

Financial Report

2005

WestLB AG

Key Figures

Key Figures Year-on-Year Comparison

	2005 € millions	2004 € millions	Change	
			€ millions	%
Performance figures				
Net interest income	1,391.2	1,657.3	- 266.1	- 16.1
Net commission income	311.4	278.0	33.4	12.0
Net income from trading operations	- 106.4	- 92.8	- 13.6	- 14.7
Other operating expenses/income	- 89.6	59.1	- 148.7	< -100
Personnel expenses	- 789.2	- 697.5	- 91.7	- 13.1
Other administrative expenses	- 720.3	- 777.7	57.4	7.4
Provisions for credit risks	111.8	234.4	- 122.6	- 52.3
Result of securities and participations	321.2	35.4	285.8	> 100
Profit or loss on ordinary activities	430.1	696.2	- 266.1	- 38.2
Extraordinary result	0.0	- 1,571.0	1,571.0	100.0
Profit before taxes	430.1	- 874.8	1,304.9	> 100
Taxes on income and revenues				
	- 65.1	- 45.2	- 19.9	- 44.0
Profits transferred under a partial profit transfer agreement	- 23.7	0.0	- 23.7	< -100
Net profit for the year/Net loss for the year	341.3	- 920.0	1,261.3	> 100
For information:				
Net income from trading operations (MTM)	54.5	- 104.9	159.4	> 100
Ratios in %				
Return on equity	10.4	13.5		
Cost/income ratio	75.6	76.6		
Balance sheet figures in € billions				
Total assets	224.3	214.6	9.7	4.5
Business volume	317.8	270.5	47.3	17.5
Credit volume	244.3	193.8	50.5	26.1
Borrowed refinancing funds	204.1	195.6	8.5	4.3
Equity capital	5.7	3.9	1.8	46.2
Bank regulatory capital ratios (BIS)*				
Core capital in € billions	5.6	3.9		
Own funds in € billions	10.4	9.0		
Risk-weighted assets in € billions	68.2	72.8		
Core capital ratio in %	8.6	7.3		
Overall ratio in %	15.2	12.3		
Employees				
Number of employees	5,190	5,197		
Full-time employees	4,909	4,950		

Current Ratings	Short Term	Long Term
Moody's Investors Service	P-1	A1
Standard & Poor's	A-2	A-

* BIS ratios officially required only at Group level
MTM = Mark To Market

Financial Report 2005

WestLB AG, Düsseldorf/Münster

Contents

2	Statement of Financial Condition
2	Performance at a Glance
3	Economic Setting
4	Development in the Banking Sector
4	Structural Changes at WestLB
6	EU Proceedings
7	Elimination of Institutional Liability and Guarantor Liability
8	Employees
8	Trained Employees Ensure a Customer-Driven Business
8	Training at a High Level
9	Positioning in the Relevant Personnel Markets
9	Harnessing Diversity for the Benefit of Customers and Employees
9	WestLB AG's Branch Network
10	Accounting Methods and Reporting Standards
10	Statement of Income
11	Net Interest Income
11	Net Commission Income
11	Net Income from Trading Operations
11	Other Operating Expenses/Income
11	Administrative Expenses
12	Provisions for Credit Risks
12	Result of Securities and Participations
13	Taxes on Income and Revenues
13	Profits Transferred Under a Partial Profit Transfer Agreement
13	Balance Sheet and Business Volume
14	Credit Volume
14	Securities Holdings
15	Equity Investments in Affiliated and Non-Affiliated Companies
15	Customer and Bank Deposits
15	Issuing Business
16	Own Funds
18	Risk Report
19	Principles of Risk Management
19	Organisation
22	Risk Tolerance as a Benchmark for the Risk Profile
23	Market Price Risks
26	Counterparty Default Risks
35	Participation Risks
36	Liquidity Risks
37	Operational Risk
39	Risk Report Summary and Outlook
40	Events Occurring after the Close of the Fiscal Year
40	Outlook
42	Balance Sheet
46	Statement of Income
48	Notes to the Annual Accounts
86	Report of the Supervisory Board
92	Corporate Governance at WestLB AG
93	Financial Calendar/Contact Addresses

We will be pleased to send you a copy of the WestLB Annual Report 2005 and Group Annual Accounts. The Annual Report is also available on the Internet at www.westlb.com.

WestLB AG Statement of Financial Condition at December 31, 2005

Performance at a Glance

WestLB AG, in its first full year under the new business model, achieved a satisfactory profit before taxes in an environment characterised by a persistently challenging economic climate and the elimination of institutional liability and guarantor liability. The pre-tax profit, at € 430.1 million, was up € 1,304.9 million from the year-earlier figure, which was marked by charges resulting from the EU aid proceedings. The profit after taxes totalled € 341.3 million.

We increased our total assets in 2005 by € 9.7 billion to € 224.3 billion and our business volume by € 47.3 billion to € 317.8 billion. The credit volume carried on the balance sheet grew from € 201.4 billion to € 251.5 billion due to the targeted expansion of our customer business.

WestLB's liquidity and capitalisation showed further improvement in 2005. We strengthened our core capital with the issue of hybrid Tier 1 capital in two tranches of US\$ 300 million and € 240 million. The State of North Rhine-Westphalia injected an additional € 959.0 million of equity into WestLB through a capital increase.

We also pressed on in 2005 with redirecting our strategic focus in order to systematically bolster our competitive standing and lay the groundwork to achieve our ambitious goals for the years ahead. Specific measures included:

- Entering into a strategic partnership with Sachsen-Finanzgruppe and Sachsen LB. The goal of the alliance is to develop and market financial products tailored to the special requirements of the savings banks and their customers.
- Acquiring Weberbank in order to strengthen our business with high net worth private clients in Germany.
- Agreeing to form a joint venture with Mellon Financial Corporation, Pittsburgh, USA, for bundling large parts of our common asset management activities.
- Agreeing to form a joint venture with DekaBank for distributing certain retail investment funds of WestLB subsidiary WestAM Luxembourg.
- Founding, together with NORD/LB Norddeutsche Landesbank Girozentrale, Shinsei Bank Ltd. and J. C. Flowers & Co. LLC, SGK – Servicegesellschaft Kreditmanagement mbH with headquarters in Frankfurt am Main. The purpose of the joint company is to buy, restructure and sell non-performing loans.
- Resuming the public Pfandbrief business as a means of refinancing our growing state and municipal lending activities.

Economic Setting

The global economic upswing which took root in 2003 and evolved over the course of 2004 into one of the strongest in a quarter of a century lost some steam in 2005. Growth in world GDP shrank from 5% to 4.25%, but remained well above the trend rate of 3.5%. The pace of growth gave back substantial momentum, more or less, in all corners of the global economy, with one key exception: China. Total economic output was up 9.9% in China, following growth of 10.1% in the previous year. All of eastern Asia profited given the high degree of integration among the region's economies. Indications are growing that the deflation in Japan will gradually be overcome.

Developments in the U.S. were robust again. Total economic output increased 3.5% – following 4.2% in 2004 – despite weakening incentives from the economic policy side and the adverse effects caused by the unusually high number of severe hurricanes. The imbalances in the overall economy grew stronger in the process. Consumer spending exceeded disposable income in the autumn of 2005, causing the aggregate savings gap and its counterpart, the goods gap, to widen further. The trade deficit reached an all-time high at US\$ 810 billion, or 6.5% of gross domestic product. Dollar purchases, by Asian central banks – most notably China's – in particular, served to close a large part of this gap again.

Developments in Germany and the entire euro area lagged behind expectations once more. Average annual growth in Germany stood at a mere 0.75% in the first half of the present decade; at 0.9%, it was only slightly higher in 2005. Foreign trade provided the most impetus, as was the case in previous years. Investments also edged higher as the year progressed, providing another positive signal. The weak point in the economic picture remained private consumption, which – adjusted for prices – stagnated, especially with income growth barely surpassing the increase in prices. GDP growth in the European Monetary Union (EMU) nations was again just under half a percentage point higher than that in Germany; the increase in potential output, however, was far lower at around 1.3%.

Oil prices continued to climb sharply in the wake of the dynamic growth in the global economy. Brent blend from the North Sea reached a record of nearly US\$ 70 a barrel in late August, as Hurricane Katrina shut down almost all oil production in the Gulf of Mexico. Prices for the year averaged US\$ 54 a barrel, which was about twice as high as two years before. The rising cost of energy accelerated the increase in consumer prices. There have been no second-round effects thus far, since global competition prevented the inflationary trends from spreading to wages. The situation was different with the impact of rising oil prices in the mid-seventies and early eighties. The core rate of inflation, which excludes energy prices, remained entirely moderate as a result. Interest rates, by contrast, were affected by the rising oil prices. Numerous central banks raised their reference rates in an effort to head off any burgeoning inflationary expectations. The U.S. Federal Reserve (Fed) continued the tightening of monetary policy begun in mid-2004, raising its key interest rate eight times in 2005, from 2.25% to 4.25%. The European Central Bank (ECB) changed course in December 2005, raising its principal refinance rate from the record low of 2% to 2.25%. The bond market trend reversed in the second half of the year. Yields, which continued to drop into late summer, gained ground throughout the world, but still remained low.

Development in the Banking Sector

The upturn in the European banking industry picked up considerable strength in 2005. Leading European banks reported double-digit growth in gross income. Strong upside momentum came from traditional investment banking. The fixed income and equities businesses also improved; M&A consulting was significantly up. Administrative expenses also rose, but because income was so much higher, the cost/income ratio dropped once again. The provisions for risks decreased further, and profits showed growth rates in the high double-digit range. The return on equity at the leading banks exceeded 20%.

Developments in the German banking sector were not as favourable. Germany's persistently weak economy restrained growth, which put a tight squeeze on lending activities. Loan repayments may have ceased to exceed credit demand as had been the case in 2004 – a period when current cash flows could cover the few investments made – but the demand for credit grew only a little. The competition for "good risks", in addition, put pressure on margins. Retail also lacked momentum in light of the tepid consumption. The German banking industry did, however, post increases in gross income following two years of slight drops. The cost/income ratio shrank further as a result, but was still well above that of Germany's European competitors.

High volumes of non-recurring charges – including repayments made by Landesbanks to settle the EU aid dispute – were not a factor in 2005. The profits of German banks improved considerably as a result. Whereas the return on equity before income taxes averaged just 4% for all German banks in 2004, it rose to around 11% in 2005. This figure still fell far short of the level seen in the other EU member states, whose banks showed an average return on equity of some 16%.

Structural Changes at WestLB

WestLB made substantial progress implementing its strategic goals in the first full year after rededicating its focus. The core of the new business model is the contractually anchored close alliance with the savings banks in North Rhine-Westphalia. The joint business plan, prepared in tandem for the first time in fiscal 2005, stepped up the intensity of the partnership considerably. The joint advisory board regularly discusses the status of the collaboration; it also functions as the central governing body for coordinating the planning that underpins the savings banks' and WestLB's common market approach within the Sparkassen-Finanzverbund NRW. A key goal in this regard is further expansion of the business with mid-cap customers. To this end, we established a separate unit for medium-sized companies and thus strengthened our customer approach.

The state guarantees of institutional liability and guarantor liability for savings banks and Landesbanks were eliminated as of July 19, 2005. WestLB prepared for this monumental change in its operating environment by creating a new business model and improving its liquidity situation and capitalisation. The successful issue of hybrid Tier 1 capital in two tranches of US\$ 300 million and € 240 million, each of which was over 50% placed with private investors, represented one step in this direction. Another was the capital increase of some € 959 million implemented in

November 2005. The capital contribution was fully underwritten by the State of North Rhine-Westphalia. The two savings banks associations, the Savings Banks and Giro Association of the Rhineland (RSGV) and the Savings Banks and Giro Association of Westphalia-Lippe (WLSGV), continue to hold a combined majority of WestLB.

The continued, planned sale of non-strategic holdings freed up additional equity capital. We sold our stakes in Klöckner & Co AG, Deutsche Anlagen-Leasing GmbH and Boullioun Aviation Services Inc. in 2005. We also completed the final sales from our principal finance portfolio with the divestments of the BoxClever Group, Swan Group plc and our interest in Whyte&Mackay Ltd.

We complemented our range of products and services through a series of initiatives aimed at adding business segments and expanding existing activities. We signed a cooperation agreement with Sachsen-Finanzgruppe and Sachsen LB in late 2005. The purpose of the partnership is to boost cooperative efforts to develop and market financial products that are tailored to the special requirements of the savings banks in Saxony and their customers. It was also agreed that we could acquire an interest of at least 25.1% in Sachsen LB at a later stage. We will decide in the course of this year whether to exercise this option following due diligence and approval by the responsible bodies.

WestLB, in cooperation with the savings banks, initiated a return to its former strong position in private banking for high net worth private clients with the acquisition in December 2005 of Weberbank. Weberbank, whose transformation into a German stock corporation (AG) was recorded in the commercial register on December 9, 2005, will house our direct business with high net worth private clients. Weberbank expanded into North Rhine-Westphalia in early 2006 with the opening of a Düsseldorf branch.

WestLB entered into an agreement with Mellon Financial Corporation, Pittsburgh, USA, in December 2005 to form a joint venture combining the main parts of both companies' asset management businesses. The transaction is still subject to final approval by regulators. The two partners will hold stakes of 50% each in a new company known as WestLB Mellon Asset Management Holdings Ltd. The joint venture is expected to take effect from the first quarter of 2006 and will have approximately 240 employees and more than € 40 billion in assets under management. The cooperation with Mellon will provide the savings banks in North Rhine-Westphalia and Brandenburg with access via WestLB to products from one of the world's largest and most recognised asset management companies. WestLB, thus, is increasing the distribution channels available for its existing products and strengthening the international focus of its business.

We also agreed to form a joint venture with DekaBank for distributing certain retail investment funds of WestLB subsidiary WestAM Luxembourg. DekaBank will hold 51% of the Luxembourg-based joint venture, WestLB 49%. The cooperation will enable Compass Fund products to be made available to all private clients of the Sparkassen-Finanzgruppe through the DekaBank network. WestAM will continue to be responsible for fund management as well as for marketing to clients outside the savings banks' private client segments.

We founded SGK Servicegesellschaft Kreditmanagement mbH with headquarters in Frankfurt am Main together with NORD/LB Norddeutsche Landesbank Girozentrale, Shinsei Bank Ltd. and J. C. Flowers & Co. LLC in September 2005. Our stake in SGK is 33.33%. SGK is Germany's first company in public sector banking to offer the purchase, restructuring and sale of non-performing loans. With it, we and our partners to the venture are tapping a promising business in the purchase of non-performing loans and provision of related services. The joint venture's offering is designed for both public sector institutions and the private banking sector in Germany.

The Federal Financial Supervisory Authority (BaFin) granted us a licence for our public Pfandbrief business in September 2005, which means that we will be able to resume issuance of our own Pfandbriefe to refinance our growing state and municipal lending activities. Westdeutsche ImmobilienBank (WIB) will concentrate on real estate lending and the related mortgage bond business going forward, with a particular emphasis on working with the savings banks and their customers. WIB will continue to have full responsibility in the market for the public Pfandbriefe it previously issued. Issuance of public Pfandbriefe by WestLB Covered Bond Bank (WCBB) in Ireland will be scaled back as planned and redirected in future primarily at private placements and structured issues. WCBB has been integrated into the activities of the WestLB Capital Markets division.

EU Proceedings

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

The State of North Rhine-Westphalia integrated Wfa into WestLB in 1992 as a contribution in kind, a move which brought the Bank roughly € 2 billion in additional liable capital. The Association of German Banks (BdB) filed a complaint with the European Commission in 1994 which challenged the remuneration for the Wfa capital.

The European Commission issued a final decision in the matter on October 20, 2004, which it based on the rate of return negotiated with the BdB in the summer of 2004. The amount, including interest, which WestLB owed to the State of North Rhine-Westphalia as a result was approximately € 1.4 billion, an amount that was charged to the 2004 income statement. WestLB implemented the decision on January 21, 2005, as agreed and within the specified time, by means of an effective payment.

The State of North Rhine-Westphalia contributed around € 959 million to WestLB under a capital increase that took place in late October 2005 in compliance with the conditions set by the European Commission for capital injections. WestLB had previously strengthened its core capital with the issue of hybrid Tier 1 capital in two tranches of US\$ 300 million and € 240 million in April and May 2005. Each of the hybrid capital issues was 51% placed with private investors. The State of North Rhine-Westphalia underwrote the remaining 49% on the same terms.

In parallel proceedings against HSH Nordbank AG, the European Commission issued a decision in late 2004 requiring HSH Nordbank AG as the legal successor to Landesbank Schleswig-Holstein and Hamburgische Landesbank to pay the sum of approximately € 756 million to the State of Schleswig-Holstein and the Freie und Hansestadt Hamburg. This repayment was made at the turn of the year 2004/2005. The shareholders of HSH Nordbank AG, among them WestLB, injected around € 556 million into the bank under a capital increase implemented in the summer of 2005. This capital injection also complied with the conditions set by the European Commission.

Elimination of Institutional Liability and Guarantor Liability

Separately from the proceedings described above, the European Banking Association filed its own complaint with the European Commission in late 1999, the goal of which was to have institutional liability and guarantor liability for public-law banks recognised as state aid and held to be at odds with European competition law. The Commission agreed and demanded that the Federal Republic of Germany eliminate these liability mechanisms.

WestLB reached an out-of-court settlement (so-called understanding) with the Commission in order to protect the public-law banks from the ongoing pressure of lengthy court battles and prevent them from weakening in the market as a result. The settlement provides for the continued existence of public-law banks; however, after a transitional phase ending on July 18, 2005, institutional liability and guarantor liability were to be eliminated.

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

The rules and transitional periods set forth in the understanding reached with the European Commission were established in the applicable state laws. According to those rules and laws, all liabilities incurred before July 18, 2001 remain fully covered by guarantor liability until the time they mature. For creditors of banks that were affected by the understanding, such as WestLB AG, this means that there will be no changes for commitments made by the July 18, 2001 deadline (i.e. these claims are grandfathered in).

Institutional liability and guarantor liability remained in effect in their previous form during the transitional period from July 19, 2001 through July 18, 2005.

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

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

Employees

Activities in the 2005 fiscal year were largely shaped by implementation of the new business model. The Bank's human resources management was no exception.

Selective additions to headcount and the development of necessary training measures were accompanied by restructuring-related staff cuts made in other areas to further reduce costs. The number of employees as of December 31, 2005 – 5,190 (4,909 full-time) – was largely unchanged from a year earlier (5,197 with 4,950 full-time) – despite the integration of approximately 100 employees from WestLB Research GmbH effective January 1, 2005 and the hiring of more than 250 new staff members.

Trained Employees Ensure a Customer-Driven Business

The goal of our personnel development measures is to ensure that employees are ready to face future challenges in light of the new business model. To achieve this goal, headcount restructuring and cost cutting had to be brought into line with a well-directed system of personnel development. Efforts in the year under review focused once more on sales training and the systematic broadening of product expertise.

Training at a High Level

A total of 55 apprentices successfully completed their training in 2005. Both the graduates from degree studies offered by the vocational academy in Villingen-Schwenningen and apprentices in our office communications programme achieved top marks and in both cases were among the best of their year. We were again able to offer all interested candidates a job.

We hired 26 apprentices in three different job profiles in 2005. We also expanded our trainee and qualification programmes. The trainee programme is directly determined by the needs of our business units and systematically enhanced to address those needs. Seven trainees were hired in 2005.

Our qualification programme supports employees who take external further training courses on their own initiative and often in their free time.

Positioning in the Relevant Personnel Markets

The chief challenge we faced in our personnel marketing activities in the year under review was systematically improving our image as an employer while at the same time maximising our use of resources.

We adapted our student support and qualification programme CampusCircle with this in mind. The objective is to build up a talent pool that is more closely geared towards actual requirements and provides opportunities for recruiting qualified young staff. Limiting the number of participants ensures that we can provide a higher degree of individualised support.

We also partner with select universities in an effort to integrate the everyday practice of banking more fully into teaching and research. This helps to bring bank-relevant issues to the fore and also provides a basis on which to attract interested candidates to participate in a work experience scheme or begin their careers at WestLB as direct hires. In 2005, a total of 110 students completed work experience schemes at our Bank lasting six weeks or longer.

Harnessing Diversity for the Benefit of Customers and Employees

WestLB's diversity concept is about creating an environment in which all employees are free to develop and realise both their potential and their creativity irrespective of personal characteristics like sex, age, origin or disability.

One essential aspect of this concept is ensuring equal opportunity for men and women in the workplace. Women make up almost half of our workforce, but only about 12% of them are in management. In response we have developed an Equal Opportunities Plan, the goal of which is to bring more women into management positions. Our mentoring programme has also been bearing fruit. Each year some two dozen young professionals and executives are invited to broaden their knowledge and interpersonal skills by mentoring with experienced colleagues.

Other issues that are tackled include fairness in the workplace and generational justice (dealing with demographic change), the reconciliation of family responsibilities and work (work-life balance) and intercultural management (taking into account culturally determined differences in behaviour).

WestLB AG's Branch Network

In addition to our registered office in Düsseldorf und Münster, we continue to maintain branch offices in Berlin, Cologne, Dortmund and Frankfurt am Main. We also have sales offices in Bielefeld, Hamburg, Munich and Stuttgart. Customers elsewhere in Europe are served by branch offices in Istanbul, London, Madrid, Milan and Paris. Outside Europe we maintain branches in Hong Kong, New York, Shanghai, Singapore, Sydney, Tokyo and Toronto. Representative offices in other major financial centres complete our international presence. We examined potential ways to increase the efficiency of our foreign locations in the year under review. We expect to become even more efficient in the years ahead, especially by further centralising our processing functions in Düsseldorf and London.

Accounting Methods and Reporting Standards

The annual accounts and statement of financial condition were prepared in accordance with the provisions of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the Pfandbrief Act (PfandBG) and the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV).

Statement of Income

WestLB achieved a profit before taxes of € 430.1 million in the year under review, which is € 1,304.9 million higher than in 2004. The previous year's negative result was due to non-recurring expenses relating to the settlement of the Wfa aid proceedings. The pre-tax profit for 2005 was € 591.0 million with the trading book marked to market.

The € 341.3 million in net profit for the year will be used in full to reinstate the silent contributions to capital issued in 2003, which had participated in the previous years' losses. The obligations under profit participation certificates are being serviced in accordance with the terms on which the certificates were issued.

We calculate the return on equity by setting the result for the year (profit/loss before taxes/net profit for the year) in relation to the average equity capital reported on the balance sheet, marking the trading book to market. The return on equity before taxes dropped from 13.5% in 2004 (excluding special items from the EU aid proceedings) to 10.4% in 2005, largely because of the considerable increase in the average equity reported on the balance sheet.

WestLB AG Statement of Income for the Period January 1 – December 31, 2005

	1. 1.–31. 12. 2005 € millions	1. 1.–31. 12. 2004 € millions	€ millions	Changes %
Net interest income	1,391.2	1,657.3	- 266.1	- 16.1
Net commission income	311.4	278.0	33.4	12.0
Net income from trading operations	- 106.4	- 92.8	- 13.6	- 14.7
Balance of other operating expenses/income	- 89.6	59.1	- 148.7	< - 100
Personnel expenses	- 789.2	- 697.5	- 91.7	- 13.1
Other administrative expenses	- 720.3	- 777.7	57.4	7.4
Provisions for credit risks	111.8	234.4	- 122.6	- 52.3
Result of securities and participations	321.2	35.4	285.8	> 100
Result from ordinary activities	430.1	696.2	- 266.1	- 38.2
Extraordinary result	0.0	- 1,571.0	1,571.0	100.0
Result before taxes	430.1	- 874.8	1,304.9	> 100
Taxes on income and revenues	- 65.1	- 45.2	- 19.9	- 44.0
Profits transferred under a partial profit transfer agreement	- 23.7	0.0	- 23.7	< - 100
Net profit/loss for the year	341.3	- 920.0	1,261.3	> 100
For information:				
Net income from trading operations (marked to market)	54.5	- 104.9	159.4	> 100

Net Interest Income

Net interest income, at € 1,391.2 million, was well below the previous year's figure, but taking into account the special distribution from WestLB International S.A., Luxembourg, in 2004, the drop was minimal. Pre-funding costs as well as persistent pressure on margins rooted in the intense competition surrounding the lending business were the principal forces driving down the interest result. Earnings contributions from the sale of the majority stake in Deutsche Anlagen-Leasing GmbH (DAL) as well as a dividend payment from West Logistics GmbH resulting from the sale of Klöckner & Co AG are captured in the net interest income.

The interest margin based on the average risk-weighted assets (BIS) decreased by 29 basis points from a year earlier to 1.80%.

Net Commission Income

Net commission income rose 12.0% to € 311.4 million despite non-recurring expenses resulting from the higher volume of issuing activity, a main component of which were the silent contributions to capital issued in 2005. This encouraging development is chiefly the result of increased commission income from our syndicated lending business as well as from project finance deals and securitisations.

Net Income from Trading Operations

Net income from trading operations under HGB was slightly lower than in 2004 at € – 106.4 million. The result was € 54.5 million on a marked-to-market basis, or € 159.4 million above the year-earlier figure. Trading in equities and equity derivatives accounted for a large part of the increase in the marked-to-market result. The result from interest rate products captured in this item should be viewed in close connection with the earnings contributions from money market and securities trading transactions, which are reported under net interest income.

Other Operating Expenses/Income

Other operating expenses/income stood at € – 89.6 million. The considerable drop compared to the previous year (€ 59.1 million) is chiefly the result of higher allocations to litigation provisions, provisions for adapting the operating and organisational structure as well as provisions relating to the sale of non-strategic investments (Boullioun, Klöckner & Co AG, Deutsche Anlagen-Leasing GmbH). This item also captures the € 25.0 million contributed to the joint reserve funds established with the savings banks in North Rhine-Westphalia.

Administrative Expenses

Administrative expenses, at € 1,509.5 million, were slightly above the previous year's level, having increased by 2.3%.

Personnel expenses rose by € 91.7 million to € 789.2 million. The main reason for this increase was the change in the reporting of restructuring expenses, which in previous years had been captured in the extraordinary result. Other factors included increases in the agreed pay rates and purchasing power adjustments to salary payments as well as higher allocations to pension provisions resulting from application of the new Heubeck actuarial tables when determining pension obligations.

The figure for other administrative expenses, by contrast, demonstrated the considerable success of our cost containment measures. We reduced our other administrative expenses by € 57.4 million to € 720.3 million.

We calculate the cost/income ratio by setting administrative expenses in relation to the income from ordinary activities, marking the trading book to market. The cost/income ratio for 2005 stood at 75.6%, improving from 76.6% for 2004.

Provisions for Credit Risks

The result of provisions for credit risks was positive again at € 111.8 million (2004: € 234.4 million). Systematic portfolio realignment in previous years and a consistently proactive risk management system continue to drive this development. The aggregate risk provisions made adequate account for all discernible risks.

The Risk Report contains a detailed breakdown of the credit risk provisioning.

Result of Securities and Participations

The result of securities and participations stood at € 321.2 million, which marks a € 285.8 million improvement over the previous year. It can be broken down as follows:

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions	€ millions	Changes %
Result of participations	309.7	37.0	272.7	> 100
Result of securities	11.5	- 1.6	13.1	> 100
Result of securities and participations	321.2	35.4	285.8	> 100

We sold additional non-strategic interests in the year under review, in keeping with our new direction. The sale of stakes in RWE, Heidelberger Zement South-East Asia GmbH, Fresenius and Banca Carige S.p.A. was the principal development affecting the result of participations for 2005. The result of participations also reflects losses of € 11.7 million assumed from subsidiaries (2004: € 15.4 million).

The result of securities, at € 13.1 million, exceeded the previous year's level and predominantly reflects the sale of bonds and notes.

Taxes on Income and Revenues

The tax expense of € 65.1 million consisted of € 42.9 million in income taxes charged to domestic operations and € 22.2 million charged to the business of our foreign branches.

Profits Transferred Under a Partial Profit Transfer Agreement

The profits transferred on the silent contributions to capital issued in the year under review totalled € 23.7 million.

Balance Sheet and Business Volume

Total assets and liabilities as well as business and credit volume rose considerably from a year earlier.

A summary of the balance sheet and business volume, with a year-on-year comparison of the figures, is set out below:

Assets

	Dec. 31, 2005 € billions	Dec. 31, 2004 € billions	€ billions	Changes %
Cash/Liquid debt issues	1.8	3.9	- 2.1	- 53.8
Claims on banks	79.8	81.7	- 1.9	- 2.3
Claims on customers	71.0	56.2	14.8	26.4
Securities/Equalisation claims	56.7	57.5	- 0.8	- 1.4
Equity investments in affiliated and non-affiliated companies	6.0	6.6	- 0.6	- 9.1
Trust assets	0.4	0.5	- 0.1	- 20.0
Fixed assets/Intangible assets	0.3	0.3	0.0	0.0
Other assets	8.3	7.9	0.4	5.1
Total assets	224.3	214.6	9.7	4.5

Liabilities

	Dec. 31, 2005 € billions	Dec. 31, 2004 € billions	€ billions	Changes %
Liabilities to banks	102.6	94.4	8.2	8.7
Liabilities to customers	51.6	58.9	- 7.3	- 12.4
Certificated liabilities	43.7	35.8	7.9	22.1
Trust liabilities	0.4	0.5	- 0.1	- 20.0
Other liabilities	14.1	14.6	- 0.5	- 3.4
Subordinated liabilities/ Profit participation capital	6.2	6.5	- 0.3	- 4.6
Equity capital/Fund for general bank risks	5.7	3.9	1.8	46.2
Total liabilities	224.3	214.6	9.7	4.5
Contingent liabilities	10.5	9.6	0.9	9.4
Other commitments/Credit commitments	83.0	46.3	36.7	79.3
Business volume	317.8	270.5	47.3	17.5

Credit Volume

WestLB's credit volume stood at € 251.5 billion at December 31, 2005, compared to € 201.4 billion at the end of 2004.

The volume of other commitments/credit commitments rose by € 36.7 billion to € 83.0 billion within the space of a year. We increased the volume of liquidity support lines for asset backed transactions substantially, after restricting our issue of such lines in 2004.

Credit Volume

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions	Changes € millions	%
Claims on banks	79.8	81.7	- 1.9	- 2.3
Claims on customers	71.0	56.2	14.8	26.3
Contingent liabilities	10.5	9.6	0.9	9.4
Other commitments/Credit commitments	83.0	46.3	36.7	79.3
Credit volume carried on the balance sheet	244.3	193.8	50.5	26.1
Derivatives (credit risk equivalents)	7.2	7.6	- 0.4	- 5.3
Total credit volume	251.5	201.4	50.1	24.9

Securities Holdings

The total holdings of € 50.6 billion in bonds and other interest-bearing securities include money market instruments in the amount of € 1.4 billion, bonds and notes in the amount of € 47.7 billion and own bonds in the amount of € 1.5 billion, which are held to keep prices stable. Most of the money market instruments are denominated in foreign currencies. Of the bonds and notes held, a total of € 16.7 billion carry a variable interest rate.

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

The book value of the shares and other non-interest-bearing securities held by WestLB was around € 6.1 billion at December 31, 2005. Of that, the volume of shares in investment funds was around € 2.4 billion. Most of the investment funds were established by Group companies and are mainly for own investment purposes.

Equity Investments in Affiliated and Non-Affiliated Companies

We continued to realign our portfolio of equity investments in non-affiliated companies in 2005. The balance sheet shows € 0.9 billion in equity investments in non-affiliated companies and around € 5.1 billion in equity investments in affiliated companies.

The acquisition of Weberbank Actiengesellschaft was a highlight in terms of our equity investments in affiliated companies. We also formed the Luxembourg-based securitisation specialist Vivaldis – Gesellschaft für strukturierte Lösungen S.A. The purpose of the new company is to issue structured securities. Vivaldis' services are aimed at savings banks and banks seeking refinancing alternatives and wishing to boost their sales of structured bonds and certificates.

SGK Servicegesellschaft Kreditmanagement mbH represents a strategic addition to WestLB's holdings in non-affiliated companies.

With the market environment favourable – the DAX rose some 27% over the course of 2005 – WestLB divested itself of its interests in Bayerische Hypo- und Vereinsbank AG, RWE AG, ThyssenKrupp AG, Fresenius AG and Heidelberger Zement South-East Asia GmbH.

The stake in Banca Carige S.p.A., Genoa, was transferred to a Group company.

Customer and Bank Deposits

Borrowing from banks gained ground against other forms of refinancing in the year under review. Liabilities to banks stood at € 102.6 billion at December 31, 2005. Liabilities to customers decreased considerably to € 51.6 billion.

A total of € 46.6 billion in interest-rate repurchase agreements is included in liabilities to banks and customers.

Issuing Business

The move in our credit rating to A- (Standard & Poor's) and A1 (Moody's Investors Service) as of July 18, 2005 following legislative changes to institutional liability and guarantor liability affected WestLB AG's issuing business.

We issued a total of € 10.6 billion with medium and long-term maturities, of which € 8.7 billion is attributable to the period up until July 18, 2005 and € 1.9 billion to the period thereafter. Our total borrowings on the capital market added up to € 51.3 billion as of December 31, 2005.

We issued various benchmark bonds in the first half of 2005, placing them mostly with institutional investors in the home market and abroad. Highlights – besides two eurobonds of € 1 billion each issued under our debt issuance programme – included two extendible notes totalling around US\$ 2.4 billion, which were predominantly sold to regulated money market funds in the U.S.

The second half of the year witnessed a shift in focus towards smaller, structured products for placement with private customers of the savings banks and institutional investors in Germany. These products are designed in close cooperation with our partner savings banks.

We issued undated hybrid Tier 1 capital in two tranches of US\$ 300 million and € 240 million to private investors in Asia and Europe in order to strengthen our core capital. We also redeemed part of an outstanding junior bond denominated in US\$ under an exchange offer in the U.S., replacing it with a new issue of US\$ 300 million that will mature in 2015. As a result, regulators will continue to fully recognise this capital as supplementary capital for another six years.

Our Pfandbrief strategy is being successfully pursued. With a licence from BaFin under the new Pfandbrief Act (PfandBG) in hand, we intend to re-establish and expand our business in covered issues going forward. The first WestLB Pfandbrief was issued as a private placement at year-end. The first public Pfandbrief benchmark issue is scheduled for 2006.

We succeeded in keeping our refinancing costs level in 2005 despite the change in our credit rating. The lucrative diversification of WestLB's issuing business was one of the reasons for this. We are optimistic about 2006. The progress already made in focusing our borrowing activity on institutional and private investors in Germany and abroad as well as the future issue of covered securities on the Pfandbrief market will bear out our confidence.

Own Funds

Under the recommendations on capital and reserves of the Basle Committee on Banking Supervision (BIS), WestLB must have adequate capital and reserves to back its operations. Specifically, its capital and reserves must not fall below 8% of the sum of its investment and trading book assets weighted for counterparty default risk and 12.5 times the relevant amount for the market risk positions in its trading book. WestLB AG well exceeded the required capital backing at all times in 2005.

The capital and reserves recognised under BIS consist of core and supplementary capital and Tier III capital. Taking into account the bottom line for the year, these own funds totalled € 10,362.9 million for WestLB AG at December 31, 2005. The breakdown of eligible capital and reserves is depicted in the following table:

	WestLB AG Dec. 31, 2005 € millions after result for the year	WestLB AG Dec. 31, 2004 € millions after result for the year
Core capital	5,646.9	3,926.4
Paid-in capital	2,176.6	1,794.6
Disclosed reserves	2,388.3	1,561.3
Asset contributions of silent partners	1,085.0	522.4
Fund for general bank risks under § 340g of the German Commercial Code (HGB)	82.0	82.0
Intangible assets	– 85.0	– 33.9
Supplementary capital	4,577.0	3,926.0
Liabile capital	10,223.9	7,852.4
Tier III capital	444.0	1,735.0
Unused Tier III capital	– 305.0	– 636.0
Own funds/Eligible capital and reserves under BIS	10,362.9	8,951.4

As of January 2, 2003, WestLB AG had taken in silent contributions to capital of € 1,250.0 million. It does not have to repay these silent contributions to capital. Instead, in five annual instalments of € 250.0 million each paid over a period of time ending December 31, 2007, they will be converted at the price of 750% into capital and reserves of WestLB. Conversion of the second tranche in 2005 increased the capital by € 33.3 million (which corresponds to 333,318 no-par-value shares, each with a theoretical par value of € 100.00) and the capital reserves by € 216.7 million. Conversion of the third tranche, due December 31, 2005, was recorded in the Commercial Registers of Düsseldorf und Münster in February 2006.

The State of North Rhine-Westphalia underwrote a contribution of € 959.0 million to WestLB AG's capital in the fourth quarter of the year under review. Of this amount, the sum of € 348.7 million was placed in capital, while the remaining € 610.3 million was added to capital reserves. The capital increase was recorded in the Commercial Registers of Düsseldorf and Münster on November 21, 2005. The subscribed capital of WestLB AG was € 2,176.6 million at December 31, 2005 (2004: € 1,794.6 million). It is divided into 21,766,312 (2004: 17,945,718) no-par-value registered shares, each with a theoretical par value of € 100.00. A total of 8,107,400 of these shares offer a preferred dividend up through the year 2016. All shares carry the same voting rights. NRW.BANK holds 32.008% of the subscribed capital, the State of North Rhine-Westphalia 16.682%, the two savings banks associations, RSGV and WLSGV, each hold 25.475%, and the Regional Association of the Rhineland and Regional Association of Westphalia-Lippe hold stakes of 0.180% each.

Two additional silent contributions to capital of US\$ 300 million and € 240 million were issued in early 2005. Over 50% of these amounts were placed with private investors.

The profit participation rights and subordinated liabilities of WestLB AG included in the capital and reserves calculated for regulatory purposes satisfy BIS requirements. There can be no early repayment obligation on the subordinated liabilities. In the event the Bank goes bankrupt or is liquidated, the profit participation rights and subordinated liabilities will not be repaid until all unsubordinated claims have been satisfied.

The supplementary capital includes € 1,606.6 million in profit participation capital and € 3,255.9 million in subordinated liabilities.

The following ratios were determined at December 31, 2005, taking into account eligible capital and reserves pursuant to BIS guidelines:

Risk-Weighted Assets and Equity Capital Ratios Pursuant to BIS

	WestLB AG Dec. 31, 2005 € millions after result for the year	WestLB AG Dec. 31, 2004 € millions after result for the year
Counterparty default risks	65,790	53,572
12.5 x the relevant amount for market risk positions	2,438	19,238
Total	68,228	72,810
Core capital ratio	8.6	7.3
Credit risk capital ratio	15.5	12.3
Equity capital ratio	15.2	14.7

Risk Report

The aim of WestLB's risk management system is to steer the Bank's risk profile in a proactive manner. With this in mind, we have built up best practice risk management procedures in recent years and aim to continue to meet high standards going forward. The approval by banking regulators to expand the regulatory use of our market price risk models and the early launch of the Basle II AIRB (advanced internal ratings-based approach) review emphasize the quality of our risk management procedures, methods and processes. The Bank is thus well prepared for the new regulatory requirements, including the Minimum Requirements for the Risk Management of Banks (MaRisk).

The Bank uses its risk management infrastructure to analyse and deploy measures to steer risks. Our processes and procedures enable us to detect and appropriately counteract undesirable risk developments at an early stage.

All of these features make our risk management system an important factor in implementing our new business model. While the focus in 2004 was on reducing risk concentrations and the risks associated with non-strategic equity investments, we concentrated in 2005 to a greater degree on future-oriented measures. Thus, we continuously employed our internal risk-return measures for the steering of new business and further adapted our risk strategies more precisely to the new business model.

Principles of Risk Management

The following principles form the basis of our risk management system:

The Bank judges its risk profile by its risk tolerance. The Managing Board determines the risk tolerance and the related risk strategies in close communication with the Supervisory Board.

The risk management processes ensure that the risk profile is transparent and can be managed with the proper foresight. The core processes of risk management are determining, monitoring, analysing, steering and reporting on the Bank’s risks.

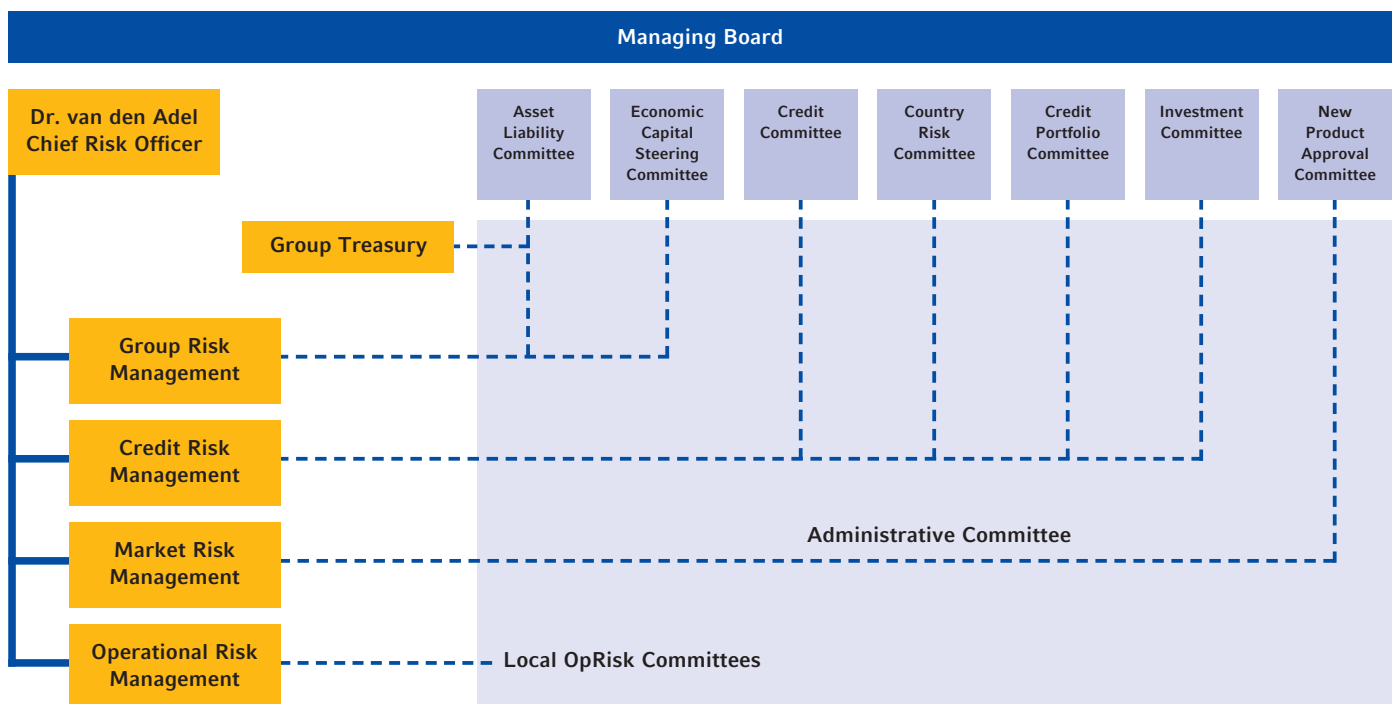
Risk management is part of the overall management of the Bank. Thus, we view risk, reward and capital requirements holistically.

The responsibilities of the governing bodies, committees and divisions are clearly defined. Risk management is performed independently of the front office units.

Our organisational structure, risk processes and the measurement and steering procedures are aligned to these principles.

Organisation

The Managing Board is responsible for Group-wide risk management. It determines the principles of the Bank’s risk policy and risk management in close communication with the Supervisory Board’s risk committee and regularly reports to this committee in detail about the Bank’s risk situation.



Committees

The Managing Board has set up cross-divisional, Group-wide committees and vested them with decision-making authorities.

The Economic Capital Steering Committee (ECSC) decides about the processes, parameters, methods and management approaches associated with Basle II and economic capital and coordinates their implementation. By doing so it establishes the framework for the Bank's risk management.

The Asset Liability Committee (ALCO) is in charge of planning and managing structural liquidity and the structure of the balance sheet as well as allocating economic and regulatory capital throughout the Group.

The Credit Committee (CC) is the ultimate approval authority for all credit applications, unless regulatory provisions or other rules require a decision by the full Managing Board.

The Country Risk Committee (CRC) is responsible for centralised country limit management.

The Credit Portfolio Committee (CPC) assumes Bank-wide responsibility for all credit risk management activities at the portfolio level.

The Investment Committee (IC) is the ultimate approval authority for all proposed equity investments and equity-like transactions – unless regulatory provisions or other rules require a decision by the full Managing Board or Supervisory Board.

The New Product Approval Committee (NPAC) is in charge of the Group-wide process for approving new trading products.

The Local OpRisk Committees are responsible for raising awareness about operational risks and systematically sharing information about actual incidents at WestLB AG and other companies.

The business units support the committees in their work.

Units

The Chief Risk Officer (CRO) is the Managing Board member in charge of the following units, which are organisationally independent of the front office:

Group Risk Management (GRM) is responsible for the risk tolerance approach (WestLB Capital Adequacy programme, WestCap). GRM ensures in this regard that the Bank's risks are adequately reflected in its economic risk capital. GRM prepares the meetings of the ECSC and is in charge of implementing key requirements from the second pillar of Basle II.

The Bank-wide analyses performed by GRM result in an integrated risk report that is prepared for the Managing Board and supervisory bodies of the Bank.

GRM is also responsible for the reflection of participation and business risk in economic risk capital.

Credit Risk Management (CRM) steers and monitors credit risks and represents WestLB's market-independent units pursuant to the Minimum Requirements for the Lending Activities of Banks (MaK) and the Minimum Requirements for the Risk Management of Banks (MaRisk).

CRM is responsible for operational lending tasks, which primarily include risk analysis and approval at the individual commitment level (rating calculations and providing the second vote on credit applications), as well as monitoring compliance with the limits set.

CRM also deals with fundamental questions relating to the lending business. Its major tasks in this area include responsibility for methods and standard setting in the lending business, implementing regulatory requirements, as well as developing and improving internal rating systems.

In addition, CRM actively manages the Bank's loan portfolio on a global basis and prepares the related credit risk strategies.

Market Risk Management (MRM) analyses, monitors and steers risks from the WestLB Group's trading business. It is part of MRM's responsibility to review the measurement methods suggested by the trading units, enhance the internal risk models for calculating market price and counterparty risk and establish and arrange the necessary monitoring processes. MRM also sets up measures-based reports on the risks arising from the trading business.

Operational Risk Management (ORM) defines the framework for managing operational risk. ORM ensures that OpRisk management activities are consistent throughout the Bank, provides an opinion on operational and reputational risk and advises the Bank's business units. This ensures that the analysis, measurement, steering and monitoring of operational risks meet exacting quality standards.

Besides the business units under the CRO's responsibility, the following units also contribute to the Bank's risk management:

The Group Treasury unit (GT) was set up within the Asset Liability Management division in 2005. GT manages the liquidity, balance sheet structure and capital resources under the oversight of the responsible Managing Board member. GT is in charge of the WestLB Group's refinancing strategy and manages daily liquidity flows within the limits set by the relevant committees.

GT also manages the interest rate and currency risks of the banking book within risk limits and executes all transactions related to the procurement of equity and debt capital.

GT has access to the market, works with GRM to prepare ALCO's meetings and implements the decisions ALCO makes.

ALCO's supervision of GT is consistent with the principle of separating management, reporting and limit monitoring. The restructuring also became necessary in light of the altered refinancing conditions brought about in part by the re-rating and by the elimination of institutional liability and guarantor liability.

Group Audit is tasked as an independent entity with reviewing all business processes, as well as the Bank's risk management and internal control system, for their appropriateness, effectiveness and efficiency. In this way it contributes to protecting the Bank's assets, to improving its business processes and to complying with regulatory requirements. Instructions from the Managing Board plus statutory and regulatory guidelines have the largest bearing on how Group Audit is structured and what its reviews entail. Audit results are provided to the Managing Board and the relevant business units. Group Audit also monitors the handling of objections to audit results as part of an institutionalised process.

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

The Group Compliance/Money Laundering Prevention unit protects the Bank's integrity and reputation by promoting the lawful and proper conduct of business in the interests of customers, employees and shareholders. It also monitors and ensures regulatory compliance in order to prevent violations and identify them should they occur.

[Risk Tolerance as a Benchmark for the Risk Profile](#)

The starting point for risk steering is the risk tolerance determined by the Managing Board and shareholders using the WestLB Capital Adequacy programme.

The risk tolerance is based on the risk taking capacity. The sources of risk taking capacity are Tier 1 capital, undisclosed reserves and half of the result forecast for the year. Risk tolerance reflects the scope of risk sought and limits, as an enterprise-wide value, the amount of risk the Bank can assume.

The usage of risk tolerance is determined via economic risk capital.

Consistent Risk Measurement through Economic Risk Capital

Economic risk capital ensures comparability between the various risk categories. The risk capital in each category is determined for a confidence level of 99.95%, which is line with a target rating in the A range, and a horizon of one year. The economic risk capital for counterparty default, participation and market price risks is calculated on the basis of the value-at-risk (VaR) approach. We arrive at the figure for Bank-wide risk across all risk categories by taking the diversification effects between the risk types into account.

Integrated Risk and Return Planning and Management

The annual budget process, with its integrated risk and return planning, is a cornerstone of Bank-wide risk steering. During budgeting, the business units plan their regulatory and economic risk capital requirements on the basis of the Bank's strategy. The determination of these capital requirements is related to earnings targets, which themselves stem from the returns the Bank's shareholders expect.

Preparations for launch of the value creation concept were finalised in 2005 to further enhance the Bank's risk-return management. Value creation represents the return obtained in excess of capital costs. It thus links the risk capital requirements and related capital costs with the risk-adjusted return, allowing for better analysis of the business units, customer relationships and products on a risk-adjusted basis. In 2005 we used economic risk capital for the purpose of risk-return steering in pre-deal analysis and portfolio management. The return-on-risk figure, for example, is now an integral part of our credit application files.

Active Management of the Risk Profile

ALCO is the committee in charge of allocating risk capital limits. It determines the risk capital limits per risk category and per organisational unit based on the results of the budget process and on the risk tolerance that has been set. ALCO actively managed the Bank's risk capital limits in 2005.

We use additional instruments beyond economic risk capital in order to manage the portfolio's structure, including specific VaR limits for trading risks and limits for single-name concentrations and industries.

The economic risk capital limits set by the Managing Board for the various categories of risk were adhered to without exception in fiscal 2005.

Market Price Risks

Market price risks are the result of uncertainty about price changes and volatility on the financial markets as well as correlations that exist between different markets.

The Bank uses the VaR method to quantify market risks from trading transactions in the trading and banking books and to make them comparable with each other across markets and products. VaR estimates potential changes in market value. For internal purposes, such changes are calculated for a confidence interval of 95% and a holding period of one day; for external regulatory purposes, a confidence interval of 99% and a holding period of ten days are assumed.

The internal market risk model developed by WestLB considers the risk of interest rate movement, equity price risk and currency risk (including commodity price risk) as well as the volatility risk associated with each market. There are two components of equity price risk and the risk of interest rate movement: the general risk posed by overall market movements and specific risks related to issuers.

The VaR approach forms the basis for calculating the economic risk capital necessary to cover the market risks from the risk positions in our trading and banking books. For this purpose we take into account that these positions are actively managed throughout the year. For daily monitoring of the market risk positions, we derive risk limits from the Bank's risk tolerance and assign them to the responsible organisational units.

The following table shows the aggregate market price risks from the WestLB Group's trading book:

VaR in € millions*	Total		Diversification Effects	Interest Rate Risk	Equity Price Risk	Currency Risk (incl. Commodity Prices)
	2005	2004	2005	2005	2005	2005
Year-end	49.2	56.3	- 7.1	31.7	21.1	3.5
Maximum	73.0	138.8	- 13.0	52.5	20.3	13.2
Minimum	41.9	43.2	- 5.6	30.0	14.5	2.9
Average	54.0	77.5	- 9.8	37.0	17.0	9.8

* Based on the perspective relevant for regulatory purposes (i.e. confidence interval of 99%, holding period of 10 days), with due allowances for diversification effects.

Excluding diversification effects, 96%, or nearly all, of the total VaR in the trading book as of December 31, 2005 was attributable to risk positions of WestLB AG (average for the year: 95%).

Market risks in the banking book are also managed, limited and monitored on a daily basis using the VaR approach.

We expanded the VaR model for banking book positions in 2005 in order to fully quantify the relevant interest rate risk components. Sector and rating-related interest rate risks are now integrated into a system consisting of special risk indices, limits and control processes.

The following table shows the aggregate market price risks from the WestLB Group's banking book:

VaR in € millions*	Total	
	2005	2004
Year-end	86.8	117.0
Maximum	119.2	154.4
Minimum	69.0	103.8
Average	98.3	131.0

* Based on the perspective relevant for regulatory purposes (i.e. confidence interval of 99%, holding period of 10 days), with due allowances for diversification effects.

The risk posed by interest rate movements represents the largest market price risk in the banking book. As of December 31, 2005, it accounted for 97% of the entire VaR in the WestLB Group's banking book.

Excluding diversification effects, 77% of the total VaR in the banking book as of December 31, 2005 was attributable to risk positions of WestLB AG (average for the year: 73%).

The market price risks from the Bank's trading book and banking book positions decreased from a year earlier due to the trading unit realignment undertaken in connection with the new business strategy and active risk management.

In 2002, the Federal Financial Supervisory Authority (BaFin) gave WestLB AG permission to use its internal VaR model to determine the general interest rate risk posed to its trading book positions as required for regulatory reporting under Principle I and § 10 of the German Banking Act (KWG). In 2005 this approval was confirmed and extended such that our internal VaR model can now be used to determine the capital needed to back all general (full use) and specific market risks in our trading book as well as the foreign exchange risks in our banking book.

The market risk positions in our trading book are back tested on an ongoing basis. Pursuant to the guidelines of German banking regulators, this means that the potential changes predicted by the VaR model are compared to the actual changes seen in market values from one day to the next. The results from back testing are used to enhance our methods for measuring risk in cases given.

The results from back testing in 2005 gave no indication of any weaknesses in our VaR model.

Our risk model already meets high standards. Nevertheless, the Bank continually improves on it, paying special attention to the requirements of new products and business strategies.

It is also important to be aware of the limitations of the VaR methodology – e.g. they assume a standard (logarithmic) distribution of variances in risk factors while applying a holding period of one day. We, therefore, supplement the VaR-based risk limits in certain cases with additional position and product-dependent operating limits and restrictions. Market Risk Management (MRM) also performs weekly stress tests aimed at calculating the potential losses that extraordinary market events could cause. In addition to the spectrum of standard stress tests (parallel shifts and twists in interest rate curves), historical stress tests and individual stress tests which examine the impact of current macroeconomic factors (e.g. oil crisis) are used.

MRM informs the relevant trading units, the CRO and other relevant Managing Board members daily about the VaR, utilisation of the corresponding limits and any current developments that could affect risk and return planning. MRM makes suggestions about measures aimed at reducing or diversifying the market risk positions and reports on their execution.

As part of Bank-wide risk reporting, the full Managing Board receives a comprehensive report about the WestLB Group's market risk positions on a monthly basis. VaR, sensitivities and stress test results are viewed holistically and discussed and analysed in light of developments on the financial markets.

Counterparty Default Risks

Counterparty default risk is defined as the risk of potential losses caused by business partners' defaulting. It includes the classic credit risk, as well as issuer, counterparty and country risk.

The framework for steering all of the Group's counterparty default risks is the credit risk strategy. In 2005 the Bank further developed its credit risk strategies as a core element of its active loan portfolio management.

Using the Bank's business strategy and risk-bearing capacity as starting points, the general credit risk strategy establishes the Bank's risk management principles and risk profile. Overall portfolio limits are set which are reviewed by the Managing Board and risk committee of the Supervisory Board annually. In 2005, these limits were extended to additional customer groups. Limits aimed at reducing single-name and rating concentrations as well as industry and regional concentrations form an integral part of the strategy. They prevent unbalanced portfolio movements and concentrations and ensure an even distribution of risk. Individual risk strategies track the direction of our lending activities with respect to specific customers, products, sectors and target regions and maximise our risk-adjusted returns.

Measuring the Counterparty Default Risk

We calculate our counterparty default risk using an advanced version of the CreditRisk+™ model widely used in banking. This model also facilitates the portrayal of concentration and diversification effects between industries and regions.

The amount of capital utilised to cover our counterparty default risk depends on the credit rating of our borrowers as well as any single-name, industry and regional concentrations in the portfolio. This information is important for determining an appropriate risk-return profile and achieving the desired level of diversification and granularity among counterparty default risks – in both portfolio management (single-name, industry and regional concentrations) and pricing. The statistical measurement of systemic risk, which is a key determinant of diversification potential, was refined and optimised over the course of 2005. When using the credit portfolio model, we take care to ensure consistent use of those risk parameters which also form the basis for determining our capital backing pursuant to Basle II: probability of default (PD), loss given default (LGD) and conversion factors (CF).

Managing Individual Risks

The analysis, evaluation and monitoring of counterparty default risks follows documented, uniform Bank-wide standards for counterparty risk management. The two main pillars are the credit approval process and the ongoing monitoring process.

Each new transaction with a customer, as well as any material change involving an existing commitment, is subject to approval by the responsible approval level.

Credit approval is based on a thoughtful risk assessment of the overall exposure with a particular customer, which is then presented in an application file. An integral component of this file is an internal rating, for which quantitative and qualitative factors are systematically examined. The approval process incorporates the current risk strategy, portfolio characteristics and risk-return considerations.

The monitoring process is a core task of Credit Risk Management (CRM), which is supported in its work by the front office units. All credit commitments are monitored on an ongoing basis. The monitoring intensity depends on the respective borrower's current risk situation. A credit monitoring file is prepared on each borrower at least once a year. The Bank also has procedures in place which allow early identification of loans that might be subject to an increased default risk. Our market-based early warning system aims to identify potential performance problems early on, as well as counteract them in cases where there is room for sufficient measures.

Portfolio Management

The Credit Portfolio Committee initiates measures for managing credit risk positions, taking Group and portfolio aspects into consideration. The Portfolio Management department within CRM performs the ongoing credit risk management at a portfolio level and works centrally across all individual business units to actively distribute and limit credit risk – particularly concentration risk. Various instruments and techniques are used to improve the diversification of the loan portfolio, among them credit derivatives and loan sales, as well as stringent management of new business.

Global measures implemented by Portfolio Management in 2005 included:

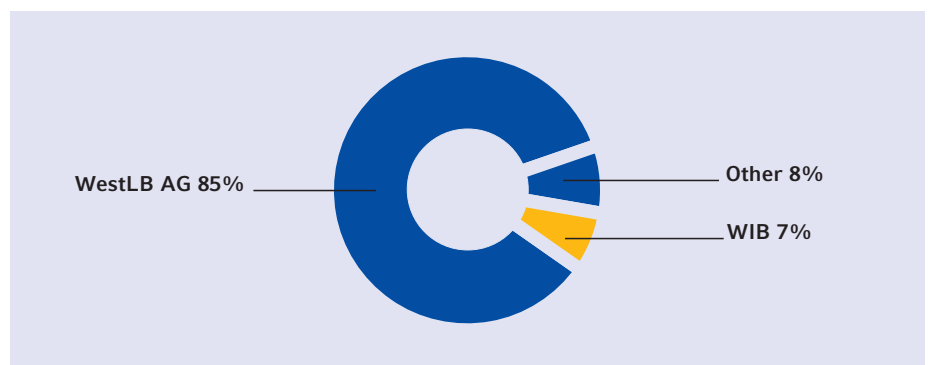
- managing and reducing single-name concentration risks
- improving the limiting of concentrations (single-names, sub-industries) in the context of the credit risk strategy
- intensifying the risk-adjusted return management
- managing country risks
- improving the early warning system for timely recognition and active management of increasing risks

After effectively reducing the industry concentrations in previous years, the utilisation and adherence to defined industry limits remained stable. All in all, our systematic management of concentration risk has resulted in a much more diversified loan portfolio.

Counterparty Default Risk from the Portfolio Perspective

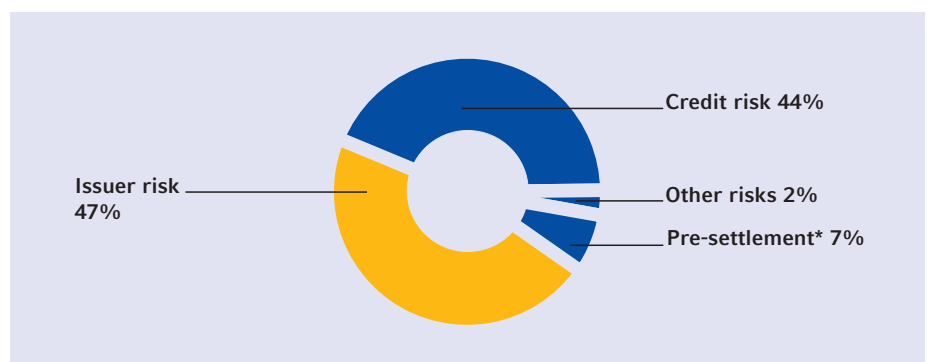
Data about counterparty default risks in the Bank's overall portfolio (including its equity investment positions) are regularly prepared and analysed. The aim is to identify, analyse, evaluate and actively manage the risks in the portfolio. To this end, the portfolio is regularly assessed on the basis of risk types, the responsible business units, rating classes, industries, volume ranges, maturities and regions. The result is a portfolio analysis that identifies risk concentrations and provides a basis for risk mitigating activities.

Breakdown of Total Lines by WestLB Group Company at December 31, 2005



The Bank manages its counterparty default risk at Group level. Within the Group, 85% of total lines are attributable to WestLB AG, which means that the Group portfolio details discussed below also apply in essence to WestLB AG.

Breakdown of Outstandings by Risk Type at December 31, 2005 (WestLB Group)



* The risk of loss on derivatives products from a counterparty failing to meet its obligations and as a result having to replace the transaction at the prevailing market rate

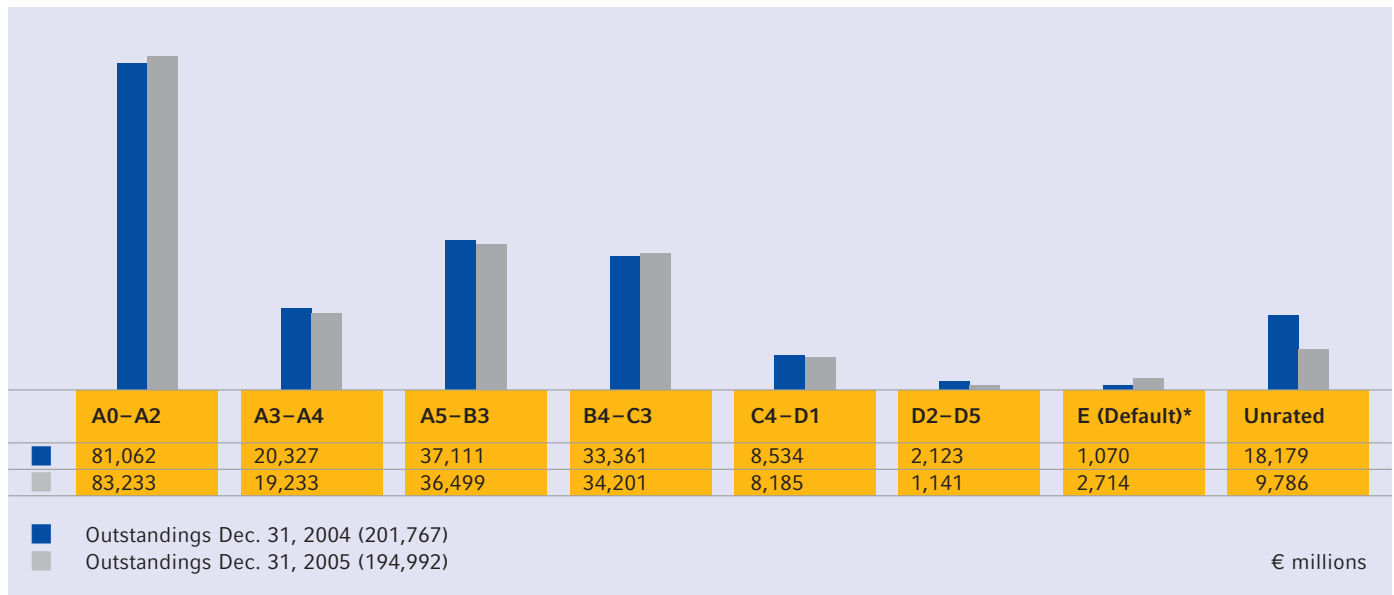
The major portion of the counterparty default risk is attributable to credit risk and issuer risk. Issuer risk captures the risk relating to securities held in both the investment and trading book, with 62% of the relevant outstandings being carried in the investment book and 38% in the trading book.

The distribution of the various risk types is nearly unchanged from December 31, 2004.

Outstandings decreased approximately € 7 billion year on year, mainly due to time deposits with fluctuating outstanding balances.

At December 31, 2005, 94% of the rated portfolio was investment grade. The share of unrated commitments in the total portfolio was reduced considerably in 2005, from 9% to 5%. Unrated commitments are collateralised by cash deposits of € 1.7 billion and directly enforceable guarantees in the amount of € 1.5 billion.

Breakdown of Outstandings by Rating Class (WestLB Group)



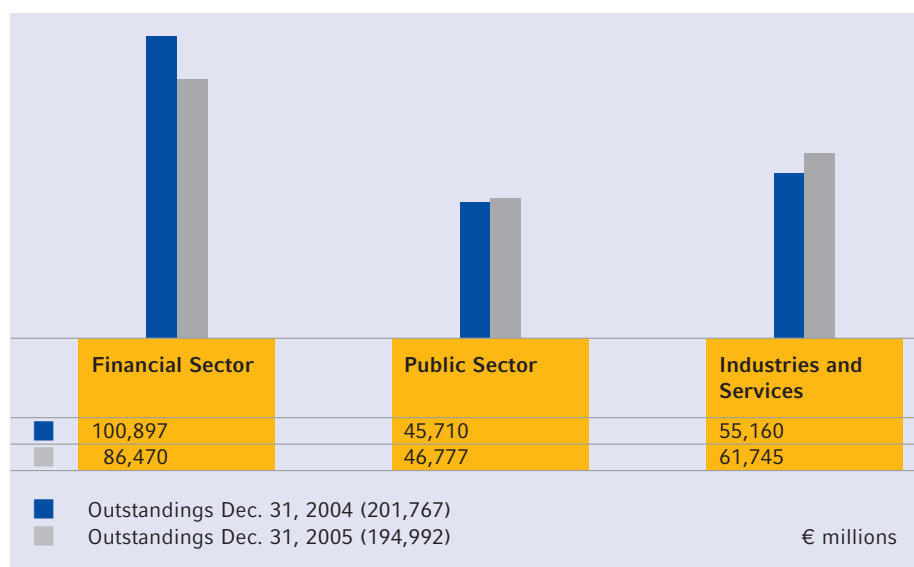
* Gradual switch to definition of default under Basle II in the first half of 2005. Rating class E is the default class. The definition of a default follows the definition of defaulting on credit obligations provided in the Basle Accord (Basle II).

The internal rating classes making up our internal Basle-II-compliant rating scale capture the overall portfolio's outstandings as of December 31, 2004 and December 31, 2005. Pursuant to the default probabilities associated with them, classes A0 to C3¹ represent the investment grade range.

Around 53% of the portfolio carries a strong rating of A0 to A4 as of December 31, 2005. The bulk of the outstandings are for governments, banks, central, regional and local authorities (mainly bonds) and asset backed transactions. With 50%, commitments to corporate clients make up the majority of the outstandings with mid-range ratings (B4 to C3).

¹ The investment grade range for financial institutions is currently A0 to C1.

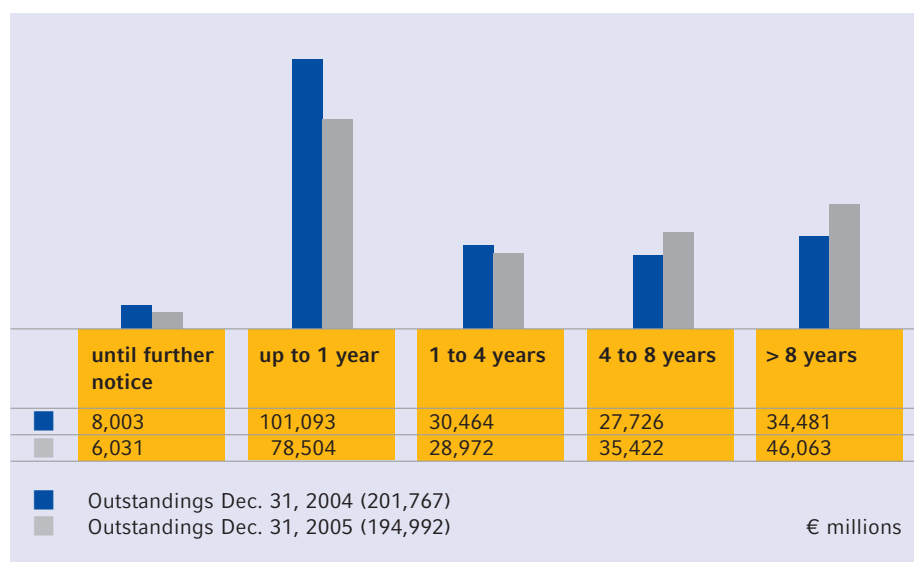
Breakdown of Outstandings by Sector (WestLB Group)



From a sector perspective, outstandings of counterparties in the financial sector (including banks, insurance companies and clients of asset backed transactions) decreased considerably from December 31, 2004 to December 31, 2005, while those of counterparties in industry and services rose. Commitments to financial sector and public sector customers with good ratings make up a substantial part of the portfolio. The combined share of the two sectors is 68% (December 31, 2004: 73%).

Industry and services, consisting of 15 individual sectors, accounted for 32% of the outstandings as of December 31, 2005 (27% as of December 31, 2004). Limits have been set and are permanently monitored for the construction and real estate, energy supply, aviation and telecom sectors. Commitments to counterparties in the automotive industry are subject to close monitoring.

Breakdown of Outstandings by Maturity (WestLB Group)



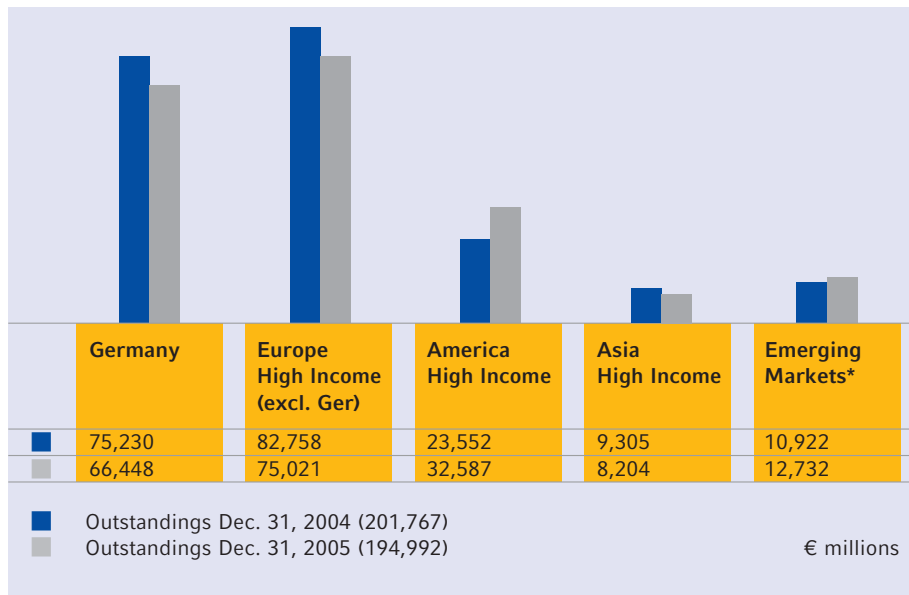
The change in the maturities profile is partly the result of expanded commitments in the area of long-term government bonds and bank bonds. It is also the product of a shift in our ABS business from predominantly short-term transactions to transactions in the medium and long-term maturity ranges.

At 40%, the major share of the commitments is in the short-term range "up to 1 year".

A large part of Westdeutsche ImmobilienBank's business (70% of its outstandings) is long term (over four years).

In terms of a geographical breakdown, the credit portfolio consists of foreign currency business, being relevant for country risk (transfer risk) and local currency business.

Breakdown of Outstandings by Region (WestLB Group)



* Mostly countries in the South and Central America region, Middle East, Eastern Europe (non-EU members) and Asia (excl. Singapore, South Korea, Japan, Taiwan)

WestLB's lending activities focus on Germany and the other industrialised countries of Europe. Emerging markets in Central and South America and Eastern Europe dominate the emerging markets category. To a lesser extent, WestLB also provides credit to customers in Asia's emerging markets.

The increase relative to December 31, 2004 in the Americas High Income region is attributable to new ABS business in good rating classes.

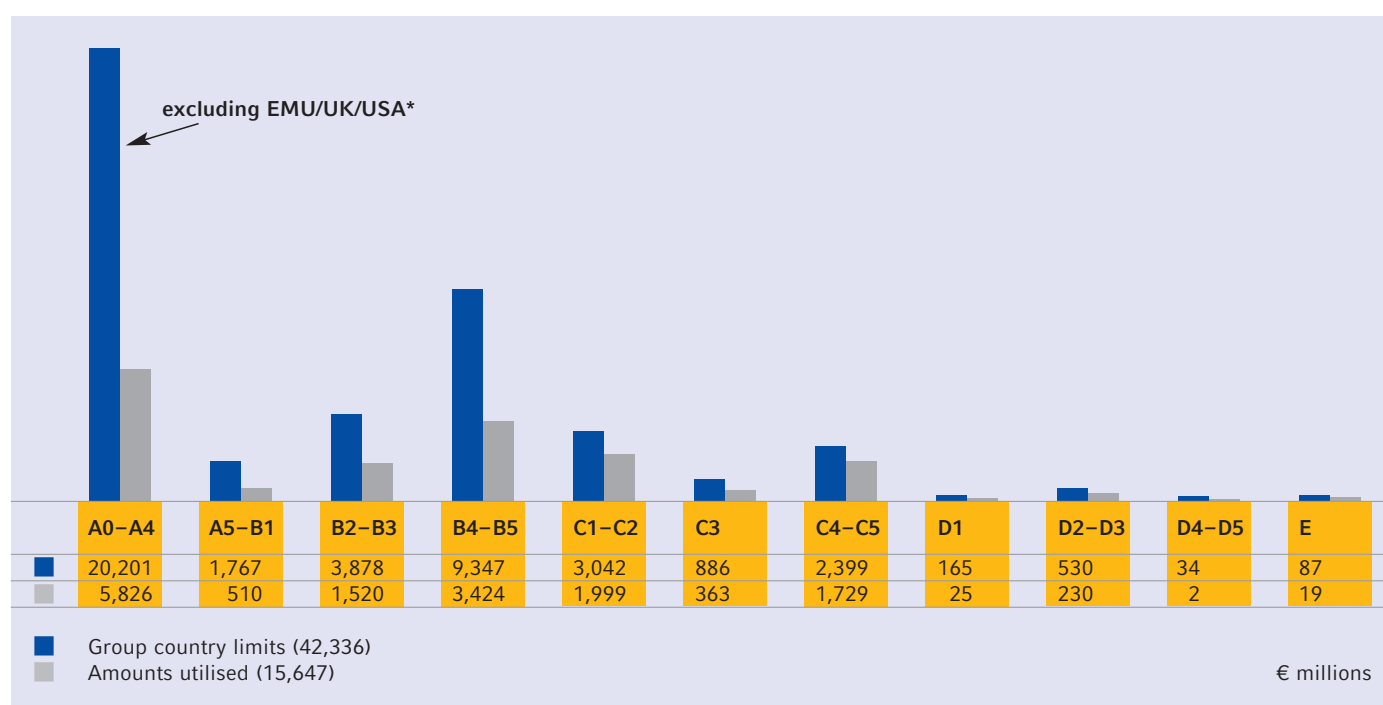
Country Risk

The Bank defines country risk as the risk that a borrower will not (or will no longer) be able to service its foreign currency debt because of a worsening of the overall economy or political situation in the borrower's home country. Based on this definition, any commitment that is not denominated in the borrower's home currency is subject to a potential country risk and has to be included in the country exposure list.

The Economics Department assigns an internal rating to each relevant country. Country limits are determined on the basis of this country rating and on the Bank's risk-taking capacity. Depending on the rating category, country limits are divided into limits for short-term and long-term business, respectively. The Country Risk Committee is in charge of centralised country limit management. It determines limit sizes as well as methodologies and procedures applied for country risk management. The individual limit utilisation is monitored ongoing with the help of the country risk recording system.

The regional client business units are responsible for managing the utilisation of the country limits and work with the individual product units from a risk-return point of view to determine how much of a country's overall limit is needed and used.

Use of Country Limits by Rating Category for all Countries Subject to Limits at December 31, 2005 (WestLB Group)



* EMU = European Economic and Monetary Union

Counterparty Default and Country Risks in Trading Operations

Trading transactions with external customers are subject to default risk related to the counterparty and/or country involved. Monitoring and managing default risk in the trading business requires a broad range of risk measurement and management tools and consolidation into one overarching process.

The correct measurement of counterparty default and country risks takes into account and models the unique aspects of a given product with the goal of developing customer-specific and type-specific risk profiles over the entire life of transactions. For its derivatives business, the Bank uses Monte Carlo-based portfolio simulation techniques.

When limiting individual risks (per counterparty or group), the Bank typically determines the peak exposure using a confidence interval of 95%.

If counterparties are grouped into portfolios – e.g. to calculate risk capital for risk-return management – the Bank looks at the average expected exposure.

In line with regulatory requirements on monitoring individual risks, exposures are set daily against the relevant limit by Market Risk Management (MRM). Thus, the Group has a central record of all counterparty and issuer limits in trading, which ensures integrated and timely risk monitoring.

The responsible decision makers determine all counterparty and country limits in the trading business in the context of the Group-wide lending process.

Issuer limits for short-term liquid positions in the trading units are generated by MRM, on the basis of a ratings-dependent matrix determined by the Managing Board, and monitored daily.

The Bank systematically works with collateral agreements in its derivatives business in order to reduce the counterparty risk. It uses the standard master agreements available on the market, which provide for close-out netting and margining. The legal and operational requirements for recognising this type of risk reduction are defined within the Bank by the Netting Committee – a sub-committee of the Credit Committee.

Problem Loans and Risk Provisioning

The Bank establishes specific allowances when information about possible problems of the individual borrower indicates that it is unlikely that the borrower repays the loans as agreed.

Commitments with a sub-standard or specially mentioned risk profile and commitments which are or are likely to become non-performing are included in the WestLB Global Watchlist (WGW) and are subject to closer monitoring.

The WGW is a Group-wide database that captures various categories of problem cases. It serves inter alia as a tool for planning and monitoring the implementation of measures, supporting the Group's risk reporting and determining allowances requirements for doubtful accounts.

Problem cases are transferred for closer scrutiny to a special centralised processing unit, where a team of experts work to maintain the value of loans and limit the Bank's loss exposure by developing suitable restructuring strategies.

The Managing Board and risk committee of the Supervisory Board are informed regularly with a report on the Bank's current risk allowance balance and recommendations on new allowance allocations for specific credit risks. In addition to the recommendations for the last quarter, a year-end summary of the recommendations made throughout the year is jointly submitted by Credit Risk Management, Group Audit and Group Finance. The Managing Board uses this report as a basis for determining allocations to the risk provisions.

Provisions for Credit Risks

The amounts reported under provisions for credit risks encompass the P&L effects on WestLB AG resulting from the evaluation of acute and latent counterparty default risks:

Result of Risk Provisions – Lending Business

€ millions	Allocations to Allowances	Write-Backs from Allowances	Net Allowances	Other Risk Exp./Income	Risk Result
Acute counterparty default risk	- 184.4	348.6	164.2	3.3	167.5
thereof credit rating risk	- 115.3	318.9	203.6	- 1.1	202.5
thereof country risk	- 57.0	29.7	- 27.3	0.0	- 27.3
thereof other risk	- 12.1	0.0	- 12.1	4.4	- 7.7
Latent counterparty default risk	- 55.7	0.0	- 55.7	0.0	- 55.7
Total	- 240.1	348.6	108.5	3.3	111.8

Implementation of Basle II and the Minimum Requirements for the Risk Management of Banks (MaRisk)

Our goal is to use the advanced internal ratings-based (AIRB) approach as early as possible (starting January 1, 2008) for calculating our capital requirements under Basle II. Our internal risk management will also profit from the AIRB methods, since the approach's parameters for calculating regulatory risk capital are not derived from external sources, but rather internal methods and historical loss data. The fourth Quantitative Impact Study, QIS 4, in which the Bank participated in 2005, has shown that AIRB is most advantageous for WestLB.

We reached important milestones in our implementation of the Basle Capital Accord as part of the Bank-wide Basle II risk management project headed by the Chief Risk Officer and Chief Financial Officer:

WestLB was one of the first German banks to apply for a supervisors' review of its key internal rating systems. BaFin commenced its audit in 2005. The rating systems capture Basle II-compliant asset classes and cover the internal models, processes and IT systems used to derive the probability of default, exposure at default and loss given default.

Our use of the internal rating systems is supported by a comprehensive IT infrastructure that includes the ratings database for capturing the PD, the collateral database, which provides essential information for determining the LGD, as well as the systems Basle II requires for capturing and creating a historical record of actual defaults (such as the credit default database and WestLB Global Watchlist).

Future challenges, besides the review procedure already under way, are the next quantitative impact study of regulatory sample (e.g. QIS 5) and Pillar II and III issues, such as preparations for the supervisory review process (SRP) and disclosure obligations. Our projects for 2006 and 2007 will focus on these topics.

The Bank is managing its lending activities in compliance with MaK. The Bank has also taken an active role in the consultation process for MaRisk through its membership in associations. Many of the new MaRisk requirements have already been implemented in the Bank. We will be performing a detailed MaRisk gap analysis in early 2006 so that we can identify areas where we need to take action and introduce any necessary measures at an early stage.

Participation Risks

Participation risk represents the risk of loss resulting from the provision of equity capital.

The Bank manages its participation risks at Group level. The Corporate Finance business unit has been responsible for private equity and mezzanine solutions since the beginning of the 2005 fiscal year. The Bank Holdings business unit oversees the Bank's subsidiaries and Group companies. Both units monitor and steer the risks relating to these commitments, with particular attention paid to companies that are exposed to entrepreneurial risks.

Ongoing participations controlling helps to analyse the current and future risks posed by holdings. The internal controlling system used in this regard was expanded in 2005. The information collected is the basis for managing the participations from a shareholder perspective and within the parameters outlined by the equity investment strategy.

Group companies with an own bank status are likewise fully incorporated into WestLB's risk and operational management, and certain of our investments are also followed by specialist units that monitor their risk situations. This approach allows for optimal support of companies whose business activities are closely linked with the activities of the respective product unit.

In accordance with MaK organisational and process requirements, CRM provides the market-independent second vote for all equity investments proposed by the Corporate Finance and Bank Holdings front office units.

The Group Risk unit provides the concept for and determines the economic risk capital. When measuring participation risk, the main risk is the potential value fluctuation of the respective equity stake. Thus, the Bank uses a Monte Carlo simulation technique to determine the VaR. Key risk parameters in this regard are volatilities and correlations determined on the basis of stock price time series. In the case of companies which are not publicly traded, stock price time series for listed companies having similar characteristics are used.

Liquidity Risks

Liquidity risk represents the risk that present or future payment obligations cannot be met in full or on time, or, in the case of a liquidity bottleneck, the risk that liabilities can be refinanced only at increased market rates (funding risk) or assets liquidated only at a discount to market rates (market liquidity risk).

WestLB's liquidity risk management in 2005 focused on the preparation for the elimination of guarantor liability and institutional liability on July 18, 2005. As part of a comprehensive programme launched to address this issue, the Bank decreased the amount of its liquidity mismatching and ensured its access to short-term, unsecured financing, thereby absorbing the anticipated reduction in short-term liquidity lines.

Through issuing activity, Group Treasury maintained a net overborrowed position over the course of the year, i.e. a structural liquidity surplus.

A gap report is produced in order to measure the structural mismatch position. All assets and liabilities are sorted into time buckets, based on their maturity. Non-interest-bearing positions and positions without a contractual maturity are bucketed according to their expected holding period.

The Bank uses a variety of funding instruments and programmes. The bulk of unsecured liquidity raising is done by WestLB AG, while subsidiaries Westdeutsche ImmobilienBank (WIB), Mainz, and WestLB Covered Bond Bank plc (WCBB), Dublin, have specialised in issuing secured instruments (Pfandbriefe and covered bonds). WestLB AG will also step up its issuance of public Pfandbriefe in the future now that it has received its licence under the new Pfandbrief Act (PfandBG). In addition, short-term issues are placed as part of a global commercial paper programme.

Diversification of Liabilities

The Bank has access to a broadly diversified funding base. In 2005 we intensified our efforts to shift the focus of our financing structure from short-term, rating-sensitive funding to long-term, stable funding in anticipation of the elimination of guarantor liability and institutional liability. Diversifying our refinancing profile across investor groups, regions, instruments and currencies is another principle of our liquidity management.

Short-Term Liquidity – Liquidity Reserve

With the restructuring of our Asset Liability Management division and creation of the Group Treasury business unit as an integrated financial resource manager, the latter has become the Group's liquidity provider, with exclusive permission to tap the unsecured money and capital markets. In addition, Group Treasury acts as our central collateral manager and has access to all unpledged and unlent securities.

The Bank monitors its liquidity situation regularly, paying particular attention currently to short-term unsecured funding usage after the elimination of the state guarantees and changes in investor behaviour following the re-rating.

To provide for the efficient management of collateral and of the funding process for the Bank's securities positions, Group Treasury created a central data pool that allows for comprehensive steering of the Bank's unencumbered securities. These securities are available on an as-needed basis to sell for cash or convert into cash on the repo market.

This puts Group Treasury in a position to compensate an increase in short-term liquidity needs triggered by unexpected draws on irrevocable credit commitments, for example, or to offset drains on unsecured, short-term liquidity.

To support its activities in the area of payment transactions, the Bank continuously maintains a security portfolio of at least € 5 billion with the European Central Bank.

The regulations on bank liquidity ("Principle II") set forth in the German Banking Act (KWG) were adhered to at all times.

Liquidity Contingency Planning, Stress Tests and Scenario Analysis

The Bank has a global liquidity contingency plan in place which specifies the communication channels, responsibilities, procedures and steps for addressing liquidity shortfalls. The branches have local liquidity contingency plans that supplement the global plan.

The Bank runs stress tests and scenario analyses to quantify the impact that unexpected events would have on the Bank's liquidity. The scenarios are either market or WestLB-specific and also incorporate the effects a rating downgrade would have. The results were taken into account when updating the liquidity and funding strategies.

The Bank's liquidity needs were fulfilled at all times in 2005.

Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events.

Management and Organisation in the Bank

In view of the regulatory requirements, the system for managing operational risk was continually developed in 2005. The objective is to manage operational risks efficiently and successfully.

The primary responsibility for the management of operational risk lies within the individual business units themselves. The business unit heads are supported in their efforts by decentralised Operational Risk Managers, who function as contact points for all of the respective units' employees on matters relating to OpRisk. The decentralised Operational Risk Managers are in close contact with the central BU Operational Risk Management. The strong communication between the two functions is important for meeting the requisite quality standards.

The management of operational risk aims to protect the Bank against major losses. For this to work, employees must know how to deal with operational risk in the Bank. In the year under review, employee awareness of operational risk was raised through the web-based learning programme that was launched on a global basis. Regular OpRisk Committee meetings also contribute to increased awareness by systematically providing information about current incidents involving WestLB or other institutions. Committee members then suggest measures to help avoid or mitigate future losses.

To minimise legal risks, the business units are supported by the Legal unit. The support includes reviewing contracts presented to them because of their risk relevance, updating the credit and collateral manuals and monitoring developments in the legal area. It also encourages the use of standard agreements and model contracts, some of which have been developed in cooperation with other banks and institutions in order to reduce contractual risk.

Instruments of Operational Risk Management

The collection of internal and external loss data, Risk Self Assessments (RSA), Risk Indicators and Scenario Analysis represent important instruments of operational risk management. The decentralised OpRisk Managers reported loss events on a continuous basis in 2005. The relevant business units use Risk Self Assessment as a way of analysing sources of operational risk. After completing the Risk Self Assessment for the Bank's most important applications, the RSA procedure was also used over the course of the year to evaluate product, client and support processes. During an RSA, staff identify key risk areas and, where appropriate, make suggestions for risk mitigating measures. Risk Indicators and Scenario Analysis were introduced gradually. These key ratios and scenarios are collected in the business units and then aggregated in a report submitted to BU Operational Risk Management, which then evaluates the information.

The OpRisk Management unit cooperates closely with central units of the Bank (e.g. Contingency Planning, IT and Non-IT Security and Data Quality Management) at regular workshops and committee meetings.

Development of an AMA Model

In future, the regulatory capital charge for operational risk will be calculated using a recently developed quantification method that will also be deployed for internal steering. The objective is to have the method satisfy the requirements for the Advanced Measurement Approach (AMA) following Basle II as soon as possible. In order to model the financial risk posed by rare major loss events, external loss data is used in addition to internal data. Therefore, WestLB joined the ORX Data Consortium (Operational Riskdata eXchange Association), Zurich, in 2005. The consortium currently consists of 22 leading international institutions. The OpRisk instruments mentioned above will also be used for the AMA model.

Risk Report Summary and Outlook

We further refined our risk management procedures and actively managed the Bank's risk profile in 2005. The risk tolerance and risk capital limits were adhered to at all times.

Active risk management will continue to be part of our implementation of the new business model in 2006, with particular attention paid to the way the new business model transforms our risk profile.

We will support the changes we need to make by further expanding our existing system of risk-return management. The launch of our value creation concept will augment our integrated system of management even further in fiscal 2006. The Economic Capital Steering Committee will continue to set the framework for our risk management, taking into account internal considerations as well as regulatory requirements, particularly those resulting from Basle II. We will enhance our risk procedures and processes further in light of the requirements under the second pillar of Basle II.

Based on the Bank's risk tolerance, there will be headroom available in 2006 to further develop or expand selective businesses in line with the new business model. ALCO will steer this process by actively allocating our risk capital.

We will continue to systematically manage our portfolio structure in 2006, particularly our loan portfolio and equity investments business. Our credit risk strategy defines clear limits for risk concentrations which aim to curtail the risk of significant losses from individual events and portfolio concentrations.

We will also apply the principle of diversification when expanding our business with mid-cap customers, which will be accompanied by a trend towards weaker ratings for individual transactions. Achieving the desired level of granularity in the overall portfolio will mitigate our risks.

In the area of operational risk management, we intend to fill the rigorous regulatory requirements for use of the Advanced Measurement Approach (AMA) in the course of 2006.

On the whole, our active risk management in the year under review has had a positive impact on WestLB's rating – after all, a good rating is a key condition for successful implementation of the new business model. This, and other strategic factors relating to the business model's success, will be under the direct management of the Managing Board throughout 2006.

Events Occurring after the Close of the Fiscal Year

No major events occurred after the close of the fiscal year.

Outlook

We are moving into the new fiscal year with optimism, given the forecasts about economic recovery. Our expectations for 2006 include a considerable increase in earnings accompanied by a reduction in administrative expenses and moderate credit risk provisioning.

We have restructured our Investment Banking business and made it more customer-focused. All activities are combined into an integrated platform that encompasses origination, distribution and trading. This helps us to avoid redundancies in our structures and functions as well as streamline the interface with customers and improve the cooperation with our corporate and private client units. Organisationally, the new WestLB Capital Markets division houses our former investment banking, asset liability management and asset management activities. We hope to improve the division's earnings contributions by expanding our fee-driven customer and structured finance businesses as well as by strengthening our core equity and fixed income products.

We expect our strategy of tailoring our savings banks business more closely to the needs of the savings banks and their customers to create growth and earnings potential. The joint venture with Mellon Financial Corporation in the area of asset management and the cooperation with DekaBank will contribute to this potential, as will numerous product initiatives and innovations. Our successful retail investment funds will be distributed to savings banks across Germany through DekaBank. We also intend to establish a platform for alternative investments. We have tapped additional potential in our savings banks business through our partnership with Sachsen-Finanzgruppe and Sachsen LB. The joint business planning for 2006 includes concrete sales goals for specific businesses.

Our successful transformation into a customer-focused relationship bank has bolstered our standing, particularly with medium-sized companies. We created a separate customer division for mid-cap corporate clients in order to address the needs of this important customer group in a more targeted manner. WestLB's capital market expertise, experience in structured finance and securitisation and international presence are a perfect fit for the growing, more sophisticated financing requirements of medium-sized companies, major corporations and the public sector. Because of this and the projected economic growth, we are confident that we will achieve substantial earnings growth, especially in our business with corporate clients, and successfully counteract the existing margin pressure in the current fiscal year.

Our private banking business has advanced to the next level with the acquisition of Weberbank. Weberbank, which specialises in business with high net worth private clients, successfully expanded into North Rhine-Westphalia in early 2006 with the opening of a branch in Düsseldorf. Thus, we expect to see a respectable earnings contribution from our restructured, significantly expanded private banking business as early as this year.

The stage has been set to enhance the core fields in our real estate business, which is run by Westdeutsche ImmobilienBank. Stepping up our cooperation with the savings banks will be a priority here, too, as will further growth in domestic and international real estate finance and in real estate investment banking.

Additional savings are required despite our past successes in reducing costs. One of the objectives of our Lean Bank initiative is to reduce personnel and operating expenses in the WestLB Group by some € 250 million over the next two years. To achieve this, organisational structures will be trimmed and the efficiency of processes and decision-making procedures involving central staff, service and front office functions will be increased.

The more agreeable economic environment overall in 2006, with its reduced number of corporate bankruptcies, is likely to have a positive impact on our need for credit risk provisions.

We are confident, therefore, that we will meet our targets and considerably improve our operating result in 2006. We expect a further increase in 2007, provided the economic recovery continues.

Liabilities

	see Notes No.	€	€	31. 12. 2005 €	31. 12. 2004 € thousands
1. Liabilities to banks	15, 18, 23, 29, 33				
a) payable on demand			11,049,334,256.56		(18,192,539)
b) with agreed maturity or period of notice			<u>91,557,390,274.09</u>		(76,232,495)
				102,606,724,530.65	94,425,034
2. Liabilities to customers	15, 19, 23, 29				
a) deposits					
aa) with agreed period of notice of three months		191,399.98			(221)
ab) with agreed period of notice of more than three months		<u>0.00</u>			(0)
			191,399.98		(221)
b) other liabilities					
ba) payable on demand		7,216,696,436.10			(12,445,423)
bb) with agreed maturity or period of notice		<u>44,416,659,724.76</u>			(46,447,584)
			<u>51,633,356,160.86</u>		(58,893,007)
				51,633,547,560.84	58,893,228
3. Certificated liabilities	20, 23, 34, 39				
a) bonds and notes issued by the Bank			15,199,761,366.51		(11,536,548)
b) other certificated liabilities including: money market instruments € 6,296,428,844.83 (2004: € 8,598,518,000)			<u>28,451,126,315.39</u>		(24,239,201)
				43,650,887,681.90	35,775,749
4. Trust liabilities	21			394,880,028.41	468,899
including: trust loans € 19,903,028.41 (2004: € 93,922,000)					
5. Other liabilities	22, 29			11,522,775,787.18	12,274,336
6. Deferred items	23			755,031,640.46	425,208
7. Provisions	24, 38				
a) for pensions and similar obligations			587,920,352.08		(581,445)
b) tax reserve			248,674,735.31		(184,658)
c) other			<u>933,759,516.49</u>		(1,068,080)
				1,770,354,603.88	1,834,183
8. Subordinated liabilities	25, 29			3,888,045,858.73	4,111,032
9. Profit participation capital	22, 26			2,335,617,167.52	2,427,650
including: due in less than two years € 727,568,346.89 (2004: € 324,159,000)					
10. Fund for general bank risks	27			82,000,000.00	82,000
			To be carried forward:	218,639,864,859.57	210,717,319

WestLB AG Balance Sheet as at December 31, 2005

Assets

	see Notes No.	€	€	31. 12. 2005 €	31. 12. 2005 € thousands	
				To be carried forward:	203,137,369,057.33	194,931,640
6. Shares and other non-interest-bearing securities	8, 17, 33, 40			6,166,016,455.84	4,298,675	
7. Equity investments in non-affiliated companies	9, 13, 40, 54, 55			912,316,841.42	1,549,176	
including:						
banks						
€ 105,035,794.74 (2004: € 233,494,000)						
financial services institutions						
€ 373,821.32 (2004: € 0)						
8. Equity investments in affiliated companies	10, 13, 40, 54			5,097,350,455.32	5,092,040	
including:						
banks						
€ 2,152,799,126.29 (2004: € 2,058,842,000)						
financial services institutions						
€ 41,417,782.48 (2004: € 99,918,000)						
9. Trust assets	11			394,880,028.41	468,899	
including:						
trust loans						
€ 19,903,028.41 (2004: € 93,922,000)						
10. Equalisation claims against public authorities including bonds and notes issued in substitution thereof	13			0.00	105,335	
11. Intangible assets	13			59,753,323.48	73,225	
12. Fixed assets	13, 38			202,742,672.66	263,862	
13. Other assets	12			7,304,807,238.56	6,903,167	
14. Deferred items	15			1,012,712,016.64	909,672	
Total assets	31			224,287,948,089.66	214,595,691	

WestLB AG Statement of Income

for the Period January 1 – December 31, 2005

	see Notes No.	€	€	1. 1. – 31. 12. 2005 €	1. 1. – 31. 12. 2004 € thousands
1. Interest from	35				
a) lending and money market transactions		5,457,942,170.16			(4,743,093)
b) interest-bearing securities and book-entry securities		<u>2,643,187,910.35</u>			(1,876,318)
			8,101,130,080.51		(6,619,411)
2. Interest paid	22, 25		<u>7,489,298,018.38</u>	611,832,062.13	(5,760,773) 858,638
3. Current income from	35				
a) shares and other non-interest-bearing securities			206,174,865.16		(128,866)
b) equity investments in non-affiliated companies			43,300,999.12		(120,939)
c) equity investments in affiliated companies			<u>227,637,069.23</u>		(366,807)
				477,112,933.51	(616,612)
4. Income from profit pooling, profit transfer and partial profit transfer agreements				302,284,196.21	182,038
5. Commission income	35		473,415,550.10		(452,114)
6. Commission paid			<u>161,975,782.89</u>	311,439,767.21	(174,113) 278,001
7. Net expense from trading operations	35			106,450,377.61	92,818
8. Income from leasing business	35, 37			28,794,561.00	37,114
9. Expenses from leasing business	37			25,532,280.95	33,598
10. Other operating income	35, 38			140,283,972.43	169,884
11. General administrative expenses					
a) personnel expenses					
aa) wages and salaries	50	586,076,611.02			(534,272)
ab) compulsory social security contributions and expenses for pensions and other employee benefits	24, 50	<u>203,147,261.66</u>			(163,229)
including:					
for pensions					
€ 149,512,335.86					
(2004: € 111,203,000)			789,223,872.68		(697,501)
b) other administrative expenses	39		<u>664,187,700.86</u>		(687,377)
				1,453,411,573.54	1,384,879
12. Depreciation and value adjustments on intangible and tangible assets	13			56,095,425.54	90,274
13. Other operating expenses	24, 38, 50			224,044,827.59	106,523
			To be carried forward:	6,213,007.26	434,195

for the Period January 1 – December 31, 2005

	see Notes No.	€	€	1. 1. – 31. 12. 2005 €	1. 1. – 31. 12. 2004 € thousands
				To be carried forward:	
				6,213,007.26	434,195
14. Income from revaluation of loans and certain securities as well as from the reversal of loan loss provisions	24, 40		87,615,467.28	87,615,467.28	248,489
15. Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	13, 40		357,116,772.38	357,116,772.38	36,709
16. Expenses from the assumption of losses				11,689,922.50	15,377
17. Profit or loss on ordinary activities				439,255,324.42	704,018
18. Extraordinary income	41		0.00		(338)
19. Extraordinary expenses	41		0.00		(1,571,370)
20. Extraordinary result	41			0.00	- 1,571,032
21. Taxes on income and revenues	24, 43		65,135,821.88		(45,206)
22. Other taxes not shown under other operating expenses			9,132,135.11	74,267,956.99	(7,779) 52,986
23. Profits transferred under a partial profit transfer agreement	44			23,687,367.43	0
24. Net profit for the year (Net loss for the year)				341,300,000.00	- 920,000
25. Withdrawals from capital reserves				0.00	855,371
26. Withdrawals from silent contributions to capital				0.00	64,629
27. Reinstatement of the silent contributions to capital	28			341,300,000.00	0
28. Profit				0.00	(0)

WestLB AG Notes to the Annual Accounts at December 31, 2005

Preparation of Annual Accounts (1)

The single-entity annual accounts of WestLB AG (hereinafter “the Bank” or “WestLB”) are prepared in accordance with the provisions of the German Commercial Code (HGB), the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV), the relevant provisions of the German Stock Corporation Act (AktG) and the Pfandbrief Act (PfandBG). Information that may appear either on the balance sheet or in the Notes has been included in the Notes.

WestLB prepares consolidated annual accounts in addition to its single-entity annual accounts in accordance with § 340i in conjunction with §§ 290 et seq. of the German Commercial Code (HGB). In accordance with § 325 and § 328 of the German Commercial Code (HGB), the single-entity and consolidated annual accounts of WestLB are filed with the Commercial Registers of Düsseldorf and Münster.

Accounting and Valuation Principles (2)

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

Claims are reported at their outstanding principal balances less any unamortised discounts. Liabilities are carried at their repayment amounts, with any related discounts reported under deferred items. Premiums on claims and liabilities are reported under deferred items as an asset or liability, respectively. The accrued interest on a claim or liability at year-end is included with the claim or liability to which it applies, except in the case of subordinated liabilities. Deferred items resulting from own bonds issued and the lending business are valued according to the proportionate interest method. Bills of exchange, as well as treasury bills and non-interest-bearing treasury bonds, are discounted and shown with the effective discount rate. Non-interest-bearing loans to employees are reported at their outstanding principal balance in accordance with tax regulations. Zero-coupon bonds issued are carried as liabilities at their issue price plus interest accrued as of the balance sheet date.

Discernible risks in the lending business are adequately covered by individual value adjustments and provisions. A global provision was formed in accordance with tax valuation methods for latent risks from claims and contingent liabilities. In the case of loans to countries with acute transfer risk, specific allowances for bad debts are made or provisions are established. The classification of a country as having acute transfer risk is based on the regularly updated internal rating for that country. The rate at which the respective receivables are written down is derived from recognized market rates.

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

Securities treated as fixed assets (financial assets) are valued at cost. Any difference between the cost and the repayment amount is recognised on a pro rata basis in income. Where a loss of value is expected to be permanent, the securities are written down to the lower fair value. Any amount by which the carrying value of such securities exceeds their current market value because of application of the modified lower of cost or market principle is shown separately in the Notes. This information is subject to change over time because of portfolio changes, as well as movements in interest rates and/or market value.

The market value as of the balance sheet date of shares, bonds, derivatives and other trading instruments held by WestLB for proprietary trading purposes is initially determined outside of the trading units on a per-asset basis. They are carried either at market value or their fair value as at December 30, 2005 (last trading day); pro-rata interest, non-recurring payments and option premiums are taken into account. If market values are not available or cannot be reliably determined, particularly in the case of derivative financial instruments, the fair value is determined on the basis of standard pricing models or discounted cash flows. We marked down the values calculated for some assets using a valuation model if the models did not take into account all factors that market participants consider. The markdowns are predominantly for credit rating, model and liquidity risks.

With the risk-adjusted mark-to-market method, an improvement on the method previously used, we then combine the trading book positions and contracts marked to market into portfolios according to the risk steering in the respective business units. In keeping with the principle of prudence stipulated in the German Commercial Code (HGB), the aggregate valuation results of each portfolio are subsequently reduced by the potential loss (value at risk) calculated using a mathematical formula. Starting from the calculation methods employed by the Bank's risk management, the value-at-risk discounts are measured such that any maximum loss anticipated from open trading positions, assuming a holding period of ten days and probability of 99%, can be offset.

Current income from securities and money market holdings (interest income, dividends), as well as refinancing costs, are reported as part of the interest result on the statement of income. To the extent they result from trading transactions, price gains and losses, as well as payments obtained and received under forward contracts, options and other derivative instruments, are included in the net income from trading operations. The same applies to trading product valuation results that affect income. The dividend income from some equity trading portfolios is also included in the net income 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, the securities are written down to the lower fair value.

Tangible assets with a limited useful life and intangible assets acquired against payment with a limited useful life are depreciated in accordance with the applicable tax regulations; we write off low-value assets in full in their year of purchase. Acquired goodwill is reported under intangible assets. All goodwill is amortised over a scheduled period of four years and tested for its future economic benefit on the balance sheet date. Impairments that are expected to be permanent result in unscheduled amortisation.

Adequate provisions have been made for contingent liabilities and anticipated losses from pending transactions. The provision for pensions is established on the basis of actuarial principles in accordance with § 6a of the German Income Tax Act (EStG). Effects from use of the new actuarial tables were expensed in full; income was recognised according to the relevant tax regulations.

A fund for general bank risks pursuant to § 340g of the German Commercial Code (HGB) is reported separately on the balance sheet; there are also reserves pursuant to § 340f of the German Commercial Code (HGB).

Foreign currency amounts have been translated in accordance with § 340h of the German Commercial Code (HGB) and BFA 3/95. Assets and liabilities denominated in foreign currencies, as well as open spot deals, are translated using the ECB reference rates effective on December 30, 2005 (last trading day for the liquid market). Open forward contracts (forward exchange transactions and foreign currency options) are carried at the mean forward rate or option premium effective on that date. Income and expenses for which a particular exchange rate has been agreed are translated at the respective hedge rate. Swap premiums on hedged balance sheet items are deferred and amortised over time. The amortisation amounts are included in the interest result.

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

Forward Transactions/Derivatives (3)

As part of its business operations, the Bank enters into the following types of forward transactions and derivative instruments:

■ **Forward transactions/derivatives based on interest rates**

Interest rate swaps, interest rate futures, forward rate agreements (FRAs), interest rate options, issued interest rate warrants, interest rate caps, interest rate floors, interest rate collars and swaptions.

■ **Forward transactions/derivatives based on exchange rates**

Currency forwards, currency options, issued currency warrants, currency swaps.

■ **Forward transactions/derivatives based on interest rates and exchange rates**

Interest currency swaps, forward interest currency swaps.

■ **Forward transactions/derivatives based on share prices and other prices**

Stock forwards, stock options, index forwards, index options, issued stock warrants and issued index warrants, precious metal/commodity forwards and options.

■ **Credit derivatives**

Credit default swaps, total return swaps and credit linked notes.

In fiscal 2005, the average annual value, in nominal terms, of the derivatives and forward transactions was € 2,670.7 billion (2004: € 2,818.2 billion).

Derivatives – Average Volumes

Jan. 1 – Dec. 31	Nominal Values		Credit Risk Equivalents		Positive Market Values	Negative Market Values
	2005	2004	2005	2004	2005	2004
€ millions						
Products based on interest rates	2,274,362	2,477,503	12,572	10,736	38,188	36,690
Products based on exchange rates	161,407	260,751	2,054	4,203	2,486	2,677
Products based on interest and exchange rates	127,968	–	2,366	–	2,820	3,191
Products based on share prices and other prices	26,565	18,644	476	352	1,115	969
Credit derivatives	80,364	61,346	541	345	596	601
Total derivatives	2,670,666	2,818,244	18,009	15,636	45,205	44,128

We calculate the credit risk equivalents on the basis of the mark-to-market method described in banking regulatory guidelines. There is no netting.

The credit risk equivalents pursuant to Principle I represent 30.3% (2004: 27.1%) of our total counterparty default risks (weighted risk assets and relevant amount for the counterparty risk of the trading book). When calculating the credit risk equivalents for banking regulatory purposes, close-out netting is used. As a result, the average credit risk equivalents were reduced by approx. 62.1% (2004: approx. 55.5%).

In nominal terms, the total volume of forward transactions/derivatives was € 2,741.2 billion (2004: € 2,438.9 billion) as of the balance sheet date. The emphasis continues to be on interest rate products, whose share of the total volume dropped to 84.6% (2004: approx. 85.9%).

In addition to the credit derivatives from the trading book listed in the table, there were also credit derivatives in the investment book. Of those in the investment book, the Bank was the guarantee for (had bought) € 4,470.2 million (2004: € 4,869.2 million) and was guarantor for (had sold) a volume of € 1,599.3 million (2004: € 1,208.8 million) at December 31, 2005.

Book values that are only relevant with respect to option premiums paid or received are captured under "other assets" and "other liabilities", respectively.

Derivatives – Volumes at the Reporting Date

€ millions	Nominal Values		Credit Risk Equivalents		Positive Market Values		Negative Market Values	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Products based on interest rates								
Interest rate swaps	1,546,672	1,300,849	10,516	10,162	31,120	29,752	30,165	28,396
FRAs	96,616	128,718	7	11	29	39	23	35
Interest rate options, swaptions								
– bought	69,665	52,324	774	519	3,073	1,836	–	–
– written	77,066	55,021	–	–	–	–	2,765	1,796
Caps, floors	274,836	244,498	449	383	904	985	917	1,130
Stock market contracts	248,515	306,350	14	–	27	412	23	439
Other interest rate forwards	4,542	7,116	224	207	465	411	547	442
Total products based on interest rates	2,317,912	2,094,876	11,984	11,282	35,618	33,435	34,440	32,238
Products based on exchange rates								
Currency forwards	66,328	60,561	481	654	884	1,613	988	1,468
Currency swaps	84,716	188,519	1,352	4,113	1,279	6,119	1,182	7,175
Currency options, swaptions								
– bought	16,247	6,321	337	151	152	311	–	–
– written	3,546	6,085	–	–	–	–	114	354
Stock market contracts	–	202	–	–	–	0	–	0
Total products based on exchange rates	170,837	261,688	2,170	4,918	2,315	8,043	2,284	8,997
Products based on interest and exchange rates¹								
Interest currency swaps	130,996	–	2,241	–	2,268	–	2,455	–
Forward interest currency swaps	232	–	0	–	0	–	0	–
Total products based on interest and exchange rates	131,228	–	2,241	–	2,268	–	2,455	–
Products based on share prices and other prices								
Stock forwards	1	–	1	–	1	–	–	–
Stock options								
– bought	9,419	6,039	631	319	1,100	593	–	–
– written	9,534	5,689	–	–	1	–	1,115	365
Stock market contracts	14,348	4,589	26	–	464	596	463	401
Other forwards	–	3	–	1	0	1	0	0
Total products based on share prices and other prices	33,302	16,320	658	320	1,566	1,190	1,578	766
Credit derivatives								
Credit derivatives								
– bought	41,061	29,864	620	316	100	142	543	512
– written	46,881	36,170	–	–	566	518	116	27
Total credit derivatives	87,942	66,034	620	316	666	660	659	539
Total derivatives	2,741,221	2,438,918	17,673	16,836	42,433	43,328	41,416	42,540
Netting effects	–	–	10,481	9,256	–	–	–	–
Total derivatives after netting	2,741,221	2,438,918	7,192	7,580	42,433	43,328	41,416	42,540

¹ Included under interest rate products and exchange rate products in 2004

Derivatives – Breakdown by Counterparty

€ millions	Nominal Values		Credit Risk Equivalents		Positive Market Values		Negative Market Values	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
OECD banks	2,029,317	1,693,130	11,221	10,040	33,514	33,608	32,608	32,370
Non-OECD banks	6,579	7,038	50	58	65	87	50	161
Customers (incl. stock market contracts)	703,827	737,793	6,378	6,719	8,767	9,559	8,709	9,936
Public-sector entities	1,498	957	24	19	87	74	49	73
Total	2,741,221	2,438,918	17,673	16,836	42,433	43,328	41,416	42,540

The Bank enters into derivative transactions primarily with top-rated counterparties.

Almost all of the derivatives are trading transactions; customer transactions are entered into by the trading units. Contracts for hedging the Bank's own non-trading portfolio are reflected in the trading portfolio by way of internal contracts.

Most of the products with currency, share price and other price risks are short term; the interest rate contracts and credit derivatives are predominantly long term, having more than five years to maturity.

Derivatives – Breakdown by Maturity

Nominal Values € millions	Products Based on Interest Rates		Products Based on Exchange Rates		Products Based on Interest and Exchange Rates		Products Based on Share Prices and Other Prices		Credit Derivatives	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Residual maturity										
– up to 3 months	448,475	466,811	52,436	55,976	6,264	–	7,614	5,629	3,504	818
– 3 months to 1 year	351,912	336,284	36,000	48,971	19,582	–	12,867	5,843	9,668	11,457
– 1 to 5 years	846,004	725,975	58,316	103,839	65,568	–	11,140	4,337	59,705	25,703
more than 5 years	671,521	565,806	24,085	52,902	39,814	–	1,681	511	15,065	28,056
Total	2,317,912	2,094,876	170,837	261,688	131,228	–	33,302	16,320	87,942	66,034

Notes to the Balance Sheet

Claims on Banks (4)

	Dec. 31, 2005 € millions		Dec. 31, 2004 € millions	
	Claims on Affiliated Banks	Claims on Other Banks	Claims on Affiliated Banks	Claims on Other Banks
Payable on demand	1,573.7	6,090.2	907.1	16,363.2
Breakdown by residual maturity				
– up to 3 months	663.0	51,499.4	835.3	47,557.0
– between 3 months and 1 year	195.9	10,825.0	295.8	8,572.5
– between 1 and 5 years	455.9	3,804.3	394.1	4,785.7
– more than 5 years	2,275.2	2,392.6	647.6	1,378.2
Total	5,163.7	74,611.5	3,079.9	78,656.6
Book value	79,775.2		81,736.5	

Affiliated banks pursuant to § 2 No. 2 of the Articles and Bylaws of WestLB AG (central institution for the savings banks function) refer to the savings banks in North Rhine-Westphalia and Brandenburg.

Claims on other banks include claims on affiliated companies in the amount of € 9,265.9 million (2004: € 6,329.6 million) and claims on other companies in which equity investments are held in the amount of € 539.0 million (2004: € 1,972.9 million). Claims from leasing transactions amounted to € 248.6 million (2004: € 288.0 million).

Claims on Customers (5)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Book value	71,023.8	56,188.8
including:		
– on affiliated companies	3,391.9	4,266.5
– on other companies in which equity investments are held	6,213.9	8,797.1
– from the leasing business	1,712.5	1,664.5
Breakdown by residual maturity		
– up to 3 months	38,888.3	30,400.5
– between 3 months and 1 year	7,766.6	4,938.1
– between 1 and 5 years	11,816.9	9,296.9
– more than 5 years	11,666.2	10,298.8
Claims with undetermined maturity	885.8	1,254.5

Claims Secured by Mortgages (6)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Claims on customers with residual maturities of		
– up to 3 months	53.4	125.9
– between 3 months and 1 year	14.1	181.4
– between 1 and 5 years	80.9	177.7
– more than 5 years	187.9	276.1
Book value	336.3	761.1

Bonds and Other Interest-Bearing Securities (7)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Book value	50,571.2	53,088.3
including:		
– amounts that will become due by December 31 of the following fiscal year	10,820.9	17,436.8
Breakdown by product		
– money market instruments	1,389.2	6,528.4
– bonds and notes of public-sector issuers	17,009.9	20,184.0
– bonds and notes of other issuers	30,669.8	25,310.8
– notes issued by the Bank	1,502.3	1,065.1
Breakdown by marketability		
– listed on a stock exchange	38,021.0	46,903.6
– not listed on a stock exchange	12,550.2	6,184.8
Breakdown by portfolio		
– trading portfolio	28,612.6	34,596.5
– liquidity reserve	353.7	472.8
– investment portfolio	21,604.9	18,019.0
Breakdown by Group affiliation		
– securities of affiliated companies	2,859.3	3,634.6
– securities of other companies in which equity investments are held	1,578.9	843.5

The € 21.6 billion (2004: € 18.0 billion) in bonds and other interest-bearing securities held in the investment portfolio is part of fixed assets. At year-end, € 3.7 billion (2004: € 2.5 billion) in financial assets had been valued at the modified lower of cost or market; € 0.7 billion of these will become due in the following year. The fair value of these holdings totalled € 3.6 billion (2004: € 2.4 billion). Of that, € 0.6 billion (2004: € 0.7 billion) represented debt obligations that were acquired in connection with interest rate swaps (asset swaps), the commercial value of which equals the purchase price entered on the books. The portion not hedged with assets swaps at the individual transaction level (€ 3.1 billion) was either funded at matching maturities and currencies or secured against market price-based changes in value at the portfolio level. No individual allowances for rating downgrades were required with these holdings.

Shares and Other Non-Interest-Bearing Securities (8)

The item includes shares in special funds held by the Bank totalling € 2,441.8 million (2004: € 2,357.4 million). The funds themselves consist mainly of listed securities and are included in the investment portfolio.

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Book value	6,166.0	4,298.7
Breakdown by marketability		
– marketable securities	3,672.7	1,939.5
thereof		
– listed on a stock exchange	2,935.9	1,125.9
– not listed on a stock exchange	736.8	813.6
Breakdown by portfolio		
– trading portfolio	3,623.8	1,797.3
– liquidity reserve	9.3	14.2
– investment portfolio	2,532.9	2,487.2

The special funds held in the investment book are not valued strictly at the lower of cost or market. As a result, their fair value (€ 2,342.2 million) is € 99.6 million less than their book value. As these special funds consist exclusively of interest-bearing securities, most of which are listed and have not posted any adverse movements based on credit rating, the decrease in value is not expected to be permanent.

Equity Investments in Non-Affiliated Companies (9)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Book value	912.3	1,549.2
including:		
– banks	105.0	233.5
– financial services institutions	0.4	–
Breakdown by marketability		
– marketable securities	254.0	741.5
thereof		
– listed on a stock exchange	0.0	488.7
– not listed on a stock exchange	254.0	252.8

Equity Investments in Affiliated Companies (10)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Book value	5,097.3	5,092.0
including:		
– banks	2,152.8	2,058.8
– financial services institutions	41.4	99.9
Breakdown by marketability		
– marketable securities	1,240.3	1,343.6
thereof		
– not listed on a stock exchange	1,240.3	1,343.6

In the case of equity investments in affiliated and non-affiliated companies, allowances have been made for all discernible risks. As a result, their book value is always lower than their fair value to the extent a fair value could be reliably determined.

A complete list of shareholdings pursuant to § 285 Nos. 11 and 11a and § 340a (4) No. 2 of the German Commercial Code (HGB) has been filed in the commercial registers maintained by the Local Courts (Amtsgerichte) of Düsseldorf and Münster.

Trust Assets (11)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Claims on banks	0.0	0.2
Claims on customers	19.9	93.7
Participations in RWI-Fonds	375.0	375.0
Total	394.9	468.9

Other Assets (12)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Book value	7,304.8	6,903.2
including:		
– offsetting entries from the valuation of the trading portfolio (not including currency transactions)	2,685.7	2,663.1
– premiums for options	2,339.0	2,201.9
– back-end fees on swaps	885.9	537.0
– claims arising from tax refunds	878.9	902.9
– margin payments made (initial/variation margin)	12.3	50.9

Fixed Assets (13)

€ millions	Acquisition Cost/Cost of Production	Additions/ Reclassifi- cations (R) Allocations (A)	Retirements/ Reclassifi- cations (R)	Total Depreciation	Net Book Value	Depreciation in the Fiscal Year
	Jan. 1, 2005				Dec. 31, 2005	
Bonds and other interest-bearing securities forming part of fixed assets	18,279.7	6,116.3	2,787.4	3.7	21,604.9	–
Shares and other non-interest bearing securities forming part of fixed assets	2,484.9	111.2	63.2	–	2,532.9	–
Equity investments in non-affiliated companies	2,108.2	86.7	1,120.1	162.5	912.3	11.0
Equity investments in affiliated companies	6,051.1	567.2 42.0 (A)	904.3	658.7	5,097.3	150.6 42.0 (A)
Equalisation claims against public authorities	62.8	–	62.8	–	–	–
Intangible assets	343.9	13.4 1.0 (R)	74.0	225.1	59.8	24.8
Land and buildings	77.2	2.9 0.3 (R)	16.2	37.9	26.3	1.4
Leasing assets	52.5	20.7 99.9 (R)	55.5	78.1	39.5	25.6
Office equipment	399.5	14.1	96.8 1.4 (R)	178.4	137.0	29.9

With regard to securities, the changes in the fiscal year include additions and retirements, as well as changes resulting from the amortisation of premiums and discounts.

Major divestments with respect to non-affiliated companies included the sale of our stakes in Bayerische Hypo- und Vereinsbank AG, RWE AG, ThyssenKrupp AG, Fresenius AG, Heidelberger Zement South-East Asia GmbH and Banca Carige S.p.A. over the course of the year.

With respect to affiliated companies, there were additions resulting from the capital injected into WestLB Beteiligungsholding GmbH for the capital increase at HSH Nordbank AG as well as from the acquisition of Weberbank Actiengesellschaft. WestLB Asset Management Holdings Ltd. was formed as part of the cooperation with Mellon Financial Corporation, with the carrying value of WestAM Holding GmbH partially written down following the transfer of subsidiary companies. Major retirements included the repayment of capital reserves at West Logistics Gesellschaft für Logistikbeteiligungen mbH (due to Klöckner & Co AG) as well as the capital decrease at WestLB Europe (UK) Holdings Ltd. implemented in the course of restructuring the companies with headquarters in the UK.

Real property with a book value of € 11.6 million (2004: € 11.1 million) was utilised for own business activities. In previous years, the Bank made use of special tax write-offs pursuant to § 82 i/k of the German Income Tax Act (EStG) in conjunction with § 5 (1) Sentence 2 of the German Income Tax Act (EStG). There is € 3.1 million (2004: € 7.2 million) in land and buildings acquired under bail-out transactions that has been on the books for more than five years.

Own Shares (14)

WestLB did not acquire any of its own shares in 2005 nor did it hold any of its own shares at year-end.

Deferred Items (15)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Premiums on claims	1.9	2.2
Discounts from underwriting business	311.4	250.2
Discounts from liabilities	439.9	467.4
Other	259.5	189.9
Book value	1,012.7	909.7

Subordinated Assets (16)

The assets reported on the balance sheet include the following subordinated assets:

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Bonds and other interest-bearing securities	7.7	–
including: affiliated companies	–	–
including: companies in which equity investments are held	–	–
Claims on customers	226.7	52.9
including: affiliated companies	57.0	–
including: companies in which equity investments are held	–	–
Total	234.4	52.9

Pledged Assets (17)

Of the assets reported on the balance sheet, WestLB pledged € 60,621.5 million (2004: € 46,045.7 million) under repurchase agreements.

Liabilities to Banks (18)

	Dec. 31, 2005 € millions		Dec. 31, 2004 € millions	
	Liabilities to Affiliated Banks	Liabilities to Other Banks	Liabilities to Affiliated Banks	Liabilities to Other Banks
Payable on demand	5,064.3	5,985.1	4,663.4	13,529.1
Breakdown by residual maturity				
– up to 3 months	5,296.5	69,329.8	3,991.1	50,687.7
– between 3 months and 1 year	789.3	7,674.3	830.7	12,328.8
– between 1 and 5 years	573.3	2,891.0	309.9	3,327.6
– more than 5 years	1,015.0	3,988.1	646.9	4,109.8
Total	12,738.4	89,868.3	10,442.0	83,983.0
Book value	102,606.7		94,425.0	

Liabilities to banks include liabilities to affiliated companies in the amount of € 5,935.0 million (2004: € 6,245.5 million) and liabilities to other companies in which equity investments are held in the amount of € 1,391.1 million (2004: € 848.5 million).

Liabilities to Customers (19)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Deposits	0.2	0.2
including:		
– savings deposits with agreed periods of notice of		
– up to 3 months	0.2	0.2
– between 3 months and 1 year	–	–
– between 1 and 5 years	–	–
– more than 5 years	–	–
Liabilities to customers	51,633.3	58,893.0
including:		
– payable on demand	7,216.7	12,445.4
with residual maturities of		
– up to 3 months	24,972.9	23,360.0
– between 3 months and 1 year	3,691.4	8,383.1
– between 1 and 5 years	5,095.3	4,199.9
– more than 5 years	10,657.0	10,504.6
Book value	51,633.5	58,893.2
including:		
– liabilities to affiliated companies	2,893.6	4,442.7
– liabilities to companies in which equity investments are held	4,878.4	8,881.2

Certificated Liabilities (20)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Bonds issued	15,199.8	11,536.5
including:		
– amounts becoming due before December 31, 2006	2,999.6	1,132.2
Other certificated liabilities	28,451.1	24,239.2
including with residual maturities of		
– up to 3 months	4,156.9	7,073.1
– between 3 months and 1 year	4,053.6	3,476.1
– between 1 and 5 years	6,076.3	4,410.4
– more than 5 years	14,164.3	9,279.6
Book value	43,650.9	35,775.7
including:		
– certificated liabilities to affiliated companies	–	–
– certificated liabilities to companies in which equity investments are held	–	–

Trust Liabilities (21)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Liabilities to banks	0.6	74.5
Liabilities to customers	19.3	19.4
Participations in RWI-Fonds	375.0	375.0
Book value	394.9	468.9

Other Liabilities (22)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Book value	11,522.8	12,274.3
including:		
– securities delivery obligations	5,182.4	4,830.3
– premiums from options	3,403.5	3,130.5
– offsetting items from the valuation of currency transactions	918.9	1,376.3
– back-end fees on swaps	887.0	558.6
– liabilities to NRW.BANK under pension commitments	497.8	462.7
– interest to be paid on existing profit participation rights	157.2	156.6
– Wfa aid proceedings	0.0	1,411.3

Deferred Items (23)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Premiums from own bonds issued	14.1	21.4
Premiums from liabilities	32.3	4.5
Other	708.6	399.3
Book value	755.0	425.2

Provisions (24)

€ millions	Beginning Balance	Utilised	Released	Other Changes	Additions	Ending Balance
	Jan. 1, 2005					Dec. 31, 2005
For pension liabilities	581.5	54.4	0.0	4.2	56.6	587.9
For taxes	184.6	12.1	25.9	31.5	70.6	248.7
In the personnel area	430.9	134.6	0.9	19.8	104.0	419.2
For loans/equity investments	238.1	20.7	65.3	- 36.5	27.2	142.8
In the trading business	83.3	105.6	0.0	22.3	0.0	0.0
Other	315.8	190.9	13.4	7.2	253.1	371.8
Book value	1,834.2	518.3	105.5	48.5	511.5	1,770.4

A total of € 303.9 million of the provisions for personnel relate to measures associated with reducing headcount. Other provisions include € 88.7 million for potential litigation risks, € 61.8 million for adapting the business and organisational structure, € 61.6 million associated with the sale of non-strategic equity investments and € 32.8 million for sales commissions.

Subordinated Liabilities (25)

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Book value	3,888.0	4,111.0
Breakdown by Group affiliation		
- to affiliated companies	2,098.3	2,085.8
- to companies in which equity investments are held	-	-

The junior bond of US\$ 466.2 million (due 2009; interest rate 6.05%) issued by WestLB's New York Branch in 1999 exceeded 10% of the total subordinated liabilities of € 3,888.0 million (2004: € 4,111.0 million). There is no early redemption obligation. There is no existing or planned agreement to convert these funds into capital or into another form of debt.

Of the total subordinated liabilities, € 370.1 million (2004: € 443.6 million) have a residual maturity of less than two years. The original maturities range from five to forty years.

In 2005, interest expense of € 177.6 million (2004: € 139.5 million) was incurred for subordinated liabilities.

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

Profit Participation Capital (26)

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

at Jan. 1, 2005 € millions	Additions € millions	Subtractions € millions	at Dec. 31, 2005 € millions
2,427.7	–	– 92.1	2,335.6

The following table depicts the breakdown of the profit participation capital by maturity (par value, before the deduction of discounts):

Maturity	€ millions
2006	232.2
2007	495.4
2008	225.7
2009	621.5
2010	280.4
2011	257.6
2012–2021	222.8
Total	2,335.6

The profit participation certificates constitute own funds of € 1,606.6 million for the Bank within the meaning of § 10 (5) of the German Banking Act (KWG).

Fund for General Bank Risks (27)

The fund for general bank risks remains at € 82.0 million.

Equity Capital (28)

WestLB AG's capital was increased by € 959.0 million in the fourth quarter of the year under review. Of this amount, the sum of € 348.7 million was placed in capital; the remaining € 610.3 million was added to capital reserves. The capital increase was recorded in the Commercial Registers of Düsseldorf and Münster on November 21, 2005. At December 31, 2005, the subscribed capital of WestLB AG was € 2,176.6 million (2004: € 1,794.6 million). It is divided into 21,766,312 (2004: 17,945,718) no-par-value registered shares. A total of 8,107,400 of these shares offer a preferred dividend up through the year 2016. The theoretical par value of each share is € 100.00. All shares carry the same voting rights. NRW.BANK holds 32.008% of the subscribed capital, the State of North Rhine-Westphalia 16.682%, the two savings banks associations, RSGV and WLSGV, each hold 25.475%, and the Regional Association of the Rhineland and Regional Association of Westphalia-Lippe hold stakes of 0.180% each.

In 2003, WestLB AG took in silent contributions to capital of € 1,250.0 million. It does not have to repay these silent contributions to capital. Instead, in five annual instalments of € 250.0 million each paid over a period of time ending December 31, 2007, they will be converted at the price of 750% into capital and reserves of WestLB. Conversion of the second tranche in 2005 increased the capital by € 33.3 million (which corresponds to 333,318 no-par-value shares, each with a theoretical par value of € 100.00) and the capital reserves by € 216.7 million. The amount of the

third tranche, due December 31, 2005, is shown under the item "paid-in contribution for agreed capital increase". The conversion of the third tranche was recorded in the commercial registers on February 9, 2006. After sharing in the losses for 2003 and 2004, the silent contributions to capital were reinstated as of December 31, 2005 with the full net profit for the year of € 341.3 million.

Additional silent contributions to capital were issued in 2005, with one tranche totalling US\$ 300 million and the other € 240 million. The Bank has reported the corresponding interest claims on the balance sheet.

WestLB AG's equity capital pursuant to the German Commercial Code (HGB) stood at € 5,648.1 million following reinstatement of the silent contributions to capital.

€ millions	Total	Changes Resulting from Conversion of the Issued Silent Contributions to Capital	Changes Resulting from the Capital Increase	Reinstatement of the Silent Contributions to Capital	Total
	Dec. 31, 2005				Dec. 31, 2004
Subscribed capital	2,176.6	33.3	348.7	–	1,794.6
Paid-in contribution for agreed capital increase	250.0	–	–	–	250.0
Capital reserves	2,388.3	216.7	610.3	–	1,561.3
Reserves from retained earnings	–	–	–	–	–
Typical silent contribution					
– issued in 2003	363.8	– 250.0	–	341.3	272.5
– issued in 2005	469.4	469.4	–	–	–
Equity capital pursuant to the German Commercial Code (HGB)	5,648.1	469.4	959.0	341.3	3,878.4

Following conversion of the second tranche of silent contributions to capital, the € 166.7 million in authorised capital approved by the shareholders on December 11, 2002 stood at € 100.0 million. Conversion of the third tranche reduces the authorised capital by another € 33.3 million to € 66.7 million.

Liability for Pre-Existing Commitments – Grandfathering (29)

In keeping with the agreement reached between the German government and the European Commission on July 17, 2001, Article 1 § 11 of the Act on Redefining the Legal Status of Public-Law Banking Institutions in North Rhine-Westphalia (Gesetz zur Neuregelung der Rechtsverhältnisse der öffentlich-rechtlichen Kreditinstitute in Nordrhein-Westfalen) stipulates that the former public-law liability mechanisms of institutional liability and guarantor liability will no longer apply to new liabilities and commitments that WestLB enters into after a transitional period which ended on July 18, 2005.

The grandfathering rules for guarantor liability on commitments agreed to prior to July 18, 2005 are as follows:

- All liabilities incurred before July 18, 2001 are fully covered by guarantor liability until the time they mature.

- Guarantor liability will remain in effect in its present form for all liabilities incurred from July 19, 2001 to July 18, 2005, so long as the liabilities mature by December 31, 2015; if they mature after the deadline, guarantor liability will not apply.

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

The following amounts represent those of WestLB's liabilities that are covered by the aforementioned rules:

Balance Sheet Item

€ millions	Maturity incurred prior to July 19, 2001 until maturity		Maturity incurred between July 19, 2001 and July 18, 2005 Payable by December 31, 2015	
Liabilities to customers	3,555.1		17,851.4	
Liabilities to banks	3,423.6		22,362.8	
Certificated liabilities	4,458.9		32,236.8	
Other liabilities	0.0		933.7	
Subordinated liabilities	2,602.6	14,040.2	1,285.5	74,670.2
Total		88,710.4		

Thus, the statutory rules on grandfathering apply to around € 88.7 billion of the liabilities carried on WestLB's balance sheet at December 31, 2005 (2004: € 204.9 billion).

EU Proceedings (30)

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

In 1994, the private sector banks, acting through their association, filed a complaint against the amount of the remuneration for the Wfa capital, alleging that it constituted impermissible aid. The resulting state aid proceedings initiated by the European Commission culminated in the decision of July 8, 1999 that, because the remuneration for the Wfa capital was allegedly too low, approx. € 800.0 million in aid had been awarded between 1992 and 1999.

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

On March 6, 2003, the European Court of First Instance overturned the Commission's 1999 decision, primarily because of the Commission's failure to substantiate its claims. The Court did not make any definitive judgement on the reasonableness of the Wfa remuneration.

Taking into account an understanding reached with the Association of German Banks (BdB) in the summer of 2004 about a reasonable remuneration for the Wfa capital, the European Commission issued a new decision on October 20, 2004. The resulting amount, including interest, which WestLB had to pay was approximately € 1.4 billion. This figure was reported as a liability in the 2004 annual accounts and appeared on the statement of income as an extraordinary expense. By means of an effective payment to the State of North Rhine-Westphalia, WestLB implemented the decision on January 21, 2005, as agreed and within the time specified.

WestLB strengthened its core capital in April and May 2005 with the issue of hybrid Tier 1 capital in two tranches of US\$ 300 million and € 240 million. Each of the issues was 51% placed with private investors. The remaining 49% was assumed by the State of North Rhine-Westphalia on the same terms and conditions. The State of North Rhine-Westphalia injected around € 959 million into WestLB under a capital increase implemented in late October 2005.

These capital injections complied with all conditions set by the European Commission.

Foreign Currency Assets/Foreign Currency Liabilities (31)

At year-end, WestLB had foreign currency assets valued at € 69.8 billion (2004: € 71.3 billion) and foreign currency liabilities valued at € 69.8 billion (2004: € 74.8 billion).

Other Commitments (32)

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

The volume of € 82.5 billion (2004: € 46.3 billion) shown on the balance sheet stems from ordinary domestic and international lending activities, as well as liquidity facilities in connection with asset backed transactions.

Provision of Collateral for Own Liabilities (33)

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

	Dec. 31, 2005 € millions	Dec. 31, 2004 € millions
Liabilities to banks	286.4	630.4
Other liabilities (such as liabilities under securities lending, reverse repo and OTC transactions)	52,883.1	49,099.0
Hedging of pension obligations	14.2	0.0
Total assets pledged	53,183.7	49,729.4

As part of the European Central Bank's peak refinancing facility for open-market transactions, WestLB has deposited or assigned own bonds and securities with a face value of € 4,851.8 million (2004: € 5,280.5 million) as collateral. Accounts receivable totalling € 515.0 million (2004: € 453.2 million) were assigned by the Bank to secure loans made as part of public credit programmes. In some cases, business activities abroad were subject to legal requirements and local practices that required the provision of collateral to public institutions and banks. Compliance with such requirements tied up € 3,764.0 million (2004: € 5,400.0 million) in assets.

Disclosures Pursuant to the Pfandbrief Act (PfandBG) (34)

Outstanding Pfandbriefe and the cover pool backing them pursuant to § 28 (1) Nos. 1 through 3 of the Pfandbrief Act (PfandBG):

	Dec. 31, 2005 € millions
I. Face value	
Public Pfandbriefe	23.0
Cover pool	210.0
Thereof derivatives	–
Excess cover	187.0
II. Net present value (NPV)	
Public Pfandbriefe	23.2
Cover pool	242.0
Thereof derivatives	–
Excess cover	218.8
III. Risk-adjusted NPV	
Public Pfandbriefe	23.2
Cover pool	222.2
Thereof derivatives	–
Excess cover	199.0

Breakdown by Maturity (Residual Maturity)

	Dec. 31, 2005 € millions
Up to 1 year	
Public Pfandbriefe	–
Cover pool	–
Between 1 and 5 years	
Public Pfandbriefe	–
Cover pool	–
Between 5 and 10 years	
Public Pfandbriefe	–
Cover pool	75.0
More than 10 years	
Public Pfandbriefe	23.0
Cover pool	135.0

Outstanding Pfandbriefe and the cover pool backing them pursuant to § 28 (3) Nos. 1 and 2 of the Pfandbrief Act (PfandBG):

Claims Used to Back Public Pfandbriefe

	Dec. 31, 2005 € millions
France	40.0
Government	–
Regional and local authorities	40.0
Other debtors	–
Federal Republic of Germany	75.0
Government	75.0
Regional and local authorities	–
Other debtors	–
Italy	50.0
Government	50.0
Regional and local authorities	–
Other debtors	–
Portugal (including Azores and Madeira)	30.0
Government	–
Regional and local authorities	–
Other debtors	30.0
Belgium	15.0
Government	–
Regional and local authorities	–
Other debtors	15.0
Total	210.0

Total Payments at Least 90 Days in Arrears

	Dec. 31, 2005 € millions
	–

Notes to the Statement of Income

Geographic Breakdown of Income Components (35)

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

€ millions Dec. 31, 2005	Interest Income	Current Income	Commission Income	Net Income from Trading Operations	Leasing Income	Other Operating Income
Germany	7,211.6	710.0	170.0	89.0	0.0	151.6
UK	3,879.4	44.0	158.3	– 83.3	2.3	23.7
Rest of Europe	215.5	2.3	27.6	1.9	26.5	9.5
Far East and Australia	420.4	0.1	16.9	– 6.8	0.0	23.0
North America	4,604.0	23.0	100.6	53.7	0.0	11.6
Offsets	– 8,229.8	0.0	0.0	– 160.9	0.0	– 79.1
Amount reported on the Statement of Income	8,101.1	779.4	473.4	– 106.4	28.8	140.3

The geographic breakdown of income is determined on the basis of the domicile of the branch on whose account the transaction is carried or which is responsible for the transaction. This table includes the profit/loss that was derived from transactions between the regional units, but eliminated from WestLB's statement of income. Current income includes income from profit pooling and (partial) profit transfer agreements.

Administrative and Custodial Services (36)

Services rendered on behalf of third parties include, in particular, custodial services, asset management and the administration of trustee loans.

Result of Leasing Business (37)

Income from the leasing business includes regular lease payments. Expenses from the leasing business include depreciation of the property being leased.

Other Operating Result (38)

	1. 1.–31. 12. 2005 € millions	1. 1.–31. 12. 2004 € millions
Other operating income		
Amount reported on the statement of income	140.3	169.9
including:		
– reimbursements from Group companies and third parties	73.4	78.0
including: income from IT services	21.0	20.4
– income from the write-back of other provisions	14.3	26.1
– rental and property income	12.0	11.7
– gains on the sale of fixed assets	8.3	16.4

	1. 1.–31. 12. 2005 € millions	1. 1.–31. 12. 2004 € millions
Other operating expenses		
Amount reported on the statement of income	224.0	106.5
including:		
– allocations to other provisions	168.9	25.4
– allocations to the reserve fund	25.0	25.0
– losses on the sale of fixed assets	6.7	11.4
– expenses for land and buildings not used by the Bank	3.0	1.3
– expenses for services and benefits in kind	0.3	1.8
– reimbursement of expenses incurred by subsidiaries	0.0	17.0

Audit Fees (39)

Audit fees for the annual accounts amounted to € 3.7 million; € 1.3 million was spent on miscellaneous reports and opinions. No fees were incurred in the year under review for tax advice nor were there any fees for any consulting services provided by the auditors.

Risk Provisions (40)

Allowances for Specific Risks and General Loan Loss Provisions (excl. reserves pursuant to §§ 340 [f, g] HGB)

	2005 € millions	2004 € millions
Beginning balance 1. 1.	2,253.5	3,226.0
Allocations	184.4	419.9
Write-backs	- 348.6	- 532.3
Usage	- 855.8	- 763.2
Market value differences/Other changes	118.2	- 96.9
Ending balance 31. 12.	1,351.7	2,253.5

Write-Downs and Adjustments Pursuant to § 340 (f) (3) and § 340 (c) (2) HGB

	1. 1.-31. 12. 2005 € millions	1. 1.-31. 12. 2004 € millions
Result of provisions	444.7	285.2
Income/expenses from loans and securities	87.6	248.5
including: loans	111.8	234.4
securities	- 24.2	14.1
Income/expenses from participations and securities	357.1	36.7
including: participations	321.4	52.4
securities	35.7	- 15.7

Pursuant to § 340f (3) of the German Commercial Code (HGB), the income and expenses resulting from the evaluation of the lending business were offset by write-ups and write-downs on securities held in the liquidity reserve. The net result was € 87.6 million (2004: € 248.5 million). Similarly, pursuant to § 340c (2) of the German Commercial Code (HGB), the expenses related to shares in affiliated and non-affiliated enterprises, as well as securities held in the investment portfolio, were offset by the income amounts for these investments. The net result was a positive € 357.1 million (2004: € 36.7 million).

Extraordinary Result (41)

Nothing was reported in the extraordinary result for 2005.

Income and Expenses Relating to Different Accounting Periods (42)

There were no major income and expense items relating to different accounting periods in 2005.

Taxes on Income and Revenues (43)

The tax expense of € 65.1 million (2004: € 45.2 million) consisted of € 42.9 million in income taxes charged to domestic operations and € 22.2 million charged to the business of our foreign branches.

Profits Transferred Under a Partial Profit Transfer Agreement (44)

For the first time, the servicing of silent contributions to capital has been reported on a separate line in the income statement: "profits transferred under a partial profit transfer agreement". The profits transferred on the silent contributions to capital issued in the year under review totalled € 23.7 million.

Miscellaneous Items

Contingent Liabilities (45)

WestLB has issued various "letters of undertaking" in conjunction with the residual value guarantees provided by outside companies. These letters of undertaking stipulate conditions, the occurrence of which can entitle the beneficiaries of the residual value guarantees to demand the issuance of counter-guarantees for the outside companies' obligations. These conditions materialised in the year under review, and the beneficiaries requested that WestLB issue counter-guarantees. Negotiations are currently under way with the beneficiaries to determine the form and scope of the guarantees to be issued. Annotations regarding this matter have been included under contingent liabilities.

Effective January 1, 2005, responsibility for the IT infrastructure-related services and web/office applications previously rendered by WestLB Systems was transferred to an outside company. In conjunction with this outsourcing agreement, WestLB AG assumed certain responsibilities with respect to the obligations of the WestLB Group companies that acceded to this agreement.

Letters of Comfort (46)

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. The enterprises covered by these Letters of Comfort and the amount of WestLB's investment quotas in them (direct and indirect) are set forth below.

Group Subsidiaries

Banco WestLB do Brasil S.A., São Paulo	100%
WestLB do Brasil Cayman Ltd., George Town	100%
Bank WestLB Vostok (ZAO), Moscow	100%
Banque d'Orsay S.A., Paris	100%
Compagnie Belge de la WestLB (CBW) S.A., Waterloo	100%
Westdeutsche ImmobilienBank, Mainz	100%
Westdeutsche Immobilienholding GmbH, Düsseldorf	94.6%
WestFonds Immobilien-Anlagengesellschaft mbH, Düsseldorf	100%
WestGkA Management Gesellschaft für kommunale Anlagen mbH, Düsseldorf	100%
WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH, Düsseldorf	100%
WestLB (Italia) Finanziaria S.p.A., Milan	100%
WestLB Asia Pacific Ltd., Singapore	100%
WestLB Bank Polska S.A., Warsaw	100%
WestLB Covered Bond Bank plc, Dublin	100%
WestLB Europa Holding GmbH, Düsseldorf	100%
WestLB Europe (UK) Holdings Ltd., London	100%
WestLB Finance (Credits) Ltd., London	100%
WestLB Fund Investment Ltd., London	100%
WestLB Hungaria Bank Rt., Budapest	100%
WestLB International S.A., Luxembourg	100%
WestLB Ireland plc, Dublin	100%
WestLB Property Services Ltd., London	100%
WestLB Securities Inc., Dover	100%
WestLB Securities Pacific Ltd., Hong Kong	100%
WestLB UK Ltd., London	100%
WestRM – West Risk Markets AG, Baar	100%
WMB Leasing Nine Limited, London	100%

In addition to the general Letters of Comfort listed above, the Bank has issued specific Letters of Comfort to third parties for the following companies:

PE Projektentwicklungsgesellschaft mbH & Co. Büro- und Business Center Büropark Leipzig-Park KG (Medico – Fonds Dresden Bürocenter), Dresden
PE Projektentwicklungsgesellschaft mbH & Co. Büro- und Business Center Büropark Leipzig-Park KG (Medico – Fonds Berlin Badstrasse), Berlin
Westdeutsche ImmobilienBank, Mainz
WestLB Asia Pacific Ltd., Singapore
West Merchant Bank Limited, London

Other Financial Obligations (47)

WestLB's liability to make additional contributions to the Liquiditätskonsortialbank in which it holds a participation remained unchanged at € 65.3 million. The Bank may incur additional obligations with respect to its joint liability for the additional contributions to the Liquiditätskonsortialbank from partners who are members of the German Savings Banks and Giro Association (DSGV).

The deficit resulting from pension obligations not carried on the balance sheet within the meaning of Art. 28 (2) of the Introductory Act to the German Commercial Code (EGHGB) was € 65.0 million.

Other financial obligations stood at € 1,506.4 million, with € 1,025.5 million stemming from rental and leasing obligations and € 475.5 million of that stemming from the rental and leasing obligations to affiliated companies. The agreements run for a maximum of 21 years.

NRW.BANK and WestLB are jointly and severally liable until the end of 2006 for all liabilities that were incurred before the division of Westdeutsche Landesbank Girozentrale. The liability for pre-existing commitments assumed by the former guarantors of WestLB GZ also covers this joint liability of WestLB.

Repurchase commitments from reverse repo transactions amounted to € 508.4 million.

Deposit Insurance and Other Insurance Mechanisms (48)

WestLB is a member of the German Savings Banks and Giro Association (DSGV) and makes contributions to the security reserves of the Landesbanks and Girozentralen. These security reserves constitute protection for contributing banks within the meaning of § 12 of the German Deposit Protection and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz, EAG) and are part of the insurance scheme of the Sparkassen-Finanzgruppe (joint liability system).

The insurance scheme of the German savings banks consists of eleven funds belonging to the regional savings banks and giro associations, the security reserves of the Landesbanks and Girozentralen and the security fund of the Landesbausparkassen, which together form a system of joint liability. There are rules and regulations governing the relationships between regional and national funds that provide for offsetting in cases where coverage is claimed (so-called overflow agreements). In 2005, there was no liability to make additional contributions to the security reserves of the Landesbanks and Girozentralen.

Effective October 1, 2004, each of the two savings banks associations of North Rhine-Westphalia – the Savings Banks and Giro Association of the Rhineland (RSGV) and the Savings Banks and Giro Association of Westphalia-Lippe (WLSGV) – jointly established a reserve fund with WestLB to support WestLB and the member savings banks should any of them face financial difficulties. To this end, both savings banks associations set up in equal parts with WestLB a reserve fund of € 500 million. Both funds consist of € 250 million in cash and an additional funding obligation of the same amount. WestLB has so far made contributions of € 50 million. The remaining € 200 million in cash is to be paid in equal instalments over the next eight years, with the income generated by the funds offsetting the relevant amounts.

Guarantor Liability (49)

Together with its wholly owned subsidiary WestLB Beteiligungsholding GmbH, WestLB AG is a guarantor, to the extent permitted by law, of LRP Landesbank Rheinland-Pfalz, Mainz, (for commitments entered into until October 1, 2004) and HSH Nordbank AG, Hamburg/Kiel. In addition, it is the sole guarantor of Westdeutsche ImmobilienBank, Mainz, and, pursuant to corresponding regulations, is also a guarantor of DekaBank Deutsche Girozentrale, Frankfurt/Main.

Remuneration of the Governing Bodies (50)

	2005 € millions	2004 € millions
Total remuneration of the Managing Board	18.5	14.8
– fixed	14.1	10.8
– performance-based	4.4	4.0
– long-term incentive programmes	0.0	0.0
Total remuneration of former Managing Board members and their survivors	10.3	8.0
Total remuneration of Supervisory Board members	1.1	1.1
– fixed	1.1	1.1
– performance-based	0.0	0.0
– long-term incentive programmes	0.0	0.0
Pension provisions for former Managing Board members and their survivors	56.1	55.9

The € 1.1 million reported as remuneration of the Supervisory Board members represents a lump-sum reimbursement of their out-of-pocket expenses (€ 0.2 million) and a provision established for their compensation (€ 0.9 million). The compensation for the 2005 fiscal year will first be definitively determined by the 2006 Shareholders' Meeting.

Loans to Members of the Governing Bodies (51)

The members of the Managing Board of WestLB received no advances or loans in either 2005 or 2004. The members of the Supervisory Board of WestLB received advances and loans totalling € 0.26 million (2004: € 0.25 million).

Number of Employees (52)

The average number of employees in 2005 was as follows:

	Male	Female	Total 2005	Total 2004
Domestic branches	1,949	1,578	3,527	3,484
Foreign branches	1,038	649	1,687	1,791
Total	2,987	2,227	5,214	5,275

An average of 100 (2004: 157) employees were engaged in apprenticeship training or equivalent training.

Shareholder	Investment Quota	
	Dec. 31, 2005 %	Dec. 31, 2004 %
NRW.BANK	32.008	38.748
State of North Rhine-Westphalia	16.682	–
Savings Banks and Giro Association of the Rhineland	25.475	30.626
Savings Banks and Giro Association of Westphalia-Lippe	25.475	30.626
Regional Association of the Rhineland	0.180	–
Regional Association of Westphalia-Lippe	0.180	–
Total	100.000	100.000

No notices pursuant to § 20 (1) and (5) of the German Stock Corporation Act (AktG) were required in the year under review.

Shareholdings in Major Corporations (54)

The Bank holds more than 5% of the voting rights in the following major corporations (disclosure pursuant to § 340a [4] No. 2 HGB)

AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt/Main
 Banco Finantia S.A., Lisbon
 Compagnie Belge de la WestLB (CBW) S.A., Waterloo
 Coperion Holding GmbH, Stuttgart
 Fraikin Groupe S.A., Levallois Perret
 GEV Gesellschaft für Energie- und Versorgungswerte mbH i.L., Dortmund
 TA Triumph-Adler AG, Nuremberg
 West Pensionsfonds AG, Düsseldorf
 West Private Capital GmbH i.L., Stuttgart
 WestLB Administration Inc., New York
 WestLB Asset Management (Australia) Pty. Ltd., Sydney
 WestLB Basinghall Ltd., London
 WestLB Systems GmbH, Düsseldorf
 WestMerchant Beteiligungs GmbH, Düsseldorf
 WestRM – West Risk Markets AG, Baar

In addition to the disclosure pursuant to § 340a (4) No. 2 of the German Commercial Code (HGB), the following is a list of companies which are fully consolidated into the Group annual accounts:

Banca Carige S.p.A., Genoa
 Banco WestLB do Brasil S.A., São Paulo
 Bank WestLB Vostok (ZAO), Moscow
 Banque d'Orsay S.A., Paris
 Deutsche Anlagen-Leasing GmbH, Mainz
 HSH Nordbank AG, Hamburg/Kiel
 Singapore Aircraft Leasing Enterprise Pte. Ltd., Singapore
 Weberbank Actiengesellschaft, Berlin
 Westdeutsche ImmobilienBank, Mainz
 WestGkA Management Gesellschaft für kommunale Anlagen mbH, Düsseldorf
 WestLB Asset Management Kapitalanlagegesellschaft mbH, Düsseldorf

WestLB Bank Polska S.A., Warsaw
WestLB Covered Bond Bank plc, Dublin
WestLB Europe (UK) Holdings Ltd., London
WestLB Finance Curaçao N.V., Curaçao
WestLB Fund Investments Ltd., London
WestLB Hungaria Bank Rt., Budapest
WestLB International S.A., Luxembourg
WestLB Ireland plc, Dublin
WestLB Limited, London
WestLB New York Capital Investment Ltd., St. Helier
WestLB Property Services Ltd., London
WestLB Securities Inc., Dover
WestLB Securities Pacific Ltd., Hong Kong
West Merchant Bank Limited, London

Shareholdings in Partnerships (55)

Pursuant to § 285 No. 11a of the German Commercial Code (HGB), we provide below a list of partnerships in which WestLB is a general partner:

GbR Industrie- und Handelskammer Rheinisch-Westfälische-Börse, Düsseldorf
GLB GmbH & Co. OHG, Frankfurt/Main
Secofinance WestLB, Paris
Société Civile Immobilière Franco-Allemande (SCIFA), Paris
Woolgate Investments CV, Dublin

Seats Held by Members of the Managing Board (56)

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

Dr. Thomas R. Fischer

AMVESCAP PLC
Audi AG
AXA Konzern AG
DekaBank Deutsche Girozentrale*
Deutscher Sparkassen Verlag GmbH (from January 1, 2005)
Hapag-Lloyd AG
HSH Nordbank AG
Kreditanstalt für Wiederaufbau (KfW) (from January 1, 2005)*
RWE AG
TUI AG (until January 26, 2005)
Weberbank Actiengesellschaft (from December 6, 2005)

Dr. Norbert Emmerich

Aurelis Management GmbH
Deutsche Anlagen-Leasing GmbH (until June 30, 2005)
GFKL Financial Services AG (from June 22, 2005)
Hüttenwerke Krupp Mannesmann GmbH
RAG Immobilien AG (from July 1, 2005)
RWE Energy AG (from April 1, 2005)
TUI AG (until January 26, 2005)
Weberbank Actiengesellschaft (from December 6, 2005)
Westdeutsche ImmobilienBank*
WestLB International S.A.

Klaus-Michael Geiger

ThyssenKrupp Steel AG (from October 27, 2005)
WestLB International S.A. (from October 5, 2005)

Dr. Hans-Jürgen Niehaus

Westdeutsche ImmobilienBank (from April 15, 2005)*
WestLB International S.A. (from October 5, 2005)

Dr. Manfred Puffer

Börse Düsseldorf AG (until June 6, 2005)
Deutsche Anlagen-Leasing GmbH (until March 6, 2005)
Österreichische Bundesfinanzierungsagentur Ges.m.b.H.
ThyssenKrupp Stahl AG (until October 17, 2005)
WestLB Basinghall Ltd. (until September 28, 2005)
WestLB Covered Bond Bank plc (until August 31, 2005)
WestLB International S.A. (until September 28, 2005)
WestLB Securities Inc. (until August 31, 2005)
WestLB Securities Pacific Ltd. (until August 31, 2005)

Rainer Schmitz

Banque d'Orsay S.A.
Börse Düsseldorf AG (from June 6, 2005)
Deka Investment GmbH
West Pensionsfonds AG
West Pensionskasse AG
WestLB Asset Management Kapitalanlagegesellschaft mbH
WestLB Securities Inc. (from September 28, 2005)

Robert M. Stein

Banque d'Orsay S.A.
WestLB Asset Management Kapitalanlagegesellschaft mbH
WestLB International S.A.

Dr. Matthijs van den Adel

RWE Energy AG
Westdeutsche ImmobilienBank*
WestLB International S.A.
WestLB Securities Pacific Ltd. (from October 7, 2005)

Seats Held by Employees (57)

The following employees are members or chairs of the following companies' supervisory boards. Seats marked with an asterisk indicate voluntary disclosures that fall outside of the reporting requirements regarding seats on the boards of large corporations pursuant to § 340a (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

Franz-Josef Becker

Bank WestLB Vostok (ZAO) (until June 30, 2005)
WestLB Bank Polska S.A. (until August 31, 2005)
WestLB Covered Bond Bank plc (until August 30, 2005)
WestLB Ireland plc (until August 31, 2005)

Heiner Böhmer

WestLB Basinghall Ltd. (from September 28, 2005)

Dr. Corinna Brandi

Malteser Krankenhaus St. Anna GmbH

Holger Bredekamp

Wohnungsgesellschaft Münsterland mbH

Ian Claisse

Bank WestLB Vostok (ZAO) (from June 30, 2005)

Peter Clermont

WestLB Securities Pacific Ltd. (from October 1, 2005 to December 31, 2005)

Ian Clifton

WestLB Covered Bond Bank plc
WestLB Securities Pacific Ltd. (until June 30, 2005)

André Cohen

Singapore Aircraft Leasing Enterprise Pte. Ltd.

Neil Colverd

WestLB Covered Bond Bank plc

Trevor Cowan

WestLB Bank Polska S.A. (from January 25, 2005 to December 31, 2005)

Lourens de Beer

Bank WestLB Vostok (ZAO) (until June 30, 2005)
WestLB Bank Polska S.A. (until January 24, 2005)
WestLB Hungaria Bank Rt. (until February 15, 2005)

Robert De La Mare Peddar

Volcan Compania Minera S.A.A. (until October 30, 2005)

Moses Dodo

Banco WestLB do Brasil S.A.
Compagnie Belge de la WestLB (CBW) S.A.*
WestLB Administration Inc.
WestLB Securities Inc. (from May 4, 2005)

Thorsten Ellwanger

WestLB AG

Dr. Hendirk Ernaelsteen

Compagnie Belge de la WestLB (CBW) S.A.*

Maurizio Fazzari

Banca Carige S.p.A.

Dr. Patrick Fürer

Bank WestLB Vostok (ZAO) (from February 15, 2005)
WestLB Bank Polska S.A. (from February 15, 2005)

Kerstin Heidler

Deka International Ireland Ltd. (until December 1, 2005)

Herbert Jackel

Banco Finantia S.A. (from May 2, 2005)

Manfred Kammans

WestLB Bank Polska S.A.

Horst Klophaus

WestLB AG

Gerhard Knoke

Compagnie Belge de la WestLB (CBW) S.A. (until April 30, 2005)*
Westdeutsche ImmobilienBank (until April 15, 2005)*

Dirk Körner

Bank WestLB Vostok (ZAO)
WestLB Bank Polska S.A.
WestLB Hungaria Bank Rt.

Marcus Kramer

Banco WestLB do Brasil S.A. (from August 1, 2005)
Bank WestLB Vostok (ZAO) (from August 1, 2005)
Singapore Aircraft Leasing Enterprise Pte. Ltd.
Westdeutsche ImmobilienBank*

Joachim Krämer

WestLB AG

Kurt Lambert

WestLB Administration Inc. (from January 5, 2005)

Dagmar Lange

Fraikin Groupe SA

Gerd-Uwe Löschmann

WestLB AG

Manfred Matthewes

WestLB AG

Thomas McCaffery

Banco WestLB do Brasil S.A. (from August 1, 2005)

WestLB Administration Inc. (from January 5, 2005)

Reinhold L. Mestwerdt

Hugo Boss AG (from May 11, 2005)

Peter Minhorst

WestLB Covered Bond Bank plc (from November 1, 2005)

James (Jim) Morris

Formula One Holdings Ltd. (until September 30, 2005)

Michael Morrison

WestLB Property Services Ltd.

Erik Nagel

Banque d'Orsay S.A.

Compagnie Belge de la WestLB (CBW) S.A.*

Singapore Aircraft Leasing Enterprise Pte. Ltd.

West Pensionsfonds AG

West Pensionskasse AG

WestLB Securities Pacific Ltd.

Klaus Neuhaus

WestInvest Gesellschaft für Investmentfonds mbH

(from March 17, 2005 to December 31, 2005)

Dr. Wolfgang Nickels

Bank WestLB Vostok (ZAO)

Luke Nunneley

WestLB Asset Management Kapitalanlagegesellschaft mbH

Werner Peters

WestLB Asset Management Kapitalanlagegesellschaft mbH

Matthias Renner

WestLB Hungaria Bank Rt.

Wolfgang Richter

Banque d'Orsay S.A. (until January 1, 2005)

Singapore Aircraft Leasing Enterprise Pte. Ltd. (until January 1, 2005)

West Pensionsfonds AG (until January 1, 2005)

West Pensionskasse AG (until January 1, 2005)

Albrecht Sabelus

WestLB Securities Pacific Ltd. (until June 30, 2005)

Heinz-Günter Sander

WestLB AG

Frank Schmitz

Legrand S.A.

Singapore Aircraft Leasing Enterprise Pte. Ltd.

Jürgen Schneider

JT International Germany GmbH

Detlef Semberg

AKA Ausfuhrkredit-Gesellschaft mbH

Frank Simon

WestRM – West Risk Markets AG

Bernhard Thiel

West Pensionsfonds AG

West Pensionskasse AG

Karl-August Trawny

Bank WestLB Vostok (ZAO)

Conditorei Coppenrath & Wiese GmbH & Co. KG, Osnabrück (from July 1, 2005)

Deutsche Anlagen-Leasing GmbH (from March 7, 2005 to June 30, 2005)

Deutsche Leasing AG (until February 24, 2005)

WestLB Asset Management Kapitalanlagegesellschaft mbH

WestLB Bank Polska S.A.

WestLB Hungaria Bank Rt. (from April 20, 2005)

Ulrich Verkamp

WestLB Hungaria Bank Rt. (from February 15, 2005)

Joachim Voss
technotrans AG

Elisabeth Weber
WestLB AG

Andreas Roger Weiss
mfi Management für Immobilien AG

Dr. Alexander Winkels
Klöckner & Co AG (until March 16, 2005)
Madaus AG (until March 16, 2005)
Schmitz Cargobull AG (until July 31, 2005)

Governing Bodies of WestLB (58)

Managing Board of WestLB

Dr. Thomas R. Fischer, Chairman
Dr. Norbert Emmerich, Vice Chairman
Dr. Matthijs van den Adel
Klaus-Michael Geiger
Dr. Hans-Jürgen Niehaus
Dr. Manfred Puffer (until August 31, 2005)
Rainer Schmitz (Deputy Member)
Robert M. Stein

Members of the Supervisory Board of WestLB

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

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

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

Jochen Dieckmann (until June 22, 2005)
Former Finance Minister, State of North Rhine-Westphalia

Thorsten Ellwanger
Prokurist, WestLB AG Hamburg

Bernd Fiegler

Deputy Regional Director, ver.di Vereinte Dienstleistungsgewerkschaft

Horst-Wolfgang Klophaus

Associate Director, WestLB AG Düsseldorf

Hans-Peter Krämer (until January 31, 2006)

Chairman of the Managing Board, Kreissparkasse Köln

Joachim Krämer

Senior Managing Director, WestLB AG Düsseldorf

Dr. Gerhard Langemeyer (from March 23, 2005)

Lord Mayor, City of Dortmund

Dr. Helmut Linssen (from August 23, 2005)

Finance Minister, State of North Rhine-Westphalia

Manfred Matthewes

Prokurist, WestLB AG Düsseldorf

Udo Molsberger

Regional Director, Regional Association of the Rhineland

Hans Pixa (until January 3, 2005)

District Administrator (ret.), Coesfeld District

Dr. Hans-Ulrich Predeick

Regional Councillor, Regional Association of Westphalia-Lippe

Dr. Dietrich Rümker

Former Chairman of the Managing Board, Landesbank Schleswig-Holstein
(c/o HSH Nordbank AG)

Heinz-Günter Sander

Bank Officer, WestLB AG Düsseldorf

Gustav Adolf Schröder

Chairman of the Managing Board, Sparkasse KölnBonn

Franz-Georg Schröermeyer

Secretary for Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft

Christiane Stascheit

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

Hans-Georg Vogt

Chairman of the Managing Board, Sparkasse Bielefeld

Elisabeth Weber

Prokurist, WestLB AG Düsseldorf

Heinz Welter (from February 1, 2006)

Chairman of the Managing Board, Sparkasse Neuss

Düsseldorf/Münster, February 21, 2006

WestLB AG

The Managing Board

Dr. Fischer
Schmitz

Dr. van den Adel
Dr. Niehaus

Dr. Emmerich
Stein

Geiger

Auditor's Opinion

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

"We have audited the annual accounts, which consist of the balance sheet, statement of income and notes to the annual accounts, together with the bookkeeping system, and the statement of financial condition prepared by WestLB AG, Düsseldorf/Münster, for the financial year ending December 31, 2005. The bookkeeping and preparation of the annual accounts and statement of financial condition according to German commercial law regulations is the responsibility of the legal representatives of the Company. It is our task to give an opinion on the annual accounts, together with the bookkeeping system, and the statement of financial condition on the basis of our audit.

We carried out our audit in accordance with § 317 of the German Commercial Code (HGB) while complying with the German principles of proper auditing laid down by the Institute of German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer). According to these principles, the audit must be planned and carried out in a way which ensures that errors and infringements which have a material impact on the presentation of the Company's net assets, financial condition and earnings in the annual accounts and statement of financial condition can be identified as not being in accordance with generally accepted accounting principles. When defining the audit processes, knowledge of the business activities and economic and legal environment of the Company 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 books, annual accounts and statement of financial condition are for the most part assessed on the basis of samples. The audit covers an assessment of the accounting principles applied and the relevant estimates made by the legal representatives as well as an opinion on the overall presentation of the annual accounts and 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.

Based on our findings, we are of the opinion that the annual accounts are in compliance with the statutory regulations and, taking into account standard accounting principles, present a true and fair view of the net assets, financial condition and earnings of the Company. The statement of financial condition is consistent with the annual accounts and adequately reflects the Company's situation as well as the opportunities and risks inherent in its future development."

Frankfurt, February 21, 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Pfitzer
German Public Accountant

Müller-Tronnier
German Public Accountant

Report of the Supervisory Board

For WestLB AG, 2005 was the first full fiscal year after the Bank's strategic reorientation. During the year the Bank made significant progress towards safeguarding and expanding its competitive position. Advances particularly included the resumption of business in private banking through the acquisition of Weberbank, the cooperation with Mellon Financial Corporation and DekaBank in asset management, the establishment of a joint venture to purchase, restructure and sell non-performing loans, and the inception of Pfandbrief business. Other important steps included signing a cooperation agreement with Sachsen LB and Sachsen-Finanzgruppe and the reorientation of our investment banking business to focus more clearly on our customers.

Adequate capitalisation is essential if WestLB is to operate successfully in the market. Here the Bank strengthened its base in 2005. Steps in this direction during the first half included two issues of hybrid Tier 1 capital for US\$ 300 million and € 240 million, over 50% of which was placed with private investors. Another step was the capital increase of approximately € 959 million carried out in November by the State of North Rhine-Westphalia.

Thus, under the competent guidance of the Supervisory Board, WestLB AG systematically remained on track with the strategy it initiated in 2004. This strategy is founded on the close alliance with the savings banks in North Rhine-Westphalia and the targeted expansion of business with mid-cap companies. In its core lines of business, the Bank is now well equipped for the period following the expiry of the state guarantees on July 19, 2005.

In addition to the challenges posed by the market, in the past few years the Bank has had to address a variety of issues of European law in conjunction with the integration of the Wohnungsbauförderungsanstalt of the State of North Rhine-Westphalia. The European Commission's decision of October 20, 2004 in this matter was implemented properly and on time by the Bank by a payment to the state of approximately € 1.4 billion on January 21, 2005, to be charged against the 2004 income statement. At the Group level, the charges resulting from the EU aid proceedings amounted to more than € 1.5 billion. With those proceedings now at an end, both the Supervisory Board and the Managing Board are free to turn their full attention to the tasks that lie ahead.

The above issues dominated the work of both the Supervisory Board and the committees formed from among its ranks. Members actively assisted the Bank's Managing Board with expert advice within the scope of the duties required of the Supervisory Board by law.

Changes in the Composition of the Supervisory Board and Managing Board

The Supervisory Board underwent the following changes in 2005: Dr. Gerhard Langemeyer, Lord Mayor of the City of Dortmund, was appointed to the Supervisory Board by the Annual Shareholders' Meeting on March 23, 2005. He succeeded Hans Pixa, Retired District Administrator of the Coesfeld District, who had resigned as of January 3, 2005.

Additionally, Jochen Dieckmann, former Minister of Finance of the State of North Rhine-Westphalia, resigned as of June 22, 2005. His successor as Finance Minister, Dr. Helmut Linssen, was elected to the Supervisory Board by the Annual Shareholders' Meeting on August 23, 2005.

In the current year, 2006, Hans-Peter Krämer, former Chairman of the Managing Board of Kreissparkasse Köln, resigned from the Supervisory Board as of January 31, 2006; his successor, Heinz Welter, Chairman of the Managing Board of Sparkasse Neuss, was appointed to the Supervisory Board as of February 1, 2006. Dr. Gerhard Langemeyer and Franz-Georg Schröermeyer resigned effective April 1, 2006. Dr. Siegfried Luther, former Deputy Chairman of the Managing Board of Bertelsmann AG, was appointed to the Supervisory Board by the Annual Shareholders' Meeting on April 24, 2006 as the successor of Dr. Gerhard Langemeyer. Rolf Finger, who succeeds Franz-Georg Schröermeyer, was elected to the Supervisory Board effective April 1, 2006.

Some of these departing members have been associated with the Bank for many years, and the Supervisory Board would like to take this opportunity to thank all of them for their outstanding work on behalf of the Bank and their dedication in assisting with its reorientation.

The following changes occurred in the composition of the Managing Board during the year under review:

Dr. Norbert Emmerich, who has been a member of the Managing Board since May 1, 2004, has also been its Vice Chairman since May 1, 2005.

Dr. Manfred Puffer resigned from the Managing Board as of August 31, 2005.

During the current year, Rainer Schmitz resigned as a deputy member of the Managing Board and Employee Relations Director, effective March 14, 2006. At its meeting on March 29, 2006, the Supervisory Board appointed Dr. Matthijs van den Adel as the new Employee Relations Director.

Supervision and Advising of Management

In the 2005 fiscal year, the Supervisory Board of WestLB AG fulfilled the tasks of supervising and advising management incumbent upon it under the requirements of law and the Bank's articles and bylaws. In addition to its regular meetings, the Board also convened three special meetings at short notice.

The Supervisory Board supervised and examined the Managing Board's management activities on the basis of the information contained in the documents that were provided. All matters requiring the approval of the Supervisory Board were submitted by the Managing Board for a decision.

The Managing Board also informed the Supervisory Board regularly about business policy and other fundamental aspects of corporate management and planning, strategy, the earnings situation of the Bank, risk management and transactions of material importance. Between meetings, the Managing Board kept the Supervisory Board up to date via written reports about important and current events.

In addition, the Chairman and Deputy Chairman of the Supervisory Board and the Chairman of the Managing Board regularly discussed current developments and decisions.

Supervisory Board Meetings

There were four regular and three special meetings of the Supervisory Board in the year under review.

At the regular meetings, the Managing Board presented regular reports to the Supervisory Board about the Bank's business situation, and the Chairmen of the Audit Committee and Risk Committee reported on their committees' work; the Supervisory Board made decisions concerning important equity investments and, when needed, appointed new members to the advisory councils.

Additionally, the following topics in particular were discussed at the individual meetings:

At the regular meeting of the Supervisory Board held on February 17, 2005, the Supervisory Board discussed the status of the EU proceedings. It adopted a recommendation that the Annual Shareholders' Meeting appoint Dr. Gerhard Langemeyer to the Supervisory Board, and it adopted the report on compliance with corporate governance rules in 2004.

The special meeting on March 23, 2005 also dealt with the EU proceedings. At this meeting, the Supervisory Board adopted a recommendation that the Annual Shareholders' Meeting approve an inter-company agreement in connection with the placement of the silent contribution to capital.

Another special meeting, on April 26, 2005, decided on the course of action for the acquisition of Weberbank.

In addition to matters associated with the annual accounts (single-entity annual accounts, Group annual accounts, the Report of the Supervisory Board in the Annual Report, ratifying the acts of the Managing Board and Supervisory Board members, appointing the auditors), the meeting of the Supervisory Board on May 18, 2005 appointed Dr. Gerhard Langemeyer to various committees.

The special meeting of the Supervisory Board on August 23, 2005 adopted two recommendations for resolutions to be deliberated in the Annual Shareholders' Meeting: an increase in capital by way of a capital increase provided by the State of North Rhine-Westphalia and the appointment of Finance Minister Dr. Helmut Linszen to the Supervisory Board. The Supervisory Board also consented to Dr. Manfred Puffer's resignation from the Managing Board.

At the meeting on September 19, 2005, Finance Minister Dr. Helmut Linszen was elected to the Executive Committee. A decision was also adopted on the conversion of a further tranche of the silent contribution to capital of January 2, 2003, and the Board noted that a new D&O policy had been taken out for 2006.

At the last meeting of the year on December 5, 2005, the Supervisory Board adopted a recommendation for the Annual Shareholders' Meeting to appoint Heinz Welter, Chairman of the Managing Board of Sparkasse Neuss, to the Supervisory Board. It also adopted a change in its own rules for conducting business and those of the Managing Board, to bring the Bank into line with the German Corporate Governance Code as of January 1, 2006.

Work in the Committees

The Executive Committee prepared the meetings of the Supervisory Board at four regular meetings held on February 17, 2005, May 18, 2005, September 19, 2005, and December 5, 2005, and at three special meetings held on March 23, 2005, April 26, 2005 and August 23, 2005. At the regular meetings, the Managing Board mandates and general Managing Board affairs were also standard topics for the Committee's work.

The Audit Committee met three times in the year under review. At its special meeting on January 25, 2005, it addressed the audit under § 36 (1) of the German Securities Trading Act for calendar 2003 and 2004, the status of the project to reduce the scope of clearing accounts, the status of the IAS project and the Bank's bonus system.

The Audit Committee's regular meeting on March 23, 2005 focused on three sections of annotations from the audit report prepared on the 2004 annual accounts of WestLB by the external auditors, Ernst & Young (Section II [Lending Business], Section III [Equity Investments Business] and Section IV [Trading Business]). It also dealt with changes in personnel expenses in 2003 and the 2004 annual summary report prepared by Group Audit.

At its second regular meeting on April 26, 2005, the Audit Committee examined the main report on the audit of the 2004 annual accounts of WestLB AG (including Section I of the annotations) and the report on the audit of the Group annual accounts for 2004. It also discussed the 2004 subordinate status report of WestLB, and gave recommendations to the Supervisory Board concerning ratifying the acts of the Managing Board for fiscal 2004 and reappointing the auditors Ernst & Young.

The Risk Committee met a total of five times in 2005. At its meetings on January 25, 2005, April 20, 2005, May 18, 2005, September 2, 2005 and November 14, 2005, it discussed the credit risks that are subject to its review by law and by virtue of the articles and bylaws (in particular large loans and loans to members of the Bank's governing bodies), issuing its approval where required.

In addition to status reports on particular exposures and issues (including Basle II preparations and rating procedures), it discussed recent developments at each of its meetings. Current topics for discussion by the Risk Committee included – at the meeting on January 25, 2005 – the reorganisation of risk management and of lending processes or approval procedures, the Bank's overall exposure and risks in the real estate finance sector; the meeting on April 20, 2005 discussed the minimum requirements for risk management; the meeting on May 18, 2005 discussed the credit trade framework; the meeting on September 2, 2005 discussed the credit risk strategy and operational risk management; and the meeting on November 14, 2005 discussed the risks in the structured/alternative investment business as well as the Bank's targets for sustainability.

The Mediation Committee did not meet in 2005.

Essential Features of the Compensation System for Managing Board Members

The responsibility for determining the compensation of the members of WestLB AG's Managing Board rests with the Supervisory Board's Executive Committee. In particular, the Executive Committee determines the salaries and other forms of compensation for Managing Board members, including pension commitments. Employment agreements detailing the remuneration have been executed with the members of the Managing Board. These contracts include a fixed compensation component and a variable component in the form of a year-end bonus. The fixed component includes non-cash compensation awarded in customary amounts. The amount of the individual bonus depends on a performance review, the chief focus of which is the attainment of business goals. The compensation paid in 2005 to active Managing Board members, as well as former Managing Board members and their survivors, is provided in the Notes to the annual accounts.

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

At its meetings on March 29, 2006, and May 11, 2006, the Supervisory Board examined the Bank's 2005 annual accounts. Those same meetings also discussed the Group annual accounts prepared by the Managing Board. In a timely manner, Supervisory Board members received copies of the single-entity annual accounts and statement of financial condition prepared by the Managing Board for the Bank, the Group annual accounts and Group statement of financial condition, the external auditors' reports on the single-entity annual accounts and Group annual accounts, as well as the annual summary report prepared by Group Audit pursuant to the Minimum Requirements for the Internal Audit Function of Banks.

The Audit Committee discussed the external auditors' reports on the single-entity annual accounts and Group annual accounts at its meetings on March 24, 2006 and May 3, 2006. The external auditors, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, attended both meetings. The external auditors audited the single-entity annual accounts and statement of financial condition, as well as the Group annual accounts and Group statement of financial condition, for the 2005 fiscal year. The annual accounts and statements of financial condition of WestLB AG and WestLB Group, as well as the bookkeeping on which they are based, received the external auditors' unqualified audit opinion.

The Supervisory Board and the Audit Committee formed from among its members examined the annual accounts and statements of financial condition and discussed in detail the reports of the external auditors on the results of their audit. Following the final result of the audit, they raised no objections. The Supervisory Board adopted the single-entity annual accounts and approved the Group annual accounts at its meeting on May 11, 2006.

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

" ...

Our audit resulted in no objections.

In our opinion founded on the information obtained in the audit, the annual accounts comply with the requirements of law and, in compliance with standard accounting principles, present a true and fair view of the net assets, financial condition and earnings of the Company. The statement of financial condition is consistent with the annual accounts, accurately reflects the Company's situation and correctly portrays the opportunities and risks inherent in its future development."

The Supervisory Board thanks the Managing Board and all employees for the work they have done during the past fiscal year.

Düsseldorf/Münster, May 11, 2006

The Chairman of the Supervisory Board



Dr. Rolf Gerlach

Corporate Governance at WestLB AG

Commitment

WestLB is committed to effective corporate governance which meets high international standards. This is why our mission revolves around responsible management and control aimed at sustainable value generation. Believing that a commitment to corporate governance should go beyond compliance with formal requirements, we seek to ensure that the spirit of corporate governance pervades the day-to-day activities of all our employees, and in particular the interaction between Managing Board and Supervisory Board.

Transparency and Control

WestLB is not a listed company and is therefore not required to comply with the German Corporate Governance Code (DCGK). In August 2002 we drafted our own corporate governance rules based on the DCGK. These rules are incorporated into the rules of procedure for the Managing Board and Supervisory Board, making WestLB one of the first non-listed financial institutions in Germany to voluntarily endorse a set of corporate governance rules.

Regular monitoring ensures compliance with our corporate governance rules. The Supervisory Board and Managing Board herewith declare that WestLB complied with its corporate governance rules during the 2005 financial year. With respect to compensation paid to the members of the Supervisory Board, a fixed remuneration was determined and endorsed by the Annual Shareholders' Meeting on May 13, 2004.

German Corporate Governance Code Binding from January 1, 2006

Beginning in the 2006 financial year, WestLB AG will abandon its own corporate governance rules and will instead comply with the DCGK. By endorsing the DCGK, WestLB will become an even more transparent institution in the eyes of customers, investors, employees and the general public, particularly with respect to the requirements of the international financial markets.

Düsseldorf/Münster, March 29, 2006



Dr. Rolf Gerlach
Chairman of the Supervisory Board



Dr. Thomas R. Fischer
Chairman of the Managing Board

Financial Calendar

May 11, 2006	Interim Report January 1 – March 31, 2006
August 10, 2006	Interim Report January 1 – June 30, 2006
November 9, 2006	Interim Report January 1 – September 30, 2006

Subject to changes

Contact Addresses

WestLB AG

Herzogstraße 15
40217 Düsseldorf
Tel. + 49 211 826-01
Fax + 49 211 826-6119
www.westlb.com

Publication Services
Herzogstraße 15
40217 Düsseldorf
Tel. + 49 211 826-3027
Fax + 49 211 826-6121
presse@westlb.de
ir@westlb.de

The Financial Report is also available in German and on the Internet at [www.westlb.com/Investor Relations](http://www.westlb.com/Investor%20Relations).

Disclaimer

Reservation regarding forward-looking statements

This Financial Report contains forward-looking statements on our business and earnings performance, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors which influence our business and to a great extent lie beyond our sphere of influence. Above all, these include the economic situation, the state of the financial markets worldwide and possible loan losses. Actual results and developments may, therefore, diverge considerably from our current assumptions, which, for this reason, are valid only at the time of publication. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.



New Answers in Banking



WestLB AG
Herzogstraße 15
40217 Düsseldorf
www.westlb.com