the results passed on to the Risk Committees for trading operations. At least once every month, the results are also reported to the Managing Board.

By analysing and commenting on the potential losses revealed in these analyses, the RMS&C unit ensures that the trading units and/or Managing Board have what they need to react to extreme market situations and avoid major losses.

Processes of Market Risk Management

Limit Process

VaR is the most important tool for limiting market price risks that the Managing Board has at its disposal. The Managing Board sets market risk limits for each business unit. These global VaR limits are then allocated among all relevant organisational levels of the trading business which have risk and profit responsibility. The limits can only be altered by means of a formal limit change process.

The RMS&C unit monitors the VaR limits daily to see how much of them has been used and if any limits have been exceeded. If there are limits which have been exceeded, the trading unit involved will decide on measures to return its operations to within the approved limits and RMS&C will ensure that these measures are implemented. The head of the RMS&C unit is notified each time a VaR limit is exceeded. The Managing Board is notified when the amount by which a VaR limit is exceeded is substantial.

Other information in addition to VaR (e.g. sensitivities, correlation risks, binary risks) is gathered in order to portray and limit risks and risk clusters.

Reporting

Risk reporting within WestLB Group occurs on various portfolio levels, both on a daily and on a monthly basis.

Daily risk reporting is up-to-the-minute and includes all relevant portfolio levels and earnings ratios. The monthly risk report includes detailed portrayals and analyses of all relevant risk categories in the Bank's trading and investment books. In addition to market price risks, topics such as counterparty default risk and country risk in the trading business are also discussed, as are the results of stress tests.

Participation Risks

Participation risk refers to potential fluctuations in the value of companies making up WestLB Group, as well as risks arising from contracts with companies in which WestLB participates. Generally speaking, the management of participation risks at WestLB refers to managing all of the Group's participations, which is a task that has been assigned to the Equity Investments business unit. The companies of the Banking Group are fully incorporated into the risk and operational management of WestLB.

The risk management of companies that are not consolidated into the Banking Group is also handled by the Equity Investments unit. Certain of our investments are also followed by specialist units and monitored in terms of their risk. This approach allows for optimal support of companies whose business activities are closely linked with the activities of the respective product unit.

For the most part, participation risks are managed by determining credit lines, accepting supervisory positions and performing decentralised risk controlling for the companies' products and services.

The assessment of current and future risks posed by the participations that are not captured by the Banking Group's original management mechanisms is based first and foremost on analysing the company data provided in the course of ongoing participations controlling. The information collected also provides a starting point for actively supporting the participations from a shareholder perspective and managing the participations in keeping with the Bank's equity investment strategy. WestLB's interests as a shareholder are represented at all major Group companies in that members of the Managing Board holds seats on the supervisory boards of these companies. This kind of representation is an integral part of the Group's management.

To monitor and manage risks, as the Equity Investments unit does, in a way that focuses on the health of the Bank's business is particularly important in the case of participations in companies that are exposed to self-generated risks. Equity capital is injected into fast-growing companies directly and through third-party funds. To the extent some of the funds were still being invested in and the growth companies faced a difficult economic situation in the year under review, WestLB increased its risk provisions accordingly.

Liquidity Risks

Liquidity management within the WestLB AG Banking Group is carried out in accordance with guidelines established by the Bank's Asset & Liability Committee (ALCO), a Managing Board committee whose responsibilities include the structural liquidity mismatch position. While Global Financial Markets (GFM) ensures short-term liquidity, Capital & Mismatch Management (CMM) is responsible for planning and managing structural liquidity. The latter refers to ensuring the Bank's compliance with banking regulatory requirements (Principle II) and taking care of its economic liquidity. A comprehensive liquidity strategy was adopted two years ago and has been implemented in the meantime. The work that goes into determining and planning liquidity requirements is done on the basis of a proprietary information system. There is also a continuous exchange of information with the business, customer and product units concerned, as well as regular meetings of the persons involved in risk management. This ensures that all necessary information is available for the timely procurement and allocation of liquid funds.

The Banking Group's liquidity position is a regular agenda item at ALCO and Managing Board meetings. ALCO and the Managing Board are presented with a liquidity report which covers the following topics: short-term economic liquidity, credit commitments not yet drawn upon, the liquidity reserve, regulatory liquidity, large-scale investors, the amount of capital tied up, issuing activity and terms of issues.

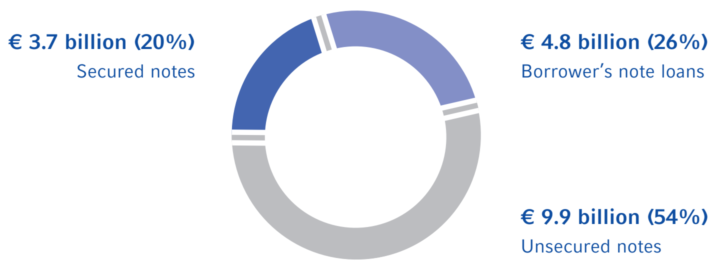
The objective of liquidity management is to avoid a concentration of financing requirements with very short-term maturities, to keep enough liquid assets on hand for unexpected liquidity needs and, at the same time, to optimise the Bank's structural liquidity with the help of a medium and long-term-oriented funding programme. Liquidity planning is also designed to broaden the refinancing base with banks and non-banks by maintaining a permanent presence on the money and capital markets.

The central bank function for the savings banks in North Rhine-Westphalia and Brandenburg is a focus of WestLB's treasury activities.

The Group uses customary financial instruments to procure the required liquidity. In addition to borrower's note loans (Schuldscheindarlehen), WestLB issues unsecured notes. As a rule, the issues are part of debt issuance programmes. WestLB's subsidiaries issue secured notes. For example, WIB issues mortgage bonds (Pfandbriefe) under the German Public Mortgage Bond Act (Öffentliches Pfandbriefgesetz) and WestLB Covered Bond Bank plc, Dublin, issues covered bonds under Irish law.

The issuing volume of the WestLB AG Banking Group reached the record level of € 18.4 billion in 2003 (2002[1]: € 2.8 billion).

ISSUES OF WESTLB AG BANKING GROUP IN 2003



Short-term issues are issued as part of a € 15 billion global commercial paper programme. At year-end 2003, the volume outstanding was € 6.9 billion.

Liquidity is procured primarily in the major currencies: EUR, USD, JPY and GBP. Where necessary, the funds raised are converted into the target currency using derivatives. Responsibility for liquidity optimisation is delegated to the respective local branches and subsidiaries. As far as possible, liquidity flows are kept within these local offices, with liquidity deficits and surpluses being netted; to this end there is regular contact between the regional managers.

WestLB holds a large portfolio, worth more than € 20 billion on average, of highly liquid securities which are suitable for repos and central bank tenders. As a result, WestLB has access to substantial refinancing facilities when it needs them. WestLB also maintains a portfolio worth € 5 billion on average which it uses to provide collateral for cash needs in the context of euro clearing activities.

[1] Excluding Westdeutsche ImmobilienBank. In 2002, the division of WestLB occurred.

A global liquidity contingency plan has been in place since 2001. The plan outlines the communication channels, responsibilities, procedures and steps for remedying liquidity bottlenecks. It was updated at the end of 2003.

At December 31, 2003, WestLB's Principle II liquidity ratio was 1.28 (December 31, 2002: 1.12). The provision of liquidity was ensured at all times in 2003.

Operational Risks

The Operational Risk Management (ORM) unit of the Bank was situated in Risk Management Support & Control (RMS&C) in the year under review. ORM is the independent central management unit which sets the framework for operational risk management throughout the Bank and coordinates all related activities. The main tasks for the business units target the creation of high standards throughout the Bank for the analysis, management and monitoring of operational risk. First and foremost, this includes the use of a uniform system of self-assessment, the capture of operational losses, which are unique to each unit, and the definition of risk indicators for use in identifying and analysing operational risk as the foundation for active operational risk management.

The primary responsibility for managing operational risk rests with the business units. In the year under review, an operational risk manager was appointed for each business unit and each foreign branch. These operational risk managers will support the heads of the respective business units and branches in their work to manage operational risk. In particular, the operational risk managers are responsible for applying the standard "OpRisk" methods set by ORM.

The business units also work together with central units of the Bank (e.g. contingency planning, information security, data quality management) which, because they cross business units and product lines, set guidelines that are applicable to the entire Bank, perform controlling functions, provide tools, and support the development and execution of preventive measures and responses. It was in this vein that the position of Bank Security Officer was established, who is responsible for addressing all key security issues facing the Bank.

In the context of operational risks, it makes sense on a cost-benefit level for some areas to use insurance and market instruments as a means of risk transfer. On the Group level, the International Insurance Programme provides WestLB with comprehensive insurance coverage that has been pulled together into one central insurance portfolio.

To minimise legal risks, the business units are supported by the Legal Department. The control and support that the Legal Department offers includes reviewing the contracts presented to it in light of risks, maintaining a lending handbook and a collateral handbook, and ongoing observation of changes in the legal environment. The Legal Department also observes the use of standard agreements and model contracts to reduce contractual risk, some of which were developed in cooperation with other banks and institutions.

One way to avoid the risks caused by the mistakes or misconduct of employees is to ensure that our employees are adequately informed. WestLB offers numerous internal and external training opportunities as part of its overall personnel development programme.

Compliance guidelines have been developed to offset the risk of insider trading. Adequate control processes initiated by central and local compliance officers ensure that the guidelines are followed.

In 2003, the loss event gathering process in place since 1999 was transformed into a new, Intranet-based IT platform. The new platform guarantees a more efficient execution of global data gathering and analysis processes. The constantly expanding data history it provides will serve as the basis for applying methods aimed at quantifying operational risks.

A qualitative approach for analysing and evaluating operational risks has also been developed. Cause-based, this approach will examine potential sources of risk in the areas of personnel, information technology, business processes and external events. One focus will be the relevant IT applications and the main processes used in the business units. The goal of this self-assessment is to gather information that the business units can use to develop their own risk-reducing measures. This qualitative approach has enjoyed success in its first applications.

The operational risk management system undergoes constant improvement and takes into account the regulatory requirements to expect from current developments with Basle II.

Business Risks

Changes in the market environment and in the prevailing technological and institutional conditions can trigger fluctuations in business volume and margins. The extent to which such changes pose business risks depends on the Group's ability to react to changes in external parameters as early as possible. The business risks are reduced if the Bank succeeds in making its use of resources in the various business units and product lines adaptable to changing conditions.

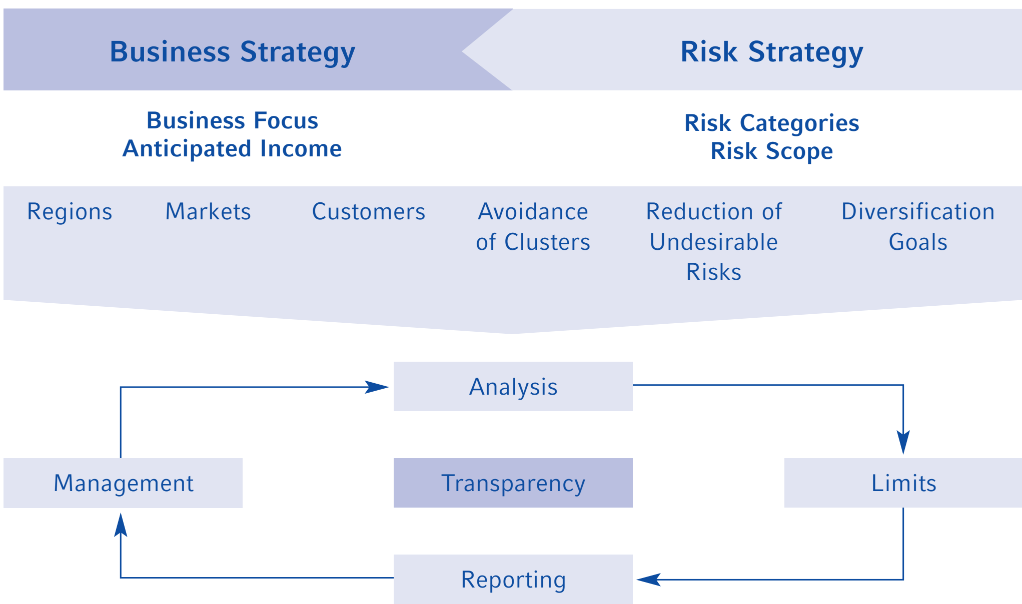
WestLB will continue its work on a process to identify and measure business risks which result from cost structures that cannot be adapted to fluctuations in volume and margins within one year's time.

Continual Improvement of the Risk Management System

The business strategy and risk strategy of the Bank are closely intertwined and mutually dependent on each other. To ensure a successful business focus, the centralised tasks of an integrated risk management system will be strengthened. The required instruments are subject to ongoing development and are used for active risk management.

Key tasks include:

- systematically orienting the Bank's risk profile to its risk-bearing potential
- setting limits and guidelines based on the risk-bearing potential to avoid risk clusters, minimising undesirable risks and making more use of risk diversification
- using and making improvements to economic capital as a chief instrument in determining the risk profile, resource allocation and risk management
- strictly adhering in business development efforts to the high standards of risk management based on economic capital
- strengthening active management of the loan portfolio and improving the efficiency of loan processes
- accelerating the development of a Bank-wide system of operational risk management that meets the standards set forth in the Basle Committee's "Sound Practices for the Management and Supervision of Operational Risk" and becomes an integral component of Bank-wide risk management
- expanding the internal model for determining market price risk in the trading business into a full-use and specific-risk system that can also support active management of credit spread risks



The measurement and analysis of all risks, setting of adequate limits and measures-based reporting allow for a transparent, comprehensive risk management system that is a key tool in implementing the Bank's risk strategy and business strategy.

Outlook

Only moderate economic growth is expected in Germany in 2004. There are signs of recovery, but a strong, self-sustaining upswing is not yet in sight. The world economy will provide some momentum, as will structural reforms, which are likely to improve medium-term growth prospects as well. Growth among banks and financial services institutions will also be only moderate and consolidation pressure in the sector will increase.

The largest risks faced by the German economy and that of the remaining euro area will be euro-related. Since the beginning of 2002, the euro has gained more than 40% on the dollar and about 20% on the average for all major currencies. The current appreciation has already restrained real economic growth. If the euro continues to strengthen at this kind of pace, the recovery now emerging would stall again, and renewed setbacks on the stock markets would be likely.

In fiscal year 2004, WestLB will direct its attention towards preparations for the substantial structural changes awaiting it in 2005, most notably the elimination of institutional and guarantor liability. It will focus its energy on regaining lost territory and on creating a stable and sustainable foundation for the future. WestLB will also concentrate on meeting the criteria to maintain a sound A rating on a stand-alone basis.

Stepping up the Bank's cooperation with the savings banks will be of central importance in 2004. WestLB believes that this is the right approach strategically and the most promising course of action for all involved. The successes of similar cooperations involving other Landesbanks, the Landesbausparkassen and public-law insurance companies underscore the prospects that a close, stable cooperation between WestLB and the savings banks can have. For this reason, it is necessary to adapt WestLB's business model so that it and the savings banks can exploit the existing market potential and synergies. The first step towards this goal will be the creation of binding rules on the provision and purchase of products and services among member institutions. The rules will be tailored to the needs of the savings banks and their customers.

WestLB made substantial progress in reducing costs in the year under review, with cost savings of an additional € 445.6 million realised. Rigorous cost management will continue in 2004. The goal will be to improve cost efficiency without compromising our offering to customers and the revenue base they provide.

The largest part of the headcount reductions set to be complete by year-end 2005 will take place in 2004. The final goal is 6,200. There are currently 7,738 employees in WestLB Group. By year-end 2004, that number will be 6,500. Long-term savings in operating expenses will accompany the personnel cuts. The outsourcing of central computing services, for example, will result in substantial IT savings. In addition, the systematic standardisation and coordination of front office systems in the Global Financial Markets business unit will considerably reduce both IT production expenditure and IT support costs. The planned bundling of payment transaction activities into the joint Transaktionsinstitut with DZ BANK AG will also yield significant cost savings in the long term.

All and all, WestLB expects considerable improvements in income and in reducing administrative expenses in fiscal year 2004. WestLB will also direct its attention towards expanding its market position and its position within the savings banks organisation. Growth will be targeted in the corporate clients, asset management and securities businesses, in particular.

Based on the realignments and allocations to risk provisions made at year-end 2003, WestLB is confident that it is going into 2004 with no discernible risks in its portfolios. Broad measures on limiting and optimising the Bank's risks have been introduced, among them greater efforts to actively manage cluster risks in the portfolios. In addition, the WISDOM transaction, a comprehensive programme for securitising credit risks, represents a first step towards transferring more of the risk to the market.

By realigning its risks and making the necessary risk provisions, introducing rigorous cost-saving measures, and revising its business model to expand its own customer and revenue base in addition to adding more services for the savings banks and their customers, WestLB has set the stage for a positive business performance in 2004 and beyond. If the world economy continues its upward trend, with such an improvement likely to have a positive impact on the domestic economy, the chances are improving that WestLB's operating result will increase in 2004.

Group Balance Sheet as at December 31, 2003

ASSETS

	see Notes No.	€	€	31. 12. 2003 €	31. 12. 2002 € thousands
1. Cash					
a) cash on hand			6,313,281.06		(11,600)
b) balances with central banks			4,622,158,302.30		(2,075,454)
including:					
with Deutsche Bundesbank					
€ 420,552,634.30					
				4,628,471,583.36	2,087,054
2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks					
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions			12,527,241,417.36		(8,607,406)
including:					
eligible for refinancing with Deutsche Bundesbank					
€ 12,248,668,259.87					
b) bills of exchange			774,017.46		(17,316)
including:				**12,528,015,434.82**	8,624,722
eligible for refinancing with Deutsche Bundesbank					
€ 260,661.97					
3. Claims on banks	6, 18				
a) payable on demand			7,475,538,950.02		(8,588,649)
b) other			62,826,813,589.59		(68,450,502)
				70,302,352,539.61	77,039,151
4. Claims on customers	7, 8, 18			**84,915,742,181.43**	88,762,390
including:					
secured by mortgages					
€ 3,507,961,875.32					
loans to public authorities and entities					
under public law € 10,653,311,693.39					
5. Bonds and other interest-bearing securities	9, 15, 18, 19				
a) money market instruments					
aa) of public institutions		1,127,184,243.05			(156,527)
including:					
eligible as collateral for Deutsche Bundesbank					
advances € 1,033,850,353.47					
ab) of other issuers		648,946,506.34			(1,712,048)
including:					
eligible as collateral for Deutsche Bundesbank					
advances € –.—			1,776,130,749.39		1,868,575
b) bonds and notes					
ba) of public institutions		25,827,764,247.96			(30,819,832)
including:					
eligible as collateral for Deutsche Bundesbank					
advances € 6,011,861,160.50					
bb) of other issuers		34,440,211,435.79			(33,737,067)
including:					
eligible as collateral for Deutsche Bundesbank					
advances € 10,833,671,224.25			60,267,975,683.75		64,556,900
c) bonds issued by the Bank			1,084,156,293.93		(1,122,727)
principal amount € 1,042,835,748.32				**63,128,262,727.07**	67,548,202
			To be carried forward:	**235,502,844,466.29**	244,061,519

LIABILITIES

	see Notes No.	€	€	31. 12. 2003 €	31. 12. 2002 € thousands
1. Liabilities to banks	20, 23, 29				
a) payable on demand			12,700,064,829.19		(14,912,207)
b) with agreed maturity or period of notice			93,386,859,296.36		(103,920,959)
				106,086,924,125.55	118,833,166
2. Liabilities to customers	21, 23, 29				
a) deposits of building and loan associations and saving deposits					
aa) saving deposits with agreed period of notice of three months		343,356.69			(33,001)
ab) saving deposits with agreed period of notice of more than three months		–.—			(–)
			343,356.69		33,001
b) other liabilities					
ba) payable on demand		16,675,392,611.42			(15,732,958)
bb) with agreed maturity or period of notice		53,452,345,237.33			(47,994,610)
			70,127,737,848.75		63,727,568
				70,128,081,205.44	63,760,569
3. Certificated liabilities	22, 29				
a) bonds and notes issued by the Bank			20,011,876,991.21		(14,403,681)
b) other certificated liabilities			35,047,157,109.69		(43,744,548)
including: money market instruments € 26,233,236,379.82				**55,059,034,100.90**	58,148,229
4. Trust liabilities	23, 29			**532,813,315.24**	511,412
including: trust loans € 157,836,282.24					
5. Other liabilities	24, 29			**10,447,661,704.74**	8,575,428
6. Deferred items	25, 29			**563,852,418.85**	549,683
7. Provisions	27, 29				
a) for pensions and similar obligations			588,858,982.64		(599,431)
b) tax reserve			405,180,456.01		(431,207)
c) other			1,427,281,154.60		(1,327,206)
				2,421,320,593.25	2,357,844
8. Special item with partial reserve character	26			–.—	3,986
9. Subordinated liabilities	28, 29, 30			**4,506,713,001.21**	5,066,989
			To be carried forward:	**249,746,400,465.18**	257,807,306

Group Balance Sheet as at December 31, 2003

ASSETS

	see Notes No.	€	€	31. 12. 2003 €	31. 12. 2002 € thousands
			To be carried forward:	235,502,844,466.29	244,061,519
6. Shares and other non-interest-bearing securities	10, 15, 18			**4,989,949,551.76**	4,836,188
7. Equity investments in non-affiliated companies	11, 15, 18, 35, 51			**3,530,386,751.99**	4,394,939
including:					
banks € 427,293,557.15					
financial services institutions € 4,072,363.87					
8. Equity investments in associated companies	11, 15			**1,396,737,828.46**	1,854,938
9. Equity investments in affiliated companies	12, 15			**621,588,513.03**	109,748
including:					
banks € 111,003,284.53					
financial services institutions € 61,483,646.13					
10. Trust assets	13			**532,813,315.24**	511,412
including:					
trust loans € 157,836,282.24					
11. Equalisation claims against public authorities including bonds and notes issued in substitution thereof				**289,463,538.68**	417,076
12. Intangible assets	15			**43,742,187.80**	61,976
including:					
goodwill € 40,625,059.04					
13. Fixed assets	15			**2,123,825,389.22**	2,825,616
14. Other assets	14			**6,132,600,281.76**	5,190,026
15. Deferred items	17			**1,079,804,490.46**	1,337,768
Total assets				**256,243,756,314.69**	265,601,206

LIABILITIES

	see Notes No.	€	€	31. 12. 2003 €	31. 12. 2002 € thousands
			To be carried forward:	**249,746,400,465.18**	257,807,306
10. Profit participation capital	29, 30			**2,644,867,175.48**	2,535,220
including:					
due in less than two years					
€ 11,217,469.34					
11. Fund for general bank risks	29, 30			**260,909,457.61**	261,915
12. Equity capital	30				
a) subscribed capital			950,500,000.—		(950,500)
b) capital reserves			1,510,924,918.35		(2,034,803)
c) reserves from retained earnings					
ca) legal reserves		–.—			(–)
cb) reserves required by WestLB's articles and bylaws		–.—			(409,346)
cc) other reserves		–.—			(973,854)
			–.—		1,383,200
d) typical silent contributions to capital			837,077,996.52		(–)
e) Group reserves			287,205,882.67		(625,799)
f) equalising items for shares of other shareholders			5,870,418.88		(2,463)
g) Group profit			–.—		(–)
				3,591,579,216.42	4,996,765
Total liabilities				**256,243,756,314.69**	265,601,206
1. Contingent liabilities					
a) contingent liabilities relating to negotiated bills of exchange			12,989,028.26		(600)
b) liabilities from guarantees and indemnity agreements			14,219,952,842.82		(17,340,493)
c) liability relating to collateral given for third-party liabilities			28,710.14		(27)
				14,232,970,581.22	17,341,120
2. Other commitments	33				
a) commitments from ungenuine repurchase agreements			–.—		(–)
b) placing and underwriting commitments			3,352,986.—		(98)
c) irrevocable credit commitments			64,995,343,054.75		(78,199,939)
				64,998,696,040.75	78,200,037
3. Administered funds				**29,766,893,282.77**	35,773,517

Group Statement of Income

FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2003

	see Notes No.	€	€	1. 1. – 31. 12. 2003 €	1. 1. – 31. 12. 2002 € thousands
1. Interest from					
a) lending and money market transactions		5,776,306,586.59			(7,260,134)
b) interest-bearing securities and					
book-entry securities		2,722,921,202.78			(2,526,858)
			8,499,227,789.37		9,786,992
2. Interest paid			7,160,064,802.12		(8,751,362)
				1,339,162,987.25	1,035,630
3. Current income from					
a) shares and other non-interest-bearing securities			232,312,629.20		(189,386)
b) equity investments in non-affiliated companies			116,321,265.07		(191,860)
c) equity investments in affiliated companies			80,982,491.07		(16,143)
				429,616,385.34	397,389
4. Income from equity investments in					
associated companies				**103,855,083.94**	96,368
5. Income from profit pooling, profit transfer					
and partial profit transfer agreements				**18,742,268.03**	10,565
6. Commission income			654,122,857.27		(906,871)
7. Commission paid			216,040,107.32		(214,661)
				438,082,749.95	692,210
8. Net income from trading operations				**1,406,359.36**	177,388
9. Income from leasing business	40			**183,526,358.89**	233,208
10. Expenses from leasing business	40			**151,284,168.64**	190,034
11. Other operating income				**355,416,889.61**	729,067
12. Income from reversal of special item with					
partial reserve character				**3,985,694.34**	5,836
13. General administrative expenses					
a) personnel expenses					
aa) wages and salaries		757,347,872.82			(890,413)
ab) compulsory social security					
contributions and expenses for pensions					
and other employee benefits		227,379,576.92			(327,322)
including:			984,727,449.74		1,217,735
for pensions					
€ 120,278,381.66					
b) other administrative expenses			701,862,786.40		(873,104)
				1,686,590,236.14	2,090,839
14. Depreciation and value adjustments on					
intangible and tangible fixed assets	15			**141,401,579.05**	182,799
15. Other operating expenses				**118,643,068.38**	525,180
16. Write-downs and value adjustments					
on loans and certain securities as well					
as allocations to loan loss provisions	38			**1,169,641,724.76**	2,010,861
including:					
allocation to fund for general bank risks					
€ –.–					
			To be carried forward:	**– 393,766,000.26**	– 1,622,052

FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2003

	see Notes No.	€	€ 1. 1. – 31. 12. 2003	€ thousands 1.1.– 31. 12. 2002
		To be carried forward:	– 393,766,000.26	– 1,622,052
17. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	38		**1,002,990,819.25**	–
18. Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	38		**–.—**	94,899
19. Expenses from the assumption of losses			**35,017,631.32**	35,174
20. Profit or loss on ordinary activities			**– 1,431,774,450.83**	– 1,562,327
21. Extraordinary income	41	4,142,323.59		(23,313)
22. Extraordinary expenses	41	394,976,377.78		(111,405)
23. Extraordinary result	41		**– 390,834,054.19**	– 88,092
24. Taxes on income and revenues	43	60,108,008.39		(62,210)
25. Other taxes not shown under other operating expenses		14,651,309.54		(16,993)
			74,759,317.93	79,203
26. Net loss for the year			**– 1,897,367,822.95**	– 1,729,622
27. Withdrawals from silent contributions to capital			**412,922,003.48**	–
28. Withdrawals from capital reserves			**523,877,996.52**	–
29. Withdrawals from reserves from retained earnings	30			
a) legal reserves		–.—		(–)
b) reserves required by WestLB's articles and bylaws		409,346,407.92		(–)
c) other reserves		973,853,592.08		(610,000)
			1,383,200,000.—	610,000
30. Withdrawals from/allocations to Group reserves		– 420,377,423.94	**– 420,377,423.94**	1,119,991
31. Profit attributable to shareholders outside the Group		2,440,291.13		(819)
32. Loss apportionable to shareholders outside the Group		185,538.02		(450)
			– 2,254,753.11	– 369
33. Group profit/Group loss			**–.—**	–

Statement of Changes in Shareholders' Equity

										Minority Shareholders	Group Equity Capital
	Parent Company										
€ millions	Subscribed capital	Capital reserves	Silent contri-butions	Group equity capital earned				Cumulative other Group result	Equity capital	Equity capital	
				Reserves from retained earnings	Group profit	Group Reserves					
						Group reserves earned	Equalising items from foreign currency translation	Other neutral trans-actions			
Balance at January 1, 2002	**1,184**	**3,318**	**0**	**1,890**	**71**	**635**	**62**	**1,700**	**8,860**	**62**	**8,922**
Division											
– Decrease in equity capital of WestLB AG	– 500	– 3,016		– 345					**– 3,861**		**– 3,861**
– Increase in equity capital of WestLB AG	267	1,733		448					**2,448**		**2,448**
– Final consolidations						51		– 17	**34**		**34**
Group loss					– 1,730				**– 1,730**		**– 1,730**
Distribution of Group profit for 2001					– 71				**– 71**		**– 71**
Withdrawals from reserves from retained earnings				– 610	610				**0**		**0**
Withdrawals from Group reserves					1,120	0			**1,120**		**1,120**
Changes in scope of consolidation						– 730		– 602	**– 1,332**	– 60	**– 1,392**
Currency translation, consolidation effects and other changes in capital						– 103	– 356	– 14	**– 473**		**– 473**
Balance at December 31, 2002	**951**	**2,035**	**0**	**1,383**	**0**	**– 147**	**– 294**	**1,067**	**4,995**	**2**	**4,997**
Group Loss					– 1,897				**– 1,897**		**– 1,897**
Distribution of Group profit for 2002									**0**		**0**
Allocation from net income for the year									**0**		**0**
Withdrawals from Group reserves		– 524			524				**0**		**0**
Allocation to silent contributions to capital			1,250						**1,250**		**1,250**
Withdrawals from silent contributions to capital			– 413		413				**0**		**0**
Withdrawals from reserves from retained earnings				– 1,383	1,383				**0**		**0**
Allocation to Group reserves					– 421				**– 421**		**– 421**
Changes in scope of consolidation						– 147	6	– 508	**– 649**		**– 649**
Acquisition of minority interests									**0**		**0**
Share of minority interests in profit					– 2				**– 2**	2	**0**
Currency translation, consolidation effects and other changes in capital						225	178	– 93	**310**	2	**312**
Balance at December 31, 2003	**951**	**1,511**	**837**	**0**	**0**	**– 69**	**– 110**	**466**	**3,586**	**6**	**3,592**

Cash Flow Statement

The cash flow statement shows the change in cash and cash equivalents and the cash flows of the WestLB Group, divided into operating activities, investing activities and financing activities.

The cash and cash equivalents shown includes the balance sheet items "cash" and "debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks."

Cash flows are allocated to operating activities as operating income accrues. The cash flow from investing activities results primarily from cash received and cash used in connection with selling or acquiring financial and tangible assets.

The change in cash from financing activities captures the relationships to equity capital providers. The statement was prepared in accordance with German Accounting Standard No. 2 (DRS 2), as supplemented by the bank-specific German Accounting Standard No. 2–10 (DRS 2–10).

CASH FLOW STATEMENT

	2003 € millions	2002 € millions
Net income (including minority shareholders' interests) before extraordinary items	**– 1,508.8**	– 1,641.9
Non-cash items included in net income and reconciliation with cash flow from operating activities		
Depreciation, write-downs and write-ups of claims, tangible and financial assets	**2,061.3**	2,996.2
Changes in provisions	**90.5**	– 141.4
Changes in other non-cash items	**– 269.7**	– 592.4
Gain on the sale of financial and tangible assets	**– 429.1**	– 1,016.8
Other adjustments (balance)	**– 1,548.0**	– 1,415.4
Subtotal	**– 1,603.8**	– 1,811.7
Changes in assets and liabilities from operating activities		
Claims – on banks – on customers	 **6,121.3** **9,805.0**	 – 4,537.2 3,500.1
Securities (with the exception of financial assets)	**8,607.7**	– 298.6
Other assets from operating activities	**– 7.0**	3,762.2
Liabilities – to banks – to customers	 **– 14,923.7** **5,898.1**	 6,108.7 – 9,859.9
Certificated liabilities	**– 6,973.8**	3,900.5
Other liabilities from operating activities	**1,696.6**	– 741.3
Interest and dividends received	**9,678.1**	5,827.0
Interest paid	**– 7,935.8**	– 6,078.3
Extraordinary cash received	**3.8**	23.3
Extraordinary cash disbursed	**– 79.8**	– 64.2
Income tax payments	**– 243.5**	– 55.3
Cash flow from operating activities	**10,043.2**	– 324.7
Cash from the disposal of – financial assets – tangible assets	 **5,393.9** **1,137.8**	 8,671.3 595.3
Disbursements for investments in – financial assets – tangible assets	 **– 9,224.0** **– 701.0**	 – 2,520.7 – 1,114.3
Cash from the sale of consolidated companies and other business units	**140.1**	0.0
Disbursements from the acquisition of consolidated companies and other business units	**– 183.6**	– 286.4
Changes in cash from other investing activities (balance)	**– 7.9**	5.2
Cash flow from investing activities	**– 3,444.8**	5,350.3
Cash from allocations to equity capital (capital increases, sale of treasury shares, etc.)	**1,250.0**	0.0
Disbursements to company owners and minority shareholders – Dividend payments – other disbursements	 **0.0** **0.0**	 0.0 0.0
Cash changes from other capital (balance)	**– 618.7**	– 370.0
Cash flow from financing activities	**631.3**	– 370.0
Net increase/decrease in cash and cash equivalents	**7,229.7**	4,655.5
Changes in cash due to changes in exchange rate, scope of consolidation and valuation	**– 785.0**	– 389.8
Cash at the beginning of the period	**10,711.8**	6,446.1
Cash at the end of the period	**17,156.5**	10,711.8

Segment Report

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

Within WestLB Group's system of management, a distinction is made between the Banking Group, which includes all companies active in the lending and finance business as well as those that support the Group's banking operations, and other Group companies.

Whereas the Banking Group companies are directly incorporated into the Group's original management mechanisms, the other Group companies are managed through participations controlling. Accordingly, the companies of the Banking Group are assigned directly to segments, while other Group companies are captured under the Equity Investments segment.

The segments are formed on the basis of WestLB Group's internal management and reflect the focus and market presence of the business units as well as the functional synergies among organisational units.

GROUP SEGMENTS

Lending	Special Finance
Central Credit Management	Global Specialised Finance
Credits Germany/Europe	Boullioun Group/Aircraft Leasing
Credits America	
Credits Asia/Pacific	
Credit Portfolio Committee (CPC)	
Westdeutsche ImmobilienBank (WIB)	

Trading	Services
Equity Markets	Global Asset Management
WSP Equities	Banque d’Orsay
Global Financial Markets	Transaction Services
WestLB International S.A., Luxembourg	
Group Operations	
Risk Management Support & Control	

Equity Investments	Other
Equity Investments	Capital and Mismatch Management (CMM)
Landesbank Rheinland-Pfalz Girozentrale	Consolidations
HSH Nordbank AG	Other business units
Principal Finance	
Other Group Companies	

Internal Service Units
Group Finance
Group Strategy/Controlling
Internal Service
Human Resources
Communications/Economics
Legal
Group Auditing
WestLB Systems/IT
Chief Information Office (CIO)

The following tables depict the contributions that the individual segments made to the consolidated result in fiscal years 2003 and 2002, respectively. The trading results reflect marked-to-market values; the adjustments made for purposes of the published accounts are captured under Other/Consolidations. The income and expenses generated internally between the segments and netted are shown as separate line items. The risk-weighted assets were determined on the basis of Principle I and the segments’ business volume. The allocated capital was calculated using the minimum equity capital ratio for internal purposes of 8.7%.

PRIMARY SEGMENT REPORT WESTLB GROUP 2003

Dec. 31, 2003 € millions	Lending	Special Finance	Trading	Services	Equity Invest-ments	Internal Service Units	Other/ Consolida-tions	Group Result
Income	**456.5**	**544.6**	**1,244.1**	**123.7**	**328.0**	**813.6**	**– 925.3**	**2,585.2**
Net interest income	318.1	362.4	896.6	0.4	242.6	63.0	8.3	1,891.4
Net commission income	78.4	180.5	107.1	111.9	19.7	3.0	– 62.5	438.1
Trading result	3.7	3.4	– 22.2	14.7	– 5.0	0.4	6.4	1.4
Other operating result	24.0	– 2.3	15.0	– 6.0	62.6	381.7	– 220.7	254.3
Internally generated income	32.3	0.6	247.6	2.7	8.1	365.5	– 656.8	0.0
Expenses	**– 225.9**	**– 191.5**	**– 966.1**	**– 193.4**	**– 86.3**	**– 955.9**	**791.1**	**– 1,828.0**
Personnel expenses	– 103.1	– 87.3	– 319.2	– 95.5	– 17.0	– 285.4	– 77.2	– 984.7
Other administrative expenses	– 79.3	– 56.1	– 349.6	– 75.7	– 58.0	– 581.3	356.7	– 843.3
Internally generated expenses	– 43.5	– 48.1	– 297.3	– 22.2	– 11.3	– 89.2	511.6	0.0
Result before risk provisions	**230.6**	**353.1**	**278.0**	**– 69.7**	**241.7**	**– 142.3**	**– 134.2**	**757.2**
Risk provisions/ result of evaluation	– 321.0	– 779.5	– 85.9	– 9.7	– 1,141.6	– 20.2	154.2	– 2,203.7
Result after risk provisions	**– 90.4**	**– 426.4**	**192.1**	**– 79.4**	**– 899.9**	**– 162.5**	**20.0**	**– 1,446.5**
Extraordinary result	– 24.3	– 2.9	– 131.7	– 40.0	– 1.0	– 54.2	– 136.7	– 390.8
Other netting	0.0	0.0	6.3	0.0	0.0	0.0	– 6.3	0.0
Profit/Loss for the year before taxes	**– 114.7**	**– 429.3**	**66.7**	**– 119.4**	**– 900.9**	**– 216.7**	**– 123.0**	**– 1,837.3**
Cost-income ratio	**49.5**	**35.2**	**77.7**	**156.3**	**26.3**	**117.5**	**85.5**	**70.7**
Risk positions (gross exposure of risk-weighted assets)	34,026	19,405	32,411	2,354	43,565	524	2,027	134,313
Allocated capital	2,960	1,688	2,820	205	3.790	46	176	11,685
Return on allocated capital (%)	– 3.6	– 25.6	2.3	– 54.2	– 21.8	– 413.0	– 51.2	– 14.8
Segment assets	43,882.9	23,585.1	150,392.7	634.3	7,837.9	8,241.3	21,669.6	256,243.8
Segment liabilities	22,111.5	3,220.9	191,435.6	1,950.7	237.9	5,882.0	27,813.6	252,652.2
No. of full time-employees at Dec. 31, 2003	**1,242**	**494**	**2,151**	**550**	**167**	**2,393**	**547**	**7,544**

PRIMARY SEGMENT REPORT WESTLB GROUP 2002

Dec. 31, 2002 € millions	Lending	Special Finance	Trading	Services	Equity Invest-ments	Internal Service Units	Other/ Consolida-tions	Group Result
Income	**477.7**	**804.6**	**1,010.2**	**178.1**	**242.4**	**908.5**	**– 981.9**	**2,639.6**
Net interest income	343.2	498.1	486.7	56.7	0.1	42.9	112.3	1,540.0
Net commission income	90.3	290.2	121.4	113.3	10.5	3.1	63.4	692.2
Trading result	– 7.1	11.6	179.5	4.5	– 13.8	0.0	2.6	177.3
Other operating result	17.0	3.5	46.3	0.2	239.0	438.4	– 514.3	230.1
Internally generated income	34.3	1.2	176.3	3.4	6.6	424.1	– 645.9	0.0
Expenses	**– 197.2**	**– 200.9**	**– 1,030.6**	**– 187.7**	**– 231.2**	**– 1,183.4**	**757.4**	**– 2,273.6**
Personnel expenses	– 87.5	– 91.3	– 365.0	– 92.7	– 136.5	– 379.2	– 65.5	– 1,217.7
Other administrative expenses	– 59.6	– 57.7	– 396.3	– 68.1	– 89.3	– 684.6	299.7	– 1,055.9
Internally generated expenses	– 50.1	– 51.9	– 269.3	– 26.9	– 5.4	– 119.6	523.2	0.0
Result before risk provisions	**280.5**	**603.7**	**– 20.4**	**– 9.6**	**11.2**	**– 274.9**	**– 224.5**	**366.0**
Risk provisions/ result of evaluation	– 604.9	– 1,084.4	– 236.1	– 3.3	8.9	– 7.2	– 18.3	– 1,945.3
Result after risk provisions	**– 324.4**	**– 480.7**	**– 256.5**	**– 12.9**	**20.1**	**– 282.1**	**– 242.8**	**– 1,579.3**
Extraordinary result	– 21.8	– 6.2	– 124.1	– 23.2	– 0.9	– 25.1	113.2	– 88.1
Other netting	1.1	25.3	11.9	0.0	265.8	1.0	– 305.1	0.0
Profit/Loss for the year before taxes	**– 345.1**	**– 461.6**	**– 368.7**	**– 36.1**	**285.0**	**– 306.2**	**– 434.7**	**– 1,667.4**
Cost-income ratio	**41.3**	**25.0**	**102.0**	**105.4**	**95.4**	**130.3**	**77.1**	**86.1**
Risk positions (gross exposure of risk-weighted assets)	38,123	21,875	35,478	2,293	50,451	657	5,639	154,516
Allocated capital	3,317	1,903	3,087	200	4,389	57	491	13,443
Return on allocated capital (%)	– 9.6	– 21.6	– 8.2	– 19.0	7.0	– 613.6	0.0	– 11.3
No. of full time-employees at Dec. 31. 2002	**702**	**734**	**2,170**	**794**	**109**	**2,914**	**1,155**	**8,578**

Secondary Segment Report WestLB Group 2003

The secondary segment report captures the regional distribution of the key balance sheet items and results of WestLB AG Group at December 31, 2003. The allocation to specific regions was determined on the basis of the domicile of the branch or subsidiary on whose account the relevant transaction was carried.

SECONDARY SEGMENT REPORT WESTLB GROUP 2003

Segments	Germany	Europe	North America	South America	Asia/ Australia	Adjustment	Total
Components							
Result before risk provisions	148.4	514.1	190.7	19.1	88.6	– 203.7	757.2
Risk provisions/result of evaluation	– 1,753.2	– 548.2	– 654.6	– 0.9	– 5.8	759.0	– 2,203.7
incl. risk provisions for lending business	– 473.4	– 515.6	– 194.1	– 0.9	– 4.0	6.2	– 1,181.8
Result after risk provisions	– 1,604.7	– 34.1	– 464.0	18.2	82.8	555.3	– 1,446.5
Segment assets	126,998.8	109,035.6	33,862.0	1,007.1	6,578.0	– 21,237.7	256,243.8
Segment liabilities	123,591.5	109,066.1	33,536.1	913.0	6,551.6	– 21,006.1	252,652.2
Cost-income ratio	89.8	57.1	52.1	52.2	49.9	70.0	70.7

Notes to the WestLB AG Group Annual Accounts at December 31, 2003

Basis for Preparation of Group Annual Accounts (1)

WestLB's consolidated annual accounts were 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). Information that may appear either in the balance sheet or the Notes has been included in the Notes.

In preparing the consolidated annual accounts, the following German Accounting Standards (GAS) published by the German Accounting Standards Committee (GASC) were applied:

- GAS 2 Cash Flow Statements and GAS 2–10 Cash Flow Statements of Financial Institutions
- GAS 3 Segment Reporting and GAS 3–10 Segment Reporting by Financial Institutions
- GAS 5 Risk Reporting and GAS 5–10 Risk Reporting by Financial Institutions and Financial Services Institutions
- GAS 7 Group Equity and Total Recognised Results

GAS 8 – Accounting for Investments in Associated Enterprises in Consolidated Financial Statements – was applied in most cases. Specifically, a test to determine the lower of cost or market value, as set forth in GAS 8.28, was conducted for any associated enterprise valued with the equity method.

Accounting and Valuation Principles (2)

As a rule, WestLB AG's accounting principles, valuation principles and reporting procedures are applicable to the entire WestLB Group. In accordance with the legal requirements, the financial accounts of the subsidiaries included in the Group annual accounts are prepared in accordance with WestLB AG's standard accounting and valuation methods.

Assets, liabilities and pending transactions are valued in accordance with §§ 252 et seq. and §§ 340 et seq. of the German Commercial Code (HGB).

Claims are reported at their outstanding principal balances less any unamortised discounts. Liabilities are carried at their repayment amounts, with any related discounts reported under deferred items. Premiums on claims and liabilities are reported under deferred items as an asset or liability respectively. The accrued interest on a claim or liability at year-end is included with the claim or liability to which it applies. Deferred items resulting from own bonds issued and the lending business are valued according to the proportionate interest method.

Bills of exchange, as well as treasury bills and non-interest-bearing treasury bonds, are discounted and shown with the effective discount rate. Non-interest-bearing loans to employees are reported at their outstanding principal balance in accordance with tax regulations. Zero-coupon bonds are carried as liabilities at their issue price plus interest accrued as of the balance sheet date.

Discernible risks in the lending business were adequately covered by individual value adjustments and provisions. A global provision was formed in accordance with tax valuation methods for latent risks from claims and contingent liabilities.

Securities held in the liquidity reserve are valued strictly at the lower of cost or market value.

Securities held in the investment portfolio (financial assets) are valued at cost; where a loss of value is expected to be permanent, they are written down to the lower fair value. Any difference between the cost and the repayment amount is recognised on a pro rata basis in income. To the extent that securities held in the investment portfolio are carried at values higher than their current market value, these securities are shown separately in the Notes as valued as fixed assets. This information is subject to change over time because of portfolio changes, as well as movements in interest rates and/or market value.

Shares, bonds, derivatives and other trading instruments held by the WestLB Group for proprietary trading purposes are reported at their individual market values as of the balance sheet date. They are carried either at market value or their fair value as at December 30, 2003 (last trading day for liquid markets); pro rata interest, non-recurring payments, and option premiums are taken into account.

The individual results of valuation are combined into Group-wide macro portfolios. Euro country currencies are combined into one item. The portfolios are broken down into risk categories (interest rates, shares and other price risks) and, within these risk categories, into currencies, classes of shares and other basic instruments. Positive and negative valuation results are netted within the macro portfolios; if there any positive valuation results, i.e. unrealised gains, remaining, these unrealised gains are netted against realised losses. Any unrealised gains remaining after that are not recognised as income; any remaining unrealised losses are written down and provisions are established. The current results from the trading portfolio (interest income, dividends), as well as refinancing costs, were reported as part of the interest result in the statement of income. To the extent they result from trading transactions, price gains and losses, as well as payments obtained and received under forward contracts and other derivative instruments, as well as options, are included in the net income from trading operations. The dividend income from certain equity trading portfolios is also included in the net income from trading operations.

Equity investments in associated companies of minor importance and in other non-affiliated companies are captured in the balance sheet item "equity investments in non-affiliated companies". Equity investments in subsidiaries of minor importance are captured under "equity investments in affiliated companies". All equity investments are carried at cost; where a loss of value is expected to be permanent, they are written down to the lower fair value.

The book values of the associated companies included in the Group annual accounts with the equity method are tested on the balance sheet date for impairment pursuant to GAS 8.28. The value of these associated companies is written down if the equity value exceeds the fair value. Where the reason for the write-down no longer exists, the equity value is written up.

Tangible assets with a limited useful life and intangible assets acquired against payment with a limited useful life are depreciated in accordance with the applicable tax regulations. Low-value assets are written off in full in their year of purchase. Aircraft listed under leased assets are depreciated to a residual value of 20% over a 20-year period.

Adequate provisions have been made for contingent liabilities and pending losses; a provision for anniversary expenses has been established in the amount permitted under tax law. The provision for pensions was established on the basis of actuarial principles in accordance with § 6 (a) of the German Income Tax Act (EStG).

There is a fund for general bank risks pursuant to § 340 (g) and reserves pursuant to § 340 (f) of the German Commercial Code (HGB).

Foreign currency amounts have been translated in accordance with § 340 (h) of the German Commercial Code (HGB) and BFA 3/1995. Assets and liabilities denominated in foreign currencies, as well as open spot deals, are translated using the ECB reference rates effective on December 30, 2003. Open forward contracts (forward exchange transactions, foreign currency options and foreign currency futures) are carried at the mean forward rate or option premium effective on that day (last trading day for the liquid market). Income and expenses for which a particular exchange rate has been agreed are translated at the respective hedge rate. Swap premiums on hedged balance sheet items are deferred and amortised over time. The amortisation amounts are included in the interest result.

Each of the items on WestLB Group's balance sheet, as well as each pending transactions, which is denominated in a foreign currency has been covered by an item that is also denominated in that currency within the meaning of § 340 (h) (2) Sentence 2 of the German Commercial Code (HGB). Therefore, in accordance with § 340 (h) (2) Sentences 1 and 2 of the German Commercial Code (HGB), all expenses and income generated from the translation of foreign currency are captured in the statement of income. There is no income that had to be reported separately since the foreign exchange positions open as of the balance sheet date were short-term. The negative result from the valuation of individual open positions has been netted and reported under other liabilities.

Deferred tax items are not netted against each other, but instead reported under assets and liabilities, respectively. A deferred tax asset is formed when a tax expense arises at the relevant Group company or local WestLB AG branch in the course of the year. Deferred tax assets are only shown if there are deferred tax liabilities.

Consolidation Principles (3)

The accounts of the individual Group companies are, as required by law, uniformly prepared in accordance with the accounting and valuation methods applicable to WestLB AG. Except in cases where their impact is insubstantial pursuant to § 304 (2) of the German Commercial Code (HGB), claims and liabilities, expenses and income, as well as intra-group results existing or arising between companies included in the Group accounts, are eliminated. Where necessary, a deferred tax item is formed to cover any consolidation measures affecting net income.

The annual accounts of foreign subsidiaries prepared in a foreign currency were converted using the ECB reference rates effective on December 30, 2003. Valuation differences arising from exchange-rate adjustments in previous years are netted against Group reserves.

When Group companies are consolidated for the first time, the book value method is used, with valuation as at the Group balance sheet date. In the year under review, a net € 2.5 million in income was captured in full in the relevant items in the Group statement of income. Owing to the consolidation as at the Group balance sheet date, equalising items are formed for the annual results of companies consolidated for the first time, and then placed under other operating expenses or income, pursuant to HFA 3/1995.

The at-equity valuation of the 27 associated companies (2002: 24) continues to be performed according to the book value method. In the case of companies classified as associated companies for the first time, the basis for valuation was the reporting date for the Group annual accounts. Any valuation methods used for associated companies which deviate from those applied by the WestLB Group are not adjusted. We are aware of no facts requiring the elimination of intra-group results with associated companies. Consolidation balances resulting from the first-time consolidation of fully consolidated subsidiaries are offset against Group reserves. Positive consolidation balances resulting from the first-time consolidation of companies valued according to the equity method are also offset against Group reserves. Negative valuation balances resulting from the consolidation of such companies are generally not reflected in Group reserves.

When companies that are consolidated into the WestLB Group at equity demonstrate changes in their equity capital that have no or no clearly identifiable impact on earnings, such changes are reflected in their equity values on a pro rata basis, but are not recognised in income. Due to such pro rata adjustments to the equity value and fair value of HSH Nordbank AG and Landesbank Rheinland-Pfalz Girozentrale, respectively, there was a decrease of € 478.0 million in Group reserves that was not recognised in income. The write-down to fair value of the equity value of Landesbank Rheinland-Pfalz Girozentrale was not recognised in income because the increase in its equity value in the past was also not recognised in income.

Unless they are netted as part of capital consolidation, the earnings of the consolidated subsidiaries are allocated to Group reserves. The Group reserves contain the results of consolidation measures both affecting and not affecting profit. Group profit is identical to that of WestLB AG.

Companies Included in the Group Annual Accounts (4)

At the end of fiscal year 2003, WestLB AG had a total of 433 affiliated companies, of which 75 were included in the Group annual accounts. The following table shows the changes in the number and classification of the companies included in the Group annual accounts:

GROUP COMPANIES OF WESTLB AG

	Previous Year	Additions	Subtractions	Conversions	Report Year
Affiliated companies	242	200	20	11	433
included in the Group accounts	89	3	5	– 12	75
not included in the Group accounts pursuant to § 296 (1) No. 2 and 3 or (2) of the German Commercial Code (HGB)	152	197	15	23	357
not included in the Group accounts pursuant to § 295 (1) of the German Commercial Code (HGB)	1	–	–	–	1
Jointly managed companies	11	–	–	– 11	–
Associated companies (valued at equity pursuant to § 312 (1) of the German Commercial Code (HGB))	24	7	4	–	27
Associated companies (not valued at equity pursuant to § 311 (2) of the German Commercial Code (HGB))	7	41	1	–	47

Among the 75 affiliated companies included in the Group annual accounts are the two sub-groups of wholly owned Group companies Boullioun Aviation Services Inc. and Westdeutsche ImmobilienBank.

Three Group companies were added as a result of newly formed companies in the Boullioun Aviation Services Inc. sub-group. The subtraction of five Group companies is the result of one sale and four intra-group mergers. The net total of twelve conversions is the result of the deconsolidation of 24 companies, one first-time consolidation and a change in the consolidation method applied to eleven companies. In order to streamline the number of companies included in the Group accounts, 24 companies were deconsolidated because of their minor importance to the Group and captured with those companies not included in the Group accounts pursuant to § 296 (2) of the German Commercial Code (HGB). The cumulative effect of all deconsolidations was immaterial.

The twelve new subsidiaries include one first-time consolidation of a company that was included in the accounts of sub-group Boullioun Aviation Services Inc. in the year under review and eleven jointly managed companies that became fully consolidated Group companies as a result of WestLB Group's acquisition of the remaining 50% of Westdeutsche ImmobilienBank. The consolidation of these eleven new subsidiaries resulted in a negative consolidation balance of € 6.8 million attributable to the Westdeutsche ImmobilienBank sub-group. Group reserves were increased by this amount.

A total of 357 affiliated companies were not included in the Group accounts, because they are only of minor importance to WestLB Group's net assets, financial condition and earnings or because the shares in them are held solely for the purpose of being sold. Of these, 135 companies alone are part of Klöckner & Co AG, whose shares were held in the year under review for the purpose of being sold. Subsidiaries of minor importance of Westdeutsche ImmobilienBank are also included, which are to be classified as subsidiaries given WestLB AG's acquisition of the remaining 50% of Westdeutsche ImmobilienBank. Subtractions are the result of sales, liquidations and intra-group mergers.

The value of the aggregate unconsolidated assets of the companies which were not consolidated due to their minor importance is equal to 1.3% of total Group assets.

One affiliated company is not included in the Group accounts because its inclusion is prohibited pursuant to § 295 of the German Commercial Code (HGB). Its line of business (a relief fund) differs from that of the WestLB Group.

Eleven jointly managed companies, Westdeutsche ImmobilienBank and ten consolidated subsidiaries were reclassified as fully consolidated subsidiaries following WestLB AG's acquisition of the remaining 50% of Westdeutsche ImmobilienBank.

47 (2002: 7) associated companies are not valued with the equity method, since they are of only minor importance to the Group's net assets, financial condition and earnings. A review of non-affiliated companies on the basis of the criteria set forth in § 311 of the German Commercial Code (HGB) for treatment of companies as associated companies resulted in the net addition of 40 companies in which WestLB AG exercises a controlling influence.

The structure of WestLB Group is as follows:

GROUP STRUCTURE OF WESTLB GROUP, DÜSSELDORF/MÜNSTER

Banking Group Subsidiaries	
Banco WestLB do Brasil S.A., São Paulo (100%)	(LC)
Bank WestLB Vostok (ZAO), Moscow (100%) (formerly SAO Westdeutsche Landesbank Vostok)	(LC)
Banque d'Orsay S.A., Paris (100%)	(LC)
Boullioun Aviation Services Inc., Bellevue (100%) (sub-group)	
GEV Gesellschaft für Energie- und Versorgungswerte mbH, Dortmund (100%)	
WestAM Holding GmbH, Düsseldorf (100%)	(LC)
Westdeutsche ImmobilienBank – Group –, Mainz (100%) (sub-group)	(LC)
WestLB Asia Pacific Limited, Singapore (100%)	(LC)
WestLB Asset Management Kapitalanlagegesellschaft mbH, Düsseldorf (100%)	(LC)
WestLB Bank Polska S.A., Warsaw (100%)	(LC)
WestLB Beteiligungsholding GmbH, Düsseldorf (100%)	
WestLB Covered Bond Bank plc, Dublin (100%)	(LC)
WestLB Europa Holding AG, Düsseldorf (100%)	(LC)
WestLB Europe (UK) Holdings Ltd., London (100%)	(LC)
WestLB Fund Investments Ltd., London (100%)	(LC)
WestLB Hungaria Bank Rt., Budapest (100%)	(LC)
WestLB International S.A., Luxembourg (100%)	(LC)
WestLB Ireland plc, Dublin (100%)	(LC)
WestLB (Italia) Finanziaria S.p.A., Milan (100%)	(LC)
WestLB New York Capital Investment Ltd., Jersey (100%)	
WestLB Panmure Ltd., London (100%)	(LC)
WestLB Securities Inc., Dover/Delaware (100%)	(LC)
WestLB Securities Pacific Ltd., Hong Kong (100%)	(LC)
WestLB Systems GmbH, Düsseldorf (100%)	
WestLB UK Ltd., London (100%)	(LC)

Other Group Subsidiaries	
Affiliated companies included in the consolidated accounts	
WestKB-Westdeutsche Kapitalbeteiligungsgesellschaft mbH, Düsseldorf (100%)	
WestLB Europe (UK) Fund Ltd., London (100%)	
WestLB Finance (Credits) Ltd., London (100%)	(LC)
WestLB Finance Curaçao N.V., Willemstad (100%)	(LC)
WestLB Finance Netherlands B.V., Amsterdam (100%)	(LC)
WestLB Finance UK plc, London (100%)	(LC)
West Merchant Bank Ltd., London (100%)	(LC)
WestLB Property Services Ltd., London (100%)	(LC)
WestLeasing Westdeutsche Leasing Holding GmbH, Düsseldorf (100%)	
Woolgate Investments CV, Amsterdam (100%)	
40 additional affiliated companies included in the consolidated accounts	

Affiliated companies not included in the consolidated accounts	
Banque Européenne pour l'Amérique Latine (BEAL) S.A., Brussels (100%)	(LC)
GGF Asset Management S.A., Luxembourg (100%)	
Jet Leasing PTY Limited, Sydney (100%)	
PE Projektentwicklungsgesellschaft mbH & Co. Büro- und Businesscenter Leipzig-Park KG, Düsseldorf (100%)	(LC)
WestAM (USA) Ltd., Addison, Texas (100%)	(LC)
WestLB Asset Management (Australia) Pty. Ltd., Sydney (51%)	(LC)
WestLB Asset Management (Japan) Co. Ltd., Tokyo (100%)	
WestLB Asset Management (Luxembourg) S.A., Luxembourg (100%)	
WestLB Asset Management (UK) Ltd., London (100%)	(LC)
WestLB Asset Management (US) LLC, Houston (100%)	(LC)
WestLB Asset Management (USA) LLC, Chicago (100%)	(LC)
WestLB Growth Fund GmbH, Düsseldorf (formerly WestLB & Panmure Growth Fund GmbH) (100%)	
WestLB Panmure (Hungaria) Rt., Budapest (100%)	
WestLB Research GmbH, Düsseldorf (100%)	
WestLB Securities Australia Limited, Sydney (100%)	
WestRM – West Risk Markets AG, Zug (100%)	(LC)
WMB Leasing Nine Ltd., London (100%)	(LC)
WMB Leasing Seven Ltd., London (100%)	(LC)
WMB Leasing Ten Ltd., London (100%)	(LC)
340 additional affiliated companies not included in the consolidated accounts, 135 of which are part of Klöckner & Co AG, Duisburg	

74 associated companies

For information: companies outside the Group that have Letters of Comfort:	
West Pensionsfonds AG, Düsseldorf (49.9%)	(LC)
West Pensionskasse AG, Düsseldorf (49.9%)	(LC)

(LC) = covered by WestLB AG's Letters of Comfort for Group subsidiaries

Forward Transactions/Derivatives (5)

As part of their business operations the companies of WestLB Group enter into forward contracts and derivatives whose value is based on interest rates, foreign exchange rates and other forward contracts or derivatives. The specific types of forward contracts and derivatives that WestLB Group enters into are as follows:

- **Forward transactions/derivatives based on interest rates**
  Interest-rate swaps, interest-rate futures, forward rate agreements (FRAs), interest-rate options (bought and written), issued interest-rate warrants, interest-rate caps, interest-rate floors, interest-rate collars and swaptions

- **Forward transactions/derivatives based on foreign exchange rates**
  Forward exchange transactions, currency options (bought and written), currency futures, issued currency warrants, currency swaps and interest-currency swaps

- **Forward transactions/derivatives based on share and other price risks**
  Stock forwards, stock options (bought and written), index forwards, index options (bought and written), issued stock warrants and issued index warrants, precious metal/commodity forwards, swaps, futures and options

- **Credit derivatives (bought and written)**
  Credit default swaps, total return swaps and credit linked notes

DERIVATIVES – GROUP VOLUMES

€ millions	Nominal Values		Credit Risk Equivalents		Replacement Costs*	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Interest-rate risks						
Interest-rate swaps	1,220,904	1,151,600	9,047	10,857	25,602	30,973
FRAs	174,043	198,165	18	27	77	124
Interest-rate options, swaptions						
– bought	42,092	35,884	364	438	1,125	1,522
– written	53,486	39,306	–	–	–	–
Stock market contracts	674,493	355,679	–	–	–	–
Caps, floors	140,264	118,970	317	361	884	1,107
Other interest-rate forward transactions	15,031	42,822	72	59	136	101
Total interest-rate risks	**2,320,313**	**1,942,426**	**9,818**	**11,742**	**27,824**	**33,827**
Currency risks						
Forward exchange transactions	69,595	115,237	729	1,138	1,865	3,251
Interest-currency swaps/ currency swaps	143,300	114,899	3,273	2,700	4,870	3,066
Currency options						
– bought	6,877	10,873	145	132	295	349
– written	6,740	11,137	–	–	–	–
Stock market contracts	233	1,260	–	–	–	–
Other currency forward transactions	1,006	377	38	3	49	1
Total currency risks	**227,751**	**253,783**	**4,185**	**3,973**	**7,079**	**6,667**
Share and other price risks						
Stock forward transactions	56	10	2	–	–	–
Stock options						
– bought	5,664	2,758	294	175	482	534
– written	6,125	2,565	–	–	–	–
Stock market contracts	6,212	6,809	–	–	–	–
Other forward transactions	1,928	3,745	60	129	20	87
Total share and other price risks	**19,985**	**15,887**	**356**	**304**	**502**	**621**
Credit derivatives						
Credit derivatives						
– bought	19,015	20,420	271	341	101	395
– written	28,162	25,741	–	–	–	–
Total credit derivative risks	**47,177**	**46,161**	**271**	**341**	**101**	**395**
Total derivatives	**2,615,226**	**2,258,257**	**14,629**	**16,360**	**35,506**	**41,510**
Netting effects	**–**	**–**	**8,124**	**8,806**	**–**	**–**
Total derivatives after netting	**2,615,226**	**2,258,257**	**6,506**	**7,554**	**35,506**	**41,510**

* Excluding Banque d'Orsay S.A.

The total volume of WestLB Group's forward transactions and derivatives business was € 2,615.2 billion (2002: € 2,258.3 billion) as of the balance sheet date. The emphasis continues to be on interest-rate risks, whose share of the total volume increased to 88.7% (2002: 86.0%).

The credit risk equivalents and replacement costs are calculated on the basis of the market valuation method in accordance with German banking regulatory requirements. The market value is calculated only for those contracts for which the replacement transaction necessary to regain the previous position in the event of a counterparty default would result in additional expenditure or lower income; profits and losses generated by replacement transactions are not netted. In line with the above-mentioned banking regulatory requirements, the counterparty weighting, add-on for derivatives and close-out netting effects are taken into account when calculating the credit risk equivalents.

WestLB Group's credit risk equivalents pursuant to § 10 and § 10 a of the German Banking Act (KWG) represent 13.3% (2002: 11.8%) of its total counterparty default risks (weighted risk assets and relevant amount for the counterparty risk of the trading book). Close-out netting is used to calculate the credit risk equivalents for banking regulatory purposes. As a result, the average credit risk equivalents declined by 57.3% (2002: 53.8%).

In addition to the credit derivatives from the trading book listed in the table, there were also credit derivatives in the investment book. The volume of credit derivatives in the investment book where WestLB Group is the guarantee (buyer) amounted to € 6,027.0 million (2002: € 1,629.0 million) at December 31, 2003. Those where WestLB Group is the guarantor (seller) amounted to € 1,578.0 million (2002: € 2,012.0 million) and have been included in contingent liabilities.

In fiscal year 2003, the average annual value, in nominal terms, of WestLB Group's derivatives and other forward transactions was € 2,840.2 billion (2002: € 2,329.4 billion).

DERIVATIVES – AVERAGE GROUP VOLUMES

Jan. 1 – Dec. 31, 2003 € millions	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	2003	2002	2003	2002	2003*	2002*
Interest-rate risks	2,534,000	1,965,943	11,500	9,360	32,673	26,302
Currency risks	241,250	306,624	3,868	4,372	6,077	7,128
Share and other price risks	16,216	16,360	328	330	584	607
Risks from credit derivatives	48,774	40,504	306	326	164	401
Total derivatives	**2,840,240**	**2,329,431**	**16,002**	**14,388**	**39,498**	**34,438**

* Excluding Banque d'Orsay S.A.

WestLB Group enters into derivative transactions with top-rated counterparties.

DERIVATIVES – CLASSIFICATION OF COUNTERPARTIES

€ millions	Nominal Values		Credit Risk Equivalents		Replacement Costs*	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
OECD banks	1,488,243	1,472,680	8,196	9,570	27,402	32,534
Non-OECD banks	4,880	4,356	100	74	151	106
Customers (incl. stock market contracts)	1,121,391	779,823	6,319	6,692	7,899	8,769
Public-sector entities	712	1,398	15	24	54	101
Total	**2,615,226**	**2,258,257**	**14,630**	**16,360**	**35,506**	**41,510**

* Excluding Banque d'Orsay S.A.

Almost all of WestLB Group's derivatives are trading transactions; customer transactions are entered into by the trading units. Contracts for hedging the Group's own non-trading portfolios are reflected in the trading portfolio by way of internal contracts. The interest-rate contracts are spread relatively equally across the entire spectrum of maturities; approx. 21.3% (2002: 21.0%) have a residual maturity of more than five years.

Most of the currency contracts are medium-term or long-term, while most of the stock contracts are short-term.

DERIVATIVES – CLASSIFICATION BY MATURITY
DEC. 31, 2003

Nominal Values € millions	Interest-Rate Risks	Currency Risks	Share and Other Price Risks	Risks from Credit Derivatives
Residual maturity				
– up to 3 months	842,409	59,354	8,513	0
– up to 1 year	354,919	48,705	8,019	2,364
– 1 to 5 years	628,935	81,548	3,078	34,447
more than 5 years	494,050	38,144	375	10,366
Total	**2,320,313**	**227,751**	**19,985**	**47,177**

DERIVATIVES – CLASSIFICATION BY MATURITY

DEC. 31, 2002

Nominal Values € millions	Interest-Rate Risks	Currency Risks	Share and Other Price Risks	Risks from Credit Derivatives
Residual maturity				
– up to 3 months	629,851	94,341	7,335	8
– up to 1 year	312,286	54,044	5,796	0
– 1 to 5 years	588,504	72,650	2,578	1,715
more than 5 years	411,785	32,748	178	44,438
Total	**1,942,426**	**253,783**	**15,887**	**46,161**

Claims on Banks (6)

	Dec. 31, 2003 € millions		Dec. 31, 2002 € millions	
	Claims on Affiliated Banks*	Claims on Other Banks	Claims on Affiliated Banks*	Claims on Other Banks
Payable on demand	350.0	7,125.5	731.3	7,857.3
Breakdown by residual maturity				
– up to 3 months	1,087.2	39,758.5	1,014.2	42,183.7
– between 3 months and 1 year	369.2	12,580.0	289.4	14,273.7
– between 1 and 5 years	391.3	6,061.8	250.8	7,505.8
– more than 5 years	908.7	1,670.2	432.8	2,500.2
Total	**3,106.4**	**67,196.0**	**2,718.5**	**74,320.7**
Book value	**70,302.4**		**77,039.2**	

* affiliated banks include the savings banks in North Rhine-Westphalia and Brandenburg

Claims on other banks include claims on affiliated companies in the amount of € 8,820.6 million (2002: € 11,052.8 million) and claims on companies in which equity investments are held in the amount of € 447.2 million (2002: € 455.9 million).

Claims from leasing transactions amount to € 317.3 million (2002: € 443.8 million).

Claims on Customers (7)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Breakdown by residual maturity		
– up to 3 months	28,264.7	33,893.3
– between 3 months and 1 year	12,386.5	15,231.0
– between 1 and 5 years	22,523.2	21,612.9
– more than 5 years	21,741.3	18,025.2
Book value	**84,915.7**	**88,762.4**
including: – claims with undetermined maturity	2,945.5	2,079.5
– on non-consolidated affiliated companies	844.3	202.0
– on companies in which equity investments are held	4,940.0	3,744.2
– from leasing transactions	1,472.0	1,496.1

Claims Secured by Mortgages (8)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Breakdown of claims on customers by residual maturity		
– up to 3 months	155.8	221.1
– between 3 months and 1 year	157.3	152.8
– between 1 and 5 years	560.6	738.5
– more than 5 years	2,634.3	2,791.6
Book value	**3,508.0**	**3,904.0**

Bonds and Other Interest-Bearing Securities (9)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Book value	**63,128.3**	**67,548.2**
including:		
amounts that will become due by December 31 of the following fiscal year	14,628.0	19,487.0
Breakdown by product		
– money market instruments	1,776.1	1,868.6
– bonds and notes of public-sector issuers	25,827.8	30,819.8
– bonds and notes of other issuers	34,440.2	33,737.1
– notes issued by the Group	1,084.2	1,122.7
Breakdown by stock exchange listing		
– listed on a stock exchange	52,581.8	54,843.5
– not listed on a stock exchange	10,546.5	12,704.7
Breakdown by portfolio		
– trading portfolio	28,141.4	36,097.9
– liquidity reserve	1,787.6	2,678.7
– investment portfolio	33,199.3	28,771.6
Breakdown by Group affiliation		
– securities of companies in which equity investments are held	897.8	550.2

The € 33.2 billion (2002: € 28.8 billion) in bonds and other interest-bearing securities held in the investment portfolio is part of fixed assets. At year-end, € 11.1 billion (2002: € 6.9 billion) of WestLB Group's financial assets had been valued at the modified lower of cost or market value. Of that, € 7.9 billion (2002: € 2.2 billion) consisted of debt obligations acquired in connection with interest-rate swaps (asset swaps), the commercial value of which equals the purchase price entered on the books.

Shares and Other Non-Interest Bearing Securities (10)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Shares and other non-interest bearing securities		
Book value	**4,989.9**	**4,836.2**
Breakdown by marketability		
– marketable securities	2,273.1	2,133.3
– non-marketable securities	2,716.8	2,702.9
Breakdown by stock exchange listing		
– listed on a stock exchange	1,728.6	1,898.5
– not listed on a stock exchange	3,261.3	2,937.7
Breakdown by portfolio		
– trading portfolio	1,332.5	1,068.3
– liquidity reserve	447.6	818.7
– investment portfolio	3,209.8	2,949.2

The item "shares and other non-interest bearing securities" includes shares in special funds held by WestLB Group totalling € 2,716.8 million (2002: € 2,688.2 million). The funds themselves consist mainly of listed securities and are included in the investment portfolio.

Equity Investments in Non-Affiliated Companies and Associated Companies (11)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Equity investments in non-affiliated companies and associated companies		
Book value	**4,927.1**	**6,249.8**
including:		
– banks	1,324.9	2,257.0
Breakdown by marketability/stock exchange listing		
– marketable securities	2,431.9	4,394.9
thereof: – listed on a stock exchange – not listed on a stock exchange	 2,287.0 144.9	 2,644.7 1,750.2

The equity investments in non-affiliated companies held in accordance with § 285 No. 11 and § 313 (2) of the German Commercial Code (HGB) are itemised in a separate list that has been deposited with the Local Court (Amtsgericht) in Düsseldorf. No exemptions from disclosure provided under § 286 (3) No. 2 and § 313 (3) of the German Commercial Code (HGB) were applied.

Equity Investments in Affiliated Companies (12)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Equity investments in affiliated companies		
Book value	**621.6**	**109.7**
including: – banks	111.0	0.0
– in financial services institutions	61.5	0.6
– in other companies	449.1	109.1
Breakdown by marketability/stock exchange listing		
– marketable securities	396.1	16.1
thereof: – not listed on a stock exchange	396.1	16.1

Trust Assets (13)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Claims on banks	0.2	0.3
Claims on customers	157.6	136.1
Participations in RWI-Fonds	375.0	375.0
Book value	**532.8**	**511.4**

Other Assets (14)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Other assets		
Book value	**6,132.6**	**5,190.0**
including:		
Offsetting entries from the valuation of the trading portfolio (not including currency transactions)	2,357.4	1,506.2
Premiums for options	1,962.5	1,787.7
Claims arising from tax refunds, the refunds themselves stemming almost exclusively from corporate income tax and investment income tax withheld on investment income and dividends	723.5	798.3
Claims from deferred tax assets	43.4	2.6

Fixed Assets (15)

€ millions	Acquisition Cost/Cost of Production Jan. 1, 2003	Additions	Retire-ments	Total Depre-ciation	Net Book Value Dec. 31, 2003	Depreciation/ Write-Ups in the Financial Year
Bonds/shares and other interest-bearing securities forming part of fixed assets	31,986.0	8,340.5	3,767.1	150.3	36,409.1	– 18.5
Equity investments in affiliated companies	497.5	649.3	271.7	253.5	621.6	129.9
Equity investments in non-affiliated companies, associated companies	7,137.6	1,236.3	1,863.0	1,583.8	4,927.1	564.9
Equalisation claims against public authorities	289.7	0.0	93.2	0.0	196.5	0.0
Intangible assets	10.3	2.3	1.8	7.7	3.1	1.7
Goodwill	82.4	65.9	54.0	53.7	40.6	11.9
Land and buildings	359.5	82.7	121.3	136.3	184.6	30.1
Office equipment	1,053.9	124.0	224.0	743.0	210.9	94.3
Leasing assets	2,612.9	566.9	638.7	821.2	1,719.9	543.6
Other fixed assets	20.2	14.5	16.5	9.8	8.4	3.4

With regard to securities, the changes in the fiscal year include additions and retirements, as well as changes resulting from the dissolution, on a pro rata basis, of premiums and discounts. A large part of the additions to securities is the result of expanding the business of WestLB Covered Bond Bank plc.

With regard to equity investments in affiliated companies, the additions and retirements were due to restructuring of the equity investment portfolio. Changes of special note include the capital increase at West Logistics Gesellschaft für Logistikbeteiligungen mbH and the deconsolidation of 24 companies as part of a streamlining of the number of companies included in the Group annual accounts.

Key changes in associated companies included the adjustment of the equity value of Landesbank Rheinland-Pfalz Girozentrale and HSH Nordbank AG to the pro rata company value. There was an increase of € 328.0 million due to the first-time consolidation of Heidelberger Zement South-East Asia GmbH, Aurelis Management GmbH and Aurelis Real Estate GmbH & Co.KG.

Real property with a book value of € 95.9 million (2002: € 149.1 million) is utilised for WestLB Group's own business activities.

Additions to leasing assets pertain primarily to the increase in the Boullioun Group's aircraft fleet; retirements in the amount of € 396.4 million reflect changes in value caused by exchange rate changes on the reporting date.

Own Shares (16)

WestLB Group did not hold any of its own shares at December 31, 2003.

Deferred Items (17)

Deferred items include the following:

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Premiums on claims	25.5	18.4
Discounts from underwriting business	157.1	115.9
Discounts from liabilities	534.8	647.2
Other	362.4	556.3
Book value	**1,079.8**	**1,337.8**

Subordinated Assets (18)

The following items include subordinated assets:

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Claims on banks	333.4	235.6
Claims on customers	164.5	263.8
Bonds and other interest-bearing securities	74.2	0.0
Equity investments in non-affiliated companies	4.2	0.0
Total	**576.3**	**499.4**

Pledged Assets (19)

Of the assets shown, WestLB Group pledged € 49,666.7 million (2002: € 50,478.2 million) under repurchase agreements.

Liabilities to Banks (20)

	Dec. 31, 2003 € millions		Dec. 31, 2002 € millions	
	Liabilities to Affiliated Banks	Liabilities to Other Banks	Liabilities to Affiliated Banks	Liabilities to Other Banks
Payable on demand	4,036.3	8,663.8	4,000.6	10,911.6
Breakdown by residual maturity				
– up to 3 months	4,468.4	60,392.3	5,854.8	70,339.5
– between 3 months and 1 year	633.0	16,986.0	438.3	17,152.0
– between 1 and 5 years	380.3	6,653.9	261.9	6,326.1
– more than 5 years	471.4	3,401.5	164.3	3,384.1
Total	**9,989.4**	**96,097.5**	**10,719.9**	**108,113.3**
Book value	**106,086.9**		**118,833.2**	

Liabilities to banks include liabilities to affiliated companies in the amount of € 3,767.6 million (2002: € 5,009.9 million) and liabilities to companies in which equity investments are held in the amount of € 482.8 million (2002: € 970.9 million).

Liabilities to Customers (21)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Savings deposits	0.3	33.0
including:		
savings deposits with agreed periods of notice of	0.3	33.0
– up to 3 months	0.3	33.0
– between 3 months and 1 year	0.0	0.0
– between 1 and 5 years	0.0	0.0
– more than 5 years	0.0	0.0
Other liabilities to customers	70,127.8	63,727.6
including:		
– payable on demand	16,675.4	15,733.0
with residual maturities of		
– up to 3 months	29,011.3	30,383.3
– between 3 months and 1 year	7,459.9	7,143.5
– between 1 and 5 years	4,398.4	3,926.3
– more than 5 years	12,582.8	6,541.5
Book value	**70,128.1**	**63,760.6**
including: – liabilities to non-consolidated affiliated companies	826.1	74.3
– liabilities to companies in which equity investments are held	2,787.4	4,255.0

Certificated Liabilities (22)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Bonds issued	20,011.9	14,403.7
including: – amounts becoming due before Dec. 31, 2004	2,608.0	2,142.4
Other certificated liabilities	35,047.1	43,744.5
including those with residual maturities of:		
– up to 3 months	19,062.7	24,861.9
– between 3 months and 1 year	9,602.9	18,348.5
– between 1 and 5 years	3,494.1	105.9
– more than 5 years	2,887.4	428.3
Book value	**55,059.0**	**58,148.2**
including: – certificated liabilities to companies in which equity investments are held	0.0	127.2

Trust Liabilities (23)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Liabilities to banks	103.6	83.8
Liabilities to customers	54.2	52.6
RWI certificates	375.0	375.0
Book value	**532.8**	**511.4**

Other Liabilities (24)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Other liabilities		
Book value	**10,447.7**	**8,575.4**
including: Securities delivery obligations	4,382.1	4,102.7
Premiums from options	2,676.6	2,284.1
Offsetting items from the valuation of currency transactions	1,588.0	283.0
Liabilities to Landesbank NRW under pension commitments	453.6	413.5
Interest to be paid on existing profit participation rights and subordinated liabilities after approval of the annual accounts	266.4	301.4

Deferred Items (25)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Premiums from own bonds issued	28.2	22.3
Other	535.7	527.4
Book value	**563.9**	**549.7**

Special Item with Partial Reserve Character (26)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Balance on January 1	4.0	48.4
Allocations	–	4.0
Releases	– 25.3	– 27.1
Consolidation	21.3	– 21.3
Book value	**0.0**	**4.0**

This item was formed in fiscal year 1999 because WestLB Group had to comply with the revaluation requirement on participations, loans and securities under the 1999/2000/2002 Tax Relief Act. Pursuant to § 273 of the German Commercial Code (HGB), in conjunction with § 6 (1) and § 52 (16) of the German Income Tax Act (EStG), four-fifths of the written-up amounts were transferred to the special item with partial reserve character. A total of € 25.3 million (2002: € 27.1 million) was released in the 2003 fiscal year.

Provisions (27)

	Beg. Balance Jan. 1, 2003 € millions	Utilised € millions	Released € millions	Other Changes € millions	Additions € millions	Ending Balance Dec. 31, 2003 € millions
For pension liabilities	599.4	– 54.9	0.0	– 3.3	47.7	588.9
For taxes	431.2	– 46.8	– 4.3	– 28.6	53.7	405.2
In the area of personnel	245.3	– 85.7	– 14.0	– 6.9	374.0	512.7
For loans/equity investments	467.4	– 10.5	– 39.9	– 160.1	131.9	388.8
In the trading business	205.4	– 107.7	0.0	– 97.7	185.6	185.6
Other provisions	409.1	– 344.8	– 36.9	58.7	254.0	340.1
Book value	**2,357.8**	**– 650.4**	**– 95.1**	**– 237.9**	**1,046.9**	**2,421.3**

Most of the provisions for personnel relate to measures aimed at reducing headcount. Other provisions include € 56.6 million for adapting the business and organisational structure of WestLB Group and € 21.2 million for potential litigation risks. The tax provisions include provisions for deferred taxes arising from intra-group matters in the amount of € 24.8 million (2002: € 12.2 million).

Subordinated Liabilities (28)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Subordinated liabilities		
Book value	**4,506.7**	5,067.0
including: – due within 2 years	517.9	1,083.3

There are no liabilities to affiliated companies and no liabilities to companies in which equity investments are held included in subordinated liabilities.

Of the subordinated liabilities of € 4,506.7 million (2002: € 5,067.0 million), the junior bond of US$ 750 million (due 2009; interest rate 6.05%) issued by WestLB's New York branch exceeds 10% of the total value of all subordinated liabilities. There is no early redemption obligation. There is no existing or planned agreement to convert these funds into capital or another form of debt.

Of the total subordinated liabilities, € 517.9 million (2002: € 1,083.3 million) have a residual maturity of less than two years. The original maturities range between five and forty years.

WestLB Group incurred interest expense of € 297.0 million (2002: € 450.4 million) for subordinated liabilities in 2003.

Subordinated liabilities carried by WestLB or its subsidiaries comply with the requirements of § 10 (5 a) of the German Banking Act (KWG); the right to terminate the liabilities without notice has not been reserved.

Liability for Pre-Existing Commitments – Grandfathering (29)

Article 1 § 11 of the Act on Redefining the Legal Status of Public-Law Banking Institutions in North Rhine-Westphalia (Gesetz zur Neuregelung der Rechtsverhältnisse der öffentlich-rechtlichen Kreditinstitute in Nordrhein-Westfalen) stipulates that the public-law liability mechanisms of institutional liability and guarantor liability will continue to apply to WestLB AG. This provision is consistent with the agreement reached between Germany and the European Commission on July 18, 2001.

Specifically, this means that

- all liabilities incurred by July 18, 2001 are fully covered by institutional and guarantor liability until the time they mature, and
- institutional and guarantor liability will remain in effect in their present form for all liabilities incurred from July 19, 2001 to July 18, 2005, so long as the liabilities mature by December 31, 2015.

The guarantors of the former Westdeutsche Landesbank Girozentrale will completely satisfy the obligations arising from their guarantor liability with respect to WestLB AG, as soon as they have properly determined and set forth in writing at the time a liability matures that the creditor of such liability cannot be satisfied from the respective institution's assets. This explicitly includes the possibility of servicing debts precisely at the same time they fall due. The giving of a notice as normally required under aid law will not be necessary.

The following amounts represent those of WestLB Group's liabilities covered by institutional and guarantor liability before consolidation:

BALANCE SHEET ITEM

€ millions	Maturity Incurred before July 19, 2001 Payable at Any Time		Maturity Incurred on or after July 19, 2001 Payable by Dec. 31, 2015	
Liabilities to customers	8,619.0		66,027.8	
Liabilities to banks	11,081.3		112,426.5	
Certificated liabilities	8,469.0		46,563.2	
Other liabilities	42.4		10,608.4	
Subordinated liabilities	5,947.0	**34,158.7**	1,427.6	**237,053.5**
Consolidation		**25,433.2**		
Total		**245,779.0**		

At December 31, 2003, the amount of liabilities covered by institutional and guarantor liability after consolidation was € 245.8 billion. Allowing for a total of approx. € 10 billion in equity (including the fund for general bank risks), deferred items, provisions, profit participation capital and trust liabilities, that means that 99.8% of total liabilities are covered by guarantor liability.

Capital and Reserves (30)

At December 31, 2003, the subscribed capital of WestLB AG was € 950.5 million. It is divided into 9,505,000 no-par-value shares, each with a theoretical par value of € 100.00. As WestLB AG's sole shareholder, Landesbank NRW holds all of WestLB AG's capital.

The Managing Board was authorised by a resolution of the Shareholders' Meeting on December 11, 2002 to increase the capital by a maximum of € 166.7 million by issuing new shares.

WestLB Group's capital and reserves comprise the following:

	Dec. 31, 2003 € millions		Dec. 31, 2002 € millions	
Subscribed capital	950.5		950.5	
Capital reserves	1,510.9		2,034.8	
Reserves from retained earnings				
– required by WestLB's articles and bylaws	0.0		409.3	
– other	0.0		973.9	
Silent contributions to capital	837.1		0.0	
Group reserves	287.2		625.8	
Equalising items for shares of other shareholders	5.9		2.5	
Equity capital pursuant to the German Commercial Code (HGB)		**3,591.6**		**4,996.8**
Fund for general bank risks	260.9		261.9	
Subordinated liabilities	4,506.7		5,067.0	
Profit participation capital	2,644.9		2,535.2	
Other capital and reserves		**7,412.5**		**7,864.1**
Total capital and reserves		**11,004.1**		**12,860.9**

WestLB Group has reserves totalling € 1,798.1 million (2002: € 4,043.8 million). The amount of € 523.9 million was transferred from capital reserves in order to cover part of WestLB AG's net loss for the year, while all of retained earnings were transferred for this purpose. The sum of € 420.4 million was allocated to Group reserves.

The main reasons for the drop in Group reserves were the streamlining of the number of companies included in the Group accounts, the merger that resulted in HSH Nordbank AG and the resulting pro rata reduction, as well as the adjustment to the equity value of Landesbank Rheinland-Pfalz Girozentrale, which was not recognised in income.

For more information about changes in equity capital in the year under review, please refer to the statement of changes in shareholders' equity.

The fund for general bank risks stands at € 260.9 million.

At January 2, 2003, WestLB had taken in silent contributions of € 1,250.0 million. WestLB does not have to repay these silent contributions. Instead, over a period of time ending December 31, 2007, they will be converted at a rate of 750% into capital and reserves in five annual instalments of € 250.0 million each. The conversion of the portion due on December 31, 2003 has already begun. After recording the capital increase in the Commercial Register, the capital will increase by € 33.3 million and the capital reserves by € 216.7 million. In the amount remaining after the conversion initiated on December 31, 2003 (i.e. € 1,000.0 million), the silent contributions shared 17.8%, or € 412.9 million, in the loss for the fiscal year.

There was a total of € 567.5 million in subordinated issues by WestLB AG in fiscal year 2003 (2002: € 0.0 million). Subordinated liabilities and profit participation capital decreased by € 860.0 million because of those of WestLB AG's obligations that fell due during the course of the year. Subordinated liabilities and profit participation capital amount to € 7,151.6 million (2002: € 7,602.2 million).

Exchange rate fluctuations had a negative impact on WestLB AG's capital and reserves, decreasing the total by € 347.0 million (2002: € 371.0 million).

The changes in the Group's profit participation capital were as follows in the year under review:

Dec. 31, 2002 € millions	Additions € millions	Reductions € millions	Other Changes € millions	Dec. 31, 2003 € millions
2,535.2	110.5	0.0	– 0.8	**2,644.9**

The additions to profit participation capital are the result of the acquisition of the remaining 50% of the shares of Westdeutsche ImmobilienBank and the related change from pro rata to full consolidation.

Commission Decision on Wfa Integration (31)

In 1992 the State of North Rhine-Westphalia transferred the assets of the Wohnungsbauförderungsanstalt (Wfa) to Westdeutsche Landesbank Girozentrale as part of a contribution in kind, a move which brought Westdeutsche Landesbank Girozentrale roughly € 2 billion in additional liable capital under § 10 of the German Banking Act (KWG).

In 1993 the private banks filed a complaint which challenged the remuneration for the capital that was contributed. They alleged that it constituted impermissible aid. In 1997, the European Commission initiated state aid proceedings.

The state aid proceedings culminated in the Commission's decision of July 8, 1999 that, because the remuneration for the Wfa capital was allegedly too low, Westdeutsche Landesbank Girozentrale had received approx. € 800.0 million in state aid between 1992 and 1999.

The Federal Republic of Germany, State of North Rhine-Westphalia and WestLB each filed an appeal against the Commission's decision with the European Courts (proceedings for annulment).

On March 6, 2003, the European Court of First Instance overturned the Commission's decision and ordered that the Commission bear the costs of the proceedings.

Legally, the reversal created a situation in which it is as if the Commission's original decision were never made.

As a result, the need to implement the decision also lapses. Accordingly, the judgement of the European Court of Justice on December 12, 2002 on the issue of failure to fulfil an obligation has been rendered invalid.

The Court overturned the Commission's decision of 1999 because the Commission failed to comply fully with its obligation under European law to substantiate the 12% base rate of return and 1.5% risk premium it alleged should have been the basis of the remuneration for the Wfa capital.

Since both of these parameters were of paramount importance to the economic analysis underlying the Commission's strategy, the Court was unable to make any definitive judgement on the reasonableness of the Wfa remuneration.

The European Commission is expected to follow the standard procedure in such cases and issue a new decision, since its original decision was overturned. This new decision will take into account the deliberations of the European Court of First Instance.

Westdeutsche Landesbank Girozentrale transferred Wfa to Landesbank NRW on August 1, 2002 as part of the division of WestLB GZ. The Commission expressly accepted this solution with respect to the future. Therefore, the proceedings before the European Courts apply exclusively to the past.

Foreign Currency Assets/Foreign Currency Liabilities (32)

At year-end, WestLB Group had foreign currency assets valued at € 105.2 billion (2002: € 128.5 billion) and foreign currency liabilities valued at € 94.9 billion (2002: € 133.4 billion).

Other Commitments (33)

The amounts shown for irrevocable credit commitments involve credit lines which have not yet been utilised.

The volume of € 65.0 billion (2002: € 78.2 billion) shown on the balance sheet stems from current domestic and international lendings, as well as liquidity facilities in connection with asset backed transactions.

Disposal Restrictions/Security Provisions (34)

As part of the European Central Bank's peak refinancing facility for open-market repo transactions with the Bundesbank, WestLB Group has deposited or assigned € 6,738.5 million (2002: € 14,575.0 million) of its own bonds and securities, as well as those of affiliated companies, as collateral. Accounts receivable totalling € 810.0 million (2002: € 926.9 million) were assigned by WestLB AG to secure loans made as part of public credit programmes. In some cases, the Group's business activities abroad were subject to legal requirements and local practices that required the provision of collateral to public institutions and banks. Compliance with such requirements tied up € 5,277.1 million (2002: € 4,909.1 million) in assets.

Assets Pledged as Security for Liabilities (35)

The following table shows the amount of assets pledged as security for the Bank's liabilities:

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Liabilities to banks	434.6	636.3
Liabilities to customers	556.5	623.7
Certificated liabilities	526.0	292.5
Other liabilities (such as liabilities under securities lending, reverse repo and OTC transactions)	53,448.8	58,848.4
Total assets pledged	**54,965.9**	**60,400.9**

Contingent Liabilities (36)

WestLB Group's liability to make additional contributions to the Liquiditätskonsortialbank of which it is a member remained unchanged at € 65.3 million (2002: € 65.3 million). In 2003, there was no liability to make additional contributions to the security reserves of the Landesbanken/Girozentralen. The Group may incur additional obligations with respect to its joint liability for the additional contributions to the Liquiditätskonsortialbank from partners who are members of the German Savings Banks and Giro Association.

The deficit resulting from pension obligations not carried on the balance sheet within the meaning of Art. 28 (2) of the Introductory Act to the German Commercial Code (EGHGB) was € 60.6 million.

Other Financial Obligations (37)

WestLB Group had rental and leasing obligations of € 116.7 million for the year under review (2002: € 123.4 million). Obligations to affiliated companies amounted to € 31.2 million, and other financial obligations stood at € 11.6 million (2002: € 13.8 million).

Landesbank NRW and WestLB will be jointly and severally liable until the end of 2006 for all liabilities that were incurred before the division of WestLB GZ. WestLB's joint liability will also be covered by the liability for pre-existing commitments assumed by the former guarantors of WestLB GZ.

Risk Provisions (38)

ALLOWANCES FOR SPECIFIC RISKS AND GENERAL LOAN LOSS PROVISIONS

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Beginning balance	4,039.8	3,004.7
Division-related deductions	–	– 146.4
Allocations	1,125.9	2,162.0
Write-backs	– 277.1	– 420.3
Usage	– 759.0	– 339.7
Market value differences/Other changes	– 395.9	– 220.5
Ending balance	**3,733.7**	**4,039.8**

WRITE-DOWNS AND ADJUSTMENTS PURSUANT TO § 340 f (3) AND § 340 c (2) HGB

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Total	**– 2,172.6**	**– 1,916.0**
Loans and securities	– 1,169.6	– 2,010.9
thereof: – loans	– 1,183.4	– 1,987.3
– securities	13.8	– 23.6
Participations, securities and loans	– 1,003.0	94.9
thereof: – participations	– 1,011.8	210.0
– securities	7.9	– 115.1
– loans	0.9	0.0

Pursuant to § 340 f (3) of the German Commercial Code (HGB) the income and expenses of WestLB Group resulting from the evaluation of the lending business were offset by write-ups and write-downs on securities held in the liquidity reserve; the net result was a loss of € 1,169.6 million (2002: € 2,010.9 million). Similarly, pursuant to § 340 c (2) of the German Commercial Code (HGB), the expenses for participations, shares in affiliated enterprises, as well as securities held in the investment portfolio, were offset by the income amounts for these investments. The resulting net loss was € 1,003.0 million (compared to a net gain of € 94.9 million in 2002).

This item also includes risk provisions for the business activities of the Boullioun Group.

Geographic Breakdown of Profit Components (39)

The principal components of profit shown in WestLB Group's statement of income were obtained in the following markets:

	Interest Income	Current Income	Commission Income	Net Income from Trading Operations	Other Operating Income
Germany	7,876.3	497.4	242.5	115.1	543.9
Great Britain	7,099.2	141.6	158.2	– 137.1	197.5
Rest of Europe	1,994.5	51.0	65.4	12.6	23.0
Far East and Australia	560.4	0.7	29.2	– 22.3	15.5
North America	2,352.1	9.9	160.2	44.6	195.9
South America	98.7	0.0	1.5	– 32.2	7.0
Consolidations	– 11,482.0	– 148.2	– 2.9	20.7	– 443.9
Profit	**8,499.2**	**552.2**	**654.2**	**1.4**	**538.9**

The geographic breakdown of income was determined on the basis of the domicile of the WestLB AG branch or the domicile of the subsidiary on whose account the transaction is carried or which was responsible for the transaction. Current income also includes income from profit pooling and (partial) profit transfer agreements. Other operating income includes income from leasing activities.

Result of Leasing Activities (40)

The income from leasing activities includes regular leasing income, as well as capital gains on the sale of leased property in the amount of € 0.7 million (2002: € 2.5 million). The related expenses include scheduled depreciation of € 127.7 million (2002: € 152.8 million) and refinancing expenses of € 23.6 million (2002: € 37.2 million).

The cumulative result of leasing activities in the year under review was € 32.2 million (2002: € 43.2 million).

Extraordinary Result (41)

The extraordinary expenses include € 315.2 million for restructuring measures, particularly in the area of personnel, and € 79.7 million in resulting operating expenses (vacancy costs, depreciation of software). The € 4.1 million in extraordinary income is mainly from the sale of the private banking business.

Income and Expenses Relating to Different Accounting Periods (42)

	Dec. 31, 2003 € millions
Interest expense	4.0
Commission expense	0.1
Commission income	0.2
Back taxes	8.3
Write-back of other provisions	50.9
Income from the release of the special item with partial reserve character	4.0
Total	**59.3**

Taxes on Income and Revenues (43)

The balance of € 60.1 million (2002: € 62.2 million) in taxes on income and revenues is mostly from taxes on the result from ordinary activities (€ 78.1 million). A total of € 40.6 million of this amount was allocated to tax provisions. Deferred taxes in the amount of € 18.9 million had an offsetting effect.

Deposit Insurance (44)

WestLB AG is a member of the German Savings Banks and Giro Association (DSGV) and makes contributions to the security reserves of the Landesbanks. These security reserves constitute protection for contributing banks within the meaning of § 12 of the German Deposit Protection and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz, EAG) and are associated in local statutes with the deposit insurance scheme of the savings banks.

The deposit insurance scheme of the German savings banks organisation consists of eleven funds belonging to the regional savings banks and giro associations, the security reserves of the Landesbanks and the security fund of the Landesbausparkassen, which together form a community of joint liability. There are rules and regulations governing the relationships between regional and national funds that provide for offsetting in cases where coverage is claimed (so-called overflow agreements).

Letters of Comfort (45)

WestLB AG will, except in the case of political risk, ensure that – proportionate with its investment quota – the banks, financial institutions and management companies in which it holds a significant investment will be in a position to meet their obligations. Enterprises covered by these Letters of Comfort and the amount of WestLB AG's investment quotas in such enterprises are set forth below.

The subsidiaries covered by these Letters of Comfort and WestLB AG's investment quotas in them (direct and indirect) are as follows:

1. Companies Included in the Consolidated Accounts

Banco WestLB do Brasil S.A., São Paulo (100%)
Bank WestLB Vostok (ZAO), Moscow (100%)
Banque d'Orsay S.A., Paris (100%)
WestAM Holding GmbH, Düsseldorf (100%)
Westdeutsche ImmobilienBank, Mainz (100%)
WestLB Asia Pacific Limited, Singapore (100%)
WestLB Asset Management Kapitalanlagegesellschaft mbH, Düsseldorf (100%)
WestLB Bank Polska S.A., Warsaw (100%)
WestLB Covered Bond Bank plc, Dublin (100%)
WestLB Europa Holding AG, Düsseldorf (100%)
WestLB Europe (UK) Holdings Ltd., London (100%)
WestLB Finance (Credits) Ltd., London (100%)
WestLB Finance Curaçao N.V., Willemstad (100%)
WestLB Finance Netherlands B.V., Amsterdam (100%)
WestLB Finance UK plc, London (100%)
WestLB Fund Investments Ltd., London (100%)
WestLB Hungaria Bank Rt., Budapest (100%)
WestLB International S.A., Luxembourg (100%)
WestLB Ireland plc, Dublin (100%)
WestLB (Italia) Finanziaria S.p.A., Milan (100%)
WestLB Panmure Ltd., London (100%)
WestLB Property Services Ltd., London (100%)
WestLB Securities Inc., Dover/Delaware (100%)
WestLB Securities Pacific Ltd., Hong Kong (100%)
WestLB UK Ltd., London (100%)
West Merchant Bank Ltd., London (100%)

2. Companies Not Included in the Consolidated Accounts

Banque Européenne pour l'Amérique Latine (BEAL) S.A., Brussels (100%)
PE Projektentwicklungsgesellschaft mbH & Co. Büro- und Businesscenter Leipzig-Park KG, Düsseldorf (100%)
WestAM (USA) Ltd., Addison, Texas (100%)
WestLB Asset Management (Australia) Pty. Ltd., Sydney (51%)
WestLB Asset Management (UK) Ltd., London (100%)

WestLB Asset Management (US) LLC, Houston, Texas (100%)
WestLB Asset Management (USA) LLC, Chicago (100%)
West Pensionsfonds AG, Düsseldorf (49.9%)
West Pensionskasse AG, Düsseldorf (49.9%)
WestRM – West Risk Markets AG, Zug (100%)
WMB Leasing Nine Ltd., London (100%)
WMB Leasing Seven Ltd., London (100%)
WMB Leasing Ten Ltd., London (100%)

The Letter of Comfort applies to WestLB Asset Management (Australia) Pty. Ltd. irrespective of WestLB AG's investment quota.

Guarantor Liability (46)

Together with its wholly owned subsidiary WestLB Beteiligungsholding GmbH, WestLB AG is a guarantor, to the extent permitted by law, of Landesbank Rheinland-Pfalz Girozentrale and HSH Nordbank AG. It is the sole guarantor of Westdeutsche ImmobilienBank and is also a guarantor of DekaBank Deutsche Girozentrale.

Corporate Governance Code (47)

WestLB AG adopted its own rules of corporate governance in August 2002 which are based on the provisions of the German Corporate Governance Code that apply to listed companies. The Managing Board and Supervisory Board undertook a voluntary obligation in doing so. The Supervisory Board, Managing Board and employees fully support the corporate governance rules. The rules will ensure that WestLB AG's operations are managed and supervised responsibly and in keeping with the principles of good corporate citizenship.

In 2003 WestLB AG created a system for monitoring compliance with its corporate governance rules. Responsibilities and duties were clearly delegated. The new system will ensure compliance at all levels.

WestLB AG sees corporate governance as a dynamic process and will continue to develop the content and means of implementing its corporate governance rules. In 2004 WestLB AG intends to examine its rules in light of new experiences, legislation and revised national and international standards, making changes where necessary. With efforts such as these, the quality of WestLB AG's corporate governance will continue to improve over time.

WestLB AG complied with its corporate governance rules in full in 2003, with one exception: Due to an unusually heavy workload, one member of the Supervisory Board was unable to attend Supervisory Board meetings in person, to the extent stipulated by the corporate governance rules (see II. 2.4 of the CG). This member resigned from office in the fiscal year under review. In addition, on May 14, 2003 a resolution was adopted that set a fixed remuneration for Supervisory Board members for the 2002 fiscal year. The remuneration for fiscal year 2003 will be decided at the Shareholders' Meeting on May 13, 2004 (see II. 2.4 of the CG)[1].

Remuneration of the Governing Bodies (48)

	Dec. 31, 2003 € millions	Dec. 31, 2002 € millions
Total remuneration of the Managing Board	**9.6**	6.7
– fixed	9.6	6.7
– performance-based	–	–
– long-term incentive programmes	–	–
Total remuneration of former Managing Board members and their survivors	**9.0**	3.9
Total remuneration of Supervisory Board members	**0.1**	0.3
– fixed	0.1	0.3
– performance-based	–	–
– long-term incentive programmes	–	–
Pension provisions for former Managing Board members and their survivors	**46.7**	36.2

The remuneration paid to members of the Supervisory Board in the previous year was € 0.5 million, while that paid to members of the Guarantors' Meeting amounted to € 0.1 million and that paid to members of the Advisory Boards was € 0.5 million.

The € 0.1 million paid to members of WestLB Group's Supervisory Board represents a lump-sum reimbursement of their out-of-pocket expenses. The remuneration to be paid for 2003 will be determined at the 2004 Shareholders' Meeting. The remuneration for 2002 was determined at the 2003 Shareholders' Meeting and will be adjusted accordingly for the year under review.

Loans to Members of the Governing Bodies (49)

The members of the WestLB AG Managing Board received advances and loans totalling € 0.03 million (2002: € 0.6 million). The members of the Supervisory Board of WestLB Group received advances and loans totalling € 0.25 million (2002: € 0.4 million).

[1] These statements are based on the current version of WestLB AG's Corporate Governance Rules (CG), dated May 13, 2003.

Number of Employees (50)

The average number of employees in fiscal year 2003 was as follows:

	Men	Women	Total 2003	Men	Women	Total 2002
Domestic Group companies	2,968	2,180	5,148	3,278	2,472	5,750
Foreign Group companies	1,818	1,180	2,998	2,369	1,518	3,887
Group companies consolidated on a pro rata basis	–	–	–	144	129	273
Total	**4,786**	**3,360**	**8,146**	**5,791**	**4,119**	9,910

Of the total Group employees, 189 were engaged in apprenticeship training or equivalent training at year-end.

Shareholdings in WestLB AG (51)

Landesbank NRW, Düsseldorf, has held 100% of the subscribed capital of WestLB AG since August 2002. WestLB AG was given notice hereof in accordance with § 20 (1) and (4) of the German Stock Corporation Act (AktG).

The WestLB sub-group is included in the consolidated accounts of Landesbank NRW, its parent company, pursuant to § 285 No. 14 of the German Commercial Code (HGB). Landesbank NRW's consolidated accounts are available at its registered office.

Group Shareholdings (52)

WestLB Group companies hold more than 5% of the voting rights in the following major corporations:

AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt/Main
Asia Leasing Ltd., Hamilton, Bermuda
AXA Investment Managers Deutschland GmbH, Cologne
Babcock Borsig Aktiengesellschaft, Oberhausen
BAHC (Bermuda) One Ltd., Hamilton, Bermuda
Banca Carige S.p.A., Genoa
Banque Européenne pour l'Amérique Latine (BEAL) S.A., Brussels
Bellevue Aircraft Leasing Ltd., Dublin
Boullioun Aviation Services (International), Inc., Hamilton, Bermuda
Boullioun Aviation Services (Netherlands), B.V., Amsterdam
Fraikin Groupe S.A., Levallois-Perret
Girindus AG, Bergisch Gladbach
Herlitz AG, Berlin
Metro Capital B.V., Venlo-Blerick
Nordex AG, Norderstedt
Northern Aircraft Leasing AS, Oslo

OP Team Estate Management SAS (OTEM), Paris
Orsay Asset Management, Paris
Orsay Gestion, Paris
Orsay Wagram, Paris
Rainier Aircraft Leasing (Ireland) Ltd., Dublin
RW Holding AG, Düsseldorf
Société Financière Aquitaine S.A., Paris
TA Triumph-Adler AG, Nuremberg
Technotrans AG, Sassenberg
The Wireless Group plc, London
TUI AG, Berlin and Hanover
WestLB Administration Inc., New York
WestLB (Hungaria) Ingatlan Kereskedelmi Kft. i. L., Budapest
West Private Capital GmbH, Stuttgart
WestRM – West Risk Markets AG, Zug

WestLB Group companies hold more than 5% of the voting rights in the following major corporations which are included in the consolidated accounts with the equity method:

Deutsche Anlagen-Leasing GmbH, Mainz
HSH Nordbank AG, Hamburg/Kiel
Landesbank Rheinland-Pfalz Girozentrale, Mainz
Singapore Aircraft Leasing Enterprise Pte. Ltd., Singapore

WestLB Group companies are general partners of the following companies:

Darnley Estates Unlimited, Dublin
GbR Industrie- und Handelskammer Rheinisch-Westfälische-Börse, Düsseldorf
Gie MM Cogene 2, Paris
GLB GmbH & Co. OHG, Frankfurt/Main
Grundstücksgesellschaft am Fürstenwall (GbR), Düsseldorf
Secofinance WestLB, Paris
Société Civile Immobilière Franco-Allemande (SCIFA), Paris
Woolgate Investments CV, Dublin

Seats Held by Members of the Managing Board (53)

Members of WestLB AG's Managing Board and employees of Group companies (excluding jointly managed companies) are members or chairmen of the following companies' supervisory boards or other supervisory bodies. Offices marked with an asterisk indicate voluntary disclosures that fall outside of the reporting requirements regarding seats on the boards of major corporations pursuant to § 340 (a) (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

Jürgen Sengera (until July 2, 2003)
AXA Konzern AG
DekaBank Deutsche Girozentrale* (until July 2, 2003)
Deutsche Anlagen-Leasing GmbH (until September 30, 2003)
Deutsche Post AG
Ford-Werke AG
HSH Nordbank AG (from June 2, 2003 to August 6, 2003)
Landesbank Rheinland-Pfalz Girozentrale* (until July 31, 2003)
Landesbank Schleswig-Holstein Girozentrale* (until June 2, 2003)
Rockwool International A/S*
TUI AG (until August 21, 2003)

Dr. Johannes Ringel (until December 31, 2003)
Babcock Borsig AG (until March 15, 2003)
Banque Européenne pour l'Amérique Latine (BEAL) S.A. (until August 31, 2003)
DekaBank Deutsche Girozentrale* (from September 1, 2003)
HSH Nordbank AG (from August 6, 2003)
Hüttenwerke Krupp Mannesmann GmbH
Klöckner & Co AG (until August 7, 2003)
Landesbank Rheinland-Pfalz Girozentrale (from July 31, 2003)
MTBC Bank Deutschland GmbH
Nordex AG (until November 5, 2003)
Phoenix AG (until October 7, 2003)
Rütgers AG
RWE Energy AG (from October 1, 2003)
STEAG AG
ThyssenKrupp Stahl AG
TUI AG (from September 9, 2003)
WPS WertpapierService Bank AG (until August 4, 2003)

Dr. Thomas R. Fischer (from January 1, 2004)
AMVESCAP plc (from January 29, 2004)
Audi AG
DekaBank Deutsche Girozentrale* (from January 1, 2004)
Landesbank Rheinland-Pfalz Girozentrale* (from January 1, 2004)
TUI AG (from January 16, 2004)

Dr. Matthijs van den Adel (from January 1, 2004)
Landesbank Rheinland-Pfalz Girozentrale (from February 1, 2004)

Dr. Adolf Franke (until December 31, 2003)
Bank Austria Creditanstalt AG (until March 17, 2003)
Banque Européenne pour l'Amérique Latine (BEAL) S.A. (until August 31, 2003)
Kaufhof Warenhaus AG (from March 13, 2003)
Landesbank Rheinland-Pfalz Girozentrale* (until December 31, 2003)
Landesbank Schleswig-Holstein Girozentrale* (until June 2, 2003)
rhenag Geschäftsführungs AG
rhenag Rheinische Energie AG
RWE Gas AG

Klaus-Michael Geiger
Landesbank Rheinland-Pfalz Girozentrale* (from May 1, 2003)

Dr. Manfred Puffer
Deutsche Anlagen-Leasing GmbH (from October 1, 2003)
HSH Nordbank AG (until August 6, 2003)
Österreichische Bundesfinanzierungsagentur Ges.m.b.H*

Robert Restani (until March 31, 2004)
Deutsche Anlagen-Leasing GmbH (from October 1, 2003)
Landesbank Rheinland-Pfalz Girozentrale*

Gerhard Roggemann (until March 20, 2004)
AXA Lebensversicherung AG
Börse Düsseldorf AG*
Deutsche Börse AG (until May 12, 2003)
Fresenius AG
Hapag-Lloyd AG
Solvay Deutschland GmbH
VHV Autoversicherungs GmbH (until August 25, 2003)
VHV Holding AG (from July 8, 2003)
WPS WertpapierService Bank AG (until February 14, 2003)

Andreas Seibert (until July 2, 2003)
Banque Européenne pour l'Amérique Latine (BEAL) S.A. (until August 31, 2003)
INTERSEROH AG
Preussag Energie GmbH
Singapore Aircraft Leasing Enterprise Pte. Ltd. (until July 17, 2003)

Rainer Schmitz (from October 23, 2003)
Deka Investment GmbH

Seats Held by Group Employees (54)

The following employees are members or chairmen of the following companies' supervisory boards:

Andrew Alywin
Clinovia Group Ltd.

Giorgio Binda
Banca Carige S.p.A.

Holger Bredekamp
Wohnungsgesellschaft Münsterland mbH

Dr. Helmut Brocke
RW Holding AG

Philip Buscombe
Coperion Holding GmbH
Chestnutbay Limited
Southern Cross Healthcare Holdings Limited

Sean Dunne
Compass Securitisation Ltd.
Compass Finrec C2 Ltd.

Maurizio Fazzari
Banca Carige S.p.A.

Jürgen Germies
Wolfson Microelectronics plc (from June 24, 2003)

Jeremy Hand
Southern Cross Healthcare Holdings Ltd.
Chestnutbay Limited
The Motor Group Holdings Ltd.

Thomas Kaiser
Deka International (Ireland) Ltd.

Gerhard Knoke
Banque Européenne pour l'Amérique Latine (BEAL) S.A.

Michael Kramer
Singapore Aircraft Leasing Enterprise Pte. Ltd.*

Joel Lamande
Caisse d'Epargne Aquitaine-Nord (CEAN)

Dagmar Lange
Fraikin Groupe S.A.

Dr. Jörg Lauer
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf

Lásló Lengyel
Délalföldi Gázszolgáltató Ltd.

Klaus Neuhaus
Banque Européenne pour l'Amérique Latine (BEAL) S.A.

Dr. Wolfgang Nickels
Banque Européenne pour l'Amérique Latine (BEAL) S.A.

Thomas Reh
MTBC Bank Deutschland GmbH

Wolfgang Richter
Singapore Aircraft Leasing Enterprise Pte. Ltd.*

Franz Ruf
DekaBank Deutsche Girozentrale Luxembourg S.A.

Robin Saunders
BHS Ltd. (until September 29, 2003)

Dr. Johannes Scheel
WestLB Investments (Guernsey) Ltd.

Guido Schmitz
Singapore Aircraft Leasing Enterprise Pte. Ltd.*

Jürgen Schneider
JT International Germany GmbH

Jürgen Stinner
WestInvest Gesellschaft für Investmentfonds mbH
W. Jacobsen Aktiengesellschaft

Volker Undorf
Shamrock Resources Inc.

Joachim Voss
Technotrans AG

Dr. Alexander Winkels
Klöckner & Co AG
Madaus AG
Phoenix AG

Governing Bodies of WestLB AG (55)

Managing Board of WestLB AG

Dr. Johannes Ringel (Chairman from July 2, 2003 to December 31, 2003)
Jürgen Sengera (Chairman until July 2, 2003)
Dr. Thomas R. Fischer (Chairman from January 1, 2004)
Dr. Matthijs van den Adel (from January 1, 2004)
Dr. Norbert Emmerich (from May 1, 2004)
Dr. Adolf Franke (until December 31, 2003)
Klaus-Michael Geiger
Dr. Manfred Puffer
Robert Restani (until March 31, 2004)
Gerhard Roggemann (until March 20, 2004)
Rainer Schmitz (deputy member from October 23, 2003)
Andreas Seibert (until July 2, 2003)

Members of the Supervisory Board of WestLB AG

Dr. Bernd Lüthje, Chairman
Chairman of the Managing Board, Landesbank NRW

Gerd-Uwe Löschmann, Deputy Chairman
Prokurist, WestLB AG, Düsseldorf

Dr. Erich Bauer (until July 3, 2003)
Chief Executive Manager, TMD Friction Holding GmbH

Jean-Pascal Beaufret
Chief Financial Officer, Alcatel

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

Jochen Dieckmann (from July 3, 2003)
Finance Minister, State of North Rhine-Westphalia

Thorsten Ellwanger
Prokurist, WestLB AG, Hamburg

Bernd Fiegler
Deputy State Director
ver.di Vereinte Dienstleistungsgewerkschaft, Regional District of North Rhine-Westphalia

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

Dr. Karl-Ludwig Kley (from July 3, 2003)
Member of the Managing Board, Deutsche Lufthansa AG

Horst-Wolfgang Klophaus
Manager, WestLB AG, Düsseldorf

Hans-Peter Krämer
Chairman of the Managing Board, Kreissparkasse Köln

Joachim Krämer
Bank Director, WestLB AG, Düsseldorf

Dr. Siegfried Luther
Deputy Chairman of the Managing Board, Bertelsmann AG

Manfred Matthewes
Bank officer, WestLB AG, Düsseldorf

Hartmut Mehdorn (until July 3, 2003)
Chairman of the Managing Board, Deutsche Bahn AG

Udo Molsberger
Regional Director, Regional Association of the Rhineland

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

Heinz-Günter Sander
Bank employee, WestLB AG, Düsseldorf

Rainer Schmitz (until October 23, 2003)
Bank Director, WestLB AG, Düsseldorf

Franz-Georg Schröermeyer
Secretary, Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft, Münster Regional Office

Christiane Staschelt
Deputy Director for the Düsseldorf Region
ver.di Vereinte Dienstleistungsgewerkschaft, Düsseldorf Regional Office

Elisabeth Weber
Bank officer, WestLB AG, Düsseldorf

Düsseldorf/Münster, March 23, 2004

WestLB AG

The Managing Board

Dr. Fischer	Dr. van den Adel	Geiger	Dr. Puffer
Restani	Schmitz		

Auditor's Opinion

We have issued the following opinion on the Group annual accounts and Group statement of financial condition:

"We have audited the Group annual accounts and Group statement of financial condition prepared by WestLB AG, Düsseldorf/Münster, for the financial year ending December 31, 2003. The preparation of the Group annual accounts and Group statement of financial condition according to German commercial law regulations is the responsibility of the legal representatives of the Company. It is our task to give an opinion on the Group annual accounts and Group statement of financial condition on the basis of our audit.

We carried out our audit in accordance with § 317 of the German Commercial Code (HGB) while complying with the German principles of proper auditing laid down by the Institute of German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer). According to these principles, the audit must be planned and carried out in a way which ensures that errors and infringements which have a material impact on the presentation of the Group's net assets, financial condition and earnings in the Group annual accounts and Group statement of financial condition can be identified as not being in accordance with generally accepted accounting principles. When defining the audit processes, knowledge of the business activities and economic and legal environment of the Group as well as the expectations regarding possible errors are taken into account. In the context of the audit, the effectiveness of the internal control system and evidence of the correctness of the information contained in the Group annual accounts and Group statement of financial condition are for the most part assessed on the basis of samples. The audit covers an assessment of the annual accounts of the companies included in the Group annual accounts, the scope of consolidation, the accounting and consolidation principles applied and the relevant estimates made by the legal representatives as well as an opinion on the overall presentation of the Group annual accounts and Group statement of financial condition. We are of the opinion that our audit forms a sufficiently reliable basis for our assessment.

Our audit resulted in no objections.

In our opinion, the Group annual accounts, in complying with standard accounting principles, present a true and fair view of the net assets, financial condition and earnings of the Group. The Group statement of financial condition adequately reflects the Group's situation and the risks inherent in its future development."

Frankfurt am Main, March 30, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Dr. Wagner German Public Accountant	Müller-Tronnier German Public Accountant

Report of the Supervisory Board

The Supervisory Board and its Committees met 23 times in the year under review. This intense supervision was necessary because of the losses sustained by WestLB AG. Following discussion, the Supervisory Board determined that a new direction was essential for WestLB AG and made the decisions incumbent upon it after their preliminary preparation by the Managing Board.

In addition to reviewing the 2003 annual accounts and fulfilling the tasks prescribed by law and the applicable regulations, the Supervisory Board has focused its efforts thus far in 2004 on the short-term and long-term strategy formulated by the new Managing Board and on the measures aimed at implementing a comprehensive, Group-wide means of recording and managing risk. We have been guided in our work not only by the general principles of German corporate law and the German Banking Act (KWG) as a whole, but by the practical interpretation of § 18 (review of information required of borrowers) and § 25 a (particular organisational duties of institutions) of the German Banking Act (KWG) in particular.

Changes in the Composition of the Supervisory Board and Managing Board

On July 3, 2003, the Shareholders' Meeting resolved to ratify the acts of the Supervisory Board for fiscal year 2002. In accordance with § 13 (1) of the framework agreement with the shareholders, as amended on August 1, 2002, after the ratification it was time to hold new elections for the ten seats held by shareholder representatives on the founding Supervisory Board. The following changes to the Supervisory Board were the result of these elections:

Dr. Erich Bauer, Chief Executive Manager of TMD Friction Holding GmbH, and Hartmut Mehdorn, Chairman of the Managing Board of Deutsche Bahn AG, left the Supervisory Board at their own request. We thank both gentleman for their well-informed advice and unfailing cooperation.

The Shareholders' Meeting elected Jochen Dieckmann, Finance Minister of the State of North Rhine-Westphalia, and Dr. Karl-Ludwig Kley, member of the Managing Board of Deutsche Lufthansa AG, to fill the vacant seats.

Effective October 23, 2003, Rainer Schmitz resigned as the senior employees' representative to the Supervisory Board following his appointment as a deputy member of the Managing Board and Employee Relations Director of WestLB AG. We thank him for the contribution he has made. Rainer Schmitz was succeeded by Joachim Krämer, who was appointed by order of the court to the Supervisory Board on January 15, 2004.

The following changes occurred in the composition of the Managing Board: The appointment of Jürgen Sengera as a member of the Managing Board and as Chairman of the Managing Board was revoked by the Supervisory Board on July 2, 2003, as was the appointment of Andreas Seibert as a member of the Managing Board. On the same day, Dr. Johannes Ringel was appointed Chairman of the Managing Board. On October 23, 2003, the Supervisory Board declared its agreement with the decisions of Dr. Ringel and Dr. Franke to resign from the Managing Board as of December 31, 2003. On the same day, the Supervisory Board appointed Rainer Schmitz as a deputy member of the Managing Board and as Employee Relations Director with immediate effect. At the same meeting held on October 23, 2003, Dr. Thomas R. Fischer was appointed as a member and as Chairman of the Managing Board, and Dr. Matthijs van den Adel was appointed as a member of the Managing Board, both effective January 1, 2004. Gerhard Roggemann left the Managing Board as of March 20, 2004, and Robert Restani left at his own request as of March 31, 2004. On February 20, 2004, the Supervisory Board appointed Dr. Norbert Emmerich to serve as a member of the Managing Board effective May 1, 2004.

Supervision and Advising of Management

In fiscal year 2003, the Supervisory Board of WestLB AG devoted extensive time and energy to fulfilling the tasks of supervising and advising management, as entrusted to it by law and in accordance with WestLB AG's articles and bylaws. The Supervisory Board and its Committees examined the Bank's risk management and organisation and identified weaknesses. Special attention was paid to strategic decisions.

In regular meetings and special meetings, the Supervisory Board and its Committees were informed in detail, as part of regular reporting and upon request, about all relevant aspects of planning, the course of business, with special emphasis on the risk situation and risk management, company management and strategy, as well as about important events and transactions.

In addition, the Chairman of the Supervisory Board and the Chairmen of the Managing Board regularly discussed current developments. Transactions requiring the Supervisory Board's approval were presented to the Supervisory Board and a decision was made. The Supervisory Board also addressed matters within its sphere of responsibility. The Supervisory Board supervised and examined the Managing Board's management activities on the basis of the information provided, which included documents and the content and results of the special audits performed by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

Supervisory Board Meetings

There were four regular and four special meetings of the Supervisory Board in the year under review. At its regular meetings, the Supervisory Board was presented with regular reports on WestLB AG's business situation, important equity investments and the work of the Supervisory Board Committees. The following additional items were also handled:

The regular meeting held on March 11, 2003 focused on the Managing Board's report about the state of business in the Global Financial Markets and WestLB Panmure business units.

The single-entity and Group annual accounts for 2002 were a key item on the agenda for the regular Supervisory Board meeting held on May 13, 2003. Amendments to the Supervisory Board's rules for conducting business and to the corporate governance rules were also resolved on.

On May 14, 2003, the Supervisory Board convened for a special meeting in order to discuss the upcoming election of a new Supervisory Board Chairman and Deputy Chairman, as well as the election of committee members.

On July 2, 2003, the Supervisory Board resolved to change the Bank's auditors. PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft had served as the auditors for WestLB AG and its predecessor institution, Westdeutsche Landesbank Girozentrale, for a very long period of time. It was proposed at the special Shareholders' Meeting held on July 3, 2003, to appoint Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, as the external auditors for the 2003 annual accounts. The special Shareholders' Meeting voted in favour of this proposal.

The main topic on the agenda of the special Supervisory Board meetings held on July 2, 2003 and on August 6, 2003 were the results of the special audit of business operations performed under § 44 of the German Banking Act (KWG) as they related to one particularly large commitment. It was resolved at the meeting on August 6, 2003 to investigate the possibility of claims for damages from this commitment being asserted against the Managing Board and the auditors; it was resolved at a special Shareholders' Meeting held on December 8, 2003 to investigate the possibility of claims for damages from this commitment being asserted against the Supervisory Board of the former WestLB Girozentrale and the Supervisory Board of WestLB AG.

On July 2, 2003, the Supervisory Board adopted recommendations to make to the Shareholders' Meeting concerning the ratification of the acts of the members of WestLB AG's Supervisory Board and those of WestLB Girozentrale's Supervisory Board for fiscal year 2002, as well as the appointment of the external auditors for fiscal year 2003. The Managing Board informed the Supervisory Board about the future handling of the joint liability system of the -Finance Group and presented a first report on future strategy and planning in the area. The strategy for the future business was the focus of the regular Supervisory Board meeting held on September 16, 2003.

At the regular meeting of the Supervisory Board held on November 25, 2003, the Managing Board reported on how the restructuring is to take place and on the structure of the joint liability system of the savings banks. In addition, it reported on the status of the European Commission's decision of July 1999 on the complaint filed by the private banks about the terms under which the Wohnungsbauförderungsanstalt of the State of North Rhine-Westphalia was transferred to WestLB.

Work in the Committees

The Executive Committee prepared the meetings of the Supervisory Board in its four regular meetings held on March 11, 2003, May 13, 2003, September 16, 2003, and November 25, 2003, as well as its three special meetings held on July 2, 2003, August 6, 2003, and October 23, 2003.

A standard topic at the Executive Committee's regular meetings was the decision on loans governed by § 15 (1) Sentence 1, No. 1, 3–5 and 12 of the German Banking Act (KWG), as well as the handling of seats held by members of the Managing Board following the amendment to the Supervisory Board's rules for conducting business on May 13, 2003.

The Audit Committee met a total of five times. At its regular meeting on April 2, 2003, a report by the Managing Board on the results of a special audit performed by BaFin under § 44 of the German Banking Act (KWG) was presented. The audit reports on the lending and equity investments businesses, as well as on WestLB AG's 2002 annual accounts, were also discussed, as was the annual summary report prepared by Group Auditing. A progress report on key items identified in the audit of the single-entity and Group annual accounts prepared at December 31, 2001 was also given.

In its regular meeting held on May 12, 2003, the Audit Committee discussed the 2002 annual accounts themselves, the main report on the audit of the 2002 annual accounts, the report on the audit of the 2002 Group annual accounts, and the subordinate status report for 2002.

The Audit Committee and Risk Committee held three joint meetings in the year under review, on June 25, 2003, July 25, 2003 and December 19, 2003, respectively.

Topping the agenda at the joint meetings held on June 25, 2003 and July 25, 2003 were the results of the special audit of business operations performed under § 44 of the German Banking Act (KWG) as they related to one particularly large commitment. Additional items included the results of the sample calculations based on Basle II, the related impact on the Bank's business activities and the risk analysis of the commitments made in the Principal Finance business unit. In the joint meeting held on December 19, 2003, the Audit and Risk Committees discussed an additional special audit performed by BaFin under § 44 of the German Banking Act (KWG), this time of the Principal Finance and Global Specialised Finance business units.

The Risk Committee met a total of six times in 2003. In its three meetings on February 7, 2003, May 6, 2003 and October 17, 2003, respectively, as well as in its joint meetings with the Audit Committee described above, the Risk Committee discussed the commitments that are subject to its review by law and by virtue of WestLB AG's articles and bylaws, as well as all major commitments and those commitments involving an elevated credit risk, issuing its approval where required. In addition to counterparty default risks, the Risk Committee held in-depth discussions about market price risks, liquidity risks, participations risks and operational risks. Portfolio management activities in the lending business were presented and discussed in detail. The further development of the Bank's risk management was the highlight of the meeting held on June 25, 2003.

The Mediation Committee contemplated in the German Co-Determination Act did not meet in 2003.

Audit and Adoption of the Single-Entity and Group Annual Accounts

At its meeting on February 17, 2004, the Supervisory Board was presented with the Bank's 2003 annual accounts as prepared by the Managing Board. In addition, in advance of the meeting held on May 7, 2004, the members of the Supervisory Board received copies of the single-entity annual accounts and statement of financial condition, the Group annual accounts and Group statement of financial condition, the external auditor's reports on the single-entity annual accounts and Group annual accounts, as well as the annual summary report prepared by Group Auditing pursuant to the Minimum Requirements for the Internal Audit Function of Banks.

The Audit Committee discussed the external auditor's reports on the single-entity annual accounts and Group annual accounts at its meetings on March 15, 2004 and April 26, 2004. The external auditors, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, attended these meetings, as well as the Supervisory Board meeting held on May 7, 2004. The external auditors audited the single-entity annual accounts and statement of financial condition, as well as the Group annual accounts and Group statement of financial condition, for fiscal year 2003. The annual accounts and statements of financial condition of WestLB AG and WestLB Group, as well as the bookkeeping on which they are based, received the external auditors' unqualified audit opinion.

The Supervisory Board and the Audit Committee formed from among its members examined the annual accounts and statements of financial condition and discussed in detail the reports of the external auditors on the results of their audit. Following the final result of the audit, they raised no objections. The Supervisory Board adopted the single-entity annual accounts and approved the Group annual accounts.

The Supervisory Board also examined and approved the report on relations with affiliated companies prepared by the Managing Board pursuant to § 312 of the German Stock Corporation Act (AktG) and took note of the external auditors' related report.

Based on their audits, the external auditors issued the following audit opinion:

"…
Our audit resulted in no objections.

In our opinion, the annual accounts, in complying with standard accounting principles, present a true and fair view of the net assets, financial condition and earnings of the Group. The statement of financial condition adequately reflects the Group's situation and the risks inherent in its future development."

Corporate Governance Rules

WestLB AG adopted its own rules of corporate governance in August 2002 which are based on the provisions of the German Corporate Governance Code that apply to listed companies. The Managing Board and Supervisory Board of the Bank undertook a voluntary obligation in doing so. The Supervisory Board, Managing Board and employees fully support the corporate governance rules, which will ensure that WestLB AG's operations are managed and supervised responsibly and in keeping with the principles of good corporate citizenship. On May 13, 2003, the Supervisory Board adopted amendments to the corporate governance rules. The current version of the corporate governance rules can be viewed at www.westlb.com/About us/Corporate Governance Rules.

In 2003 WestLB AG created a system for monitoring compliance with its corporate governance rules. Responsibilities and duties were clearly delegated. The new system will ensure compliance at all levels.

WestLB AG sees corporate governance as a dynamic process and will continue to develop the content and means of implementing its corporate governance rules. In 2004 WestLB AG intends to examine its rules in light of new experiences, legislation and revised national and international standards, making changes where necessary.

With efforts such as these, the quality of WestLB AG's corporate governance will continue to improve over time.

WestLB AG complied with its corporate governance rules in full in 2003, with one exception: Due to an unusually heavy workload, one member of the Supervisory Board was unable to attend Supervisory Board meetings in person, to the extent stipulated by the corporate governance rules (see II. 2.4 of the Bank's Corporate Governance Rules). As discussed above, this member resigned from office in the fiscal year under review. In addition, on May 14, 2003 the Shareholders' Meeting adopted a resolution that set a fixed remuneration for Supervisory Board members for the 2002 fiscal year. The remuneration for fiscal year 2003 will be decided at the Shareholders' Meeting on May 13, 2004 (see II. 2.4 of the Bank's Corporate Governance Rules).

The Supervisory Board is having its operations tested for efficiency. The consultant hired for this purpose functions independently of the Bank, as well as its governing bodies and committees. He will present his findings at one of the meetings held in 2004.

The Supervisory Board wishes the Managing Board all the best with the difficult task of restructuring the Bank and developing a new strategy and thanks all employees for the work they have done.

Düsseldorf/Münster, May 7, 2004

Bernd Lüthje

Chairman of the Supervisory Board
Dr. Bernd Lüthje

Names and Locations

Governing bodies, addresses and business units of WestLB Group are listed in the following chapter, which gives an overview of responsibilities and contacts within the Bank.

Governing Bodies of WestLB AG

Members of the Supervisory Board

Dr. Bernd Lüthje
Chairman of the Managing Board
NRW.BANK
Düsseldorf/Münster
Chairman

Gerd-Uwe Löschmann
Director
WestLB AG
Düsseldorf
Deputy Chairman

Dr. Erich Bauer
Chief Executive Manager
TMD Friction Holding GmbH
Leverkusen
– until July 3, 2003

Jean-Pascal Beaufret
Chief Financial Officer
Alcatel
Paris

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

Jochen Dieckmann
Finance Minister
Ministry of Finance of
North Rhine-Westphalia
Düsseldorf
– from July 3, 2003

Thorsten Ellwanger
Prokurist
WestLB AG
Hamburg

Bernd Fiegler
Deputy State Director
ver.di Vereinte
Dienstleistungsgewerkschaft
Regional District of
North Rhine-Westphalia
Düsseldorf

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

Dr. Karl-Ludwig Kley
Member of the Managing Board
Deutsche Lufthansa AG
Cologne
– from July 3, 2003

Horst-Wolfgang Klophaus
Manager
WestLB AG
Düsseldorf

Hans-Peter Krämer
Chairman of the Managing Board
Kreissparkasse Köln
Cologne

Joachim Krämer
Bank Director
WestLB AG
Düsseldorf
– from January 15, 2004

Dr. Siegfried Luther
Deputy Chairman of the
Managing Board
Bertelsmann AG
Gütersloh

Manfred Matthewes
Prokurist
WestLB AG
Düsseldorf

Hartmut Mehdorn
Chairman of the Managing Board
Deutsche Bahn AG
Berlin
– until July 3, 2003

Udo Molsberger
Regional Director
Regional Association of
the Rhineland
Cologne

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

Heinz-Günter Sander
Bank employee
WestLB AG
Düsseldorf

Rainer Schmitz
Bank Director
WestLB AG
Düsseldorf
– until October 23, 2003

Franz-Georg Schröermeyer
Secretary, Financial Services
ver.di Vereinte
Dienstleistungsgewerkschaft
Münster Regional Office
Münster

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

Elisabeth Weber
Prokuristin
WestLB AG
Düsseldorf

Members of the Managing Board

Dr. Thomas R. Fischer
Chairman
– from January 1, 2004

Dr. Matthijs van den Adel
– from January 1, 2004

Dr. Norbert Emmerich
– from May 1, 2004

Klaus-Michael Geiger

Dr. Manfred Puffer

Rainer Schmitz
Deputy Member
– from October 23, 2003

Dr. Johannes Ringel
– until July 1, 2003
Chairman
– from July 2, 2003 to
December 31, 2003

Jürgen Sengera
Chairman
– until July 2, 2003

Dr. Adolf Franke
– until December 31, 2003

Robert Restani
Deputy Member
– until March 31, 2004

Gerhard Roggemann
– until March 20, 2004

Andreas Seibert
– until July 2, 2003

WestLB AG Locations

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Managing Board Responsibilities

DR. THOMAS R. FISCHER
Chairman

- Managing Board Secretariat/Economics
- Group Communications/Investor Relations
- Group Auditing
- Legal
- Group Compliance Office
- Group Strategy/Controlling

DR. MATTHIJS VAN DEN ADEL
Chief Risk Officer

- Central Credit Management
- Credits Germany/Europe
- Credits America
- Credits Asia/Pacific
- Global Specialised Finance/ Transaction Management/Credits
- Risk Management Support & Control
- Asset Liability Management
- Westdeutsche ImmobilienBank
- WestLB International, Luxembourg

DR. NORBERT EMMERICH

- Sparkassen
- Public-Sector Clients

DR. MANFRED PUFFER

- Equity Markets
- Global Financial Markets
- Global Specialised Finance Origination/Structuring
- Corporate Clients
- Financial Institutions
- Mergers & Acquisitions
- Group Marketing/Sales Support
- WestLB Covered Bond Bank
- WestLB Research

KLAUS-MICHAEL GEIGER
Chief Operating Officer

- Group Operations
- Group Finance
- Transaction Services
- Chief Information Office
- Group Purchasing
- Internal Service
- Group Organisation
- Equity Investments
- WestLB Systems

RAINER SCHMITZ
Deputy Member, Employee Relations Director

- Global Asset Management
- Human Resources
- Money Laundering Prevention
- Banque d'Orsay

Glossary

Arranger
Lead bank; institution that structures (arranges) a debt finance package. The term "arranger" is often used in connection with syndicated loans, where the arranger places the loan with a syndicate of banks which it itself assembles and leads.

Asset Backed Transaction
Asset securitisation transaction. Widely used as a synonym for asset securitisation.

Asset Management
Professional management of assets, particularly for institutional investors, performed under a management contract

Asset Securitisation
Method of financing whereby a portfolio of (usually) similar assets is converted into marketable securities

Benchmark Bond
Bond issued at an interest rate that the market considers a reference interest rate

Bookrunner
Lead bank of an underwriting syndicate. The job of the book-runner is to collect bids from investors during the book building process and to determine a single issue price for the new securities based on the bids collected.

Bridge Financing
Interim or pre-financing. Financing provided to companies to cover their short-term capital requirements or to bridge the time between the occurrence of long-term capital requirements and the receipt of permanent capital

Cash Management
A customer service strategy that enables companies with several branches, including branches in different countries, to plan and manage their liquidity in the most profitable way possible

Clearing
Regular institutionalised settlement of matching claims and liabilities among two or more partners

Commercial Paper
Short-term, unsecured debt instruments with flexible maturities (max. 270 days) issued by top-rated issuers. Commercial paper is a way of covering short-term financing requirements by going directly to large investors.

Commodity Finance
In the broadest sense, a type of short to medium-term structured trade finance secured by the flow of goods (listed commodities or other marketable commodities). A distinction is generally made between pre-production and post-production finance.

Convertible Bond
Bond that gives the holder the right to convert it into shares at a later time and at a specified ratio

Corporate Finance
The sum of measures related to the procurement, use and repayment of capital by a company in the non-banking sector

Credit Default Swap
A financial instrument whereby the party buying protection agrees to pay the party selling protection a periodic fee, expressed in basis points per annum, on the instrument's principal. The amount of the fee depends on the quality of the reference debtor (risk) underlying the instrument. In return, the seller owes the buyer a payment if a credit/default event occurs at the reference debtor.

Credit Linked Note
In simple terms, the certificated form of a credit default swap. The party buying protection issues a note, the repayment of which is contingent on the non-occurrence of a credit event, and receives a payment equal to the note's principal. The note is only partially repaid if a credit event occurs (in extreme cases, it is not repaid at all).

Cross Border Leasing
Lease transaction whereby the lessor and lessee are not domiciled in the same country

Derivative
Product whose value is primarily derived from the price, price movement and price expectations of another, underlying base instrument (stock, bond, currency, index). Swaps, options and futures are classic examples of derivatives.

Emerging Markets
Developing countries

Forfaiting
Non-recourse purchase of individual medium and long-term export receivables (goods and services) with medium to high repayment amounts. The exporter sells the receivables to the bank and receives a cash payment as soon as the goods are delivered.

Forward
Transaction whereby execution and performance do not occur at the same time.

Future
Bilateral contract on the delivery and acceptance of a particular type and quantity of financial instrument at a specified time and price. Unlike traditional forward transactions, futures contracts are standardised.

FX Forward
Foreign exchange forward

Jumbo Bond
Bond with a particularly high issue volume, e.g. € 1 billion and above. Generally speaking, the terms of jumbo bonds are no different than those of other bonds.

Leverage Effect
The relationship between debt and equity in a company's capital structure; the return on equity increases as the debt ratio increases, as long as the return on total capital is greater than the interest to be paid on the debt. The reverse is also true. If the return on total capital is lower than the interest rate on the debt, the return on equity decreases in direct proportion to the debt ratio.

Leveraged Finance
Form of debt financing whereby borrowed capital makes up a large portion, generally 60% to 75%, of the value of the company being financed. The debt capital is divided into a series of tranches and often has a maturity and interest rate that are considerably higher than traditional loans.

Management Buy-Out (MBO)
Acquisition of a company by its existing management, sometimes with the help of financial investors and other sources of outside capital

Medium Term Note
Bearer bond that can be continuously offered to investors as part of a revolving issuance programme. Medium term notes have maturities between 2 and 10 years and are privately placed in small tranches with institutional investors by dealing banks specified by the issuer.

Mezzanine Financing
Generally long-term subordinated financing that can take many forms, e.g. silent partnerships and atypical silent partnerships, participation certificates or convertible bonds/warrant bonds

Mortgage Backed Securities
Securities backed by a pool of mortgages

Participation Certificate
A form of mezzanine financing. Participation certificates are creditor paper that can be structured, in accordance with the client's requirements, as either equity or debt instruments.

Principal Finance
Special financing technique that optimises a company's equity and liabilities by using both debt and equity products

Private Equity
Equity capital for companies not listed on a stock exchange

Private Placement
Process of issuing securities and debt instruments to select private and institutional investors rather than as part of a public offering

Rating
Classification, e.g. of countries, companies and securities, according to their creditworthiness by banks or rating agencies such as Fitch Ratings, Moody's and Standard & Poor's

Repo/Repurchase Agreement
Securities repurchase agreement (true repurchase agreement, where the underlying securities still belong to the borrower). From the lender's perspective, the transaction is a reverse repo.

Structured Finance
A form of long-term customised financing essentially geared toward the future cash flow of an enterprise or one of its projects. The bank generally has a comprehensive system of security in place that can require the borrower to pledge shares or assets as collateral, or involve credit insurance from a company like Hermes.

Structured Products
Securities that combine aspects of other product classes into a new customised product with both familiar and unusual characteristics. For example, the security for bonds can be linked to the performance of stocks or equity derivatives.

Swap
A financial instrument based on the exchange of interest payments in the same currency (interest-rate swap) or different currencies (currency swap)

Trade Finance
Collateralisation of exports and imports (goods and services) with letters of credit, collections or guaranties. The legal framework for trade finance is governed by international standards.

WestLB

Dedication you can count on.

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