



Annual Report 2000

Key Figures

WestLB Group

	1997	1998	1999	2000
in millions	€	€	€	€
Total assets	305,394	354,339	393,754	400,040
Business volume	385,866	450,313	533,537	548,279
Credit volume	279,304	314,193	359,449	374,746
Certificated liabilities	86,921	95,551	105,720	111,768
Deposits	193,617	229,037	252,624	250,730
Capital and reserves	12,001	14,292	17,856	19,513
Nominal volume of derivatives	903,982	1,268,753	1,527,968	1,536,060
Net interest income	2,108	2,188	2,462	2,246
Net commission income	471	552	721	1,086
Net result from trading operations	291	296	103	522
Personnel expenses	1,095	1,255	1,483	1,713
Other administrative expenses	917	1,070	1,194	1,525
Operating profit after provision for risks	641	673	882	921
Profit after taxes	382	414	436	497
of which: allocation to state housing construction funds	80	72	86	70
Staff (Banking Group*)	10,116	10,602	11,068	11,390

* excluding jointly-managed companies

BIS Overall Ratio	9.3%	BIS Core Capital Ratio	5.1%
Overall Ratio according to Principle I	9.8%	Return on Equity	11.4%
Cost/Income Ratio	77.1%		

Ratings	Short-Term	Long-Term	Public-Sector Pfandbriefe
Moody's	P-1	Aa1	–
Standard & Poor's	A-1+	AA+	AAA
FITCH IBCA	F1+	AAA	AAA



Managing Board

Dr. Friedel Neuber
Chairman



Hans Henning Offen
Vice Chairman



Dr. Wolf-A. Prautzsch
Vice Chairman



Dr. Adolf Franke



Dr. Rudolf Holdijk



Dr. Johannes Ringel

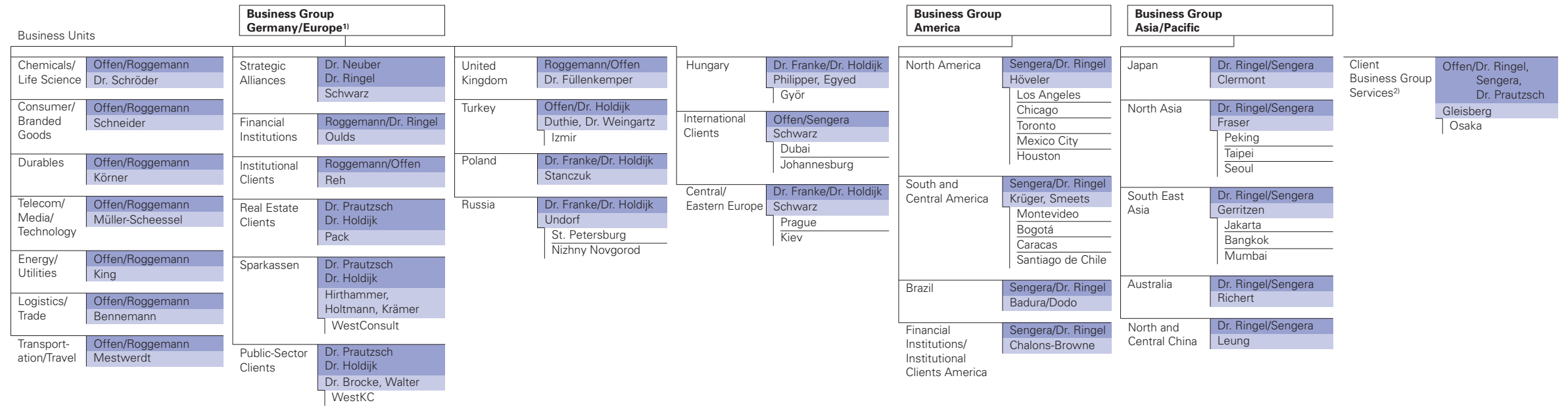


Gerhard Roggemann

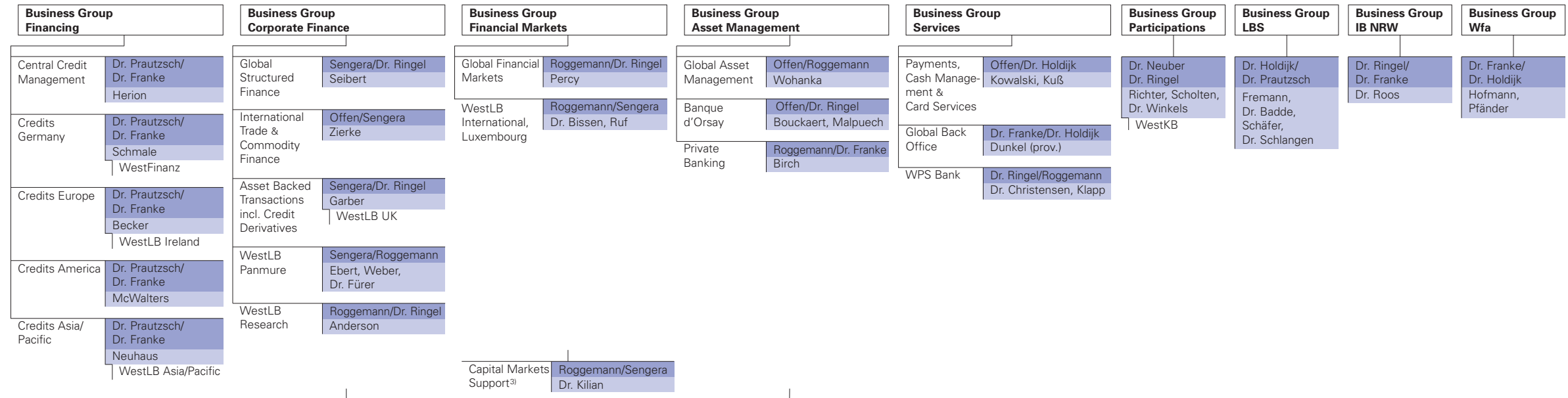


Jürgen Sengera

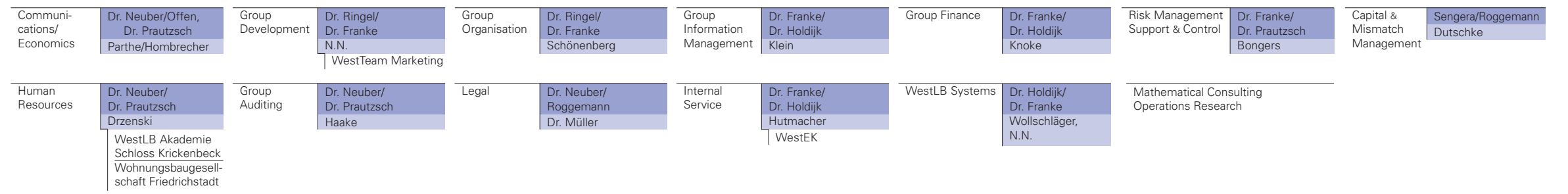
Client Business Groups



Product Business Groups



Group Services Business Group



Individual/Joint Responsibility Managing Board
Business Unit Head/Board, General Manager of subsidiaries

¹⁾ including Africa, Middle East
²⁾ Service functions for all Client Business Groups

³⁾ Service functions for the Business Groups
Corporate Finance, Financial Markets, Asset Management

Westdeutsche Landesbank Girozentrale Düsseldorf Münster

WestLB Group in the 2000 Financial Year

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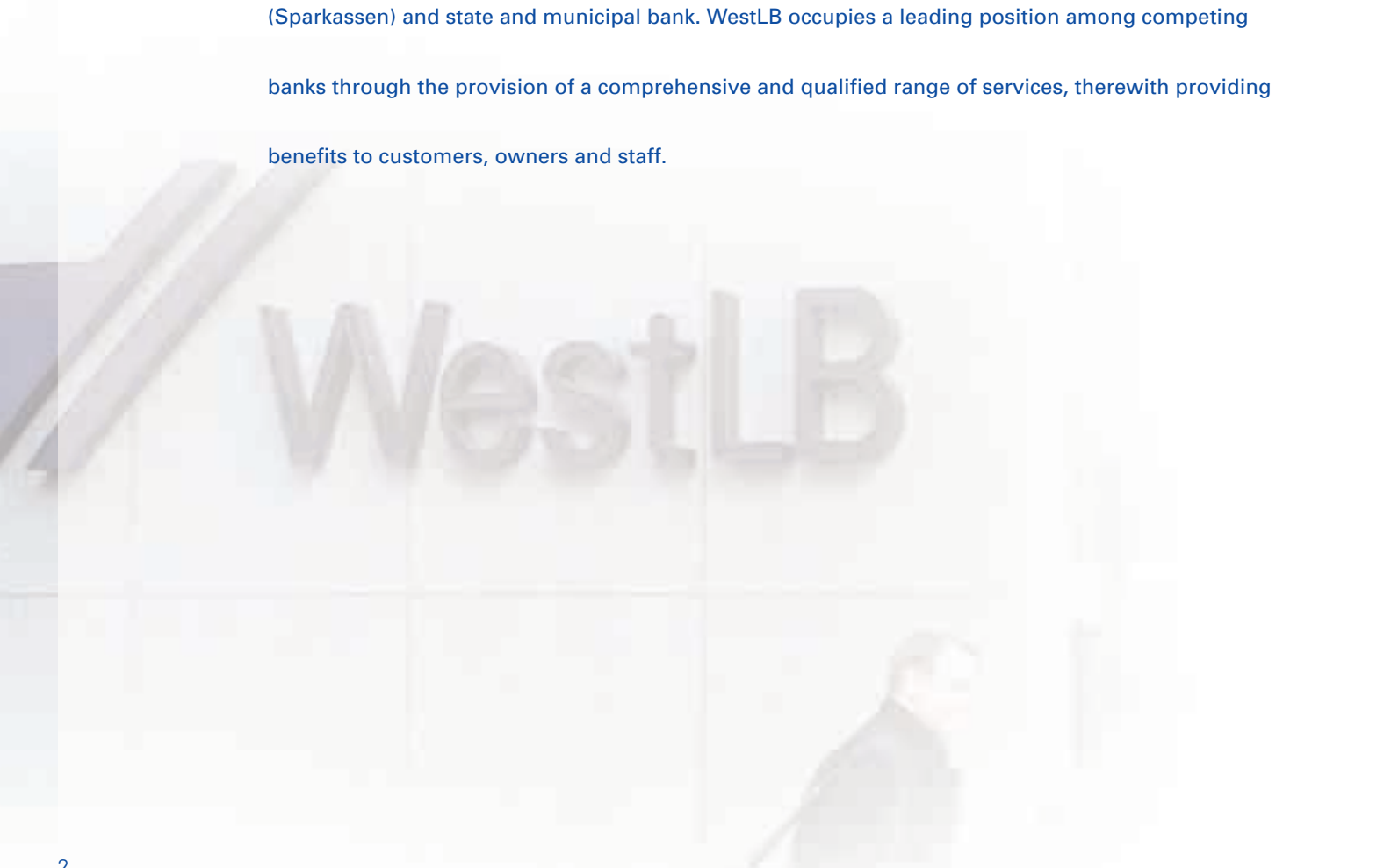
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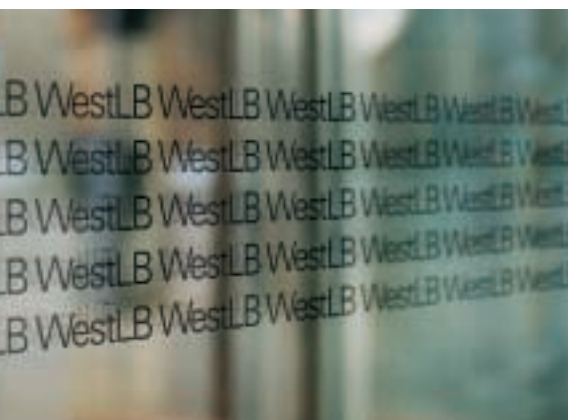
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WestLB Group in Brief



WestLB Group is one of Germany's largest banking groups. As a credit institution under public law, WestLB performs the functions of a universal bank, the central institution of the savings banks (Sparkassen) and state and municipal bank. WestLB occupies a leading position among competing banks through the provision of a comprehensive and qualified range of services, therewith providing benefits to customers, owners and staff.





Westdeutsche Landesbank Girozentrale (WestLB) was established on January 1, 1969 by the merger of Landesbank für Westfalen Girozentrale, Münster, founded in 1832, and Rheinische Girozentrale und Provinzialbank, Düsseldorf, founded in 1854. WestLB is a credit institution in the legal form of an institution under public law. The Bank's owners and guarantors are jointly and severally liable for the obligations of WestLB. Governmental control is exercised by the Minister of the Interior of the State of North Rhine-Westphalia. WestLB's governing bodies are the Guarantors' Meeting, the Supervisory Board and the Managing Board.

Benefiting the Customer

WestLB is an internationally operating universal bank, the central institution of the savings banks and state and municipal bank. These functions are laid down in the Savings Banks Act of North Rhine-Westphalia and in WestLB's statutes.

Together with our subsidiaries, we aim to occupy a leading position among competing banks through the provision of qualified service and optimum customer care, therewith providing lasting benefits to customers, owners and staff.

European Universal Bank


WestLB Group operates as an European wholesale bank in all the major financial and business centres of the world, offering clients in Germany and abroad a comprehensive selection of advisory, financial, investment and other services. These range from traditional lending and deposit business, investment banking and electronic banking to complex solutions, for example in project finance or balance sheet management.

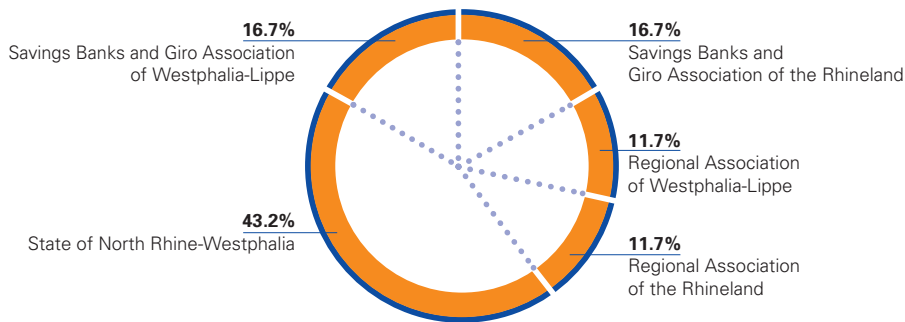
Germany – and North Rhine-Westphalia in particular – is our core market. Our business activities and operational network are determined by the needs of our customers.

A major focus of our activities abroad is the converging continent of Europe, where we maintain branches, offices and subsidiaries in all important countries. We also have a significant presence in North and South America as well as in Asia. WestLB Group is represented in more than 35 countries worldwide.

With a view to expanding our position in the European market, we cooperate closely in appropriate business segments with our partner banks Banca Carige S.p.A., Genoa, and FORTIS Bank, Brussels. Our cooperation agreement with Standard Chartered Bank, London, provides access to the UK bank's global network of 700 branches, predominantly in Asia and Africa.

Partner of the Savings Banks

WestLB Group is a member of the German savings banks organisation and partner of the  Finanzgruppe. We are the central institution of the savings banks in North Rhine-Westphalia and Brandenburg. As the partner of the



Guarantor Structure of WestLB

savings banks, we aim to increase the benefits for both sides through intensive cooperation. Customers of the savings banks thus profit simultaneously from local banking expertise and the services of a major bank operating on an international scale.

In Germany, too, we utilise the advantages offered by cooperation agreements to achieve our strategic objectives and optimise our own resources. For example, we are cooperating increasingly with other Landesbanks in order to pool know-how and rationalise operations.

Bank for Public-Sector Clients

WestLB Group is one of the leading banks for public-sector clients. Public authorities receive assistance in the form of advisory and other financial services for their increasingly complex financial transactions. As state bank, we support the State of North Rhine-Westphalia and its municipalities in the field of economic and housing development policy.

INVESTITIONS-BANK NRW (IB) administers promotion programmes on behalf of the state, the Federal Government and the European Community, providing advice and information on the range of programmes available and acquiring shareholdings in companies with a view to supporting the structural policy aims of the state. In the field of project management, IB supports the state at the point where public administration and the private sector meet.

Wohnungsbauförderungsanstalt NRW (Wfa) is the central institution of North Rhine-Westphalia in the area of housing development policy, granting and administering loans, subsidies and guarantees.

Report of the Supervisory Board



WestLB's Managing Board reported regularly to the Supervisory Board and the Committees composed of its members on the development and situation of WestLB and the WestLB Group during the report year. The Supervisory Board and its Committees were kept informed of significant events and important business transactions. The Supervisory Board was petitioned in all cases in which its approval was required. The Supervisory Board dealt wherever necessary with all matters within its competency. The Supervisory Board supervised and controlled the activities of the Managing Board on the basis of information received and documents requested in four meetings of the full Board and 24 meetings held by the Committees formed from within its ranks.

PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft conducted the statutory audit of the Bank's accounts and statement of financial condition for the 2000 financial year. The certificate of audit was given without qualifications. The Supervisory Board and the Audit Committee composed of its members have comprehensively reviewed the official auditor's reports and conclusions and have no objections.

The Supervisory Board approved the financial statements of the Managing Board at its meeting on May 21, 2001 and proposes that the Guarantors' Meeting approve the 2000 Annual Accounts and, following allocation of the profit of the Wohnungsbauförderungsanstalt to the state housing construction funds and allocations to reserves, distribute the remaining profit to the shareholders.

The Supervisory Board has taken cognizance of the WestLB Group Annual Accounts and Statement of Financial Condition.

Düsseldorf/Münster,
May 21, 2001

A handwritten signature in black ink, appearing to read "Dr. Karlheinz Bentele".

Dr. Karlheinz Bentele
Chairman of the Supervisory Board

Foreword of the Managing Board



Dear Friends,

WestLB Group posted satisfactory results last year in a difficult market environment. In our core areas of business we were able to expand our strong market position and further develop our expertise. As a result, we are well equipped to face the competitive challenges of the future.

With total assets rising only slightly to € 400.0 (1999: 393.8) billion, operating profit after risk provisions and the result of evaluation increased by 4.4% to € 920.7 (882.1) million in the year 2000. This was mainly attributable to the sharp growth of net commission and trading income. Net profit for the year rose by

14.0% to € 497.0 (436.1) million. After retaining a total of € 386.5 million and less minority interests, Group profit amounted to € 95.1 million, which is identical to that of WestLB and will be distributed to the shareholders.

The general framework for public-sector banks under EU law has changed. In light of this, WestLB submitted a viable concept designed to ensure that the Bank can continue to operate successfully at the European level and at the same time refine its structure to enhance its competitiveness. By spinning off our commercial banking activities into a company under private law, we will effectively separate our public-sector tasks from the competitive business. Focusing on our particular strengths will help us to sharpen the profile of the Bank in the market and to tap additional resources.

The pressure to consolidate in the highly competitive banking industry has increased significantly, driven by the advent of the euro and the growing penetration of banking business with state-of-the-art information technology. The strong trend towards securitisation of assets with its positive impact on equity also continued. Customers increasingly demand sophisticated solutions tailored to their individual requirements as well as integrated capital market products. The progressive integration of the value chains requires us to offer our clients a comprehensive service from a single source.

WestLB has realigned its strategy in response to the changes in the marketplace. On the sales side we have reorganised our corporate client business in Western Europe along sector lines to take account of the integration of the markets into a single European economic area. This sector-oriented market segmentation will enable us to offer a service along the entire value chain that takes greater account of specific customer needs. In our lending business we adopted a more return and risk-oriented approach. At the same time we further developed our special finance expertise in promising business segments such as structured finance, asset backed transactions and investment banking.

In the growing project finance market, we boosted our market share once again and, as the most successful German arranger, moved up to seventh position among the world's leading banks in this sector. Numerous awards for important transactions indicate that our focus on the dynamic telecommunications and energy markets has begun to pay off. We enhanced our strong position in the asset securitisation markets by providing our clients with customised financing solutions. We moved up into fifth place in the fast-growing U.S. asset backed commercial paper market.

In the international equities field, we successfully established ourselves under the brand name WestLB Panmure, offering our target clients, European growth companies, a fully integrated range of products and services. In the case of IPOs raising up to € 100 million, we raised more capital in this client segment than any other bank. We see considerable IPO potential among European growth companies, which we intend to exploit in the future not least through closer cooperation with the savings banks.

We pooled our expertise in further promising business segments to meet growing demand among our clients for an integrated product range. Thus, for example, we merged our international trade finance business in the newly created International Trade & Commodity Finance business unit, enabling us to offer solutions for the entire output chain of international trade from a single source. Last year we strengthened our leading positions especially in structured commodity finance and forfaiting.

We integrated our entire interest, foreign exchange and capital markets operations in the new Global Financial Markets business unit in response to growing demand among customers for integrated capital market products. On the basis of global books and a uniform market approach, we now cover the entire spectrum of interest and exchange

products in a single organisational unit and at the same time strengthen our bond business.

In asset management, too, we are challenged to provide a wide and globally integrated product mix. Through additional acquisitions we continued our strategy of international expansion, thereby fulfilling an important requirement of international investors. In particular, we enhanced our global expertise in the lucrative private equity segment. By offering an enlarged range of products, private investors can now benefit from this form of investment in addition to institutional investors.

The development of product expertise as well as electronic trading and distribution systems caused investment to rise sharply last year. We took account of the growing importance of the Internet as a trading, sales and information platform in daily business by expanding our range of e-business solutions significantly. Our global trading centres meanwhile allow clients to conduct round-the-clock online trading of the most important money market and foreign exchange products across the various time zones. We steadily expanded our sales platform WestLB Extranet, and last year we issued bonds electronically on the Internet for the first time ("E-Bonds").

In order to furnish the transaction volumes to cover our required investment in the expansion of electronic banking services, we are pressing ahead with the develop-

ment of interbank solutions in close partnership with the savings banks. The primary task here lies in pooling activities with the savings banks to reap economies of scale and in achieving cost synergies within the framework of cooperation between the Landesbanks. In addition to joint solutions in the electronic banking field, this includes the pooling of securities settlement, even though the planned expansion of WPS Bank into the joint securities house of the savings banks organisation has been shelved.

WestLB is well equipped to face the challenges of the future. Thanks to our strategic realignment and efficient cost management, we have laid the foundations for further expanding our position as a European wholesale bank. We are confident that we can once again post good results in 2001. We would like to thank you – our clients, business associates and owners – for the trust you have placed in us and for the excellent cooperation.

Yours,



Dr. rer. nat. h. c. Friedel Neuber
Chairman of the Managing Board

Corporate Finance



With margins in the traditional lending business remaining under pressure, we are increasingly helping our corporate clients to obtain access to the international capital markets. We have concentrated our equity business even more on European growth companies. We further expanded our strong positions in the rapidly growing project finance and asset securitisation markets. By pooling our international trade finance business, we are now able to offer solutions for the entire value chain from a single source.

We have adopted a more return and risk-oriented approach in response to the continued strong pressure on margins in the lending business. With an overall volume of € 232.6 billion in our on-balance sheet lending operations, claims on corporate clients fell by 6.4% after the strong growth of the previous year (+ 22%). The total corporate lending portfolio declined by 3.4%.

WestLB Panmure: Experts in Growth

Our activities in the equities and equity investment banking field are conducted under the brand name WestLB Panmure, with a clear focus on European growth companies and their global investor base. Last year we generated earnings which significantly exceeded our budget target.

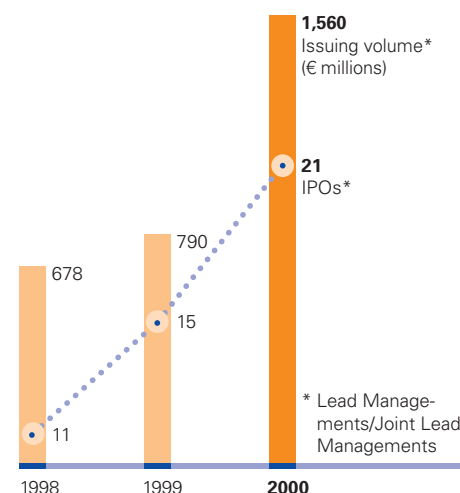
WestLB Panmure offers growth companies a comprehensive range of services at every stage of their business lifecycle, from start-up to IPO and beyond. Last year we added two in-house funds to our product range, Digital Capital AG (volume € 150 million) and Equity Bridge Fund (€ 100 million), which provide pre-IPO and bridge finance.

Although the markets for growth stocks were subject to sharp fluctuations last year, we participated in equity-raising operations with a total volume of € 4.6 billion. In the case of IPOs raising up to € 100 million, we raised more capital for European growth companies than any other bank.

The overall volume of Mergers & Acquisitions (M&A) activity in Europe expanded significantly in 2000, as stock increasingly replaced cash as the acquisition currency. Our M&A unit advised on 57 transactions with a total value of € 21.6 billion. For the first time last year, we focused almost exclusively on our core clientele of growth companies. As stock market developments fuel the need for consolidations and increasing company size, there is likely to be continued strong demand for M&A advisory services in the future.

Strength Through Relationships

The focus of our business strategy is on building strong, high-quality customer relationships. At the beginning of 2000, WestLB Panmure became the first investment bank to provide a corporate broking service to its listed clients in Germany. Already a well-established concept in the UK, Corporate Broking



IPOs: Successfully established as lead manager



provides listed clients with a proactive capital markets advisory and investor relations service including advice on regulatory requirements.

Clear Industry Focus for European Equities

We made considerable progress in the core business of sales and trading of European equities; in trading, earnings remained high even in the very difficult fourth quarter. Thanks to a clear industry focus and improved account management techniques, we were able to further develop our investor base in Europe, the United States and Japan.

The derivatives business also contributed significantly to WestLB Panmure's overall results. We were mandated by a number of major corporations to hedge their employee share option schemes. We believe that there remains considerable potential for developing tailor-made derivative solutions for corporate customers in the future.

A successful principal finance transaction was the acquisition of 2,000 pubs of the Pubmaster Group Ltd. in the UK, for which we provided, among other things, mezzanine finance

Research the Basis of Our Equity Business

Underpinning all of our equity business is our pan-European equity research, which focuses on eight core sectors. Technology and Life Science, in particular, were further expanded last year. In the Reuters Smaller Company Survey, we were ranked first for our research in both the logistics/transport and media sectors. In 2001, we are aiming for a top five ranking in the Reuters/Tempest and Primark surveys in each of our core sectors.

Asset Securitisation Continues to Grow

The asset securitisation market continued to grow last year. The advantages of this financing tool include a more efficient use of equity capital, a higher return on equity and the acquisition of new investor groups. Asset securitisation programmes are also proving to be increasingly popular

with our clients as a tool for financing acquisitions. WestLB further strengthened its leading position in the asset securitisation and principal finance market in 2000.

Improved Market Position in the USA

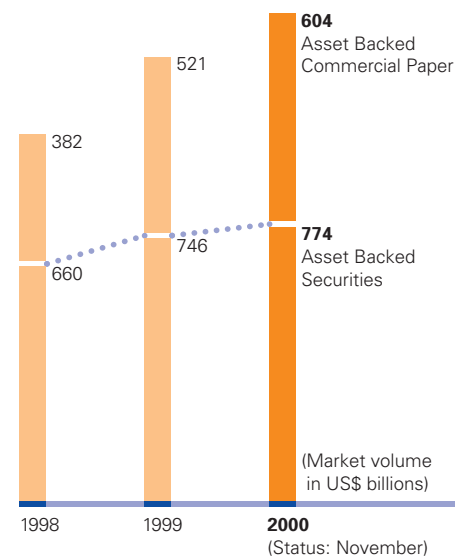
We raised more than US\$ 1 billion for clients in Latin America, acting as arranger, structurer and distributor. In the U.S. asset backed commercial paper market, we rose to 5th position as a sponsor/arranger of asset-backed transactions, thanks to a number of highly innovative securitisations, e.g. of intellectual property, investment fund fees and synthetic products. We were lead arranger and agent for transactions in excess of US\$ 1.2 billion for the U.S. subsidiaries of major German corporations. Moreover, we developed innovative asset-backed programmes in which privately-placed, subordinated debt and credit derivatives of third parties are used for credit enhancement. Our new website provides investors with comprehensive portfolio information.

New Principal Finance Products

We established ourselves in the principal finance market in 2000 with a number of innovative financing instruments. For instance, we financed the merger of the TV rental activities of Granada and Thorn in the UK using a complex structure incorporating a securitisation element. We also led a syndicate of banks that financed the acquisition of Pubmaster, a leading UK pub operator. Moreover, we put together a complex financing structure to enable a strategic investor to acquire Bhs, the UK retail chain. Various product innovations, such as the securitisation of licence payments in the pharmaceuticals sector, helped us maintain our leading position in traditional securitisation markets.

Credit Derivatives: A Fast Growing Segment

Credit derivatives continue to be one of the fastest growing and most dynamic segments of the capital market. In view of the weakening in the lending markets in autumn 2000, the market for credit derivatives grew strongly again. An



Asset securitisation markets in the United States: Global pacesetter



We arranged and syndicated the first project financing in Hong Kong after the economic crisis in Asia for Asia Container Terminals Ltd.

increasing number of banks attach importance to the active management of their loan portfolios. In order to maintain our position in this expanding market, we have significantly increased our range of credit derivatives. Last year we structured several collateralized loan obligations (CLOs) and placed them successfully in the market.

Project Finance: Market Share Substantially Increased

The global project finance market grew by over 50% in 2000 to € 166 billion. We boosted our market share from 3.0% to 3.4% and as the most successful German arranger we rose to 7th place in the league tables published by "Project Finance Magazine". Overall, we participated in project finance transactions with a total volume of € 5.7 billion (1999: € 3.3 billion).

We received the "Best Bank Award 2000" for Central and Eastern Europe from "Global Finance Magazine". Numerous transactions won several awards as "Deal of the Year" from international trade magazines, e.g. the "Blue Stream" project, the financing of a gas pipeline between the Russian Federation and Turkey under the Black Sea ("European Oil and Gas Deal of the Year"). With a volume of US\$ 2.6 billion and a term of 13 years, this is the largest financing project for a Russian corporate client since the Russian crisis.

We were coordinating lead arranger and bookrunner for the syndication of the HKD 3.4 billion financing for Asia Container Terminals Limited in Hong Kong ("Infrastructure Deal of the Year"). With a term of 12 years, this was the first project financing in Hong Kong since the outbreak of the economic crisis in Asia and the first port financing in which banks bear the market risk without recourse to investors.



Our refinancing of a telecommunications network (“B-Band”) in São Paulo was named “Telecoms Deal of the Year” in 2000. With a total volume of US\$ 1.75 billion, a substantial part is insured against the risk of political default by the private and public sector.

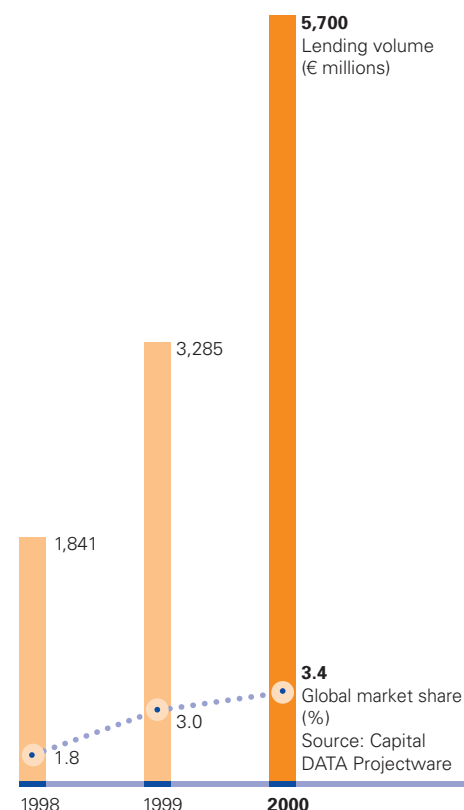
Focus on Energy and Telecommunications

We focused our project finance activities above all on the energy and telecommunications markets. Against the background of the ongoing liberalisation of the energy markets in Western and Central Europe, we won two mandates to arrange financing for the first power plant projects in Turkey (Iskenderun and Intergen/Enka = “Global Deal of the Year”). In the United States, we completed a number of highly complex transactions, including the financing of turbines based on synthetic leasing concepts.

In the telecommunications sector, we were mandated by Hutchison to arrange the financing for a UMTS licence in the UK. We are also co-arranger for the financing of the UMTS licence for Mobilcom and the acquisition of the Hessian and North Rhine-Westphalian cable networks. We also acted as lead arranger on several occasions for telecommunications projects in Asia and America. In Australia and New Zealand, we managed four deals with a total volume of € 2.0 billion.

Strategic Expansion of Aircraft Finance

In the transportation sector, we strengthened our position through the acquisition of Boulliou Aviation Services Inc., Seattle (USA), an aircraft leasing company. This acquisition will enable us to offer aircraft manufacturers and airlines a wider range of products in the future. We were also successful in the segment of cruise liner financing. For example, we arranged a US\$ 230 million financing for Silversea Cruises, the market leader for luxury cruise liners, and arranged the first con-



Project Finance:
Global market share and lending volume boosted considerably

struction time financing secured by cruise liner receivables for ALSTOM Marine. Our innovative financing structure also provided the blueprint for the first securitisation of such receivables, in which we acted as co-underwriter.

Leveraged Finance Established

After the addition of leveraged finance to our product portfolio in 1999, we won arranger mandates last year from a number of companies including Blue Circle and Flender. We are now ranked among the top ten banks in Europe in the lucrative segment of acquisition financing.

More Complex Export Financing Products

Increasingly complex products are required in the export financing market. Frequently, several export insurances are used alongside structured finance. WestLB was the first German bank to structure and arrange a € 28 million export financing deal for Bosnia-Herzegovina after the end of the Balkan war. This long-term deal was designed exclusively on a counter-trade basis with an export guarantee of

the German government (Hermes) and did not require the customary sovereign guarantees of the buyer country. The funds will be used for the modernisation of the Aluminij Mostar d.d. aluminium plant. This transaction won the "Deal of the Year" award of "Trade Finance" magazine.

Integration of International Trade and Commodity Finance Activities

We merged our international trade finance businesses into the newly created International Trade & Commodity Finance (ITCF) business unit in June 2000. ITCF, which comprises Commodity Trade Finance, Forfaiting, Structured Commodity Finance and Documentary Trade Finance, specialises in the financing of trade flows to and from emerging markets and OECD countries. By pooling these businesses, we are now able to offer one-stop solutions for the entire value chain of international trade, from the extraction of commodities to the transport and sale of the goods. We develop sophisticated financial solutions as standard or tailor-made products.

Awards for Structured Commodity Finance

In the field of Structured Commodity Finance, our position as world leader was confirmed in 2000 and we were once again voted "Best Counter Trade Financier/



Best Structured Commodity Bank" by "Trade Finance" magazine. The expansion of our business into South America and Asia has already begun to pay off. The US\$ 90 million deal which we arranged for Volcan for the extraction and processing of zinc ore in Peru was named "Deal of the Year", rewarding in particular the combination of commodity finance techniques and long term-oriented bank products for the first time.

At the next stage of the value chain, we finance international commodity flows transported by sea and/or stored in low-risk countries. Our focus is on steel, base metals (aluminium, copper, etc.) and softs (coffee and grain). From our offices in London and Hamburg, we operate on a global scale, concentrating mainly on European companies. We are currently preparing to expand into Asia and America. In the field of short-term commodity



finance, we have developed into a major player and last year were awarded the rating “Highly Commended” by “Trade Finance” magazine.

Global Market Leader in Forfaiting

Although the improved economic situation in most emerging markets put pressure on margins in the forfaiting business, our sales and earnings in this segment increased again in 2000. This was due to several transactions, including the securitisation of the Brazilian assets of a major German client and the launch of a forfaiting fund. As in 1998, we won the title of “Best Primary Forfaiting Institution” awarded by “Trade Finance” magazine every two years. In addition, “Central European Magazine” voted us “Trade Finance & Forfaiting House of the Year”.

Thanks to our wide range of documentary trade finance products and services, we are able to minimise the risks inherent in international trade, including credit risk,

country risk, currency risk and risks arising from changes in interest rates. Products such as letters of credit, collections, guarantees and standby letters of credit are important elements in the financing structures of our commodity and trade finance business, which is supported by professional documentary processing based on state-of-the-art technology.

In the Commodity Finance segment we are one of the leading players, for example in the financing of coffee transactions

Financial Markets



Competition in the financial and capital markets in the eurozone has intensified significantly. Electronic trading and Internet platforms continue to gain in importance. With the integration of our entire interest, foreign exchange and capital markets operations in a single business unit, we offer a comprehensive product range from a single source and are thus well equipped to face future challenges.

Last year we merged our entire domestic and international interest, foreign exchange and capital markets related activities in the newly established Global Financial Markets business unit in response to clients' growing demand for an integrated and specialised product range. This business unit is now responsible for the Bank's Foreign Exchange, Money Market, Loan Syndication, Debt Capital Markets, Bond Trading, Interest and Currency Derivatives and Emerging Markets businesses, including associated Research products. In line with our new strategy, we have positioned ourselves primarily as a European trading bank; at the same time we continue to support our clients' international business through our presence in Asia, America and the emerging markets.

More Effective Use of Resources

The reorganisation of our interest, foreign exchange and capital markets operations means that our resources will be used more effectively. By aligning our sales capability with individual client groups, we ensure that nationally and internationally operating clients receive optimum service from a single source across the entire product range: in 25 currencies, 24 hours a day.

In addition, we concentrate our product know-how on tailor-made solutions such as structured assets and complex derivative products. Integrated trading and sales functions based on global books enable us to respond quickly and flexibly to changes in the market. Moreover, we pooled our research services for the entire Global Financial Markets business.

A central e-commerce unit cooperates closely with the product units in order to respond directly to market developments and implement client needs flexibly, e.g. through Internet-based applications and distribution platforms. WestLBMarkets, our newly designed Internet portal (www.westlbmarkets.com), offers customers a wide variety of services, including online trading in European sovereign bonds as well as money market and foreign currency products, multilingual market information and an extended range of research services, also on emerging markets.

Interest Rate and Currency Trading Remain Successful

Global interest rate and currency trading in industrialised and emerging markets is handled by our new Rates & Emerging Markets unit. In addition to straightforward financing requirements, we also provide innovative emerging market structuring and the brokerage of precious metals contracts.

European interest rate and currency trading, in particular, as well as several outstanding transactions in Eastern Europe and Latin America, generated high earnings in the past year. Moreover, by taking advantage of arbitrage opportunities in Turkey and stepping up our activities in Russia and Poland, we were able to obtain attractive margins in business with foreign currency clients. We also expanded our product portfolio to include the origination and syndication of emerging market bonds and loans.

Know-How Transfer in the Derivatives Business

Interest-rate derivatives business developed favourably, particularly in Europe and North America. The euro capital markets have come of age, with the euro swap market now matching the U.S. Dollar market in terms of size and liquidity. Drawing on our experience in the U.S. market, e.g. with derivative-based solutions for asset backed issuers, we offered similar products also in the growing market for European securitisations last year.

The new accounting regulations for hedging transactions in the United States had a significant impact on the financial performance of companies using deriva-



tives. We cooperated closely with our clients to develop solutions for a variety of problems and were able to draw on this experience when preparing our European corporate clients for the introduction of new rules.

Widening of Credit Spreads

The single euro market has given greater prominence to credit spread products such as, for example, corporate bonds. We responded to this development by establishing a separate Credit Products unit. In addition to trading in products such as corporate bonds, FRNs, asset backed securities and high yield bonds, a major focus of the new unit is on the (re)structuring of credit solutions.

After the euphoric market growth in the wake of the introduction of the euro, demand for credit spread products slackened last year. This contributed to a widening of spreads, although they are still relatively narrow in comparison with the more homogeneous U.S. market. As the market gradually returns to normal, there should be a wide range of attractive credit investment opportunities in the future.

Fixed Income: E-Commerce Gaining in Importance

Fixed income business with interest risks of the public sector and covered products, e.g. (jumbo) Pfandbrief issues, developed satisfactorily in the past year. In addition to generating profits, we focused on the optimisation of portfolio structures.

We maintained our traditionally strong position in the Pfandbrief market, retaining the No. 4 ranking in the league tables (Euromoney League Table, Germany, Pfandbriefe, Issuers by Volume). We strengthened our presence in the jumbo Pfandbrief market by launching a new € 1.5 billion jumbo issue and increasing earlier jumbo issues by a total of € 2.3 billion. The total issuing business amounted to € 12 billion.

Last year the German sovereign bond market was marked by the introduction of the "Eurex Bonds" electronic trading system, in which we are a founding shareholder. The preparation of the EuroMTS and EuroCreditMTS systems has also laid the foundations for efficient

electronic trading in the fixed income sector. Furthermore, we established an Internet-based trading platform enabling deals to be closed online.

Bond Market: Stronger Placement Potential with E-Bonds

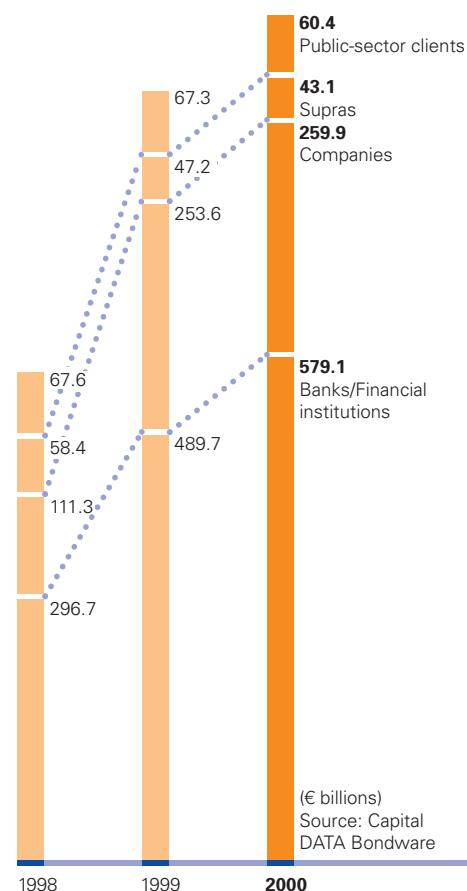
After the dynamic development of the previous year, the primary market for euro bonds fell short of the high market expectations in 2000. At roughly € 940 billion, the issuing volume was only slightly up on the previous year. Issuing activity was curbed especially by restraint on the part of investors, which in turn resulted from the widening of credit spreads and the development of exchange rates. By contrast, floating rate bank bonds were in strong demand due to the continued interest rate uncertainty.

Thanks to our long track record and international placement potential, we positioned ourselves successfully again as lead manager last year. We were involved in a large number of issues and acted as lead manager for 95 issues with a total volume of € 27.5 billion in the euro market.

In the floater segment for banks, we demonstrated our know-how as lead manager on several occasions. We successfully placed more than a dozen issues for German, French, Scandinavian, Italian and other European financial institutions, including Deutsche Apotheker- und Ärztebank, Renault Credit International, Sparebanken Rogaland, Banca Carige and Woolwich.

We also successfully defended our strong position in helping companies tap the capital market in 2000, with Sophia and Liberty Lighthouse among the major mandates. We also played a key role in arranging and placing two high-profile asset backed transactions for Kensington Mortgage Company and Citibank. Issues for clients from Asia/Pacific and the United States rounded off our international activities. In the foreign currency segment, we also arranged issues in U.S. Dollar, Pound Sterling, Japanese Yen, Czech Crowns and Polish Zloty.

In spring 2000, WestLB added electronic bond issuance ("e-bonds") to its product portfolio. This enables investors to obtain information on upcoming issues on the Internet and to submit subscription orders directly. This way, issuers benefit from



New issue volume in the euro bond market: Strong demand for bank bonds

“With the integration of our entire interest, foreign exchange and capital markets operations, we offer our clients a comprehensive product range from a single source.”

greater transparency of the book-building process. The issue for Fuchs Petrolub AG was the first-ever e-bond to be brought to the market for a German company.

Funding: International Presence Strengthened

We further strengthened our position as an issuer in the international bond markets last year. In particular, our US\$ 500 million bond issue proved highly popular with international investors and was placed successfully. Issuing activity also focused especially on euro and yen-denominated issues.

In February 2001, we issued the first bond under our new benchmark strategy with a volume of € 2 billion. With a view to expanding our position, we plan to issue additional strategic benchmark bonds as well as retail-oriented bonds in the core currencies euro, U.S. Dollar and Japanese Yen.

Syndicated Loans: The Year of the Mega Deals

High-volume transactions of up to € 30 billion characterised the syndicated euro-loan market in 2000. A total volume of US\$ 817 billion was placed in the market, an increase of 27% on the figure of US\$ 644 billion in the previous year.

Last year we were once again one of the leading arrangers in Europe. The volume of syndicated loans lead managed by WestLB rose by 7% from € 242.8 billion to € 260.6 billion. As a result we ranked 10th in the “Euroweek” league tables of the “Top Arrangers/Co-Arrangers of Euro-market Syndicated Loans”. Moreover, we were named as one of the “Best Arrangers of Loans for Financial Institutions” for the ninth consecutive time by “Euroweek” magazine.

The market was dominated by loans to telecoms companies (30% of all loans granted) in connection with the UMTS licence auctions in the United Kingdom, Germany and Italy. We played a leading role in nearly all important transactions, including France Telecom, Vodafone, Deutsche Telekom, Mobilcom and Hutchison 3G.

Position in Core Markets Expanded

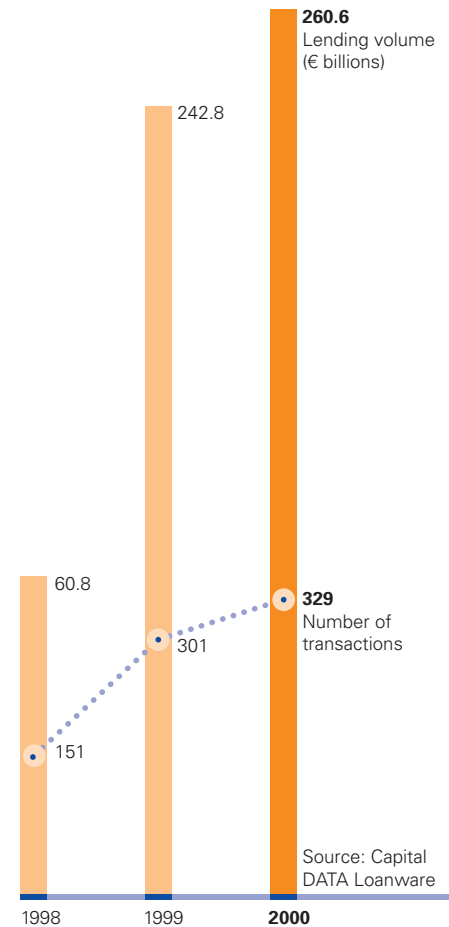
In our core markets of Germany, the UK and France, in particular, we were able to expand our strong position. In Germany, we not only played a leading role in nearly all important financing transactions (e. g. for Preussag AG and ThyssenKrupp AG), but also arranged debut finance for Asset GmbH and Lidl & Schwarz.

We also led a number of high-profile transactions in the UK, including the £ 1.6 billion financing for Blue Circle plc. Not least as a result of the credit facility provided by WestLB, the company was able to ward off a hostile takeover

attempt by the French company Lafarge. This transaction turned out to be one of the most successful syndications of the year 2000 and was named "Deal of the Year" in the UK trade magazine "Treasurer".

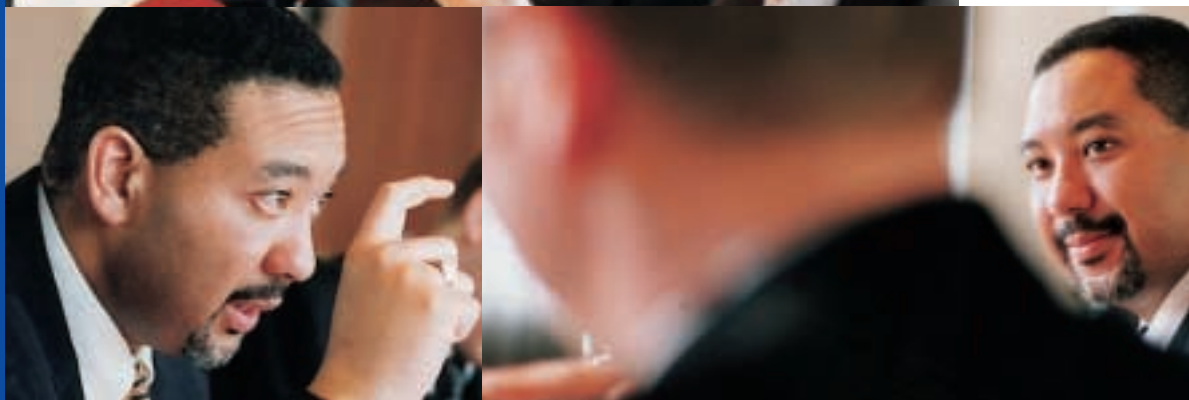
We were also mandated to arrange a number of other high-profile transactions. These included financing the take-over of American Can by the UK packaging company Rexam, which consisted of two tranches of € 1.6 billion and £ 2 billion, and the US\$ 2.5 billion transaction for media giant Pearson.

At the end of 2000, WestLB concluded a joint venture with British Land, a long-standing client, for the acquisition of land in prime locations in London. The required £ 265 million loan was syndicated successfully in the market.



Our syndicated loan business expanded again significantly

Asset Management



WestLB expanded its global asset management business through internal growth and acquisitions in 2000. Assets under management increased to more than € 39 billion. As a global asset manager, we maintain branch offices in Europe, North and South America, Asia and Australia. In private banking, we continued to grow on the strength of our extended product range.

Our global institutional asset management activities have been merged into the WestLB Asset Management (WestAM) business unit. In order to meet the growing demands clients make on products and services, we enhanced our product expertise both through organic growth and acquisitions. Last year we completed three acquisitions, two in the United States in the private equity and international equities segments and one in Australia for Australian equities. We also developed our product range further, expanding in particular our range of European and U.S. high yield bonds and Japanese equities.

Despite the weaker equity and corporate bond markets, total assets under management grew by 15% from € 34 billion to over € 39 billion. As many of our newly developed products meanwhile have a 3-year track record, we expect to post stronger overall growth from 2001 onwards.

International Equities and Private Equity Expertise Enhanced

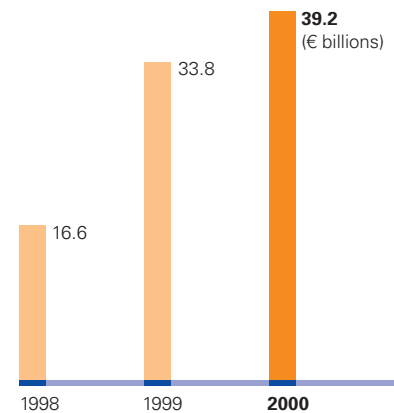
In the United States, we acquired Gulfstream Global Investors, an international equity portfolio management company with headquarters in Dallas, Texas.

Founded in 1991, the company has an exceptionally good track record. As the

international equity competence centre for WestAM, Gulfstream manages international equity portfolios for clients throughout the world, unless this is prohibited by local regulations. We also acquired an Australian equities management team with an equally sound track record, thereby giving us access to a key product in the large and demanding Australian market.

Our expertise in private equity has been strengthened through the acquisition of Phillips Capital Management, a manager of private equity funds based in Chicago, Illinois. With capital of more than US\$ 1.5 billion (at the time of the acquisition), the company, which has since been renamed WestAM (USA), is one of the top ten players in its market segment in the United States.

Private equity is defined as non-listed equity and covers a wide area, ranging from venture capital to the financing of corporate acquisitions. Private equity has become an increasingly important form of investment for clients, e. g. U.S. pension funds. The return on this type of investment has continuously exceeded



Further increase in assets under management

"In asset management we enhanced our expertise especially in the private equity and international equities segments."

that on listed shares. In the first quarter of 2001, we launched the private equity fund "Special PEP", which will be followed by a second fund, "COREplus", before the end of the year. These new funds are targeted specifically at European and Japanese investors.

Strong Growth for WestLB Compass Fund

The WestLB Compass Fund, a Luxembourg-registered investment fund launched with 14 sub-funds at the end of 1998, continued to grow in 2000. Each of the now 21 sub-funds offers a different benchmark and together they cover the entire range of WestAM investment products. The total assets of the fund rose by 32.5% last year from € 622 million to around € 825 million.

The Compass Fund is currently marketed in Italy, Germany, France, Spain and Luxembourg; admission to other markets, including Switzerland, the United Kingdom and Scandinavia, is being sought in 2001. We consider the Compass Fund to be a very attractive product; we will continue to establish additional sub-funds and step up our marketing activities.

Private Banking Widens Its Client Base

In our business with high net worth private clients, we continued the successful development of the previous years in 2000. In an environment marked by fierce competition and volatile markets, we once again posted significant growth.

After concentrating on intensifying our existing client relationships in the two previous years, we turned our attention increasingly to the acquisition of new clients in 2000. We benefited here from our wide range of products. Apart from adding new products from the asset management field, we further expanded our selection of structured products, products related to old-age provision and private equity/venture capital funds.

Private Equity Increasingly Attractive for Private Clients

WestLB Equity Partners I (WEP I), our private equity/venture capital fund, proved to be highly popular with clients last year. Building on our relationships with successful fund managers and our track record as investor and advisor in this segment, we were able to offer this new form of investment also to private investors. By pooling investments in a fund of funds, it was possible to offer subscriptions from a minimum amount of € 100,000. The

response to our product was impressive; between early May and December, when the subscription period ended, we placed more than € 20 million with interested investors.

In order to make this type of investment available to a wider circle of clients, this year we are launching a fund of funds (WestLB Global Investor) permitting investments with a minimum subscription amount of € 15,000. We are convinced that this product will prove to be extremely popular, especially with the savings banks. Last year, our business with the savings banks focused mainly on the marketing of tax-driven aircraft, media and closed-end real estate funds. In the light of changed fiscal conditions, we extended our product range in this segment to include additional products generating high income.

Strong Growth of Portfolio Management

Traditional securities products continue to form the core of our business activities. Here, too, we maintained the positive development of previous years. The number of portfolio management mandates increased last year by almost 50%, with total assets under management rising by more than 20% despite the unfavourable market development.

WestLB International S.A., our Luxembourg subsidiary, likewise expanded its portfolio management activities significantly. A new product, fund-linked life insurance (VorsorgePortfolio), was added to the successful fund-based asset management and individual portfolio management. As a result, assets under management rose for the third consecutive year by more than 20%.

New Products and Services

Our activities in 2001 will focus on further improving the high quality of our advisory skills and adding innovative products and services to our portfolio. Thus, we will offer our clients private financial planning as an additional component of our comprehensive asset management service. Moreover, we will step up our efforts to acquire new clients. We have already created the required organisational framework by setting up a dedicated team to manage large-scale private assets.



In addition to a wide range of products, high net worth private clients draw on our expertise at regular information events

Real Estate Business



WestLB has further strengthened its position in the real estate market. Despite a noticeable decline in construction investment, we expanded the business volume in the year 2000. We catered to the growing demands of our clients by offering tailor-made solutions to their financing needs. In doing so, we attached great importance to their credit standing and the sustainable quality of the properties to be financed. Westdeutsche ImmobilienBank continued to expand its business in the euro zone.

WestLB's real estate business focuses on the core market of North Rhine-Westphalia. National and international real estate business is handled by Westdeutsche ImmobilienBank, in which WestLB holds a 50% stake. Our activities are primarily targeted at real estate companies, large building contractors, private real estate investors and promising project developments. In addition to providing finance, we increasingly also provide consulting and intermediary services between client groups. Once again the savings banks in North Rhine-Westphalia and Brandenburg valued our services as consultants as well as cooperation and underwriting partners last year.

Business Volume Further Expanded

Contrary to expectations, the construction sector was unable to benefit from the economic upswing in 2000. While public-sector and commercial construction largely stagnated, residential construction declined noticeably from mid-year. This trend will probably continue in 2001. Demand for flexibly rentable business centres and logistics properties will increase only in big cities and require innovative financing structures.

In North Rhine-Westphalia, our core market, the volume of new real estate financing commitments amounted to € 1.2 (1999: 1.1) billion, with new business totalling € 0.75 (0.81) billion. Despite more active client selection and higher demands made on the sustainable quality of the properties to be financed, WestLB's total real estate lending portfolio increased to € 7.1 (6.7) billion.

Changing Real Estate Markets

Housing sector companies increasingly focused on the optimisation of their portfolio management in the year 2000. WestLB was involved in comprehensive construction and modernisation activities, attaching particular importance to the sustainable quality of the underlying properties. One such property was the "Servicehaus" in Euskirchen completed by LEG Landesentwicklungsgesellschaft NRW GmbH. Complying fully with the requirements of the public sector, a communication-enhancing and innovative type of dwelling has been designed to

"In addition to providing finance, we increasingly also provide consulting and intermediary services between client groups."



The “Servicehaus” in Euskirchen promotes the integration of elderly and handicapped people

promote the independence and integration of elderly and handicapped people. Its sustainable quality and value are ensured by the excellent environmental compatibility of the property, which is the result of non-hazardous natural building materials and low energy consumption.

The building contractor market was hit by the continued downward trend in residential construction, which affected not only multi-storey construction – already on the decline for some considerable time – but also single family homes from mid-year onwards. In light of this, we focused on a more active client selection and the development of structured finance packages for larger building contractor projects.

We supported private and commercial investors not only with high-quality new properties but also in stabilising proble-

matic existing properties. By matching properties precisely to investor requirements, we developed tailor-made financing solutions based on an individual risk/opportunity profile.

In the field of project development, we maintained our strong position in the market. Thanks to our comprehensive know-how, we were again able to position ourselves as a competent joint venture partner and contribute significantly to the development of a number of highly promising projects.

Westdeutsche ImmobilienBank: European Business Markedly Expanded

With markets in Europe moving ever closer together, Westdeutsche ImmobilienBank continued to expand its business activities in the euro zone. The focus was on the Benelux countries and France, where a new representative office was opened in Paris.

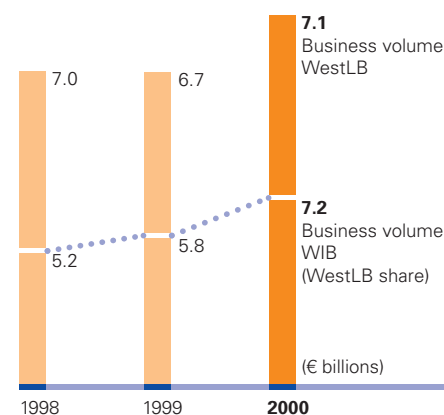


Contrary to the general market trend, the volume of new business increased from € 3.7 billion to € 4.1 billion in the year 2000. International business rose to € 2.2 (1.9) billion, with domestic business growing slightly to € 1.9 (1.8) billion. We continued to expand the lending portfolio in 2000. Total assets rose from € 10.1 billion to € 12.8 billion and the business volume from € 11.5 billion to € 14.4 billion. With a view to ensuring steady growth, the range of credit facilities is to be extended in the future to include securitisation.

Fund Business on the Advance

On October 2, 2000, WestInvest Gesellschaft für Investmentfonds mbH launched WestInvest InterSelect, an open-ended real estate fund which primarily targets high net worth private clients and aims for an international share of 70%. By the end of the year, the fund had acquired properties worth € 78.7 million in France and the Netherlands. WestInvest 1, the open-ended real estate fund launched in 1989, meanwhile comprises 79 properties and increased its assets to € 1,818 (1,800) million by the end of 2000. WestInvest now cooperates with DGZ•DekaBank – Deutsche Kommunalbank – a shareholder in WestInvest since January 1, 2000 – in marketing as well as the provision of services for the savings banks.

WestFonds Immobilien-Anlagegesellschaft mbH placed equity of € 44.4 million and reported an investment volume of € 85.7 million. The launch of the WestFonds 5 fund with three properties is scheduled for the second quarter of 2001.



Real estate business markedly expanded

**“Westdeutsche ImmobilienBank
expanded its business in the euro
zone significantly.”**

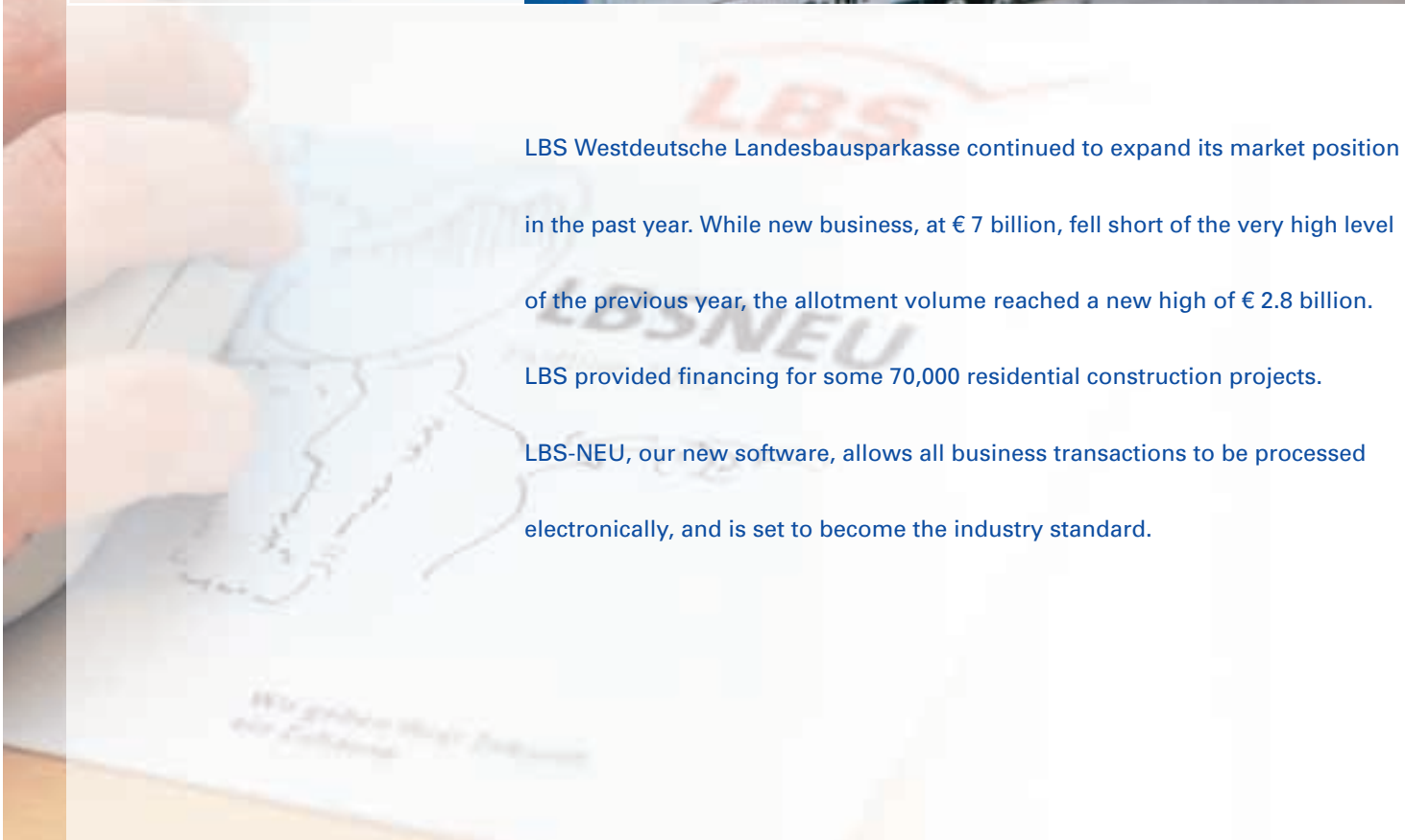
In line with its strategic objectives, WestGkA Management Gesellschaft für kommunale Anlagen mbH concentrated on top properties of manageable sizes in prime locations. In view of the excellent project portfolio, its net results are expected to increase further in 2001.

I.T.C Immobilien Team Consulting GmbH & Co. primarily expanded its range of services for shopping and entertainment centres in the past year. These services range from concept development to project management and letting and centre management. Overall, I.T.C. managed property projects with a total planning and construction volume of approx. € 1.8 billion. The most innovative projects include the “UFO” main railway station in Dortmund, the “SEVENS” themed shopping mall in Düsseldorf and the ORIENTA in Berlin, a multinational shopping, cultural and recreational centre.

In response to the growing demand for one-stop solutions, ICM Center- und Facility Management GmbH strengthened its position as a full service provider for retail and office properties in 2000.

In addition to managing 141 properties with a combined value of approx. € 2.2 billion, ICM oversaw the construction of 16 projects with an overall volume of roughly € 392 million.

PortfoliInvest-Beratung Management für Immobilien GmbH focused mainly on the analysis of nationwide retail properties that were being prepared for a potential sale. The company successfully expanded its service and consulting activities for real estate portfolios (volume: roughly € 256 million) and recruited investors for individual properties with a volume of approx. € 51 million. The total volume of properties under management amounted to € 600 million.



LBS Westdeutsche Landesbausparkasse continued to expand its market position in the past year. While new business, at € 7 billion, fell short of the very high level of the previous year, the allotment volume reached a new high of € 2.8 billion. LBS provided financing for some 70,000 residential construction projects. LBS-NEU, our new software, allows all business transactions to be processed electronically, and is set to become the industry standard.

**“LBS-NEU, our new software,
is set to become the industry
standard.”**

LBS Westdeutsche Landesbausparkasse, a business group of WestLB, provides building society-related services in North Rhine-Westphalia. Last year LBS was unable to repeat the excellent result for 1999. Even so, the level of new business was good, with 355,000 (– 14%) new and increased contracts and a total volume of € 7 billion (– 11.5%). Our market share increased from just under 40% to roughly 42%, once again surpassing the aggregate market share of our four strongest competitors in North Rhine-Westphalia.

We now have a customer base of roughly 1.9 million building society savers. In the past year, business with young clients, in particular, expanded further, with 28% (1999: 26.5%) of our new clients under the age of 25. The average targeted savings amount rose by € 1,100 to € 19,400. While the portfolio of contracts equalled the previous year's level of

2.4 million, both the aggregate contractual amount and deposits with LBS reached new highs. The aggregate contractual amount increased by € 0.9 billion to € 47.8 billion, with deposits rising marginally to over € 5.9 billion.

Allotments at Record Level

Allotments increased by 20% to 191,000 contracts last year. At just under € 2.8 billion, the aggregate volume reached a new record level, not least thanks to our new and more customer-friendly allotment procedure. Numerous clients again made unscheduled repayments in the past year, with the result that the portfolio of loans paid out by LBS remained at the previous year's level of € 3.3 billion. We also made available € 0.6 (1.0) billion in anticipatory and bridging loans to clients who have not yet fulfilled the necessary conditions for qualifying for an LBS loan. The security reserve for the Bausparkassen was increased by € 4.2 million to a total of € 31.6 million.

Strategic Alliance with LBS Bremen

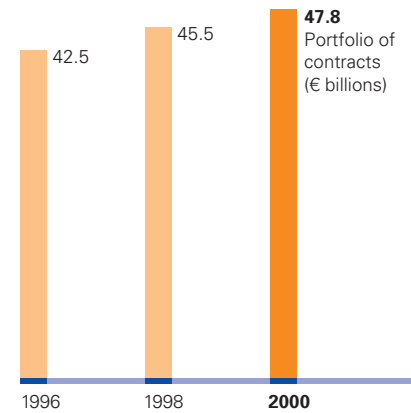
In the context of a strategic alliance with LBS Bremen, we plan to acquire a shareholding in the new partner in 2001. The alliance aims to improve the handling processes, in particular at LBS Bremen, with the help of high-performance IT technology. LBS Bremen will continue to serve its traditional market independently, working in close cooperation with Sparkasse Bremen.

New Software for Improved Transaction Processing

LBS-NEU was first launched in 1998. The introduction of this new software was successfully completed in the past year. The data of all 1.9 million clients and their 2.6 million accounts can now be processed completely using state-of-the-art information technology, enabling business transactions to be settled much faster and more efficiently.

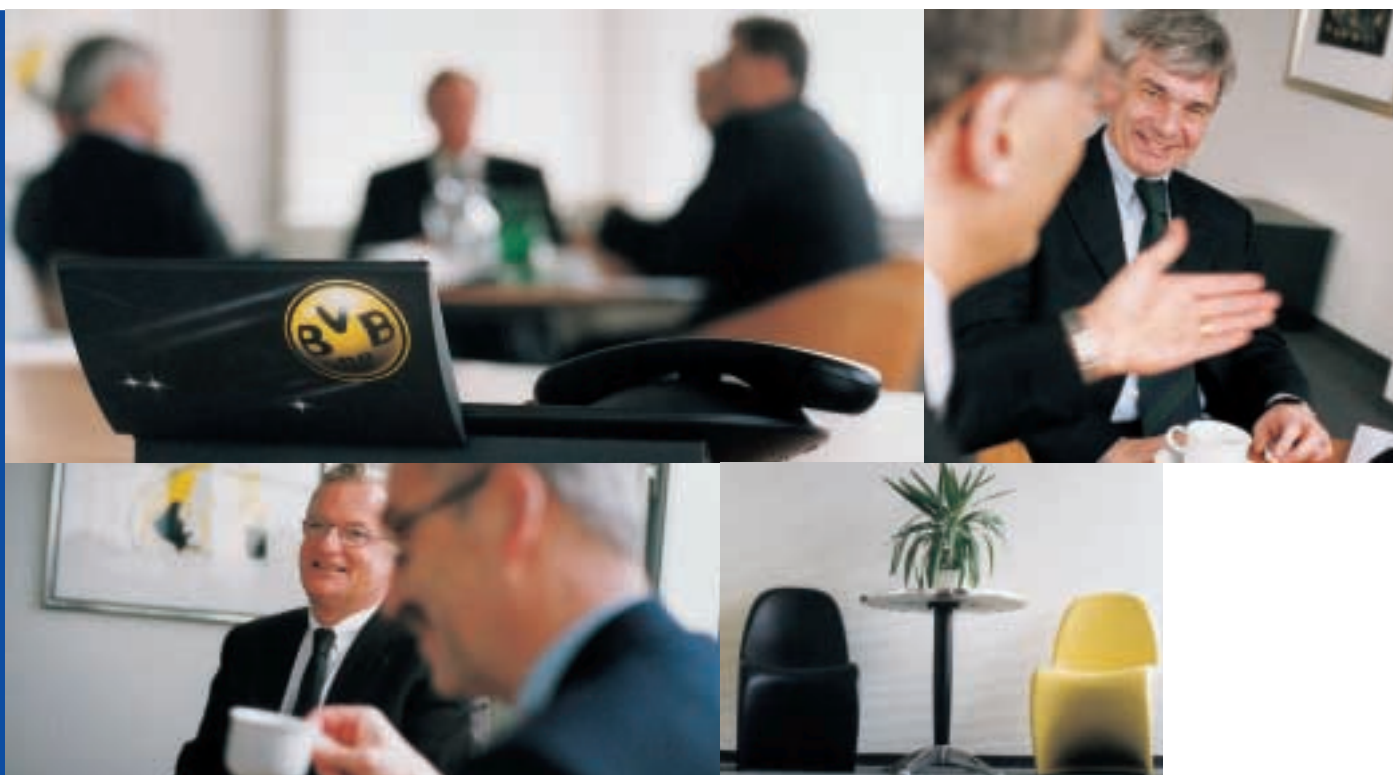
Thanks to its open architecture, the software can easily be adapted to the ongoing dynamic developments taking place in the IT sector. Current capabilities include Internet-based, dialogue-enabled access for clients and employees at the point of sale. Designed as the industry standard, the software is also being used by LBS Baden-Württemberg in Stuttgart, with other Landesbausparkassen set to follow in the near future.

Building on this highly efficient technological basis, we will now direct our efforts at making further improvements to the processing of business transactions. At the same time we intend to expand our market position through dedicated customer service, which is ensured by the dense LBS distribution network and the strong local presence of the savings banks.



Aggregate contractual amount rising steadily

Sparkassen



Business with the savings banks was marked by the growing use of sophisticated capital market products. These also included investment banking products, which are becoming increasingly popular with small and medium-sized corporate clients of the savings banks. We provided a new Internet-based information system to support the savings banks in the securities advisory field.



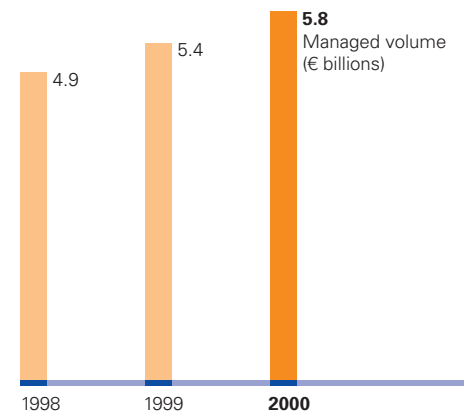
In our capacity as the central institution of the savings banks, we cooperate closely with the savings banks in North Rhine-Westphalia and Brandenburg. Our services go far beyond the traditional business in areas such as joint lending and payments. We offer the savings banks the full range of services and the product know-how of an internationally operating commercial bank, thus giving them access to the international capital markets. We regard ourselves as a competence centre for all services not offered directly by the savings banks in the regions.

We further intensified our cooperation with the savings banks in the joint lending business field last year. We developed a complete solution for handling the entire cash management requirements of the savings banks' small and medium-sized corporate clientele. As a service provider to the savings banks, we process cash transactions on behalf of their customers.

Investment Banking Products for Small and Medium-Sized Companies

Against the background of mounting competitive pressure, there has been growing demand from small and medium-sized companies for sophisticated capital market products. To meet their changing financing requirements, we have enhanced our product expertise in the investment banking field. Together with the savings banks, we actively assist clients in all phases of an IPO by offering them tailor-made products. These range from pre-IPO bridge loans and intensive secondary market support to strategic advice on follow-up finance.

To implement this integrated market approach, we established a team last year that cooperates closely with the savings banks. After a pilot phase, this cooperation model will be offered to all savings banks in line with their respective potential, whereby the client relationship will remain the responsibility of the savings banks.



Proprietary securities business: Special funds consistently expanded

Online Information for Securities Advice

We support the savings banks both in their proprietary and their client securities business. The volume of bond and share-based securities transactions with the savings banks for their own account amounted to € 13.9 (1999: 16.3) billion in 2000. We offered the savings banks both corporate bonds and structured products such as asset backed securities. In the area of asset management, we meanwhile manage 106 funds with a total volume of € 5.8 billion on behalf of the savings banks.

There has been growing interest on the part of the savings banks' customers in comprehensive service and advice on securities-based capital formation. "Börsen", our new online-based information system, provides the savings banks with extensive research information. This interactive database greatly helps their investment advisors when it comes to advising clients. The system currently covers roughly 420 listed securities, primarily from Europe.

Corporate clients of the savings banks increasingly expect their house banks to assist them in financing matters and financial services for their international business transactions. Our product know-how and our global presence help make the savings banks more competitive, especially for their small and medium-sized corporate clients.

In the field of foreign payment transactions, we further improved our service and increased the degree of automation in the entire settlement process. Moreover, through our network of correspondent banks, the savings banks have access to comprehensive databases which support fast and customer-friendly processing of their payment transactions. The InterPay system meanwhile processes all intra-European payments fully automatically.

Efficient Concept for the Delivery of Foreign Currencies

With a view to the conversion to euro notes and coins at the end of 2001, we provided the savings banks with a timely and highly efficient concept for the delivery of the remaining non-euro currencies. This concept allows for individual currencies held by WestLB to be delivered to a customer's savings bank branch. The entire concept will be made available to the savings banks after completion of the trial phase in the second quarter of 2001.

Last year we organised several treasury workshops in cooperation with the savings banks. In addition to traditional forms of foreign exchange business, we presented products such as currency options, which are becoming increasingly important for strategic foreign exchange management.

Successful Cooperation in Brandenburg Continued

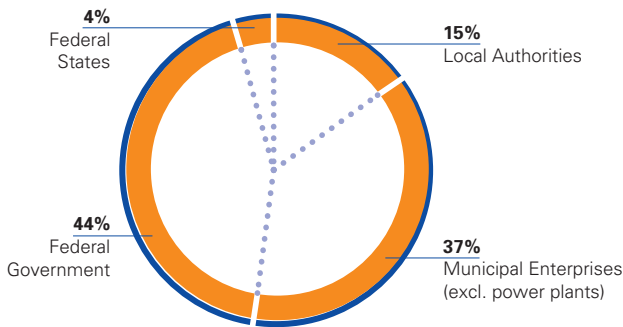
Business with the savings banks in Brandenburg developed favourably in the past year. In particular, there was strong demand for derivatives in the proprietary and client business. Cooperation in the field of securities business increased as a result of joint product distribution. Going forward, we will intensify our cooperation further and refine our range of services, thereby taking account of the growing needs of the savings banks and their customers.

Public-Sector Clients



The borrowing requirements of the central, regional and local authorities have changed noticeably. In addition to traditional banking products, there has been a growing demand for advisory services, in particular in the field of municipal debt management and asset management. We won numerous mandates in municipal real estate management. We provided public-sector clients with competent advice on the sale of shares in municipal enterprises.





Assets under management for public-sector clients

The new communication and information technologies as well as a stronger service orientation are placing great challenges on the public sector. Equally, the federal, state and local authorities have begun to modernise their administrative structures. The liberalisation of public utilities and waste management has reshaped the competitive environment for municipal undertakings.

These developments are taking place against the background of tight public-sector budgets. As a result, the borrowing requirements and the specific demands made on banks have changed. In cooperation with the savings banks, WestLB supports the restructuring process in the field of public-sector finance, offering an enlarged range of services.

Our public-sector clients are served by our local sales offices in Düsseldorf, Münster, Dortmund, Cologne, Frankfurt, Berlin and Hamburg. In response to clients' increased need for advice, we have stepped up our advisory activities noticeably, combining the advantages of local service from a single source with sound product expertise.

A Leading Finance Provider to the Public Sector

Public-sector clients continued to finance infrastructure projects mainly from their budgets last year. With a municipal lending portfolio of € 35.8 billion, WestLB was once again a leading finance provider

to the public sector. We also arranged and placed the first foreign currency bond for the State of North Rhine-Westphalia. We conducted a successful international roadshow and, thanks to our experience in the market for government and state bonds, we were able to obtain attractive terms for our client.

Strong Support in Municipal Debt Management

With the overall level of new borrowing declining, many municipalities have started to focus on optimising their debt in terms of the level and volatility of interest paid. In view of the continued favourable interest rate situation, public-sector clients are making increasing use of derivatives for interest rate hedging and interest rate fixing. In the past two years, we generated an impressive transaction volume of roughly € 3 billion.

Asset Management Further Expanded

We also expanded our market position significantly in the area of asset management for public-sector clients. In 1999 most big cities in North Rhine-Westphalia had already invested their pension provisions for public-sector employees in special-purpose funds (Spezialfonds) of our subsidiary WestAM. In the past year, the fund volume more than doubled to € 600 million across all levels of the public sector, with safety and availability being the most important investment criteria.

Expertise of Local Carriers in High Demand

Public-sector companies were highly interested in our advisory services in the telecommunications field. Many local authorities reviewed their investments in local carriers, availing themselves of our unique expertise in this market. Our subsidiary WestLB Panmure won several mandates to sell shares in public-sector companies.

“With the first foreign currency bond for the State of North Rhine-Westphalia, we were able to obtain attractive terms for our client.”

“With our wide range of products, we are able to provide comprehensive solutions for the changing needs of our public-sector clients.”

WestKC Offers Wide Variety of Advisory Services

Our subsidiary Westdeutsche KommunalConsult (WestKC) provided local authorities and municipal enterprises with a wide variety of advisory services. For instance, we developed concepts for municipal transport companies, enabling them to fulfil the requirements of the liberalised public transport market. Another focus was on the optimisation of municipal real estate management, which offers considerable savings potential for the public-sector budgets. Our support for the local authorities in their promotion of civic commitment likewise played an important role.

We organised seminars on the “changing waste water management industry” in various cities. These seminars were tailored to the specific situation of the waste water management companies in

the respective regions and met with an excellent response on the part of municipal decision-makers.

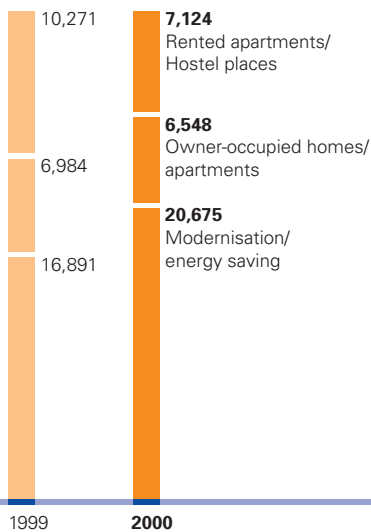
Greater Demand for Customised Solutions

The public sector will continue to modernise its administrative structures and processes in the year 2001. At the same time, large parts of the public sector will have to reconcile the conflicting demands of liberalisation on the one hand and the overall commitments of the public authorities on the other. Declining revenues resulting from the corporate tax reform and the third stage of the Tax Relief Act, which will take effect earlier than originally planned, are likely to increase the pressure on the public-sector budgets.

Against this background, demand for sophisticated, customised advisory and financial services will be stronger than ever. With our wide range of products, we are able to provide comprehensive solutions for the changing needs of our public-sector clients. The close cooperation with our partner savings banks in North Rhine-Westphalia and Brandenburg continues to be a crucial element of this process.



The situation in the North Rhine-Westphalian housing market continued to ease last year, albeit at a rather moderate pace. Although the supply situation has improved significantly, it remains difficult for low-income groups in larger cities to find affordable housing. In the context of public housing promotion, investment in existing housing stock is gaining in importance, the aim being to improve existing properties in accordance with ecological and social criteria.



Publicly-assisted dwellings: Focus on improving existing housing stock

Wohnungsbauförderungsanstalt Nordrhein-Westfalen (Wfa) plays a crucial role in the housing policy of the state, financing publicly-assisted housing construction and implementing the state promotion programmes. Last year Wfa provided funds totalling € 900 million (1999:1.08 billion) for the construction of 13,672 (17,255) new dwellings and for modernisation and energy saving measures in 20,675 (16,891) existing dwellings.

While the situation in the North Rhine-Westphalian housing market continued to ease, this trend clearly lost momentum in the past year. In particular low-income households in larger cities, who are dependent on affordable housing, hardly profit from the favourable market situation. Supply in this segment of the market is still scarce as a result of rising rents for older properties and a reduction in the stock of publicly-assisted dwellings. The growing volume of rent arrears and eviction proceedings showed that many

persons were unable to come to terms with the cost of housing and are in a weak position to cope with further pressure of demand and related higher rents.

Moderate Increase in Promotion Volume

The promotion volume increased slightly over the previous year. Overall, Wfa approved funds for the construction and modernisation (including energy saving measures) of 34,347 (34,166) dwellings. There were two major changes compared to the previous years. First, investment in the existing housing stock gained in importance over the promotion of new housing construction; second, Wfa for the first time approved more measures for owner-occupied homes than for rented apartments.

In the promotion of new housing construction, it was not possible to match the good results of recent years owing to restraint on the part of investors. Wfa provided funds for the construction of 6,548 (6,984) owner-occupied homes and 6,335 (9,651) rented apartments in the year 2000. At 789, the number of publicly-assisted hostel places clearly exceeded the figure of 620 for the previous year.

Improvement of Existing Housing Stock Increasingly Important

Tenants and investors are making substantially higher demands on the quality and energy efficiency of the housing stock. Wfa made available a total of € 141 million for measures to improve the housing situation and the quality of existing dwellings as well as to optimise energy efficiency.

Advising and informing commercial investors and private housebuilders in all matters relating to the promotion of new housing construction and the existing housing stock is one of the main services offered by Wfa. In addition, Wfa offers seminars for the employees of the loan approval authorities. Last year these seminars increasingly targeted employees not yet familiar with the concept of housing construction promotion. Wfa also continued to advise the Ministry of Urban Development and Housing, Culture and Sport on the formulation of new promotion guidelines and the development of promotion strategies.

Market Monitoring Provides Sound Basis for Decision-Making

With the help of a comprehensive database and a differentiated set of indicators, Wfa analyses developments in the North Rhine-Westphalian housing markets. Housing market monitoring provides

information for policy-makers and investors and allows housing problems to be identified at an early stage. The reports published in the year 2000 were once again greatly appreciated by housing professionals and the press. Since 1996 Wfa has also been a member of a national working group set up to facilitate scientific exchange between the six federal states which operate monitoring systems for the housing market.

In 1998 the pilot project "Municipal Housing Market Monitoring in North Rhine-Westphalia" (KomWoB) was added to the range of services offered by Wfa. The 16 cities participating in the project receive support from an advisory and coordination centre within Wfa. The Faculty of Spatial Planning at Dortmund University and the housing office of the City of Dortmund provide technical assistance with the project. The monitoring systems have meanwhile become established; all the participating cities have already published housing market reports or are preparing for publication. Like the Wfa's state-wide reports, these publications are an important source of information, providing local policy-makers, authorities and the housing sector with a reliable basis for their decisions.

“With the help of Wfa’s housing market monitoring system, housing problems can be identified at an early stage.”



The promotion business of INVESTITIONS-BANK NRW (IB) stabilised in 2000 after the excellent result of the previous year. In collaboration with the North Rhine-Westphalian Ministry of the Environment, IB developed a new state environmental protection programme. IB will in future take on project development tasks in connection with EU promotion programmes.

INVESTITIONS-BANK NRW reported new business of € 3.6 (1999: 5.0) billion in 2000. The proportional share of state promotion programmes rose sharply to € 1.7 (2.1) billion. A total of € 1.9 billion was accounted for by federal promotion programmes, which IB processes for the savings banks in North Rhine-Westphalia and Brandenburg. IB's loan portfolio increased from € 11.4 billion in 1999 to € 13.4 billion, including € 11.7 billion in own loans and € 1.7 billion in trustee loans.

New Approach to Environmental Protection

North Rhine-Westphalia's Ecological and Sustainable Water Management Initiative (IW) marks a new approach to environmental protection. This initiative attaches great importance to sustainability and prevention. IB supported the Ministry of the Environment and Nature Conservation, Agriculture and Consumer Protection in refining the state's environmental protection promotion programme. The IW programme has replaced the water quality programme previously implemented by IB. In contrast to traditional environmental protection programmes targeting the post-production stage, the new programme provides incentives for the integration of environmental protection measures into the production process itself.

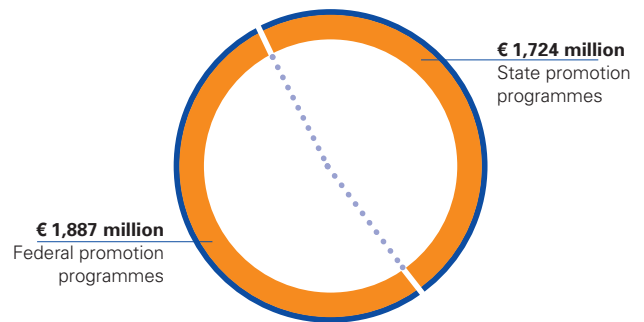
The IW Initiative supports municipal water protection projects by providing low-interest loans and promotes industrial production-integrated measures by making

subsidies (innovative projects) or low-interest loans (proven projects) available. IB has optimised the financial structure of the programme by introducing new financing models and cooperating with the Kreditanstalt für Wiederaufbau.

A total of 798 municipalities were granted low-interest loans worth € 500 million in 2000. In addition, IB supported 31 commercial projects, 14 receiving low-interest loans totalling € 30 million and 17 subsidies totalling € 1.5 million. For example, Chrom + Glanz Metallverarbeitung, Leverkusen, received a subsidy for the integration of a waste water treatment plant into their production process, which allows metals to be recovered from the sewage.

Business Start-Up Promotion Further Improved

The "Business Start-Up and Growth Financing" programme, in which state and federal support are integrated, continued to meet with an excellent response in 2000. More than 7,000 entrepreneurs availed themselves of low-



State and federal promotion programmes of IB in 2000

"In collaboration with the North Rhine-Westphalian Ministry of the Environment, IB developed a new state environmental protection programme."

interest loans amounting to almost € 900 million to set up or expand their own business. Several federal states have meanwhile adopted this successful concept.

With a view to supporting competitive companies even more effectively, IB substantially improved its "subordinated loans" concept last year. Subordinated loans are now available both to entrepreneurs buying a commercial company and to companies expanding their operations within eight years of their foundation. Up to 75% of quasi-equity funds are now available to business start-ups which need not be secured.

Additional EU Promotion Tasks

Last year IB's project management primarily supported the North Rhine-Westphalian Ministry of Economics and Small and Medium-Sized Businesses, Energy and Transport in the processing and disbursement of funds from the European regional fund. In the new structural fund period from 2000 to 2006, North Rhine-Westphalia will receive just under € 2 billion. Existing handling processes and control mechanisms have to be adapted to comply with the more stringent requirements of the EU Commission.

IB plans to take on further project handling tasks in the future. In particular, this applies to North Rhine-Westphalia's Target 2 Programme (2000–2006), which focuses on structural change in the industrial Ruhr district, and to the INTERREG programme, which supports cross-border projects in regions bordering on the Netherlands and Belgium.

IB also advised the Ministry of the Environment and Nature Conservation, Agriculture and Consumer Protection on a project for the preparation of an underground landfill for special waste in salt rocks. This project made considerable progress in the past year; negotiations with an investor from the waste management sector have largely been completed, so that investments in starting up the operation can be made next year.

More Customer-Friendly Promotion Programmes

IB and its cooperation partners have made substantial progress in making the promotion of small and medium-sized enterprises more customer-friendly. IB will make every effort to simplify promotion procedures further in order to achieve greater transparency for customers. With this in mind, IB will continue to advise lenders on the optimum use of funds and the refinement of promotion instruments.

Participations



The expansion of our private equity activities was a major focus of our investment-oriented participations business in the year 2000. We restructured our banking investments, selling WestLB (Switzerland) Ltd. to Banca del Gottardo, the reputed Swiss bank, which became a cooperation partner of WestLB.



The development of Rhein Biotech N.V. into a fully integrated biotech company was supported with a structured Bridge Loan and Participation Agreement

We continued to expand our private equity operations last year. We are now in a position to provide companies with equity capital in all stages of their development either directly or indirectly via special funds, from the seed phase to expansion financing and buy-out and bridge finance.

In December 2000 we founded Digital Capital AG, which plans to invest a total of € 150 million in technology companies in the early development phase. The Equity Bridge Finanz GmbH launched in 1999 with a volume of € 100 million provides equity capital to prepare companies for flotation on the stock exchange. Last year we invested in companies from the growth industries Life Science, Media & Entertainment, High Tech Engineering, Transportation, Technology and Services & Outsourcing.

Private Equity Business Expanded

Launched last year with a volume of € 300 million and funded largely by WestLB, the West Private Equity fund focuses on established, medium-sized growth companies in Western Europe.

The Merlin Biosciences Fund L.P., which we joined as a cornerstone investor in 1999, provides venture capital for the development of young companies from the biosciences sector until they are ready to go public. Together with this

fund, which made eight investments last year, we are also a parallel investor in promising biotech companies.

To enable private clients to benefit from the potential offered by the venture capital and private equity markets, we launched the two funds WestLB Equity Partners I and WestLB Global Investor KG in 2000. These fund of funds invest in private equity and venture capital funds worldwide, thus ensuring a broad diversification of risk.

“Value Added” and “Buy and Build” as Success Factors

The “value added” and “buy and build” concepts are strategic success factors for our private equity business. Under the “value added” concept, WestLB not only offers companies capital but also furnishes them with industry, company and management know-how.

The “buy and build” concept involves acquiring companies in order to merge them with other companies with a view to creating a new company capable of operating more efficiently in the market. Last year, for example, together with our West Private Equity fund and Georg Fischer AG, Schaffhausen, we acquired

the German plant manufacturer Krupp Werner & Pfleiderer. This company then joined forces with the Waeschle and Buss divisions of Georg Fischer AG to form Coperion Holding GmbH, which is today a leading global supplier of plastics processing systems and components.

Rhein Biotech N.V., Maastricht, the biotech company in which we acquired an interest in 1998 and which was subsequently floated on the Neuer Markt by WestLB Panmure in 1999, acquired 80% of Korean vaccine manufacturer Green Cross Vaccine Corporation last year. This move was crucial in ensuring that Rhein Biotech developed into a fully integrated biotech company. WestLB jointly led this acquisition via a structured Bridge Loan and Participation Agreement.

Last year we sold our interest in the retailing group Kaufhof Warenhaus AG, Köln, gradually reducing our shareholding from 12.5% to 5% and selling the remaining shares to the majority shareholder.

Repositioning in the Banking Sector

At the end of 2000 we sold our 67.5% interest in WestLB (Switzerland) Ltd., Zurich, to Banca del Gottardo, Lugano/Switzerland, which also acquired the shareholdings of Landesbank Baden-Württemberg (22.5%) and Landesbank Rheinland-Pfalz (10%) on the same date.

The clients of WestLB (Switzerland) Ltd. now have access to the wide range of services offered by Banca del Gottardo and its parent, Rentenanstalt/Swiss Life. In addition, WestLB and the two other Landesbanks signed a cooperation agreement with Banca del Gottardo in the area of private banking.

Following the merger between Bank Austria AG and Bayerische Hypo- und Vereinsbank AG, we hold approx. 2.1% of the share capital of HypoVereinsbank. In view of the new business focus of the merged bank, our cooperation agreement with Bank Austria AG was terminated with effect from March 31, 2001.

Against the background of the stock market flotation of Deutsche Börse AG in February 2001, we participated in two promising initiatives last year. First, we acquired a 2.5% stake in Eurex Bonds GmbH, the first electronic trading system for German government bonds, and second a stake of 0.5% in the European Energy Exchange (EEX), an electronic spot and futures market for energy trading.

“The ‘value added’ and ‘buy and build’ concepts are strategic success factors for our private equity business.”

“Together with METRO AG we founded a company to market roughly 360 retail properties of METRO.”

We sold our 11.1% stake in Deutsche Factoring Bank (DFB), Bremen, last year. A group consisting of members of the savings banks organisation acquired our interest and those of other Landesbanks. The company will thus remain part of the savings banks group.

We also acquired the aircraft leasing company Boullioun Aviation Services Inc., Seattle (USA), including its 35.5% interest in Singapore Aircraft Leasing Enterprise. This acquisition completes our investments in the area of aircraft finance and at the same time extends our leasing activities to include operating leasing.

Original plans to merge the securities services of WPS Bank and Hamburgische Landesbank on a single platform and pool the transaction volumes of the savings

banks organisation have been revised. Fortified by a capital increase, WPS Bank will now reposition itself in the market.

Joint Ventures in the Real Estate Sector

At the beginning of 2000, we jointly founded ASSET Immobilienbeteiligungen GmbH & Co. KG with METRO AG. Roughly 360 retail properties of METRO have been transferred to this joint venture, which will be marketed in the coming years.

Together with British Land Corporation Ltd., one of the largest listed property companies in the UK, we formed a joint venture to acquire four office buildings in London. The shareholders in the joint venture include British Land (50%), WestLB (27%), Provinzial-Versicherung, Düsseldorf (13%) and Westdeutsche ImmobilienBank, Mainz (10%).

Main Industrial Shareholdings of WestLB

(with a minimum shareholding of 10%)

GEV

Gesellschaft für Energie- und Versorgungswerte mbH

Dortmund 100%

Company holds shares in:

Preussag AG (approx. 32%)

ASSET Immobilienbeteiligungen GmbH & Co. KG

Saarbrücken

49.5%

WestTA Beteiligungsgesellschaft mbH

Düsseldorf

100%

Company holds shares in:

TA Triumph-Adler AG (approx. 19%)

Kommunale Energie-Beteiligungs GmbH (KEB)

Dortmund

28.3%

Company holds shares in:

RWE AG (approx. 10%)

Beteiligungsgesellschaft der

Westdeutschen Landesbank mbH

Düsseldorf

100%

Company holds shares in:

Schuh-Union AG (approx. 36.4%),

Motopolis.com GmbH (approx. 24.9%),

Tellus Grundstücksverwaltungs-Gesellschaft mbH (20%),

SoHard AG (approx. 10%),

Planetactive GmbH (approx. 10%)

Babcock Borsig AG

Oberhausen

10%

ISIS Multimedia Net GmbH

Düsseldorf

10%

Equity Bridge Finanz GmbH

Düsseldorf

100%

Company holds shares in:

Corac plc (approx. 6%),

Secure Electrans Ltd. (approx. 6%),

Wireless Group plc (approx. 5%),

Network Ltd. (approx. 5%)

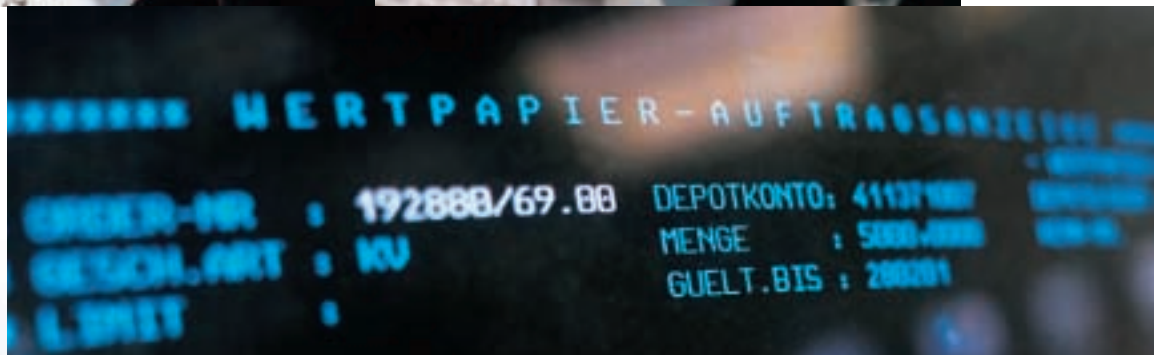
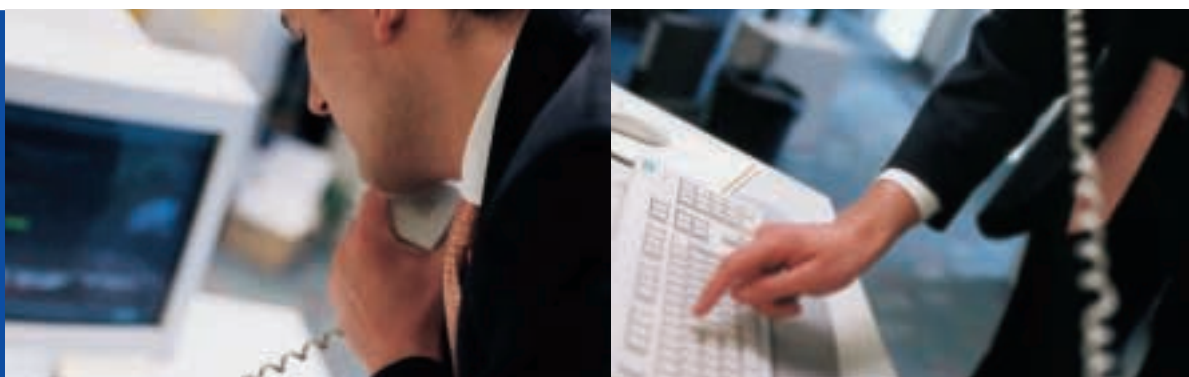
Continental Can UK Holding Company Limited

Chester

10%

Status: December 31, 2000


Services



Internet-based banking services, for example in the area of payments, commerce and cash and treasury management, have become increasingly popular with our customers. In the securities service field, WPS Bank won new clients and expanded its systems further.

Cross-border payments continued to be determined by the increasing use of the euro in 2000. Our membership of the TARGET, EAF and EURO 1 clearing systems of the European Banking Association (EBA) enables WestLB to optimise payment flows and correspondent bank relationships. Moreover, we are preparing to join the RTGS^{plus} system of the German Bundesbank, which will be launched as a uniform national clearing system in autumn 2001. This system is expected to tie down considerably less liquidity than the present systems.

With a view to the introduction of the euro, the European Commission requires all banks in Europe to provide standard, low-cost and transparent payments. Harmonised processes and formats enabling payments to be transmitted

fully automatically within Europe are not yet in place. Our InterPay system ensures that, by today's standards, we are able to guarantee prompt settlement of payments for our clients at low cost.

Internet-Based Payment Services

Despite fiercer competition, the volume of domestic payment transactions processed by the Bank in 2000 rose by 10% over the previous year. In the meantime our customers almost exclusively use electronic products and services, with the main emphasis on electronic account statements and payment order instructions via our CashLine[®] and ONGUM products.

We now offer a variety of products to meet the growing demand for Internet-based payment services. For example, customers are able to transfer payment data and retrieve account information via the Internet. Browser-based procedures will also be available in 2001. For our

“We now offer a variety of products to meet the growing demand for Internet-based payment services.”

“With our wide range of electronic banking products, we are a competent financial partner for our clients in the field of e-business.”

internationally operating corporate clients we provide a central delivery function for order data as well as distribution via our portal bank and carrier service.

We have expanded our role as a clearing bank for EDIFACT orders to include the processing of direct debit orders and we have introduced an electronic signature (AUTACK). Preparations for the introduction of the euro (IT adjustments, account conversion, introduction of notes and coins) on January 1, 2002 are proceeding according to plan.

Electronic Banking: Product Range Expanded

We significantly expanded our range of electronic banking services last year, e.g. WestLB Deal, an Internet-based trading and order routing system. By linking up our trading centres in Düsseldorf and Tokyo as well as New York Branch, we will be able to offer our clients round-the-clock trading across three time zones.

WestLB CashManagement, our Internet-based system for the optimisation of cash and treasury management introduced in 1999, was very well received by our clients, according to an Infratest study. We intend to add further features to this system, e.g. modules for the management, valuation and handling of foreign currency and money market transactions, interest and currency derivatives and forecasting.

Now that we have successfully established a wide range of electronic banking services, we will develop additional solutions in our local competence centres, including, for example, systems for electronic certification, invoice presentation and payment. We are preparing a new, target group-oriented portal concept for the WestLB Extranet, which will include various banking applications as well as up-to-date information and worldwide research material.

Customer Cards for Added Value

As a result of growing competitive pressure, it is becoming increasingly important for our clients to develop customer retention instruments and offer added value that goes beyond their original products and services. Customer cards with differentiated bonus and discount systems, payment or credit functions as well as individual additional



services offer considerable potential. WestLB successfully introduced customer card programmes in DIY stores and in the energy sector last year.

WPS Bank: Securities Service Improved

The trend towards outsourcing back office services in the securities field continued in 2000. Our subsidiary WPS WertpapierService Bank AG (WPS Bank) repositioned itself strategically after the planned expansion of WPS Bank into the joint securities house of the savings banks organisation was shelved.

Last year WPS Bank converted further clients to the fully integrated WPServe securities settlement and administration system, including Postbank EasyTrade.AG.

WPS Bank meanwhile has a client base of 158 (1999: 146) savings banks as well as other credit institutions and institutional clients. Plans to migrate additional clients continued, and in February 2001 WPS Bank successfully integrated the securities services of Stadtparkasse Dortmund.

WPS Bank more than doubled its production capacities and stabilised its systems further in the past year. The bank implemented a computer-based emergency concept ensuring direct routing of orders to the stock exchange also in the event of system bottlenecks. Response times to queries and error reports were improved considerably through the installation of a user hotline.

WPS Bank plans to add new products and services to its portfolio in 2001. WestLB has created the necessary financial basis for this by approving additional equity capital of € 222 million in the form of a capital increase.

Electronic payments services, for example the use of pre-paid payment chip cards, are becoming increasingly popular with our clients and staff

Our Employees

In view of growing competitive challenges, we are investing heavily in the level of qualification of our employees. The vast majority of them took up our offer of a mobile PC under the “Fit for the Future” initiative. Enhancing equal opportunities at WestLB is the aim of the 1st Women’s Promotion Plan.

The Strategic Guidelines of the WestLB Group state that “the power and strength of the Bank stems from its employees”. To tap unused potential and promote equal opportunities for men and women, WestLB approved the 1st Women’s Promotion Plan.

The objective of the plan is to establish the promotion of women as an important task of management. This includes creating better opportunities for new female entrants to the profession, finding and promoting female management potential, appointing more women to higher management positions, improving women’s salaries and accepting part-time work as an equal alternative. A comprehensive catalogue of measures, ranging from recruitment to personnel development and public relations, has been defined to achieve these objectives.

Fit for the Future

The ability to use electronic working and communication media is an indispensable prerequisite for ensuring a company’s competitiveness, especially in the banking sector. With a view to familiarising our employees with modern PC systems, we provided them with a mobile PC (Notebook) last year. The aim of the “Fit for the Future” initiative is to train our employees in the use of our future operating system and software products outside their regular working hours, while at the same time encouraging them to participate more actively in our internal suggestions scheme. With more than 90% of all eligible employees in Germany participating, this IT qualification initiative proved a major success.





Key Staff Figures

	2000	1999
Personnel expenses in the WestLB Group (€ millions)	1,713	1,483
– wages and salaries	1,316	1,140
– pensions and other employee benefits	397	343
Staff in the WestLB Group (annual average)	14,068	14,367
Staff in the Banking Group*	11,390	11,068
– abroad	3,867	3,846
– Germany	7,523	7,222
WestLB staff	8,162	8,117
– abroad	1,956	1,885
– Germany	6,206	6,232
– apprentices and trainees	200	193
– male/female staff (in %)	56/44	57/43

*) excluding jointly-managed companies

Staff Qualification for the Future

In response to the growing qualification requirements of our specialist units and our employees, we have significantly upgraded the quality and quantity of our training programmes. Against the general market trend, we were able to increase the number of apprentices and participants in the job-integrated training programme again last year. Three new apprenticeship training qualifications were introduced in the Bank for computer science, business management and catering in 2000.

We also refined our personnel development for employees who have completed their initial training and completely revamped the internal development programme. To prepare employees even more effectively for their future tasks, two new off-the-job training programmes covering general and specialist skills have been established. Participants in these qualification schemes benefit from financial support and special leave.

We also developed a new and more flexible programme for graduates joining the bank. Key aspects of the new programme include a more efficient recruitment procedure, more differentiated programme structures and requirement profiles as well as more active involvement

of the specialist units. The greater flexibility means that the concrete requirements of the specialist units can be aligned even more effectively with the interests of suitable candidates.

Reducing Stress in the Workplace

Every employee is exposed to subjective and objective stress factors in the working environment. While some of these factors are inherent in their jobs, others can be avoided. In order to identify the causes and consequences of these stress factors and develop possible ways of reducing them, we launched a new programme entitled FARE.

Under this programme, we conduct staff surveys in the business units, the results of which are subsequently discussed in workshops. Specific measures are then defined and agreed as objectives. Implementation is controlled and supported by an independent committee.

A substantial number of staff have already participated in FARE. We are convinced that the programme will make an important contribution to improving the health and performance of our employees.

Higher Staff Numbers

Last year the total number of staff employed by the WestLB Banking Group increased by 322 (+ 2.9%) to 11,390 (1999: 11,068). Of these, 45 (+ 0.6%) were employed by WestLB, primarily abroad. Staff numbers at the companies of the Banking Group in Germany grew by 327 (+ 33%). The number of staff employed by the Banking Group abroad rose by 0.5% to 3,867 (3,846). Staff numbers in Germany increased by 301 (+ 4.2%) to 7,523 (7,222).

Personnel expenses in the Group rose by 15.5% from € 1,483 million to € 1,713 million.

Acknowledgement

We would like to thank our staff in Germany and abroad for their efforts and commitment which contributed to the Bank's success in 2000. Our appreciation also extends to the staff council for its constructive cooperation in an atmosphere of mutual trust.

“We significantly expanded our range of staff qualification programmes and introduced three new apprenticeship training qualifications in the Bank.”

WestLB Group Annual Accounts for 2000

Statement of Financial Condition

Balance Sheet

Statement of Income

Notes to the WestLB Group Annual Accounts

Group Statement of Financial Condition for 2000

WestLB Group had a generally successful year in 2000, with business volume, total assets and earnings increasing once again. The Group owes its strong position in the financial markets to the ability of the business units to respond quickly to changing market conditions, a comprehensive product range and its presence in the major financial centres in Germany and abroad.

WestLB Group serves its domestic customers from its head offices in Düsseldorf and Münster as well as branches in Berlin, Bielefeld, Cologne, Dortmund, Essen, Frankfurt and Hamburg. Customers in Europe also benefit from WestLB's presence in Brussels, Istanbul, London, Madrid and Paris. Group subsidiaries operate in Moscow, Warsaw, Budapest, Dublin and Luxembourg. Branches and subsidiaries in Hong Kong, New York, Singapore, Shanghai, Sydney, Tokyo, São Paulo, Buenos Aires and Montevideo cater for the needs of our international clients. Our global branch network is supplemented by numerous representative offices and sales outlets in the major economic and business centres.

In addition to providing a comprehensive range of standard financial products, WestLB Group offers its customers solutions which are tailored to their specific requirements. WestLB was able

to expand its market positions in promising business segments such as structured finance, asset backed transactions, trade finance and investment banking and further strengthened its product expertise. The Group received numerous prestigious awards as confirmation of this. The readers of "Trade Finance" magazine, for example, voted WestLB "Best Countertrade Finance Bank" and "Best Structured Commodity Bank". WestLB's forfaiting business won the "Award of Excellence 2000".

In view of the growing importance of the Internet for all business processes, in particular for information retrieval, acquisition and the handling of business transactions, WestLB Group stepped up its e-business activities in 2000.

Economic Setting

The economy in Europe posted strong growth last year, although it was accompanied by an acceleration of inflation. Inflation was fuelled above all by the high price of crude oil and the weak euro. The ECB raised its key rates several times in order to counter inflationary risks and stabilise the exchange rate. The consolidation of the federal budget, the revenues from the auctioning of UMTS licences and the reappraisal of risks in the capital markets led to a widening of the spread between government and corporate bonds. The corporate bond market

expanded, mainly as a result of the enormous capital requirements of the telecommunications companies.

In the major equity markets, the much-feared downward price corrections occurred, hitting the TMT sector (technology/media/telecommunications) particularly hard. They were caused not least by the repeated interest rate hikes of the Federal Reserve Bank, which were designed to bring about a soft landing of the U.S. economy.

As in the previous years, the banking industry saw considerable restructuring activity and company mergers. In the case of public-sector enterprises, the efficient interlinking of wholesale and retail business played an important role.

WestLB Group expanded its business volume by € 14.7 billion to € 548.3 billion in 2000. Total assets rose by € 6.3 billion to € 400.0 billion. At € 920.7 (1999: 882.1) million, operating profit after risk provisions showed an increase of € 38.6 million on the previous year. Risk provisions and the result of evaluation amounted to € 40.9 (13.8) million; the increase was primarily attributable to lower income from investments and higher provisions for credit risks. The result from securities holdings improved significantly.

Key Figures for 2000

	2000	1999	Changes	
	€ millions		€ millions	€ millions
Business volume	548,279	533,537	14,742	2.8
Total assets	400,040	393,754	6,286	1.6
Derivatives (credit risk equivalents)	10,547	8,763	1,784	20.4
Risk provisions/result of evaluation	40.9	13.8	27.1	196.4
Operating profit after risk provisions	920.7	882.1	38.6	4.4
Net income for the year after taxes	497.0	436.1	60.9	14.0

At € 497.0 million, net income for the year after taxes rose by € 60.9 million or 14% on the figure for the previous year.

WestLB continues to dominate the business activities of the WestLB Group; measured in terms of the total assets of the Group before consolidation, WestLB accounts for roughly 69% and the proportionate assets of the pro rata consolidated jointly-managed companies for 18%; Group subsidiaries which are majority-owned by WestLB account for a further 13%. The chart opposite shows the shares of the major Group companies.

WestLB Group adapted its strategy and its structure to take account of the constantly changing conditions.

We merged our Global Treasury, Global Derivatives & Fixed Income and Global Emerging Markets business units in the newly established Global Financial Markets business unit. The research activities supporting the individual business units were also merged into

the Global Financial Markets business unit. The integration of the activities in this business unit will enable us to offer a wider range of products and to make more efficient use of resources.

The integration of the business units went hand in hand with the participation of the WestLB Group in the e-commerce platform ATRIAX. This trading and settlement system for foreign exchange business provides real-time market information, research data and news and is available to all customers of the WestLB Group.

WestLB Group continued to expand its product expertise in other highly promising business units, including Global Equities (WestLB Panmure), Global Structured Finance, WestLB Asset Management and Asset Backed Transactions.

Composition of the WestLB Group

	Total Assets	Total Assets	Changes
	€ billions	€ billions	%
	2000	1999	
– Westdeutsche Landesbank, Düsseldorf/Münster	304.2	307.8	– 1.2
– Landesbank Schleswig-Holstein, Kiel (Group, pro rata; incl. Hamburgische Landesbank)	50.6	45.5	11.2
– Landesbank Rheinland-Pfalz, Mainz (Group, pro rata)	23.9	22.6	5.8
– WestLB International, Luxembourg	16.9	16.4	3.0
– Westdeutsche ImmobilienBank, Mainz (Group, pro rata)	6.5	5.2	25.0
– BEAL, Brussels	4.9	4.8	2.1
– WestLB Ireland, Dublin	3.6	1.9	89.5
– WestLB Italia, Milan	3.1	2.8	10.7
– Other Banking Group companies	12.2	14.8	– 17.6
– Residual Group companies	12.9	11.2	15.2
Consolidations	– 38.8	– 39.2	1.0
WestLB Group	400.0	393.8	1.6

Group Statement of Financial Condition for 2000

In order to strengthen the market position of the WestLB Group in the field of structured finance, we signed an agreement in December 2000 to acquire Boulliou Aviation Services Inc., Seattle (USA), an aircraft leasing company.

Between 1997 and 1999, WestLB had begun to develop the WPS Wertpapier-Service Bank AG into a platform for securities settlement for the savings banks, clients and WestLB's proprietary business. On this basis the original intention was to establish a joint securities house for the entire savings banks organisation.

Against a background of exceptionally high securities turnover and increased demands placed on its IT infrastructure, the year 2000 proved to be a difficult and challenging one for WPS Bank.

Contrary to the original plans, it was decided in November 2000 to terminate the project of a joint securities house for the savings banks organisation to be built around WPS WertpapierService Bank AG.

In light of this, WPS Bank will now concentrate on expanding its securities services in Düsseldorf. Following a phase of consolidation, this will include intensive efforts to win new clients.

In response to the growing demands made on our electronic data processing, we made substantial additional investment in the IT infrastructure at the Group level. In view of the simultaneous need for flexibility and low-cost standardisation of IT applications, the Group will continue to rely on standard software in the future. With this in mind, WestLB has agreed to enter into a partnership with SAP AG to develop a functional software package for integrated global bank management.

Notwithstanding the above, WestLB's SAP Customer Competence Center (CCC) was certified by SAP AG in December 2000. CCC supports all users of SAP software and serves as a central contact point with SAP AG for all related activities.

Balance Sheet

Group total assets increased in 2000 from € 393.8 billion to € 400.0 billion. Among other things, this was due to a rise of € 15.3 billion in the credit volume. Securities holdings declined by € 6.0 billion. Certificated liabilities accounted for a growing share (+ € 6.0 billion) of total refinancing funds.

Balance Sheet Development

	2000	1999	Changes	
	€ millions	€ millions	€ millions	%
Credit volume	374,746	359,449	15,297	4.3
Securities holdings	102,514	108,483	- 5,969	- 5.5
Equity investments in affiliated and non-affiliated companies	4,098	3,420	678	19.8
Other assets	29,490	21,219	8,271	39.0
Deposits	250,730	252,624	- 1,894	- 0.7
Certificated liabilities	111,768	105,720	6,048	5.7
Capital and reserves (incl. supplementary capital)	19,513	17,856	1,657	9.3
Other liabilities	18,029	17,554	475	2.7

Credit Volume

	2000	1999	Changes	
	€ millions	€ millions	€ millions	%
Claims on banks	112,561	112,773	- 212	- 0.2
Claims on customers	151,359	147,859	3,500	2.4
Contingent liabilities	20,998	17,246	3,752	21.8
Irrevocable credit commitments	89,828	81,571	8,257	10.1
Total credit volume	374,746	359,449	15,297	4.3

Credit Volume

The credit volume of the WestLB Group rose by € 15.3 billion, or 4.3%, to € 374.8 billion.

The higher credit volume was accounted for primarily by the growth in off-balance sheet business. Contingent liabilities rose by 21.8% as a result of the sharp expansion of guarantee and documentary credit business. Irrevocable credit commitments increased by 10.1%.

Claims on customers accounted for over one third of assets. Of the total of € 151.4 billion, € 35.8 billion were loans to public authorities and entities under public law and € 14.7 billion were loans secured by mortgages. Once again

special, leasing, export and acquisition finance contributed significantly to the higher growth.

Contingent liabilities from guarantees and indemnity agreements increased by € 3.8 billion to € 21.0 billion. As in the previous year, growth was generated almost exclusively by WestLB's foreign branches. A major contribution was made by the guarantees of WestLB's Global Structured Finance business unit extended by London Branch in connection with film leasing finance transactions. The volume of irrevocable credit commitments rose by 10.1%, or € 8.3 billion, to € 89.8 billion and was largely attributable to liquidity lines for asset backed transactions.

Securities Holdings

Group funds invested in securities declined last year by € 6.0 billion, or 5.5%, to € 102.5 (108.5) billion. At € 93.6 billion, the main emphasis was once again on

bonds and debentures; however, the total volume declined slightly by € 2.6 billion, or 2.7%. In contrast, the portfolio of money market instruments decreased by € 4.7 billion, or 62.7%, to € 2.8 billion.

Of the total portfolio of bonds, € 26.6 (27.3) billion were held in the trading portfolio, € 53.8 (62.9) billion in the investment portfolio and € 16.1 (13.5) billion in the liquidity reserve.

The investment portfolio of € 53.8 billion is carried as long-term investment and is funded entirely with matching currencies and interest rates; this also applies largely to the liquidity reserve.

The portfolio of shares and other non-interest-bearing securities increased by 27.1% to € 6.1 billion; the portfolio contains shares in investment funds of € 3.7 billion.

Deposits and Borrowed Funds

The total volume of funds deposited with the WestLB Group decreased by € 1.9 billion, or 0.7%, to € 250.8 billion.

Group Statement of Financial Condition for 2000

Development of Deposits

	2000	1999	Changes	
	€ millions	€ millions	€ millions	%
Liabilities to affiliated savings banks	5,081	7,270	- 2,189	- 30.1
Liabilities to other banks	147,780	147,634	146	0.1
Liabilities to customers	97,869	97,720	149	0.2
Deposits and borrowed funds	250,730	252,624	- 1,894	- 0.7

Liabilities to other banks (€ 147.8 billion) and liabilities to customers (€ 97.9 billion) were both slightly higher than in the previous year.

Deposits by affiliated savings banks declined by € 2.2 billion to € 5.1 billion.

Certificated Liabilities

Bonds issued by Group companies were once again a primary source of funding in 2000, the total outstanding volume of which increased by € 6.1 billion to € 111.8 billion.

WestLB Group is one of the largest constant issuers of bank bonds in Germany. Sales of municipal bonds and bearer bonds at WestLB alone amounted to € 10.7 billion last year. Moreover, WestLB issued jumbo Pfandbriefe with a total volume of € 3.8 billion.

Capital and Reserves

WestLB Group strengthened its capital base in 2000 through the issue of subordinated liabilities and profit participation rights. The respective balance sheet items increased by roughly € 1.0 billion in the reporting period.

Capital was also raised by jointly-managed companies on the basis of the regulations governing silent partnerships; this was included in Group reserves.

Of the 2000 profit, a total of € 110.2 million was allocated to reserves and € 14.9 million to the fund for general bank risks pursuant to § 340 g of the German Commercial Code (HGB). Including these

Own Funds According to Principle I

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Core capital	7,987	7,658
Supplementary capital (Tier II)	7,124	7,089
Short-term subordinated debt (Tier III)	2,507	2,161
Own Funds according to § 2 (2) and (3) Principle I	16,876	16,501

additions, the Group's capital and reserves amount to approximately € 19.5 billion.

Of this figure, € 16.9 billion may be used to support the business operations of the WestLB Group in accordance with banking supervision requirements.

A year-end comparison of the WestLB Group's capital resources and capital utilisation for banking supervisory purposes according to §§ 10 and 10 a of German Banking Law (KWG) is shown in the table below.

The required equity capital ratio of 8% in accordance with German Banking Law (KWG) and Principle I was exceeded at all times in the 2000 financial year. The table "Risk Ratios According to Principle I" provides a year-end comparison of the capital ratios of the WestLB Group for banking supervisory purposes in accordance with §§ 10 and 10 a of German Banking Law (KWG).

Standard procedures are essentially used to determine the required capital relative to the market price risks.

Risk Ratios According to Principle I

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Risk assets of the investment book	138,036	134,214
Risk assets of the trading book	34,175	33,738
Total	172,211	167,952
Overall ratio (in %)	9.8	9.8

Special Reserve for the Promotion of Housing Construction

In accordance with section 2 of the Housing Construction Promotion Law (WBFG), WestLB operates the Wohnungsbauförderungsanstalt Nordrhein-Westfalen – Anstalt der Westdeutschen Landesbank Girozentrale – (Wfa) as an organisationally and economically independent institution under public law without legal capacity.

The transfer of the assets and liabilities of the Wfa to WestLB on January 1, 1992 and the resulting special reserve for the promotion of housing construction in the unchanged amount of € 3,016.6 million were the subject of an official complaint to the European Commission by WestLB's competitors.

In the course of these proceedings, the European Commission had to examine whether the ongoing remuneration payable by WestLB to the State of North Rhine-Westphalia for the capital provided to WestLB in the context of the merger of WestLB and Wfa is in accordance with market conditions.

In its decision of July 1999, the European Commission came to the conclusion that this was not the case and that during the years 1992–1998 WestLB therefore received state aid totalling € 808 million, which was to be repaid to the State of North Rhine-Westphalia together with interest.

The Federal Government, the State of North Rhine-Westphalia and WestLB take the view that the decision of the European Commission is unjustified. They have therefore filed an action with the European Courts for annulment of the decision. The proceedings have not yet been completed; the plaintiffs expect to prevail.

The object of the contested decision of the European Commission is the remuneration received by the State of North Rhine-Westphalia from WestLB for the capital transferred. This relates solely to the question of profit appropriation. For the reasons stated, the above circumstances were therefore not taken into account in the annual financial statements.

Statement of Income

WestLB Group posted a further increase in profits in 2000. The 4.4% rise in operating profit including risk provisions was attributable to a significant increase in net commission income and an improved trading result.

At € 2,245.9 million, net interest income was 8.8% lower than in the previous year. The decline was primarily due to the expected lower investment income. The flat yield curve also reduced the arbitrage opportunities in the trading units.

Group Statement of Financial Condition for 2000

Statement of Income

	2000	1999	Changes	
	€ millions	€ millions	€ millions	%
Net interest income	2,245.9	2,461.7	- 215.8	- 8.8
Net commission income	1,086.4	720.6	365.8	50.8
Net income from trading operations	522.2	103.3	418.9	405.5
Personnel expenses	1,713.0	1,483.1	229.9	15.5
Other administrative expenses	1,525.2	1,193.8	331.4	27.8
Other operating surplus	345.3	287.2	58.1	20.2
Risk provisions/result of evaluation	- 40.9	- 13.8	- 27.1	- 196.4
Operating profit after risk provisions/ result of evaluation	920.7	882.1	38.6	4.4
Extraordinary result*	- 128.2	- 84.5	- 43.7	- 51.7
Net income for the year before taxes	792.5	797.6	- 5.1	- 0.6
Taxes on income and revenues	295.5	361.5	- 66.0	- 18.3
Net income for the year after taxes	497.0	436.1	60.9	14.0
Allocation to reserves/ Shares of other shareholders	401.9	341.0	60.9	17.9
Profit	95.1	95.1	-.-	-.-

* including allocation to the fund for general bank risks pursuant to § 340 g of the German Commercial Code (HGB) at WestLB (1999)

Net commission income increased by 50.8% to a record level of € 1,086.4 million, thus continuing the positive development of the previous years. Securities business, securities underwriting business and syndicated loan business were the major contributors to the increase.

Net income from trading operations contributed a total of € 522.2 (103.3) million to the net profit for the year, € 363.7

(71.6) million of which were accounted for by WestLB. In addition, the trading units made substantial contributions to net interest and commission income.

Risk Provisions/Result of Evaluation

	2000	1999	Changes	
	€ millions	€ millions	€ millions	%
Result of provisions for credit risks	- 458.2	- 392.1	- 66.1	- 16.9
Result of participations	304.5	+ 425.3	- 120.8	- 28.4
Result of securities	112.8	- 47.0	159.8	340.0
Risk provisions/result of evaluation	- 40.9	- 13.8	- 27.1	- 196.4

Equities trading developed especially positively compared to 1999 on account of favourable market and general conditions. Overall, net income from trading operations in 2000 was in line with expectations.

Administrative expenses rose sharply in 2000 by € 561.3 million, or 21%. Of this, personnel expenses accounted for € 229.9 million and other administrative expenses for € 331.4 million. The strong increase in personnel expenses was largely attributable to the expansion of the asset management business and higher expenditure in connection with the equities and investment banking activities of WestLB Panmure. The rise in other administrative expenses was mainly the result of higher IT expenses, especially at WPS. The sourcing of outside services as well as investment in promising business segments also resulted in higher costs.

Risk provisions and the result of evaluation increased by € 27.1 million to € 40.9 million; the breakdown is shown in the table below.

Provisions for possible loan losses increased by € 66.1 million (16.9%) to € 458.2 million. Adequate value adjustments were made to cover specific risks of the Group. WestLB Group made significant provisions for country risks.

The risk result from securities amounted to roughly € 112.8 million and is the balance of write-downs and price gains from the financial and liquidity investment portfolios; repurchases of restructuring securities had a particularly positive impact here.

The result from participations mainly comprises profits from disposals, which are offset by write-downs and expenses in the participations business. Charges incurred in conjunction with WPS WertpapierService Bank are included in the individual items of the statement of income and, in particular, in the extraordinary result.

Extraordinary expenses amounted to € 128.2 million. In addition to the contribution of the Group to the foundation initiative of German industry ("Remembrance/Responsibility/Future"), this item refers largely to expenses incurred in connection with the restructuring of WPS WertpapierService Bank.

Of the net profit for the year of € 497.0 million, € 316.4 million were allocated to WestLB's reserves and € 70.1 million to the state housing construction assets of the Wfa and (pro rata) to the capital of the Investitionsbank of Landesbank Schleswig-Holstein. A total of € 15.4 million was accounted for by minority shareholders.

Group profit amounted to € 95.1 million and is identical to that of WestLB.

Segment Results

Profit planning and profit control in the WestLB Group are based on our profit-centre accounting system. The results of the individual profit centres are summarised in segments that reflect the key business areas of the WestLB Group. The results of Group companies are aggregated and shown as the result of the Other segment to the extent that they are not included in individual profit centres/segments as part of the Group controlling system. Total income includes net interest income, net commission income, net income from trading operations, other operating surplus and non-income taxes paid by the individual segments. Net income from trading operations is based on the mark-to-market valuation of the trading portfolios and items. The item "expenses" comprises personnel and operating expenses.

Segment Results

in € millions	Income	Expenses	Risk Provisions/ Result of Evaluation incl. Extraordinary Result	Net Profit for the Year Before Taxes	
				2000	1999
Lending business	648	- 238	- 75	335	136
Special financing business	566	- 163	- 80	323	507
Trading	1,246	- 1,143	33	136	335
Services	399	- 406	- 75	- 82	12
Wfa	155	- 63	- 25	67	90
LBS	216	- 151	13	78	85
Internal service units/Overheads	902	- 1,219	- 7	- 324	- 343
Other/Consolidation	68	145	47	260	- 24
Total	4,200	- 3,238	- 169	793	798

Group Statement of Financial Condition for 2000

The net profit for the year before taxes of € 793 million was on the level of the previous year. The major contributors to the net profit for the year before taxes were the Lending business (€ 335 million), Special Financing business (€ 323 million) and Trading (€ 136 million).

Earnings development in the Lending business segment benefited both from the expansion of new business and moderately rising margins. The market position expanded significantly, in particular in the syndications business.

The result of the Special Financing segment was determined by the Global Structured Finance and Asset Backed Transactions/Credit Derivatives business units. The segment once again had a successful year. The decline in the result over the previous year was attributable to a one-off effect in connection with the sale of a leasing investment.

Viewed against the background of the generally negative development on the equity and bond markets, the result of the Trading units was satisfactory in 2000. The result of the trading segment continued to be adversely affected by the residual costs arising from the expansion of this segment, in particular of the equities and investment banking activities of WestLB Panmure and the costs incurred in connection with the restructuring of interest rate and currency trading products.

Due to the expenses incurred in conjunction with the restructuring of WPS WertpapierService Bank, the result of the Services segment was substantially weaker than in the previous year.

The services provided by the business units of the "Internal Service Units/Overheads" segment are charged to the business units on the basis of market prices in so far as these services can be allocated directly. The remaining balance represents the uncharged overheads of the Group.

The Other/Consolidation segment mainly comprises the pro-rata consolidated jointly-managed companies (Landesbank Schleswig-Holstein Group, Landesbank Rheinland-Pfalz Group, Westdeutsche ImmobilienBank), individual transactions of the Participations segment as well as consolidations at Group level. The consolidations primarily include the required income-reducing adjustment of the trading result on a mark-to-market basis to the valuation in line with the realisation principle in accordance with the German Commercial Code (HGB).

Risk Report

A responsible and profitability-oriented management of market price, credit and other risks is an essential requirement for the successful conduct of the business operations of the WestLB Group. A uniform and independent risk management throughout the Group forms the basis for our commercial success.

Organisational Integration of Risk Management

As a general rule, risk management is subject to uniform rules across the WestLB Group and is the exclusive responsibility of WestLB. Exceptions are the jointly-managed companies, i.e. Landesbank Rheinland-Pfalz Group, Mainz, Landesbank Schleswig-Holstein Group, Kiel (including Hamburgische Landesbank Group, Hamburg) and Westdeutsche ImmobilienBank, Mainz. These companies maintain separate risk management activities and are therefore not covered by the Risk Report. On the one hand, WestLB is represented on the supervisory bodies of these companies and/or groups; on the other hand, controlling is effected on an ongoing basis within the framework of our participation in these companies. The jointly-managed companies are covered by WestLB Group's ongoing profit control on the basis of actual and budgeted figures and are also included in the overall and individual risk limitation according to banking supervisory requirements. Apart from the above exceptions, WestLB's risk management system is essentially identical with that of the Group. In particular, it also extends to the business activities of the Group companies which form part of the Banking Group (see page 31 of the Notes to the WestLB Group Annual Accounts). These include all subsidiaries

maintaining a commercial book of accounts. Measured in terms of total assets, WestLB's risk management system – with the above-mentioned exceptions – covers 96% of the business activities of the entire Group.

The business activities of the companies comprising the Banking Group are allocated to individual product units or the respective business groups of WestLB and are managed like WestLB departments for the purposes of Group-wide business management.

Responsibility for the business management and risk management of companies not included in WestLB's standard Group-wide management approach rests with the Participations business group and is handled as part of the participation controlling activities. Apart from the ongoing administration of participations and the management of mandates, these controlling activities include the regular monitoring of business development, risk position, earnings development, strategy updating and the overall profitability of the company. The Group Finance business unit is responsible for the business management of the Banking Group.

WestLB Group's risk management is based on a separation of risk measurement and monitoring as well as risk controlling. The two units responsible for risk monitoring are Central Credit Management (credit risks, country risks) and Risk Management Support & Control (market price risks, counterparty risks). Risk controlling is part of the central operational management of the Banking Group, which is also responsible for the profitability management and reporting activities of the Banking Group.

The internal auditing unit of WestLB, which likewise has responsibility for the entire Group (with the exception of jointly-managed companies), monitors the appropriateness and effectiveness of the entire risk management as an organisationally independent entity. It reports its audit findings, analyses, valuations and recommendations directly to the Managing Board.

Consistency

A comprehensive system for the limitation of credit, counterparty and market price risks serves to ensure the long-term profitability of the Group and compliance with banking supervisory requirements.

Guidelines and working instructions help to translate the risk policy defined by the Managing Board into a risk-adjusted profit control.

On this basis it is ensured that all risk positions of the WestLB Group are managed effectively and that risks are analysed consistently across all business segments.

Risk Categories

WestLB Group distinguishes between market price risks, counterparty default risks, liquidity risks and operational risks.

Market price risks are potential losses from the trading and investment portfolios resulting from price fluctuations in the financial markets.

Apart from the analysis and management of default risk relating to individual credit commitments, a portfolio-oriented approach has been gaining in importance. Under such an approach, changes in the value of the overall loan portfolio or of specially structured sub-portfolios resulting from changes in borrowers' credit-worthiness or concentration risks are also analysed.

Group Statement of Financial Condition for 2000

Counterparty risks from trading transactions and country risks (transfer risks) are sub-elements of the counterparty default risk.

The liquidity risk refers to situations in which liquidity bottlenecks in the market make it impossible for the Group to meet its liquidity obligations at reasonable prices, in a timely manner or in full.

Operational risks refer to direct or indirect losses resulting from inadequate internal procedures, human or system failures and unforeseen events. The operational risk is a part of the other risk, which also includes the strategic and reputation risk.

Coordinated System of Risk Ratios

WestLB Group employs a uniform system of risk ratios and risk measurement methods for all product and business segments.

This system comprises quantitative information (risk assets, value-at-risk and credit equivalents) and qualitative parameters (rating structures and market analyses).

The quality of the risk parameters used is assured by means of back-testing, stress tests and scenario analyses.

The risk information relevant for the various business and controlling units of the Bank is made available to the responsible decision-makers on a timely basis.

Trading Operations in the WestLB Group

The trading operations of the WestLB Group are spread across the following business units: Global Financial Markets (GFM), Global Equities (WestLB Panmure) and Credit Derivatives/Asset Backed Securities as well as WestLB International Luxembourg. The Global Financial Markets unit resulted from the merger of the Global Treasury, Global Derivatives & Fixed Income and Global Emerging Markets units in 2000.

London and Düsseldorf are the central locations of the WestLB Group's trading operations. Trading operations are also conducted in New York, Tokyo, Singapore and São Paulo. The Global Financial Markets business unit also maintains a presence in other locations in Europe, America, Asia and Australia. The combination of a local presence and global management enables risks to be managed actively and on a timely basis in all the major financial markets.

Product Range

The availability of a wide range of products is just as important for our clients and our proprietary trading activities as a strong market presence. The Group is able to offer its clients not only the standardised instruments of the securities, swap, foreign exchange and precious metal markets but virtually all derivatives in the desired structure and complexity and also uses these products to manage its own risk exposure.

Levels of Risk Management

WestLB Group's risk management is carried out at three levels.

The Group Managing Board determines the strategic orientation of the trading business, in particular with regard to "markets", "clients" and "products". In the context of the budgeting process, the Managing Board sets objectives and provides resources, which primarily include capital and risk limits.

The trading areas operate within the framework of the strategies, limits and processes defined by the Group Managing

Board. Market opportunities, risk positions and arbitrage are used to achieve the profitability targets set by the Group Managing Board.

The Risk Management Support & Control (RMS&C) unit is responsible for the independent controlling of market, counterparty and country risks, including the preparation of limit decisions, the measurement and monitoring of risks as well as risk analysis and reporting. The Managing Board members responsible for trading and for RMS&C are kept informed on the development of trading risks and the trading results on a daily basis; the Group Managing Board discusses the performance and risk development of the trading operations at least every two weeks.

Market Price Risks

The Group and its customers can use the different financial instruments to manage their exposure to market changes. This enables them to make effective use of opportunities and minimise risks.

The value-at-risk (VaR) approach is used to standardise the different influencing factors (interest rates, exchange rates, stock prices, volatilities and correlations) and combine them into a statistically

WestLB Banking Group (excluding jointly-managed companies)

	VaR as per Dec. 29, 2000	Minimum VaR in 2000	Maximum VaR in 2000	Average VaR in 2000
WestLB Banking Group Total	135	59	208	146
Derivatives & Fixed Income	22	14	49	33
Treasury	23	14	42	24
Emerging Markets	14	14	34	20
WestLB Panmure (Equities)	35	17	28	21
Other trading areas	50	8	73	50

based risk measurement parameter. VaR indicates the limit of negative profit changes that will not be exceeded with a certain probability during a given period due to the prevailing risk/opportunity exposure.

Due to the global orientation of the trading activities, market price risks are monitored centrally and controlled at the Banking Group level. The quantitative data provided below therefore refers to the Banking Group as a whole.

Individual VaR limits are deduced from the risk-bearing potential of the Group as well as from the strategic objectives of the trading and asset liability management units. The limits serve to contain the market price risk and are allocated to the business units. Within the units the limits are allocated down to the smallest operational risk management level ("limit units"), taking risk diversifications into account.

At year-end 2000, the VaR usage (in € millions) for the WestLB Group and its trading areas on the basis of BIS parameters (confidence level 99%, 10-day holding period) was as shown in the chart above.

Market risks are measured on the basis of a central DataWarehouse reflecting all trading transactions with regard to their complexity and risk content. This central data management allows the risk diversifications at all trading levels to be measured irrespective of the front office systems used. This enables comprehensive risk control and supports the trading management in the efficient use of limit

Group Statement of Financial Condition for 2000

resources (support). The DataWarehouse allows for the repricing of trading products and the valuation of non-linearities both in VaR calculation and in stress and back-testing.

In cases where the value-at-risk alone is not sufficient as a controlling parameter, other parameters are determined to establish and limit special risk profiles and risk concentrations as well as to determine the effects of extreme market trends.

The performance, analysis and commenting of stress and scenario calculations provide the basis for the planning of suitable measures to be taken in the event of exceptional market developments. For this purpose, the trading units' Risk Committees meet once a week; every two weeks, the Group Managing Board discusses the earnings and risk situation of the trading operations. RMS&C provides the Risk Committees and the Group Managing Board with essential basic information and risk analyses. This makes market risk management an active, dynamic process supported by the trading units, the Managing Board and RMS&C.

Counterparty Risks on Trading Activities

Risk monitoring is based on central evidence of all counterparty and issuer limits of the trading units and their usage. The limits are defined by the responsible decision-makers in the context of the Group-wide credit process. The counterparty and issuer risks from the trading operations are entered in a system together with the credit risks from the commercial business and combined into an overall position.

The economic crises in Asia, Russia and Latin America in recent years have shown just how closely market risks, counterparty risks and country risks in the emerging markets are related. Moreover, high demands are made on the modelling and measurement of counterparty and country risks for trading operations. Independent monitoring of counterparty and country risks from trading operations is carried out together with market risk control by the RMS&C business unit in order to exploit the resulting synergies.

As is the case with market risks, risk monitoring (control) is backed by support functions for active credit risk management. A Monte Carlo process is used for the

medium and long-term interest rate derivatives business. This process takes portfolio effects into account and reflects the course of the exposure. The DataWarehouse, which is also used to analyse market risks, forms the technical basis of the calculations. A link to the legal database, which reflects the legal framework for the trading operations, ensures that risk-reducing influences from close-out netting are taken into account. This approach results in realistic risk measurement, which ensures the efficient use of line resources and supports the trading units in the active management of their credit risk exposure.

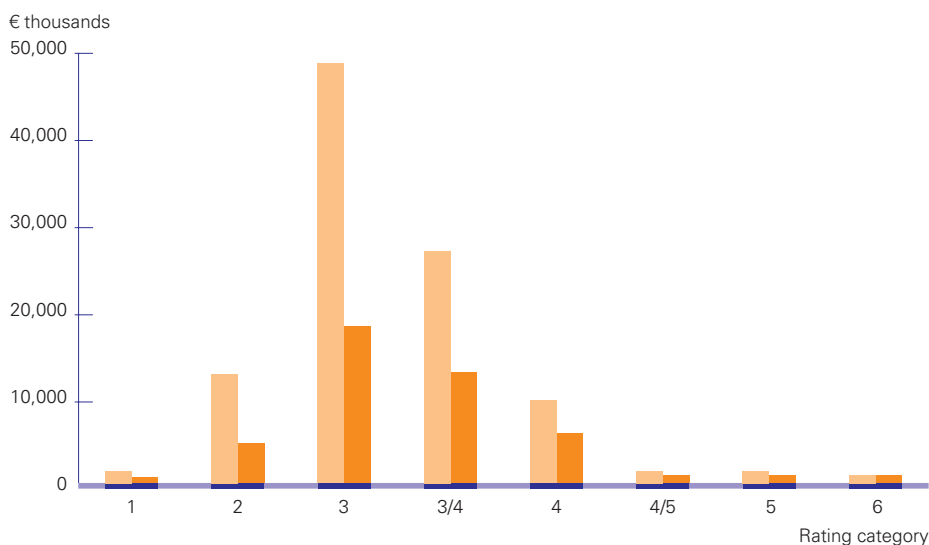
The modelling and measurement of counterparty risks in the trading operations, which is required for risk monitoring, also forms the basis for more extensive evaluations and analyses, which are made available for Group-wide credit portfolio and risk-return controlling.

Internal Rating

WestLB Group determines an internal rating for each client, with specific rating procedures being used for certain client and product groups. The credit rating, which is determined on the basis of quantitative and qualitative factors, reflects a standardised default probability for each client. The standard requirements for conducting credit analysis throughout the Group ensure a consistent application of the Group's internal rating systems.

Central Credit Management has overall responsibility for all rating procedures and is also in charge of the development, monitoring and refinement of the Bank's internal rating systems. The Group has employed its own internal rating system in its corporate client business for more than ten years. Analysis of the resulting rating histories has confirmed the quality of this rating system.

Because the rating is a basic parameter within the Bank's overall risk controlling process, it is constantly monitored with the help of statistical procedures. The default probabilities determined on the basis of the individual ratings form the basis for the risk pricing and the credit portfolio analysis of the Group.



Breakdown of the corporate client ratings by rating categories

■ Total line ■ Utilisation

Country Risks

WestLB Group operates a detailed system for monitoring and controlling country risks consisting of different elements.

WestLB's Economics Department defines ratings for all relevant countries, which are reviewed at regular intervals. Country limits are determined on the basis of the country rating, the country's economic power and the risk-bearing potential of the WestLB Group. Depending on the risk content, the country limits are divided

into different product/maturity categories. The country limits are fixed by the Managing Board and are based on proposals made by the Country Limit Committee. Central Credit Management and RMS&C monitor usage of the limits on a regular basis.

When determining the volumes subject to a country risk, WestLB goes well beyond the classical transfer risk. When assigning a commitment to a country,

Group Statement of Financial Condition for 2000

the Bank not only takes the borrower's country of residence into account but also the country risk of the borrower's ultimate parent company, the providers of collateral or other guarantors.

In the context of the implementation of the new country limit management system, the Group Managing Board decided to reduce the limits for countries with weak ratings as well as their credit portfolios. As a result, WestLB reduced the credit volumes of poorly rated countries, primarily in Latin America and East and South East Europe, by almost 20% vis-à-vis the previous year.

Against the background of the persistent weakness of the Japanese economy and the continued difficulties of the Japanese financial sector, the Group again reduced its commitments to Japanese borrowers significantly in the past year.

Counterparty Default Risks

The portfolio effects of the WestLB Group's counterparty default risks are calculated and monitored on an ongoing basis using actuarial methods. The calculation of borrowers' individual risk contributions allows for risk concentrations

to be revealed. Cluster risks and industry risks are also identified. The consumption of economic capital is calculated for each borrower, which is available as an element of risk-return management.

The calculations of the VaR and the economic equity capital have shown that the Principle I capital for the lending business is much higher than the economic capital actually required as a "risk buffer". The economic capital required by the Group to cover its credit risks is regularly below 50% of the Principle I capital.

On the basis of the internal rating of individual borrowers or products, WestLB determines standard risk costs that are included in the pricing process. The risk premiums regularly earned in this way cover the expected loss of the credit portfolio.

The actual risk provisioning expenditure of the Group in its lending operations amounted to 0.18% of the average credit volume of the last five years (excluding municipal loans, including secured loans and partial loans).

Major cluster or industry risks are currently not discernible in the Group's portfolios, because no unusual concentrations of risks can be identified despite larger credit amounts in individual cases.

Loan commitments to telecommunications companies, whose shares came under particular pressure on the international stock markets in the past year, were reduced significantly. The Group has an acceptable exposure to UMTS licence financing. In view of the dynamic development in this sector, adequate and timely monitoring mechanisms are used. WestLB is affected only to a minor extent by the current crisis in the Californian utility sector, as the Bank extended only few direct credits to companies suffering from the structural shortcomings in the Californian energy market.

The current economic development in the USA, Japan, Turkey and again in South East Asia means that the impact on individual borrowers of the WestLB Group will have to be studied closely. Increased latent risks requiring possible provisioning have so far not been identified.

Liquidity Management

Liquidity management within the WestLB Group is carried out centrally by the Global Financial Markets (GFM) and Capital and Mismatch Management (CMM) units. While GFM ensures short-term liquidity,

CMM is responsible for planning and controlling structural liquidity. The latter refers to compliance with banking supervisory requirements and to economic liquidity. Liquidity requirements are calculated and planned on the basis of a proprietary information system and a continuous exchange of information with the business, client and product units of the Group.

All necessary data are therefore available for the timely procurement and allocation of liquid funds.

The objective of liquidity management is to avoid a concentration of financing requirements with very short-term maturities and at the same time to optimise 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 through a permanent presence in the money and capital markets.

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

The Group uses all customary financial instruments to procure the required liquidity. WestLB issues covered and uncovered bearer bonds in accordance with the Law on Pfandbriefe and Related Debentures of Public-Sector Banks (ÖPG). There are also standardised tap issue programmes for Certificates of Deposits, Commercial Paper and Medium-Term Notes. In the context of its refinancing policy, the Group also initiated the issue of so-called benchmark bonds. These uncovered issues, which cover a representative spectrum of medium and long-term maturities and currencies, will attract additional international investor groups.

Liquidity is procured primarily in the major currencies, i.e. euro, U.S. Dollar, Japanese Yen and Pound Sterling. Part of the funds raised is converted into the target currency using derivatives. Responsibility for liquidity optimisation is delegated to the respective local branches. As far as possible, liquidity flows are kept within the WestLB branches, with liquidity surpluses and requirements being evened out; for this purpose, there is regular contact between the regional managers.

The Group holds a large portfolio of highly liquid money market and capital market securities which are suitable for repo transactions and central bank tenders

to ensure there is sufficient liquidity at all times. As a result, the Banking Group has access to substantial refinancing facilities whenever required.

The provision of liquidity for the WestLB Banking Group was ensured at all times in 2000. WestLB complied with the Liquidity Principle (Principle II) at all times in 2000.

Other Risks

While the typical banking risks (counterparty default, market price and liquidity risks) are taken on deliberately in order to generate profits, operational risks are largely inevitable in the context of the general business operations. Whereas the typical banking risks are controlled by optimising the risk-return structure, the management of operational risks mainly relies on minimisation and avoidance strategies. For this purpose, risk-inducing factors in the Group's processes, systems and external environment are analysed, evaluated and documented in a rating-based approach. This qualitative risk classification is currently being used in a pilot application.

Group Statement of Financial Condition for 2000

Other risks existed and still exist in the operational area of WPS WertpapierService Bank AG. Measures taken in response to these risks include improvements in the production processes, the further development of know-how among employees and, above all, enhanced technical performance of the IT systems and the installation of a functioning emergency programme for order management. As a result, the risk profile has improved considerably. The same applies to the re-organisation of depository management and the elimination of weaknesses in funds settlement.

Continuous Refinement

WestLB Group consistently refines the existing risk controlling concepts for the entire Banking Group. The effectiveness of these concepts is continuously checked and regularly examined by Internal Auditing. The existing risk controlling processes ensure full coverage of all relevant risks, immediate integration of new products and business segments as well as timely reporting across all management levels of the Group, thus giving full and clear evidence of all risks.

Outlook

The German banking industry is facing fundamental changes. The three traditional pillars of the German banking sector – private, cooperative and public-sector banks – will have to implement major structural changes in the years ahead. The private banks are consolidating by way of mergers and takeovers, while the cooperative banks are repositioning themselves within their own organisation. The public-sector banks, too, are facing considerable adjustments. The European Commission is already looking into issues affecting competition and state aid law with regard to German public-sector banks. The investigations by the EU Commission were triggered by a complaint filed by the private banks with regard to the state guarantees (institutional liability and guarantor liability) accorded to public-sector banks. The deliberations of the EU Commission have not yet been concluded, and their impact on the public-sector banks – and thus on WestLB and the WestLB Group – are not yet foreseeable. This does not mean, however, that the security and quality of the liabilities of public-sector banks are in any way compromised; institutional liability and guarantor liability cannot be modified retroactively and cover all existing transactions up to their final maturity.

Against this background, WestLB has developed a restructuring model that provides for the public tasks to be effectively separated from the competitive business. Implementation of this model will enhance WestLB's competitiveness and ability to operate successfully at the European level and at the same time sharpen its profile in the marketplace.

In line with its strategic orientation, WestLB made a number of important decisions last year to ensure its successful future development. These included, in particular, the integration of our financial market activities in the new Global Financial Markets business unit and the expansion of our equity and special finance business. The Bank also invested heavily in the further expansion of its e-business products and services.

The objective of these and other measures taken in previous years is to further enhance our ability to provide specialist product innovations and tailor-made solutions and to strengthen the Bank's earnings potential in a systematic way. Income from non-interest-earning

operations has already increased noticeably as a result. This also involves adopting a more return and risk-oriented approach for our product range that also has a positive impact on equity capital.

The integration of our entire interest and currency trading products serves the same purpose and will also help to improve the risk position of the Group. Moreover, the pooling of products and services will strengthen our sales capability. Furthermore, we are reorganising our corporate client business in Western Europe this year and dividing it into seven industrial sectors on a cross-border basis. WestLB Group is thus taking account of the integration of the markets into a single European economic area and deepening its market penetration along the sector-specific value chains.

The Group is pressing ahead with the development of interbank solutions in close partnership with the savings banks. In addition to joint solutions in the electronic banking field, this includes the pooling of securities settlement, even though the planned expansion of WPS Bank into the joint securities house of the savings banks organisation has been shelved. After allowing for required

restructuring expenses already in 2000 and injecting fresh funds in the form of a capital increase, the foundations have now been laid for the future development of WPS Bank.

WestLB Group will systematically continue its efforts in the area of cost management by way of restructuring and efficiency-enhancing measures. Following substantial investment in the expansion of the IT infrastructure, the Group is now entering a phase of consolidation which will help to ensure that operating expenses rise more slowly than in the previous years. On the basis of a broader earning capacity and continued efficient cost management, WestLB Group is confident that the results for 2001 will be on a par with the previous year.

Group Balance Sheet as at December 31, 2000

Assets

	see Notes No.	€	€	31. 12. 2000 €	31. 12. 1999 € thousands
Cash					
a) cash on hand			37,234,546.89		(47,513)
b) balances with central banks			752,965,096.93		(1,304,435)
including:					
with Deutsche Bundesbank					
€		565,231,553.60			
c) balances in postal giro accounts			<u>5,751.56</u>		(721)
				790,205,395.38	1,352,669
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			6,071,756,166.79		(448,771)
including:					
eligible for refinancing with Deutsche Bundesbank					
€		4,918,568,583.12			
b) bills of exchange			<u>19,185,522.80</u>		(24,699)
including:				6,090,941,689.59	473,470
eligible for refinancing with Deutsche Bundesbank					
€		4,843,225.36			
Claims on banks 1, 11					
a) payable on demand			5,471,945,131.97		(4,852,409)
b) other			<u>107,089,007,615.—</u>		(107,920,198)
including:				112,560,952,746.97	112,772,607
loans of building and loan associations					
€		808,883.80			
Claims on customers 2, 3, 11					
including:				151,359,245,534.17	147,834,141
secured by mortgages					
€		14,711,814,899.14			
loans to public authorities and entities under public law		€ 35,773,576,403.99			
loans of building and loan associations					
€		6,846,268,810.97			
Bonds and other interest-bearing securities 4, 9, 11					
a) money market instruments					
aa) of public institutions			274,922,658.90		(709,336)
including:					
eligible as collateral for Deutsche Bundesbank advances		€ —			
ab) of other issuers			<u>2,528,502,521.03</u>		(6,781,848)
including:					
eligible as collateral for Deutsche Bundesbank advances		€ 947,830,848.86	2,803,425,179.93		7,491,183
b) bonds and notes					
ba) of public institutions			32,070,282,507.30		(34,086,114)
including:					
eligible as collateral for Deutsche Bundesbank advances		€ 7,599,076,236.94			
bb) of other issuers			<u>57,745,021,024.82</u>		(58,270,632)
including:					
eligible as collateral for Deutsche Bundesbank advances		€ 19,088,205,459.21	89,815,303,532.12		92,356,745
c) bonds issued by the Bank			<u>3,798,093,073.94</u>		(3,825,764)
principal amount € 3,586,329,801.23				96,416,821,785.99	103,673,693
			To be carried forward:	367,218,167,152.10	366,106,580

Liabilities

	see Notes No.	€	€	31. 12. 2000 €	31. 12. 1999 € thousands
Liabilities to banks	12				
a) payable on demand			9,927,485,246.55		(9,711,340)
b) with agreed maturity or period of notice			142,899,389,716.79		(145,141,807)
c) deposits of building and loan associations			<u>34,507,878.06</u>		(50,613)
				152,861,382,841.40	154,903,760
Liabilities to customers	13				
a) deposits of building and loan associations and saving deposits					
aa) deposits of building and loan associations		6,798,010,608.36			(6,736,813)
ab) with agreed period of notice of three months		74,060,402.15			(88,966)
ac) with agreed period of notice of more than three months		<u>8,621,900.89</u>			(11,935)
			6,880,692,911.40		
b) other liabilities					
ba) payable on demand		13,429,237,652.49			(16,403,405)
bb) with agreed maturity or period of notice		<u>77,558,618,123.66</u>			(74,478,974)
			<u>90,987,855,776.15</u>		
				97,868,548,687.55	97,720,093
Certificated liabilities	14				
a) bonds and notes issued by the Bank			80,281,125,771.40		(79,401,574)
b) other certificated liabilities			<u>31,486,874,175.89</u>		(26,318,767)
including:				111,767,999,947.29	105,720,341
money market instruments					
€ 29,946,108,090.75					
own acceptances and promissory notes outstanding € 216,019,351.04					
Trust liabilities	15			5,393,888,278.57	4,835,705
including:					
trust loans € 4,915,275,606.87					
Other liabilities	16			6,846,886,192.—	6,420,370
Deferred items	17			2,235,046,955.13	3,014,563
Provisions					
a) for pensions and similar obligations			1,407,553,900.27		(1,284,597)
b) tax reserve			584,814,851.01		(638,660)
c) other			<u>1,407,775,560.16</u>		(1,169,873)
				3,400,144,311.44	3,093,130
Special item with partial reserve character	18			58,397,091.09	94,529
Subordinated liabilities	19, 20			6,736,173,689.99	6,055,936
			To be carried forward:	387,168,467,994.46	381,858,427

Group Balance Sheet as at December 31, 2000

Assets

	see Notes No.	31. 12. 2000 €	31. 12. 1999 € thousands	
		To be carried forward:	<u>367,218,167,152.10</u>	<u>366,106,580</u>
Shares and other non-interest-bearing securities	5, 9, 11	6,097,673,535.63	4,809,073	
Equity investments in non-affiliated companies	6, 9, 11	3,613,029,358.70	3,052,438	
including:				
banks	€ 327,098,257.78			
financial services institutions	€ 4,212,546.71			
Equity investments in associated companies	6, 9	250,909,910.39	247,260	
Equity investments in affiliated companies	6, 9	234,463,249.45	119,911	
including:				
banks	€ —			
financial services institutions	€ 3,256,621.78			
Trust assets	7	5,393,888,278.57	4,835,705	
including:				
trust loans	€ 4,915,275,606.87			
Equalisation claims against public authorities including bonds and notes issued in substitution thereof		5,138,895,840.17	3,395,095	
Intangible assets	9	95,879,719.89	98,734	
including:				
goodwill	€ 95,257,753.43			
Fixed assets	9	1,407,976,959.55	1,437,264	
Other assets	8	5,152,027,693.32	3,791,536	
Deferred items	10	5,437,489,893.91	5,860,422	
Total assets		400,040,401,591.68	<u>393,754,018</u>	

Group Statement of Income

for the Year Ended December 31, 2000

	€	€	31. 12. 2000 €	1. 1.–31. 12. 1999 € thousands
Interest from				
a) lending and money market transactions	16,978,675,101.02			(15,384,526)
b) interest-bearing securities and book-entry securities	<u>5,434,951,244.39</u>			(5,047,125)
		22,413,626,345.41		
Interest paid		<u>20,694,557,817.80</u>	1,719,068,527.61	(18,352,430) 2,079,221
Current income from				
a) shares and other non-interest-bearing securities		278,835,800.64		(82,831)
b) equity investments in non-affiliated companies		173,298,994.55		(194,481)
c) equity investments in affiliated companies		<u>29,382,544.22</u>		(10,282)
			481,517,339.41	287,594
Income from equity investments in associated companies			29,276,677.74	79,543
Income from profit pooling, profit transfer and partial profit transfer agreements			16,072,322.64	15,375
Commission income		1,445,257,716.36		(1,140,564)
Commission paid		<u>358,832,749.42</u>	1,086,424,966.94	(419,992) 720,572
Net result from trading operations			522,216,934.91	103,313
Other operating income			564,124,375.04	515,877
Income from reversal of special item with partial reserve character			36,137,277.84	108
General administrative expenses				
a) personnel expenses				
aa) wages and salaries	1,315,779,223.94			(1,139,834)
ab) compulsory social security contributions and expenses for pensions and other employee benefits	<u>397,257,417.37</u>			(343,294)
including:		1,713,036,641.31		
for pensions € 239,789,404.07				
b) other administrative expenses		<u>1,291,562,957.84</u>	3,004,599,599.15	(991,712) 2,474,840
Depreciation and value adjustments on intangible and tangible fixed assets			233,677,450.38	202,056
Other operating expenses			194,619,627.27	211,522
Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions			352,887,884.39	<u>550,880</u>
including:				
allocation to fund for general bank risks				
€ 14,863,248.75				
		To be carried forward:	669,053,860.94	362,305

	€	31. 12. 2000 €	1. 1.–31. 12. 1999 € thousands
	To be carried forward:	669,053,860.94	362,305
Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets		296,047,748.—	543,780
Expenses from the assumption of losses		20,236,374.11	2,069
Allocations to special item with partial reserve character		—.—	88,846
Profit or loss on ordinary activities		944,865,234.83	815,170
Extraordinary income	—.—		(—)
Extraordinary expenses	128,201,443.56		(373)
Extraordinary result		– 128,201,443.56	– 373
Taxes on income and revenues	295,470,285.68		(361,503)
Other taxes not shown under other operating expenses	24,227,657.93		(17,186)
		319,697,943.61	378,689
Net income for the year		496,965,847.66	436,108
Withdrawals of net income from reserves on retained earnings			
a) legal reserves	—.—		(—)
b) reserves required by WestLB's statutes	—.—		(—)
c) other reserves	—.—		(—)
d) Group reserves	136,800,586.71		(5,391)
		136,800,586.71	5,391
Allocation to capital of Wohnungsbauförderungsanstalt Wfa/ Investitionsbank of Landesbank Schleswig-Holstein		70,101,995.88	86,071
Allocations of net income to reserves from retained earnings			
a) legal reserves	—.—		(—)
b) reserves required by WestLB's statutes	21,000,000.—		(22,224)
c) other reserves	89,200,000.—		(87,940)
d) Group reserves	342,947,573.70		(131,037)
		453,147,573.70	241,201
Profit attributable to shareholders outside the Group	15,469,053.48		(19,127)
Loss apportionable to shareholders outside the Group	52,188.69		(—)
		15,416,864.79	19,127
Group profit		95,100,000.—	95,100

Notes to the WestLB Group Annual Accounts for 2000

Compilation of Group Annual Accounts

Westdeutsche Landesbank has prepared its Group annual accounts in accordance with the provisions of the German Commercial Code (HGB) and the Ordinance

Regarding Accounting for Banks (RechKredV). Information which can optionally be included in the balance sheet or in the Notes is set out in the Notes.

Consolidation Principles

As required by law, the accounts of the individual Group companies are uniformly prepared in accordance with the accounting and valuation methods applicable to WestLB (unless this is already done from the outset). Claims and liabilities, expenses and income as well as interim 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 at the official mean rates of exchange prevailing on December 29, 2000.

Valuation differences arising from exchange-rate adjustments in previous years are netted against the Group reserves so that they have no effect on profits.

Group members which are consolidated for the first time are valued according to the book value method, with valuation as at the Group balance sheet date. Expenses and income for the entire business year are included in the Group statement of income at their full amount. In accordance with HFA 3/95, the annual profits of companies consolidated for the first time arising from their inclusion as of the Group balance sheet date were neutralised by forming an equalisation item, which is shown under other operating expenses or income.

In 2000, ten companies were consolidated for the first time; acquisitions and five consolidation balances amounting to € 72.6 million were offset against Group reserves; four consolidation balances totalling € 2.8 million led to an increase in Group reserves. All companies included in WestLB's consolidated accounts for the first time had only a marginal effect on the Group's net income for the year and on the other items of WestLB's consolidated accounts.

The equity valuation of 11 (1999: 10) associated companies continues to be effected according to the book value method. In the case of companies classified as associated companies for the first time, the valuation basis was the balance sheet reporting date for the Group accounts. Any valuation methods used for associated companies which deviate from those applied by WestLB are not adjusted. We are aware of no facts requiring the elimination of interim results. A total of € 3.3 million resulted from the valuation for the first time of an associated company held via a jointly-managed company.

9 (8) associated companies were not valued at-equity, as these enterprises are only of minor importance for the net assets, financial condition and earnings of the Group.

Unless they are netted as part of capital consolidation, the earnings of the consolidated subsidiaries are allocated to Group reserves. In the case of jointly-managed companies, special-purpose components of equity capital and undisclosed capital contributions are included in capital consolidation. The Group reserves also reflect the impact of certain consolidation measures on earnings. This means that the Group profit is identical with the profit of WestLB.

Notes to the WestLB Group Annual Accounts for 2000

Companies Included in the Group Annual Accounts

At the end of 2000, WestLB had a total of 204 affiliated companies, of which 73 are included in the Group annual accounts. The change in the companies included in the Group annual accounts

(ten additions, eight subtractions) had a negligible impact for comparability purposes. The following table classifies the affiliated companies:

Group Companies of Westdeutsche Landesbank

	Previous Year	Additions	Subtractions	Conversions	Report Year
Affiliated companies included in the Group accounts	206	15	17	–	204
not included in the Group accounts pursuant to § 296 (1) No. 3 or (2) of the German Commercial Code (HGB)	71	2	3	+ 3	73
not included in the Group accounts pursuant to § 295 (1) of the German Commercial Code (HGB)	133	13	14	– 3	129
Jointly-managed companies	2	–	–	–	2
Associated companies pursuant to § 311 (1) of the German Commercial Code (HGB)	3	–	–	–	3
Associated companies pursuant to § 311 (2) of the German Commercial Code (HGB)	10	1	–	–	11
	8	1	–	–	9

A total of 129 affiliated companies were not included in the Group accounts, as they are only of minor importance for the net assets, financial condition and earnings of the WestLB Group or because the shares in these companies are held solely for the purpose of being sold. The aggregate unconsolidated assets of the 126 companies which were not consolidated due to their minor importance accounted for 0.25% of Group total assets.

Moreover, two affiliated companies are not included in the Group accounts, as their inclusion is not compatible with the

obligation to provide a true and fair view of the net assets, financial condition and earnings of the Group.

Landesbank Rheinland-Pfalz and Landesbank Schleswig-Holstein Groups (incl. Hamburgische Landesbank Group) as well as Westdeutsche ImmobilienBank are consolidated on a pro-rata basis as jointly-managed companies.

The structure of the WestLB Group is as follows:

Structure of the Group of Westdeutsche Landesbank Girozentrale, Düsseldorf/Münster

Banking Group Subsidiaries

Banque d'Orsay S.A., Paris (100%)	(LC)
Criterion Investment Management LLC, Houston (100%)	(LC)
ZAO Westdeutsche Landesbank Vostok, Moscow (100%)	(LC)
Westdeutsche Landesbank (France) S.A., Paris (100%)	(LC)
Westdeutsche Landesbank (Hungaria) Rt., Budapest (99.99%)	(LC)
Westdeutsche Landesbank (Ireland) plc., Dublin (100%)	(LC)
Westdeutsche Landesbank (Italia) S.p.A., Milan (100%)	(LC)
Westdeutsche Landesbank Polska S.A., Warsaw (100%)	(LC)
WestLB Asset Management Kapitalanlagegesellschaft mbH, Düsseldorf (90%)	(LC)
WestLB Asia Pacific Ltd., Singapore (100%)	(LC)
WestLB Asset Management (Japan) Co. Ltd., Tokyo (100%)	(LC)
WestLB Europa Holding AG, Düsseldorf (100%)	(LC)
Banque Européenne pour l'Amérique Latine (BEAL) S.A., Brussels (100%)	(LC)
WestLB Europe (UK) Holdings Ltd., London (100%)	(LC)
WestLB Asset Management (UK) Ltd., London (100%)	(LC)
WestLB UK Ltd., London (100%)	(LC)
WestLB Panmure Ltd., London (100%)	(LC)
WestLB International S.A., Luxembourg (75%)	(LC)
WestLB Panmure Securities Inc., Dover (100%)	(LC)
WestLB Securities Pacific Ltd., Hong Kong (100%)	(LC)
Dussepsilon Beteiligungsgesellschaft mbH, Düsseldorf (100%)	
WPS WertpapierService Bank AG, Frankfurt (99.97%)	
GEV Gesellschaft für Energie- und Versorgungswerte mbH, Dortmund (100%)	
WestLB Panmure (Hungaria) Consulting Rt., Budapest (100%)	
WestLB New York Capital Investment Ltd., Jersey (100%)	
WestLB Research GmbH, Düsseldorf (100%)	
WestLB Systems GmbH, Düsseldorf (100%)	
Landesbank Rheinland-Pfalz – Group –, Mainz (37.5%)*	
Landesbank Schleswig-Holstein – Group –, Kiel (39.9%)*	
Westdeutsche ImmobilienBank – Group –, Mainz (50%)*	

Other Group Subsidiaries

West Merchant Bank Ltd., London (100%)	(LC)
Westdeutsche Spielbanken GmbH & Co. KG, Münster (100%)	
WestLB Asset Management (USA) LLC, Chicago (100%)	(LC)
WestLB Europe (UK) Fund Ltd., London (100%)	(LC)
WestLB Finance (Credits) Ltd., London (100%)	(LC)
WestLB Finance Curaçao N.V., Curaçao (100%)	(LC)
WestLB Finance Netherlands B.V., Den Bosch (100%)	(LC)
WestLB Finance UK Plc., London (100%)	(LC)
WestLB Fund Investments Ltd., London (100%)	(LC)
WestLeasing Westdeutsche Leasing Holding GmbH, Düsseldorf (100%)	
WestKB Westdeutsche Kapitalbeteiligungsgesellschaft mbH, Düsseldorf (100%)	
35 additional affiliated companies included in the consolidated accounts	
WestLB ASIAC Bank Ltd., Port Vanuatu (100%)	(LC)
WestLB Asset Management (Australia) Pty. Ltd., Sydney (51%)	(LC)
WestRM – West Risk Markets AG, Zug (100%)	(LC)
128 additional affiliated companies not included in the consolidated accounts	
20 associated companies	
For information:	
CWB Capital Partners Ltd., London (49.9%)	(LC)

* = pro rata consolidated
(LC) = covered by WestLB's Letters of Comfort for Group subsidiaries

Notes to the WestLB Group Annual Accounts for 2000

Accounting and Valuation Principles

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

The valuation of assets, liabilities and pending transactions is made in accordance with §§ 252 et seq. and §§ 340 et seq. of the German Commercial Code (HGB).

Claims are shown with the principal amount outstanding less unamortized discounts. Liabilities are carried at the amount repayable; the accompanying discounts are entered under deferred items. Premiums relating to claims or liabilities are shown under deferred items as an asset or liability, respectively. The proportionate amount of interest at year-end is shown in the first maturity band of the balance sheet item to which it applies. Discounts and premiums from own bonds issued and lending business are dissolved according to the interest-share method. Bills of exchange, treasury bills and discounted treasury notes were discounted at the effective interest rate. Non-interest-bearing loans to employees are shown with the principal amount outstanding in line with tax regulations.

Non-interest and low-interest-bearing loans of the Wohnungsbauförderungsanstalt des Landes NRW and/or the Investitionsbank of Landesbank Schleswig-Holstein are stated at their cash value. Zero bonds issued by the Bank are carried as liabilities and shown at their issue value plus interest accrued on the balance sheet date.

Value adjustments and specific provisions were made to cover discernible risks in the loan business. Adequate account was taken of risks in respect of outstanding claims by way of general provisions on receivables within the limits allowed by the relevant tax regulations.

Securities held in the liquidity reserve are valued strictly according to the lower of cost or market principle at market or lower book values.

Securities held in the Group's investment portfolio (financial assets) are valued at cost. As a general rule, any difference between the cost and repayment value of securities held in the investment portfolio is included pro rata temporis in the Group's results. Where securities held in the investment portfolio are carried at values higher than the current market values, these are shown separately in the Notes. Any changes over time are attributable to movements in interest rates and portfolio changes.

Shares, bonds, derivatives and other trading instruments held by the WestLB Group for proprietary trading purposes are shown at their market value on an individual basis as at the balance sheet date.

They are carried either at market or at the applicable value; pro-rata interest, non-recurring payments and option premiums are taken into account. The individual valuation results are amalgamated in macro portfolios across all Group companies (excluding jointly-managed companies). The portfolios are delineated according to risk categories (interest, shares, other price risks and credit derivatives) and, within these risk categories, according to currency, share type and other basic instruments. Currencies participating in EMU are merged to form a single unit. Within these macro portfolios, positive and negative valuation results have been netted. Any remaining positive balances are netted against negative results realised within the same portfolios. Any remaining unrealised gains are not shown as income; any unrealised losses are written down and provisions made accordingly.

Current results generated by the trading portfolios (interest income, dividend income) as well as the refinancing costs are shown as part of the interest result

in the income statement. Price gains and losses as well as payments obtained and received under forward transactions, derivative transactions and option premiums are included in the net result from trading operations in so far as they result from trading transactions. In the case of clearly defined equity trading portfolios, all relevant profit components are shown in the net result from trading operations.

Equity investments in affiliated and non-affiliated companies are carried at cost; where a loss of value is expected to be permanent, they are written down to the lower applicable value.

Tangible assets whose use is limited by time are written off in accordance with the relevant tax regulations. Low-value assets are written off in full in their year of purchase.

Adequate provision has been made to cover contingent liabilities and pending losses; provision for anniversary expenses has been made in accordance with the maximum amounts permitted under tax regulations. Provision for pension obligations has been established on the basis of actuarial principles in accordance with § 6 a of German Income Tax Law (EStG). Pension provisions have been adjusted to the new mortality charts on a pro rata temporis basis.

Notes to the WestLB Group Annual Accounts for 2000

In so far as the reason for capital contributions, write-offs or value adjustments effected in previous periods on participations, loans and securities no longer applies, the Bank has complied with the revaluation requirement stipulated under the 1999/2000/2002 Tax Relief Act by writing up the respective items to their acquisition cost or the lower applicable values. The Bank exercised its right under German tax law to transfer four fifths of the written up amounts to a special item with partial reserve character in accordance with § 273 of the German Commercial Code (HGB).

There is a fund for general bank risks pursuant to § 340 g of the German Commercial Code (HGB) in the amount of € 554.8 million. A total of € 14.9 million has been allocated to the fund pursuant to § 340 g of the German Commercial Code (HGB).

Foreign Exchange Valuation

Foreign currencies are converted and foreign currency transactions valued in accordance with the provisions of § 340 h of the German Commercial Code (HGB) and BFA 3/95. Foreign currency assets and liabilities as well as pending foreign currency spot transactions are converted and valued on the basis of the mean spot rate prevailing on the balance sheet date; pending forward transactions (forward exchange, currency option and futures transactions) are converted and valued on

WestLB Group's equity includes the special reserves pertaining to the Wohnungsbauförderungsanstalt of WestLB as well as the pro rata appropriated reserves of Landesbank Schleswig-Holstein and the special capital of Hamburgische Wohnungsbaukreditanstalt as part of the Group reserves. The annual results of the Wohnungsbauförderungsanstalt Nordrhein-Westfalen and the Investitionsbank of Landesbank Schleswig-Holstein are included in the net Group profit for the year. In accordance with applicable state legal requirements, the results have been allocated to the corresponding capital items in the promotion areas of the two Landesbanks.

the basis of the forward rate or option premium prevailing on the balance sheet date. Rate-hedged expenses and income are converted at the hedging rate.

Any differences arising from the conversion of hedged balance-sheet items and the corresponding hedging transactions are shown under other assets. Swap premiums from hedged balance-sheet items were accrued pro rata temporis and included under net interest income.

Balance-sheet items denominated in a foreign currency as well as pending transactions of the WestLB Group are shown in each currency as specially covered and valued pursuant to § 340 h (2) 2 of the German Commercial Code (HGB). Accordingly, all expenses and income arising from the conversion of

foreign currencies pursuant to § 340 h (2) 1 and 2 of the German Commercial Code (HGB) are included in the Statement of Income; there was no income requiring elimination as the foreign exchange positions prevailing on the balance-sheet date are short term.

Forward Transactions/Derivatives

As part of their business activities, WestLB Group companies conduct currency or interest-related and other types of forward transactions or derivatives in the following categories:

■ Currency-Related Forward Transactions/Derivatives

Forward exchange transactions, written and bought currency options, forward exchange contracts, issued currency warrants, currency swaps, interest/currency swaps and precious metals forward transactions/options.

■ Interest-Related Forward Transactions/Derivatives

Interest-rate forward contracts, interest-rate swaps, forward rate agreements (FRAs), written and bought interest-rate

options, issued interest-rate warrants, interest-rate caps, interest-rate floors, interest-rate collars and options on interest-rate swap transactions (swaptions).

■ Other Forward Transactions/Derivatives

Share forward contracts, written and bought share options, index futures contracts, written and bought index options, issued share and index warrants as well as written and bought credit derivatives.

In 2000, the average annual volume of WestLB Group's derivatives and other forward transactions on the basis of average nominal values was € 1,553.4 (1,505.8) billion.

Notes to the WestLB Group Annual Accounts for 2000

Derivatives – Average Volumes – Group

€ millions	Average Nominal Values		Average Credit Risk Equivalents		Average Replacement Costs	
	2000	1999	2000	1999	2000*	1999*
Interest-rate risks	1,248,551	1,145,221	5,106	4,900	12,770	13,861
Currency risks	285,511	351,017	4,314	3,062	7,961	6,133
Share and other price risks	11,161	9,527	307	294	670	480
Risks from credit derivatives	8,161	–	48	–	6	–
Total derivatives	1,553,384	1,505,765	9,775	8,256	21,407	20,474

* excluding Banque d'Orsay S.A.

The credit risk equivalents are calculated on the basis of the market valuation method in accordance with German bank supervisory requirements including a corresponding counterparty weighting and a percentage add-on. WestLB Group's credit risk equivalents pursuant to Principle I represent 6.61% (5.21%) of the entire risk assets of the WestLB Group according to §§ 10, 10 a KWG.

The replacement costs stated are calculated on the basis of the market prices prevailing at year-end and only include contracts for which the buy-in transaction necessary to regain the previous position in the event of a counterparty default

would result in additional expenditure or lower income; cover profit was not netted against cover loss. A counterparty weighting was not made; there is no netting for the purpose of calculating credit risk equivalents and replacement costs, so that the replacement costs stated represent a worst-case scenario at year-end.

The total volume of WestLB Group's forward transactions/derivatives business on the basis of nominal values is € 1,536.1 (1,528.0) billion. The emphasis continues to be on interest-rate risks, which account for approx. 81% (80%) of the total volume.

Derivatives – Volumes – Group

€ millions	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000*	Dec. 31, 1999*
Interest-rate risks						
Interest-rate swaps	851,070	753,976	5,044	4,338	12,942	11,162
FRAs	72,585	133,722	14	17	61	72
Interest-rate options, swaptions						
– bought	28,030	26,891	233	255	615	669
– written	29,049	30,238	–	–	–	–
Stock market contracts	124,609	7,189	–	–	–	–
Caps, floors	95,182	57,790	218	100	522	362
Other interest-rate forward transactions	44,422	198,409	199	394	297	767
Total interest-rate risks	1,224,947	1,208,215	5,708	5,104	14,437	13,032
Currency risks						
Forward exchange transactions	144,274	164,603	1,424	1,426	3,662	3,646
Interest-currency swaps/currency swaps	82,898	55,522	2,794	1,774	3,926	2,407
Currency options						
– bought	23,474	39,869	185	283	462	680
– written	21,409	39,103	–	–	–	–
Stock market contracts	675	8,316	–	–	–	–
Other currency forward transactions	2,057	2,174	54	26	38	36
Total currency risks	274,787	309,587	4,457	3,509	8,088	6,769
Share and other price risks						
Share forward transactions	3	39	–	2	–	5
Share options						
– bought	2,383	2,458	195	134	728	219
– written	2,633	2,635	–	–	–	–
Stock market contracts	2,697	2,687	–	–	–	–
Other forward transactions	1,253	2,347	82	14	129	21
Total share and other price risks	8,969	10,166	278	150	857	245
Risks from credit derivatives						
– bought	2,571	–	50	–	19	–
– written	4,786	–	54	–	2	–
Risks from total credit derivatives	7,357	–	104	–	21	–
Total derivatives	1,536,060	1,527,968	10,547	8,763	23,403	20,046

* excluding Banque d'Orsay S.A.

Notes to the WestLB Group Annual Accounts for 2000

All credit derivatives are included in the investment book. At year-end, the volume of purchased credit derivatives on the basis of nominal values amounted to € 2.6 billion. The nominal volume of sold credit derivatives amounts to € 4.8 billion.

WestLB Group primarily enters into contracts with first-rate counterparties, mainly domestic and foreign OECD banks. Client business expanded significantly.

Derivatives – Classification of Counterparties

€ millions	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000*	Dec. 31, 1999*
OECD banks	1,073,852	1,090,838	5,307	4,616	17,001	15,057
Non-OECD banks	5,040	6,674	47	58	75	101
Customers (including stock market contracts)	455,199	428,800	5,170	4,071	6,112	4,820
Public-sector entities	1,969	1,656	22	18	215	68
Total	1,536,060	1,527,968	10,546	8,763	23,403	20,046

* excluding Banque d'Orsay S.A.

WestLB Group's derivatives business is almost exclusively accounted for by trading transactions, since customer transactions are entered into and covered

by the trading units; contracts for hedging the Group's own portfolios are also reflected in the trading portfolio by way of internal contracts.

Derivatives – Trading Transactions

€ millions	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000*	Dec. 31, 1999*
Interest-rate contracts	1,196,874	1,168,816	5,463	4,788	13,661	11,991
Currency contracts	258,179	291,825	4,244	3,298	7,533	6,225
Share contracts	8,034	9,445	205	128	725	217
Credit derivatives contracts	7,357	–	104	–	21	–
Total trading transactions	1,470,444	1,470,086	10,016	8,214	21,940	18,433

* excluding Banque d'Orsay S.A.

With respect to the maturities of derivatives, most of the contracts covering currency risks are short-term in nature; those covering interest-rate risks are

spread across the entire spectrum of maturities; roughly 29% of the interest-rate contracts have a residual maturity of more than five years.

Derivatives – Classification by Maturity

Nominal Values € millions	Interest-Rate Risks		Currency Risks		Share and Other Price Risks		Risks from Credit Derivatives	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Breakdown by residual maturity								
– up to three months	201,592	–	104,715	–	4,531	–	136	–
– up to one year	236,800	415,286	83,063	254,793	1,253	8,376	601	–
– one to five years	440,473	461,289	56,164	31,866	3,113	1,386	2,434	–
– more than five years	366,082	331,640	30,845	22,928	72	404	4,186	–
Total	1,244,947	1,208,215	274,787	309,587	8,969	10,166	7,357	–

Claims on Banks (1)

	Dec. 31, 2000		Dec. 31, 1999	
	€ millions		€ millions	
	Claims on Associated Banks	Claims on Other Banks	Claims on Associated Banks	Claims on Other Banks
Payable on demand	891.7	4,580.2	993.9	3,858.5
Breakdown by residual maturity				
– up to three months	1,070.9	39,625.4	1,177.6	39,967.7
– between three months and one year	1,122.2	11,726.0	1,234.9	12,649.0
– between one and five years	7,864.2	20,946.8	7,163.6	20,166.4
– more than five years	10,795.0	13,938.6	10,427.7	15,133.3
Total	21,744.0	90,817.0	20,997.7	91,774.9
Book value	112,561.0		112,772.6	
including:				
– loans of building and loan associations	0.6	0.3	0.7	0.1

At the end of 2000, claims on other banks included claims on companies in which equity investments are held in

an amount of € 2,248.6 (2,503.9) million. Claims from leasing transactions amounted to € 459.9 (404.1) million.

Notes to the WestLB Group Annual Accounts for 2000

Claims on Customers (2)

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Breakdown by residual maturity		
– up to three months	54,053.9	50,195.3
– between three months and one year	17,725.8	17,024.6
– between one and five years	32,979.0	31,549.9
– more than five years	46,600.6	49,064.3
Book value	151,359.3	147,834.1
including:		
– claims with undetermined maturity	1,421.0	1,234.9
– non-consolidated affiliated companies	326.4	129.0
– companies in which equity investments are held	1,534.3	823.9
– from leasing transactions	3,750.3	3,353.6
– loans of building and loan associations	6,846.3	6,586.4
– loans of the Wohnungsbauförderungsanstalten	5,410.7	5,622.7

Claims Secured by Mortgages (3)

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Breakdown of claims on customers by residual maturity		
– up to three months	500.0	562.4
– between three months and one year	808.4	1,066.9
– between one and five years	3,647.5	4,236.2
– more than five years	9,755.9	10,185.7
Book value	14,711.8	16,051.2
including:		
loans of building and loan associations	2,839.9	4,651.7

Bonds and Other Interest-Bearing Securities (4)

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Bonds and other interest-bearing securities		
Book value	96,416.8	103,673.7
including:		
amounts that will become due by December 31, 2001	16,676.1	27,062.5
Breakdown by products		
– money market instruments	2,803.4	7,491.2
– bonds and notes of public-sector issuers	32,070.3	34,086.1
– bonds and notes of other issuers	57,745.0	58,270.6
– bonds issued by the Group	3,798.1	3,825.8
Breakdown by stock exchange listing		
– listed on a stock exchange	80,114.1	76,335.1
– not listed on a stock exchange	16,302.7	27,338.6
Breakdown by Group affiliation		
– securities of companies in which equity investments are held	1,879.0	260.3

Of the Group's portfolio of bonds and other interest-bearing securities,

- € 26.6 (27.3) billion are carried as trading portfolio
- € 16.1 (13.5) billion are carried as liquidity reserve
- € 53.8 (62.9) billion are carried as investment portfolio

The bonds forming part of the Group's investment portfolio in an amount of € 53.8 (62.9) billion are shown as fixed assets. At year-end, financial assets of € 19.8 (23.2) billion were valued according to the modified lower of cost or market principle. Of these, a total of € 3.9 (7.2) billion consisted of securities acquired in connection with interest-rate swap transactions (asset swaps) and whose commercial value is commensurate with the purchase price.

Notes to the WestLB Group Annual Accounts for 2000

Shares and Other Non-Interest-Bearing Securities (5)

Of the marketable securities included under this item with a value of € 2,440.9 (2,106.3) million, securities with a value of € 1,880.2 (1,784.0) million are listed on a stock exchange. This includes shares in special funds of € 3,658.3 (2,702.8) million, predominantly comprising listed securities.

Of the Group's portfolio of shares and other non-interest-bearing securities:

- € 1.8 (1.2) billion are carried as trading portfolio
- € 2.2 (3.4) billion are carried as liquidity reserve
- € 2.1 (0.2) billion are carried as investment portfolio

Equity Investments in Non-Affiliated Companies, Associated Companies and Equity Investments in Affiliated Companies (6)

WestLB Group's equity investments in non-affiliated companies amounting to € 3,863.9 (3,299.7) million include marketable securities of € 2,787.3 (2,506.1) million. Of these, € 2,708.4 (2,110.4) million are listed and € 78.9 (395.7) million are not listed on a stock exchange.

The list of shareholdings pursuant to §§ 285 No. 11, 313 (2) of the German Commercial Code (HGB) has been deposited with the Düsseldorf district court (Amtsgericht). The exception provided for under §§ 286 (3) No. 2, 313 (3) HGB was utilised in 14 cases.

Of the equity investments in affiliated companies in an amount of € 234.5 (119.9) million, € 66.6 (4.5) million are marketable securities.

Trust Assets (7)

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Claims on banks	803.9	256.3
Claims on customers	4,160.3	4,149.5
Bonds and notes	0.1	0.1
Participations in RWI-Fonds	429.5	429.6
Equity investments	0.1	0.2
Other	--	--
Total	5,393.9	4,835.7

Other Assets (8)

The total figure of € 5,152.0 (3,791.5) million consists principally of

- € 1,511.6 (1,197.9) million in premiums for warrants, foreign currency, security and other options as well as interest-rate caps and interest-rate floors
- € 242.1 (624.5) million in equalisation items from the valuation of the trading portfolio
- € 444.1 (338.5) million in claims arising from tax refunds, mainly from withheld corporate income tax and capital gains tax on income from investments and dividends
- € 1,350.4 (109.1) million in equalisation items from foreign currency valuation and adjustment items for foreign currency transactions
- € 3.2 (28.9) million for inventories
- € 5.9 (12.3) million in current construction contracts

Fixed Assets (9)

€ millions	Acquisition Cost/Cost of Production Jan. 1, 2000	Additions in the Business Year	Subtractions in the Business Year	Total Depreciation	Net Book Value on Dec. 31, 2000	Net Book Value on Dec. 31, 1999	Depreciation in the Business Year
Bonds and non-interest-bearing securities forming part of fixed assets	61,917.0	7,620.9	14,692.7	97.7	54,747.5	61,859.5	6.5
Equity investments in affiliated companies	297.9	964.7	849.4	178.7	234.5	119.9	0.7
Equity investments in non-affiliated companies, associated companies	3,496.9	1,578.5	1,078.8	132.7	3,863.9	3,299.7	4.8
Intangible assets	6.6	0.4	4.1	2.3	0.6	4.6	0.5
Goodwill	126.7	17.2	12.5	36.1	95.3	94.1	11.0
Land and buildings	1,158.5	175.5	67.3	406.2	860.5	771.5	30.2
Office equipment	1,150.5	167.9	109.9	791.6	416.9	523.1	184.3
Leasing assets	150.9	58.1	69.2	37.3	102.5	87.6	2.2
Other fixed assets	58.6	23.2	47.2	6.5	28.1	55.1	5.4

Notes to the WestLB Group Annual Accounts for 2000

Land and buildings acquired by the Group as part of a bail-out transaction and carried on the books for more than five years are now shown as tangible assets (previously: other assets) with a book value of € 28.3 million. The changes in the business year include additions and subtractions as well as changes resulting from the pro

rata temporis dissolution of premiums and discounts.

Of its land and buildings, WestLB Group utilises premises with a value of € 628.9 (683.8) million for its own business activities.

Deferred Items (10)

Deferred items comprise the following:

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Premiums on claims	21.7	28.6
Discounts from underwriting business	539.6	507.3
Discounts from liabilities	520.6	231.0
Other	4,355.6	5,093.5
Book value	5,437.5	5,860.4

Subordinated Assets (11)

The following items include subordinated assets:

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Claims on banks	112.9	2.0
Claims on customers	38.6	114.0
Bonds and other interest-bearing securities	219.4	218.7
Shares and other non-interest-bearing securities	14.1	15.4
Equity investments in non-affiliated companies	9.6	--
Total	394.6	350.1

Pledged Assets

Of the assets shown, € 37,722.3 (35,543.8) million were pledged under repurchase agreements.

Liabilities to Banks (12)

	Dec. 31, 2000 € millions		Dec. 31, 1999 € millions	
	Liabilities to Affiliated Banks	Liabilities to Other Banks	Liabilities to Affiliated Banks	Liabilities to Other Banks
Payable on demand	1,286.8	8,640.7	1,235.0	8,476.4
Breakdown by residual maturity				
– up to three months	3,322.9	81,134.1	5,514.4	93,820.3
– between three months and one year	195.4	22,023.8	241.8	12,068.3
– between one and five years	95.4	16,441.3	115.1	15,778.0
– more than five years	155.5	19,531.0	124.6	17,479.3
Deposits of building and loan associations	25.4	9.1	39.3	11.3
Total	5,081.4	147,780.0	7,270.2	147,633.6
Book value	152,861.4		154,903.8	

Liabilities to banks include liabilities of € 2,087.3 (2,329.2) million to companies in which equity investments are held.

Notes to the WestLB Group Annual Accounts for 2000

Liabilities to Customers (13)

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Saving deposits and deposits of building and loan associations	6,880.7	6,837.7
including:		
saving deposits with agreed periods of notice of		
– up to three months	0.9	90.2
– between three months and one year	4.4	6.6
– between one and five years	3.0	3.6
– more than five years	0.4	0.5
Deposits of building and loan associations	6,798.0	6,736.8
Liabilities to customers	90,987.9	90,882.4
including:		
payable on demand	13,429.2	16,403.4
with residual maturities of		
– up to three months	46,153.6	41,108.5
– between three months and one year	3,674.0	7,151.8
– between one and five years	9,682.3	8,571.3
– more than five years	18,048.7	17,647.4
Book value	97,868.6	97,720.1
including:		
– liabilities to non-consolidated affiliated companies	126.0	120.9
– liabilities to companies in which equity investments are held	521.0	658.8

Certificated Liabilities (14)

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Bonds issued	80,281.1	79,401.6
including:		
– amounts becoming due before December 31, 2001	20,001.3	17,572.1
Other certificated liabilities	31,486.9	26,318.7
including those with residual maturities of		
– up to three months	20,109.2	22,739.5
– between three months and one year	10,762.5	2,864.2
– between one and five years	251.5	203.7
– more than five years	363.7	511.3
Book value	111,768.0	105,720.3

Trust Liabilities (15)

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Liabilities to banks	910.3	341.2
Liabilities to customers	2,985.4	2,953.9
RWI certificates	429.6	429.6
Other liabilities	1,068.6	1,111.0
Book value	5,393.9	4,835.7

Other Liabilities (16)

The main components of this item of € 6,846.9 (6,420.4) million include:

■ € 2,800.6 (2,664.6) million
in securities delivery obligations

■ € 1,150.4 (1,499.8) million
in premiums from foreign currency,
security and other options, caps,
floors, swaptions and warrants

■ € 463.8 (349.0) million
in proportionate interest for profit
participation rights and subordinated
liabilities

Deferred Items (17)

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Premiums from own bonds issued	130.7	87.9
Other	2,104.4	2,926.7
Book value	2,235.1	3,014.6

Special Item with Partial Reserve Character (18)

The item of € 58.4 (94.5) million was formed in 1999 because the Group had to comply with the revaluation requirement on participations, loans and securities stipulated under the 1999/2000/2002 Tax Relief Act. The Bank exercised its right under German tax law (§ 6 [1] and § 52

[16] EstG) to transfer four fifths of the written up amounts to a special item with partial reserve character in accordance with § 273 of the German Commercial Code (HGB). A total of € 36.1 million was released accordingly in the 2000 financial year.

Notes to the WestLB Group Annual Accounts for 2000

Subordinated Liabilities (19)

Of the subordinated liabilities of € 6,736.2 (6,055.9) million, a subordinated loan of USD 750 million (due 2009; interest rate: 6.05%) exceeds 10% of the total value of all subordinated liabilities. There is no early repayment obligation. There is no existing or planned agreement to convert these funds into capital or another form of debt.

An amount of € 127.6 (68.8) million has a residual maturity of less than 2 years.

In 2000, WestLB Group incurred interest expenses of € 379.9 (315.3) million for subordinated liabilities.

Subordinated liabilities entered into comply with the requirements of § 10 of German Banking Law (KWG); an extraordinary right of termination has not been agreed.

Capital and Reserves (20)

On December 31, 2000, WestLB Group's equity capital amounted to € 8,861.4 (8,213.2) million.

A total of € 331.2 million of the 2000 net Group profit for the year was transferred to the Group's equity capital. € 110.2 million were allocated to WestLB's reserves, € 14.9 million to the fund for general bank risks pursuant to § 340 g of the German Commercial Code (HGB) and € 206.1 million to Group reserves. Group reserves increased by € 553.1 million to € 2,432.4 million.

Group reserves include special reserves pertaining to the Wohnungsbauförderungsanstalt of € 3,016.6 million. Group reserves contain the pro-rata appropriated reserves of the Investitionsbank of Landesbank Schleswig-Holstein. A total of € 67.1 million was allocated from the net Group profit for the year to the capital of the Wohnungsbauförderungsanstalt Nordrhein-Westfalen – Anstalt der Westdeutschen Landesbank Girozentrale – (Wfa), and € 3.0 million was allocated to the capital of the Investitionsbank of Landesbank Schleswig-Holstein.

WestLB Group's capital and reserves comprise the following:

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Subscribed capital	1,183.8	1,183.8
Capital reserves	3,318.1	3,318.1
including:		
– special reserves pertaining to the Wohnungsbauförderungsanstalt	3,016.6	3,016.6
Reserves from retained earnings		
– required by WestLB's statutes	508.5	487.5
– other	1,289.2	1,200.0
Group reserves	2,432.4	1,879.3
Equalising items for shares of other shareholders	129.4	144.5
Equity capital pursuant to the German Commercial Code (HGB)	8,861.4	8,213.2
Fund for general bank risks	554.8	535.8
Subordinated liabilities	6,736.2	6,055.9
Profit participation capital	3,360.6	3,051.5
Other capital and reserves	10,651.6	9,643.2
Total capital and reserves	19,513.0	17,856.4

The transfer of the assets and liabilities of Wfa to WestLB effective January 1, 1992 and the resulting special reserves pertaining to the Wohnungsbauförderungsanstalt are the subject of a complaint brought to the European Commission by competitors of WestLB. In a decision of July 8, 1999, the Commission expressed the opinion that WestLB had not received this capital at market conditions and that the resulting state aid had to be eliminated. The Federal Republic of Germany, the

State of North Rhine-Westphalia and WestLB have filed an action with the European Courts for annulment of the decision. The decision of the courts is pending; the plaintiffs expect to prevail. In view of this, and considering that the object of the decision by the EU Commission is to obtain a higher remuneration on the capital contributed by the State of North Rhine-Westphalia, the above circumstances were not taken into account in the 2000 annual accounts.

**Foreign Currency Assets/
Foreign Currency Liabilities**

Foreign currency assets were valued at € 162.6 (153.1) billion and foreign currency

liabilities were valued at € 156.7 (150.4) billion at year-end.

Notes to the WestLB Group Annual Accounts for 2000

Other Commitments (21)

The amounts shown in the balance sheet for placing and underwriting commitments as well as irrevocable credit commitments involve amounts which have not yet been utilised. Utilisation of placing and under-

writing commitments amounted to € 0.3 (0.1) million on the balance sheet date.

WestLB Group's irrevocable credit commitments totalled € 89.8 (81.6) billion.

Disposal Restrictions/ Security Provisions

WestLB Group deposited or assigned own bonds and securities with a nominal value of € 23,503.7 (21,177.7) million as collateral for Bundesbank advances against pledge of securities (Lombard loans) and in connection with repurchase agreements under open market transactions with the Bundesbank. In some

cases, the Group's business activities were subject to legal requirements and local practices requiring the provision of collateral to public institutions and banks. Compliance with such requirements tied up assets in the amount of € 3,096.9 (4,897.6) million.

Collateral for Own Liabilities

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Liabilities to banks	6,383.2	5,260.5
Liabilities to customers	617.5	652.2
Total	7,000.7	5,912.7

These are registered mortgage-backed bonds and municipal bonds issued to creditors as collateral for liabilities incurred.

Letter of Comfort

WestLB 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 this Letter of Comfort and WestLB's investment quotas in such enterprises are set forth

and specifically designated on Page 89 of the Notes to the WestLB Group Annual Accounts.

This Letter of Comfort applies to WestLB International S.A. and to WestLB Asset Management (Australia) Pty. Ltd. irrespective of WestLB's investment quota.

Guarantor Obligation

WestLB is a guarantor of Landesbank Rheinland-Pfalz, Mainz, Landesbank Schleswig-Holstein, Kiel, Westdeutsche

ImmobilienBank, Mainz, and DGZ•DekaBank – Deutsche Kommunalbank –, Frankfurt/Main.

Other Financial Obligations

The Group has annual rental and leasing obligations amounting to €95.5 (138.7)

million. Other financial obligations amount to € 519.1 (504.2) million.

Cover

All issues of the WestLB Group and of the pro-rata consolidated Landesbanks requiring cover were covered in accordance with the relevant legal and statutory regulations.

The following table details the amount of cover as at December 31, 2000:

	Dec. 31, 2000	Dec. 31, 1999
	€ millions	€ millions
Mortgage-backed bonds	6,878.1	7,085.4
Assets used for covering purposes		
– claims on banks	20.2	76.6
– claims on customers	10,112.3	8,954.6
Excess cover	3,254.4	1,945.8
Bonds of public authorities and entities under public law	79,064.7	84,157.2
Assets used for covering purposes		
– claims on banks	46,908.7	47,495.4
– claims on customers	30,740.3	31,403.6
Replacement cover	14,098.2	10,839.8
Excess cover	12,682.5	5,581.6

Extraordinary Expenses

Extraordinary expenses amounted to € 128 million in 2000. The item refers largely to expenses incurred in connection with the restructuring of WPS WertpapierService Bank AG. In addition,

it includes WestLB Group's contribution to the foundation initiative of German industry ("Remembrance/Responsibility/Future").

Notes to the WestLB Group Annual Accounts for 2000

Geographic Breakdown of Profit Components

The principal components of profit shown in the WestLB Group Statement of Income were obtained in the following markets:

	Interest Income/ Current Income	Commission Income	Net Income from Trading Operations	Other Operating Income
	€ millions	€ millions	€ millions	€ millions
Germany	16,244.6	900.7	150.9	2,688.4
Europe (excluding Germany)	12,385.2	373.4	350.9	224.3
North America	4,999.8	156.1	22.0	162.5
South America	966.4	14.4	9.8	7.6
Asia/Australia	2,371.3	83.3	12.4	27.2

The geographic breakdown of income was determined on the basis of the domicile of the subsidiaries and branches on whose accounts the amount in question is carried or which were respon-

sible for the transaction. This table includes the profit/loss derived from transactions between the regional operating units and eliminated in the Statement of Income.

Number of Employees

The average number of employees during 2000 was as follows:

	Male	Female	Total 2000	Total 1999
Domestic group companies	4,789	3,655	8,444	7,937
Foreign group companies	2,194	1,474	3,668	3,987
Pro-rata consolidated group companies	998	958	1,956	2,443
Total	7,981	6,087	14,068	14,367

Of the above, 290 employees were engaged in apprenticeship training or equivalent training at year-end.

Remuneration Paid to the Executive Bodies

Within the WestLB Group, the total remuneration paid to the Managing Board in 2000 was € 7.5 (6.6) million; pensions paid to former members of the Managing Board or their survivors amounted to € 2.6 (2.4) million. Total remuneration paid to the members of the Supervisory Board and the Guarantors' Meeting

amounted to € 0.6 (0.7) million. Remuneration paid to the Advisory Boards amounted to € 0.5 (0.6) million. Pension provisions in the amount of € 24.4 (23.5) million were made for former members of the Managing Board and their survivors.

Loans to Members of the Executive Bodies

Members of the Managing Board and the Supervisory Board received advances and loans amounting to € 3.3 (3.3) million.

Members of the Guarantors' Meeting and the Advisory Boards received advances and loans of € 0.4 (14.4) million.

Shareholdings in Major Corporations

WestLB Group (excluding jointly-managed companies) has shareholdings of more than 5% in the following corporations:

- AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt/Main
- Babcock Borsig Aktiengesellschaft, Oberhausen
- BA Holding AG, Vienna
- Continental Can UK Holding Company Limited, Chester
- Deutsche Anlagen-Leasing GmbH, Mainz
- Informatik Kooperation GmbH, Münster
- Kommunale Energie-Beteiligungsgesellschaft mbH (KEB), Dortmund
- LEG Landesentwicklungsgesellschaft NRW GmbH, Düsseldorf
- ODB Equities S.A., Paris
- Oesterreichische Kontrollbank AG, Vienna
- Phoenix AG, Hamburg
- Preussag AG, Hanover
- Schuh-Union AG, Zweibrücken
- WesTek Inc., Wilmington

Notes to the WestLB Group Annual Accounts for 2000

Mandates of Members of the Managing Board and Employees of the WestLB Group

The following members of the Managing Board of Westdeutsche Landesbank and employees of Group companies (excluding jointly-managed companies)

are members or chairmen of a supervisory board or other supervisory bodies in the following companies:

Members of the Managing Board of Westdeutsche Landesbank

Dr. h.c. Friedel Neuber

AXA S.A.
Babcock Borsig Aktiengesellschaft
BA Holding AG
Deutsche Bahn AG
DGZ•DekaBank
– Deutsche Kommunalbank –
Douglas Holding AG
Landesbank Rheinland-Pfalz Girozentrale
Landesbank Schleswig-Holstein Girozentrale
Landwirtschaftliche Rentenbank
Oesterreichische Kontrollbank AG
Preussag AG
RWE AG
ThyssenKrupp AG
TUI Group GmbH
Westfälische Provinzial-Feuersozietät, Versicherung der Sparkassen
Westfälische Provinzial-Lebensversicherungsanstalt

Hans Henning Offen

Deutsche Shell GmbH
Gildemeister AG
Kaufhof Warenhaus AG
Preussag AG
RWE Plus AG
ThyssenKrupp Materials & Services AG
Trienekens AG

Dr. Wolf-Albrecht Prautzsch

Gerry Weber International AG
Hamburgische Landesbank Girozentrale
Howaldtswerke-Deutsche Werft AG
Investitionsbank des Landes Brandenburg
Landesbank Rheinland-Pfalz Girozentrale
Landesbank Schleswig-Holstein Girozentrale
Rethmann Beteiligungs AG
RIAG Beteiligungen Aktiengesellschaft
RWE Power AG
TA Triumph-Adler AG
Viterra AG
Westdeutsche ImmobilienBank
Westfalen AG
Westfälische Provinzial-Feuersozietät, Versicherung der Sparkassen
Westfälische Provinzial-Lebensversicherungsanstalt

Dr. Adolf Franke

Bank Austria AG
BA Holding AG
Landesbank Schleswig-Holstein Girozentrale
rhenag Rheinische Energie AG
Sparkassen-Informatik-Systeme West Gesellschaft mbH
Westdeutsche ImmobilienBank

Dr. Rudolf Holdijk

AXA Colonia Versicherung AG
Gelsenwasser AG
Informatik Kooperation GmbH
LEG Landesentwicklungsgesellschaft
NRW GmbH
Preussag Energie GmbH
Sparkassen-Informatik-Systeme West
Gesellschaft mbH
Westdeutsche ImmobilienBank
Wittgensteiner Kliniken AG

Dr. Johannes Ringel

Hüttenwerke Krupp Mannesmann GmbH
Investitionsbank des Landes
Brandenburg
Klöckner-Werke AG
Phoenix AG
Rütgers Aktiengesellschaft
STEAG AG
STEAG Electronic Systems AG
ThyssenKrupp Stahl AG
WestUBG – Westdeutsche
Unternehmens-Beteiligungs AG

Gerhard Roggemann

AXA Colonia Lebensversicherung AG
Bewag Aktiengesellschaft
Deutsche Börse AG
Fresenius AG
Hapag-Lloyd AG
Solvay Deutschland GmbH
Veba Oel AG

Jürgen Sengera

DHL Worldwide Express B.V.
Ford Deutschland Holding GmbH
Ford-Werke AG
INTERSEROH AG
Rockwool International A/S

Employees of the Group**Bernd Bennemann**

JT International Germany GmbH
Metro Capital B.V.

Dr. Helmut Brocke

Ruhrwasser AG International Water
Management
RW Holding AG

Achim Schendekehl

AHAG Wertpapierhandelsbank AG

Rainer Schmitz

Deutsche Kapitalanlagegesellschaft mbH

Manfred Wern

TCI Training & Consulting International AG

Dr. Alexander Winkels

Schmitz-Cargobull AG
Schuh-Union AG
WestUBG – Westdeutsche
Unternehmens-Beteiligungs AG

Notes to the WestLB Group Annual Accounts for 2000

Richard Wohanka

Deka Investment Management GmbH

Maciej Stanczuk

Narodowy Fundusz Inwestycyjny V

Jean-Paul Malpuech

ODB Equities S.A.

John Podjasek

MHC Manufactured Home Communities

Sean Dunne

Compass Holding Ltd.

Tom Kaiser

Deka International (Ireland)

Kish Receivables Company

Lord Duncan McGowan

BNB Resources

Halma Plc

IQ Ludorum Plc

Jarvis Plc

Monthly High Income Trust Plc

P&O Pension Funds Investments Limited

Wanger Investment Co's.

Wasall Plc

Edward Buchan

Tibbett & Britten Group Plc

Graham Cook

Antisoma Plc

Stephen Davidson

ENIC Plc

Philip M H De Sansmarez

PHD Recruitment Plc

Zoltán Lehóczky

KITE Rt (KITE Agricultural Service and Trade Corporation)

Düsseldorf/Münster,

April 10, 2001

Westdeutsche Landesbank

Girozentrale

The Managing Board

Dr. h.c. Neuber Offen Dr. Prautzsch

Dr. Franke Dr. Holdijk Dr. Ringel

Roggemann Sengera

Auditor's Opinion

We have audited the Group annual accounts and the Group statement of financial condition prepared by Westdeutsche Landesbank Girozentrale, Düsseldorf/Münster, for the financial year ending December 31, 2000. The preparation of the Group annual accounts and the Group statement of financial condition according to German commercial law regulations is the responsibility of the legal representatives of the Bank. It is our task to give an opinion on the Group annual accounts and the 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 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 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 of the 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 the 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 definition of the consolidated companies, 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 the 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, while complying with standard accounting principles, present a true and fair view of the net assets, financial condition and earnings of Westdeutsche Landesbank Group. The Group statement of financial condition adequately reflects the Group's situation and the risks inherent in its future development.

Düsseldorf, April 17, 2001

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Kütter	Ramrath
German Public Accountant	German Public Accountant

Executive Bodies

Guarantors' Meeting

Georg Wilhelm Adamowitsch

Under Secretary
Head of the State
Chancellery of
North Rhine-Westphalia
Düsseldorf

Dr. Günter Berg

Assistant Secretary
Ministry of Finance of
North Rhine-Westphalia
Düsseldorf

Dr. Thomas Griese

Under Secretary
Ministry of the Environment
and Nature Conservation,
Agriculture and
Consumer Protection of
North Rhine-Westphalia
Düsseldorf

Friedrich Wilhelm Held

Assistant Secretary (retired)
Ministry of the Interior of
North Rhine-Westphalia
Düsseldorf
– from March 1, 2000 to
March 9, 2001

Jörg Hennerkes

Under Secretary
Ministry of Economics
and Small and Medium-
Sized Businesses,
Energy and Transport of
North Rhine-Westphalia
Düsseldorf

Bernd Kiesow

Senior Principal
Ministry of Finance of
North Rhine-Westphalia
Düsseldorf

Manfred Morgenstern

Under Secretary
Ministry of Urban
Development and Housing,
Culture and Sport of
North Rhine-Westphalia
Düsseldorf

Cornelia Prüfer-Storcks

Under Secretary
Ministry of Women, Youth,
Family and Health of
North Rhine-Westphalia
Düsseldorf

Wolfgang Riotte

Under Secretary
Ministry of the Interior of
North Rhine-Westphalia
Düsseldorf
– until February 29, 2000

Johannes Winkel

Assistant Secretary
Ministry of the Interior of
North Rhine-Westphalia
Düsseldorf
– from March 9, 2001

Winfried Schittges, MdL

Chairman of the Regional
Assembly of the Rhineland
Krefeld

Harry Voigtsberger

Chairman of the SPD Group
Regional Assembly of the
Rhineland
Aachen

Dieter Gebhard

Chairman of the SPD Group
Regional Assembly of
Westphalia-Lippe
Gelsenkirchen

Dr. Walter Hostert

Lüdenscheid
– until January 13, 2000

Dr. Wolfgang Kirsch

District Administrator
Chairman of the CDU Group
Regional Assembly of
Westphalia-Lippe
Warendorf
– from January 13, 2000

Ingeborg Friebe

President of the
State Assembly of
North Rhine-Westphalia
(retired)
Monheim
– until April 10, 2000

Michael Kranz

Chairman of the
Managing Board
Sparkasse Bonn
Bonn
– from April 10, 2000

Josef Krings

Former Lord Mayor
Duisburg
– until April 10, 2000

Paul-Gerhard Schmitz

Mayor
City of Gummersbach
Gummersbach
– from April 10, 2000

Dr. Hans-Christian Vollert

District Administrator
Viersen District
Viersen

Dr. Norbert Emmerich

Chairman of the
Managing Board
Sparkasse Münster
Münster
– from October 1, 2000

Rudolf Heib

Chairman of the
Managing Board
Sparkasse Gelsenkirchen
Gelsenkirchen
– until September 30, 2000

Franz-Josef Leikop

District Administrator
Hochsauerland District
Meschede
– from February 23, 2000

Eckhard Schwerhoff

Mayor
City of Gladbeck
Gladbeck
– from February 23, 2000

Gerhard Wattenberg

District Administrator (retired)
Vlotho
– until February 23, 2000

Marianne Wendzinski

First Deputy Lady Mayoress
City of Dortmund
Dortmund
– until February 23, 2000

Supervisory Board

Chairman and Vice Chairmen

Dr. Karlheinz Bentele

President
Savings Banks and Giro
Association of the Rhineland
Düsseldorf
Chairman

Heinz Schleußer

Minister of Finance of
North Rhine-Westphalia
Düsseldorf
Vice Chairman
– until February 22, 2000

Peer Steinbrück, MdL

Minister of Finance of
North Rhine-Westphalia
Düsseldorf
Vice Chairman

Ernst Schwanhold

Ministry of Economics
and Small and Medium-
Sized Businesses,
Energy and Transport of
North Rhine-Westphalia
Düsseldorf
Vice Chairman
– from February 22, 2000

Ferdinand Esser

Regional Director
Regional Association of the
Rhineland
Cologne
Vice Chairman
– until March 31, 2001

Udo Molsberger

Regional Director
Regional Association of the
Rhineland
Cologne
Vice Chairman
– from April 1, 2001

Wolfgang Schäfer

Regional Director
Regional Association of
Westphalia-Lippe
Münster
Vice Chairman

Dr. Rolf Gerlach

President
Savings Banks and
Giro Association of
Westphalia-Lippe
Münster
Vice Chairman

Members Delegated by the Guarantors

Prof. Dr. Manfred Dammeyer

Minister of State of
North Rhine-Westphalia
(retired)
Düsseldorf
– until June 6, 2000

Michael Geuenich

Cologne
– until November 27, 2000

Walter Haas

Chairman of the DGB
Regional District NRW
Düsseldorf
– from November 27, 2000

Heinz Kettler

HEINZ KETTLER
Metallwarenfabrik GmbH & Co.
Ense-Parsit

Dr. Hermann Krämer

Seevetal

Dr. Helmut Linssen, MdL

1st Vice President of the
State Assembly
North Rhine-Westphalia
Düsseldorf

Edgar Moron, MdL

Chairman of the
SPD Parliamentary Group of
North Rhine-Westphalia
Düsseldorf
– from June 6, 2000

Friedrich Späth

Chairman of the
Managing Board
Ruhrgas AG
Essen

Paul Heidrich

Chairman of the CDU Group
Regional Assembly of the
Rhineland
Mülheim an der Ruhr

Joachim Barbonus

Town Clerk (retired)
Bochum
– until January 13, 2000

Dr. Berthold Tillmann

Lord Mayor
City of Münster
Münster
– from January 13, 2000

Hans-Peter Krämer

Chairman of the
Managing Board
Kreissparkasse Köln
Cologne

Michael Kranz

Chairman of the
Managing Board
Sparkasse Bonn
Bonn
– until April 10, 2000

Dieter Pützhofen

Lord Mayor
City of Krefeld
Krefeld
– from April 10, 2000

Rolf Brunswig

Chairman of the
Managing Board
Sparkasse Siegen
Siegen

Henning Kreibohm

Chief District Administrative
Officer (retired)
Herford
– until February 23, 2000

Hans Pixa

District Administrator
Coesfeld District
Coesfeld
– from February 23, 2000

WestLB Staff Representatives

Fred Eicke

Vice President
Düsseldorf

Christian Gerigk

Bank employee
Münster
– until November 27, 2000

Hannelore Heger-Golletz

Bank employee
Münster
– from November 27, 2000

Gerd-Uwe Löschmann

Assistant Vice President
Düsseldorf

Manfred Matthewes

Bank employee
Düsseldorf

Manfred Schimpf

Bank employee
Münster

Hubertus Schreiber

Bank employee
Münster

Elisabeth Weber

Bank employee
Düsseldorf

Doris Ludwig

Trade, Banking and
Insurance Union
Regional Office
Düsseldorf
– until March 31, 2000

Rolf Finger

DAG Regional
Association NRW
Düsseldorf
– from April 1, 2000 to
November 27, 2000

Peter Wagemann

Münster
– until November 27, 2000

Christiane Stascheit

Trade, Banking and
Insurance Union
Regional Association Düsseldorf
Düsseldorf
– from November 27, 2000

Franz-Georg Schröermeyer

Trade, Banking and
Insurance Union
Regional Office
Münster
– from November 27, 2000

**Permanent Representatives
of the Chairmen
of the Supervisory Board****Ernst Gerlach**

Under Secretary
Ministry of Finance of
North Rhine-Westphalia
Düsseldorf
– until June 30, 2000

Dr. Harald Noack

Under Secretary
Ministry of Finance of
North Rhine-Westphalia
Düsseldorf
– from July 15, 2000

Dieter Krell

Assistant Secretary
Ministry of Economics
and Small and Medium-
Sized Businesses,
Energy and Transport of
North Rhine-Westphalia
Düsseldorf

Udo Molsberger

Regional Councillor
Regional Association of the
Rhineland
Cologne
– until March 31, 2001

Hans-Ulrich Predeick

Regional Councillor
Regional Association of
Westphalia-Lippe
Münster

Heinz Biesenbach

Association Director
Savings Banks and
Giro Association
of the Rhineland
Düsseldorf

Dr. Andreas Döhrmann

Association Director
Savings Banks and
Giro Association of
Westphalia-Lippe
Münster
– until February 29, 2000

Dr. Klaus Wienberg

Association Director
Savings Banks and
Giro Association of
Westphalia-Lippe
Münster
– from August 1, 2000

Managing Board**Dr. rer. nat. h.c.**

Friedel Neuber
Chairman

Hans Henning Offen

Vice Chairman

Dr. Wolf-Albrecht Prautzsch

Vice Chairman

Dr. Dieter Falke

– until February 29, 2000

Dr. Adolf Franke**Dr. Rudolf Holdijk****Dr. Johannes Ringel****Gerhard Roggemann****Jürgen Sengera**

WestLB Banking Group Addresses

Westdeutsche Landesbank Girozentrale

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48145 Münster
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Domestic Network

Berlin
Unter den Linden 26–30
10117 Berlin
Tel.: (49-30) 2 01 89-0
Fax: (49-30) 2 01 89 320

Bielefeld
Niederwall 26
33602 Bielefeld
Tel.: (49-521) 547-01
Fax: (49-521) 547 212

Cologne
Ludwigstrasse 2
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