



Annual Accounts 1997

Westdeutsche Landesbank Girozentrale Düsseldorf Münster

Annual Accounts 1997

Key Figures

WestLB

(in DM millions)	1993	1994	1995	1996	1997
Total assets	263,979	276,342	307,021	349,761	456,701
Business volume	305,328	322,327	363,684	423,431	548,953
Credit volume	209,612	257,802	292,287	333,983	429,373
Certificated liabilities	91,879	98,538	105,448	114,974	121,557
Deposits	142,722	151,387	173,811	204,593	297,337
Capital and reserves	14,580	14,958	15,313	16,557	19,246
Nominal volume of derivatives	–	427,872	404,622	583,296	1,629,509
Net interest income	2,332	2,518	2,326	2,779	3,064
Net commission income	332	341	332	348	395
Trading result	193	– 33	30	142	201
Personnel expenses	959	896	986	1,153	1,272
Other administrative expenses	645	653	695	874	1,060
Operating profit before provision for risks	1,281	1,295	1,071	1,337	1,343
Profit after taxes	454	479	488	509	542
Allocation to capital of Wohnungsbauförderungsanstalt	120	143	127	147	156
Staff	7,107	7,040	7,031	6,891	7,271

WestLB Group

(in DM millions)	1993	1994	1995	1996	1997
Total assets	332,615	378,573	428,622	470,749	603,798
Business volume	390,757	445,382	522,119	587,266	760,759
Credit volume	253,496	332,758	374,947	413,846	548,904
Certificated liabilities	101,803	123,231	135,760	150,645	170,002
Deposits	208,311	220,927	256,209	281,234	384,765
Capital and reserves	16,012	17,292	17,808	18,990	23,460
Nominal volume of derivatives	–	506,016	510,249	717,557	1,772,367
Net interest income	3,269	3,595	3,813	3,934	4,392
Net commission income	1,528	1,512	1,392	1,652	1,993
Trading result	398	19	288	427	569
Personnel expenses	2,132	2,042	2,232	2,518	2,750
Other administrative expenses	1,523	1,610	1,749	2,201	2,580
Operating profit before provision for risks	1,767	1,778	1,829	1,863	2,001
Profit after taxes	601	618	667	735	727
Allocation to capital of Wohnungsbauförderungsanstalt	120	190	147	186	156
Staff (Banking Group*)	9,024	9,353	9,670	10,009	10,116

* excluding jointly-managed companies

Contents

WestLB Group Annual Accounts for 1997	
Statement of Financial Condition	6
Balance Sheet	10
Statement of Income	14
Notes to the WestLB Group Annual Accounts	16
WestLB Annual Accounts for 1997	
Statement of Financial Condition	44
Balance Sheet	50
Statement of Income	54
Notes to the WestLB Annual Accounts	56
WestLB Addresses	81

WestLB Group Annual Accounts for 1997

Statement of Financial Condition

Balance Sheet

Statement of Income

Notes to the WestLB Group Annual Accounts

WestLB Group Statement of Financial Condition as at December 31, 1997

WestLB Group again showed generally positive development in 1997.

The concentration of the European network at WestLB was completed with the transfer of the Istanbul and Izmir Branches of the former Westdeutsche Landesbank (Europa) AG to WestLB and the integration of the Milan Branch into WestLB Italia. The acquisition by Landesbank Schleswig-Holstein of a 49.5% interest in Hamburgische Landesbank also resulted in a pro-rata enlargement of the WestLB Group.

Group business volume grew by 29.5% to DM 760.7 (1996: 587.3) billion in 1997. Both the balance sheet total and off-balance-sheet items contributed equally to this development. With operating profit before risk provisions exceeding DM 2 billion for the first time, the Group improved the already good level of the previous year.

The 28.3% growth in total assets to DM 603.8 billion was predominantly due to the DM 106.9 billion increase in WestLB's individual accounts to DM 456.7 billion. In addition, the first-time pro-rata consolidation of Hamburgische Landesbank Girozentrale in the Landesbank Schleswig-Holstein Group contributed approx. DM 23.9 billion to the growth in total assets.

Key Figures for 1997

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Business volume	760,759	587,266	173,493	29.5
Total assets	603,798	470,749	133,049	28.3
Operating profit before risk provisions	2,001	1,864	137	7.4

At WestLB, growth primarily resulted from the expansion of business at its foreign branches.

The Group companies listed below contributed essentially to the growth in the Group's total assets.

The Group's marked growth last year was attributable in particular to a higher credit volume and a substantial increase in securities holdings.

Credit Volume

There was a considerable increase in our credit volume in 1997, supported also by the positive development of exchange rates in the main trading currencies.

In the balance sheet, claims on banks and customers increased markedly, rising by DM 55.5 billion and DM 47.9 billion respectively.

Composition of the WestLB Group

	Total Assets	Total Assets
	DM billions	DM billions
	1997	1996
WestLB Group	603.8	470.7
of which – unconsolidated –:		
– Westdeutsche Landesbank, Düsseldorf	456.7	349.8
– Landesbank Schleswig-Holstein, Kiel (Group, pro rata, incl. Hamburgische Landesbank)	69.0	41.3
– Landesbank Rheinland-Pfalz, Mainz (Group, pro rata)	34.2	30.8
– WestLB International, Luxembourg	24.8	23.4
– West Merchant Bank, London	16.5	10.3
– Thomas Cook Group, London	7.4	6.6
– BEAL S.A. Group, Brussels	8.2	5.0
– WestLB France, Paris	5.1	4.7
– WestLB Italia, Milan	6.1	1.7

Portfolio Development

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Credit volume	548,904	413,846	135,058	32.6
Securities holdings	132,330	99,889	32,441	32.5
Equity investments in affiliated and non-affiliated companies	6,061	6,346	- 285	- 4.5
Other assets	34,958	37,475	- 2,517	- 6.7
Deposits	384,765	281,234	103,531	36.8
Certificated liabilities	170,002	150,645	19,357	12.8
Capital and reserves (incl. supplementary capital)	23,460	18,990	4,470	23.5
Other liabilities	25,571	19,880	5,691	28.6
Total assets	603,798	470,749	133,049	28.3

Credit Volume

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Claims on banks	202,475	146,957	55,518	37.8
Claims on customers	227,974	180,083	47,891	26.6
Contingent liabilities	21,549	16,690	4,859	29.1
Irrevocable credit commitments	96,906	70,116	26,790	38.2
Total credit volume	548,904	413,846	135,058	32.6

In off-balance-sheet business, the increase in irrevocable credit commitments by DM 26.8 billion deserves special mention.

Securities Holdings

Group funds invested in securities rose substantially last year by DM 32.4 billion to DM 132.3 billion. Of this increase, WestLB accounted for DM 22.3 billion, primarily as a result of the growth in its trading activities. In addition, the Group securities investment portfolios, in particular, were increased.

Total bonds and other interest-bearing securities of DM 125.9 billion were broken down as follows:

- trading portfolio
DM 29.7 (12.7) billion
- investment portfolio
DM 66.3 (55.7) billion
- liquidity reserve
DM 29.9 (27.2) billion

Holdings of shares and other non-interest-bearing securities increased by DM 2.1 billion to DM 6.4 billion.

Other Asset Holdings

Within the other asset holdings, there were reductions in cash, debt instruments issued by public institutions and bills of exchange as well as trust assets and equity investments in non-affiliated companies, although these did not have any significant impact on the balance-sheet structure due to the small volumes involved.

Deposits and Borrowed Funds

In order to finance the growth in lending business, the Group made greater use of bank and customer deposits, which rose by DM 58.8 billion and DM 44.7 billion respectively. Refinancing funds provided by the savings banks remained largely unchanged from the previous year.

Certificated Liabilities

Certificated liabilities increased by DM 19.4 billion or 12.8% to DM 170.0 billion. In terms of volume, certificated liabilities are no longer the Group's primary source of funding.

Equity Capital and Reserves

WestLB Group's equity capital and reserves rose by DM 19.0 billion to DM 23.5 billion as a result of the issue of subordinated liabilities and profit-participation certificates. The fund for general bank risks, which forms part of the core capital, increased from DM 506 million to DM 545 million.

The increase in equity capital is attributable primarily to the retention of profits and the first-time consolidation of Hamburgische Landesbank Girozentrale in the Landesbank Schleswig-Holstein Group.

Statement of Income

At DM 2.001 billion, Group operating profit was up 7.4% on the previous year, exceeding DM 2 billion for the first time.

The DM 458 million increase in net interest income to DM 4.392 billion was achieved for the most part by

Deposits and Borrowed Funds

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Liabilities to affiliated savings banks	11,222	12,194	- 972	- 8.0
Liabilities to other banks	217,496	157,734	59,762	37.9
Liabilities to customers	156,047	111,306	44,741	40.2
Deposits	384,765	281,234	103,531	36.8

WestLB itself, which alone contributed DM 285 million to this growth. This development reflects the sustained favourable situation in the money and capital markets as well as the expansion of the balance sheet.

Net commission income rose by DM 341 million to DM 1.993 billion, underpinned by strong earnings from securities business as well as an increase of DM 227 million at The Thomas Cook Group.

Statement of Income

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Net interest income	4,392	3,934	458	11.6
Net commission income	1,993	1,652	341	20.7
Net income from trading activities	569	426	143	33.6
Personnel expenses	2,750	2,518	232	9.2
Other administrative expenses	2,580	2,201	379	17.2
Other operating surplus	377	571	- 194	- 33.9
Operating profit before risk provisions/result of evaluation	2,001	1,864	137	7.4
Risk provisions/result of evaluation	719	475	244	51.5
Extraordinary result	- 4	- 153	- 149	- 97.5
Net income for the year				
before taxes and revenues	1,278	1,236	42	3.5
Taxes on income	551	500	51	10.3
Allocations to reserves/ shares of other shareholders	541	574	- 33	- 5.6
Profit	186	162	24	14.8

The increase in net income from trading activities by DM 143 million to DM 569 million was primarily due to higher income from foreign-currency trading and higher price gains on equities. In addition to the net result from trading operations shown in the balance sheet, there were considerable unrealized market price reserves in the trading portfolios and derivatives.

Mirroring the higher income, personnel expenses rose by 9.2% to DM 2.750 billion and operating expenses by 17.2% to DM 2.580 billion. This was attributable to higher staff numbers, substantial investment in EDP equipment and the expansion of business at Thomas Cook.

At DM 719 million, charges for risk provisioning and the valuation of securities as well as the participations portfolio were up by more than 50% on the previous year. With distinctly positive valuation results from participations, Group risk provisions were increased; in particular, adequate risk provisions were made for exposure to South East Asian borrowers to take account of possible future charges.

The extraordinary result, which in the previous year had been influenced primarily by the adoption of new deferral methods for initial income at the Landesbausparkassen, amounted to DM – 4 (– 153) million, marking a return to normal.

Net Group profit for the year after income tax, which increased by approx. 10% to DM 551 million, amounted to DM 727 (736) million. Of this, a total of DM 351 million was allocated to Group reserves and a further DM 157 million to the capital of the Wohnungsbauförderungsanstalt Nordrhein-Westfalen and to the Investitionsbank of Landesbank Schleswig-Holstein.

Group profit amounted to DM 186 million, i.e. the equivalent of WestLB's profit for 1997.

Outlook

Structural changes characterized development at the WestLB Group in 1997. With the development and introduction of a market-oriented Group organisation in the WestLB Banking Group, product expertise, client responsibility and Group services are being pooled in corresponding business groups. The implementation of this organisation in 1998 will lead to more efficient management and greater flexibility in terms of our response to future market requirements.

1998 will be dominated by preparations for the launch of the euro on January 1, 1999. Our preparations are not confined to making the necessary modifications to our IT systems but also involve the orientation of the Group's

business strategy. Investment in IT-related services for the introduction of the euro will again be substantial in 1998. With our market-oriented reorganisation, we have laid the main foundations for responding to both the changes in the financial markets with the growing internationalisation of business and to the keener competitive environment. In addition, we will intensify the pooling of resources within the Group already under way and at the same time enhance our competitive position further through cooperation agreements and strategic alliances. In mid-1998, the WertpapierService Bank – a joint venture of WestLB and the Landesbanks of Schleswig-Holstein and Rheinland-Pfalz – will commence business operations.

The planned measures are being implemented according to schedule, meaning that we will be able to operate in both Euro and DM as of January 1, 1999.

We are confident of being able to repeat our earnings performance of the previous year in 1998. We are well-prepared for the launch of the euro in order to secure and expand our position in the domestic and international markets.

Liabilities

	see Notes No.	DM	DM	DM	31. 12. 1996 DM thousands
Liabilities to banks	12				
a) payable on demand			26,185,925,672.51		(15,180,098)
b) with agreed maturity or period of notice			202,426,306,179.28		(154,645,576)
c) deposits of building and loan associations			<u>105,189,140.59</u>		(102,392)
				228,717,420,992.38	169,928,066
Liabilities to customers	13				
a) deposits of building and loan associations and saving deposits					
aa) deposits of building and loan associations		12,448,750,121.71			(11,911,883)
ab) with agreed period of notice of three months		151,922,526.02			(105,754)
ac) with agreed period of notice of more than three months		<u>46,868,462.42</u>			(35,973)
			12,647,541,110.15		
b) other liabilities					
ba) payable on demand		21,234,573,071.06			(17,372,987)
bb) with agreed maturity or period of notice		<u>122,165,432,082.11</u>			(81,879,524)
			<u>143,400,005,153.17</u>	156,047,546,263.32	111,306,121
Certificated liabilities	14				
a) bonds and notes issued by the Bank			147,591,635,031.94		(135,605,494)
b) other certificated liabilities			<u>22,410,818,397.66</u>		(15,039,904)
including:				170,002,453,429.60	150,645,398
money market instruments					
DM		21,148,407,574.98			
own acceptances and promissory notes outstanding DM		764,055,690.95			
Trust liabilities	15			10,510,070,652.79	10,919,636
including:					
trust loans DM		9,385,425,878.43			
Other liabilities	16			7,708,743,891.05	2,328,353
Deferred items	17			2,399,399,594.58	1,944,592
Provisions					
a) for pensions and similar obligations			2,092,230,571.77		(1,935,374)
b) tax reserve			862,114,945.31		(740,084)
c) other			<u>1,798,481,965.71</u>		(1,835,949)
				4,752,827,482.79	4,511,407
Special item with partial reserve character	18			13,568,914.04	14,088
Subordinated liabilities	19			5,837,472,428.02	4,282,587
Profit participation capital	20			3,658,150,275.—	1,770,589
including:					
due in less than two years					
DM		94,950,600.—			

To be carried forward: 589,647,653,923.57 457,650,837

WestLB Group Balance Sheet as at December 31, 1997

Assets

	see Notes No.	DM	31. 12. 1996 DM thousands	
		To be carried forward:	<u>558,691,825,052.82</u>	<u>426,945,360</u>
Shares and other non-interest-bearing securities	5, 9, 11	6,462,900,269.20	4,299,868	
Equity investments in non-affiliated companies	6, 9	5,238,499,660.63	5,606,324	
including:				
banks	DM 962,854,257.44			
Equity investments in associated companies	6	629,573,049.16	591,545	
Equity investments in affiliated companies	6, 9	192,923,861.02	148,360	
Trust assets	7	10,510,070,652.79	10,919,636	
including:				
trust loans	DM 9,385,425,878.43			
Equalization claims against public authorities including bonds and notes issued in substitution thereof		6,416,064,126.85	10,780,521	
Intangible assets	9	488,605,377.26	524,543	
including:				
goodwill	DM 480,162,073.72			
Fixed assets	9	2,532,051,841.13	2,162,252	
Other assets	8	5,023,271,811.50	1,918,096	
Deferred items	10	7,611,756,749.43	6,852,500	
Total assets		<u>603,797,542,451.79</u>	<u>470,749,005</u>	

Liabilities

	see Notes No.	DM	DM	DM	31. 12. 1996 DM thousands
				To be carried forward:	<u>589,647,653,923.57</u>
					<u>457,650,837</u>
Fund for general bank risks	20			544,732,450.—	505,946
Equity capital	20				
a) subscribed capital			2,315,315,985.—		(2,315,316)
b) capital reserves			6,489,684,015.—		(6,489,684)
c) reserves from retained earnings					
ca) legal reserves			—		(—)
cb) reserves required by WestLB's statutes		870,000,000.—			(800,000)
cc) other reserves		<u>2,015,000,000.—</u>			(1,885,000)
			2,885,000,000.—		
d) Group reserves			1,434,631,214.28		(767,693)
e) Equalizing items for shares of other shareholders			294,824,863.94		(172,829)
f) Group profit			<u>185,700,000.—</u>		(161,700)
				<u>13,605,156,078.22</u>	12,592,222
Total liabilities				<u>603,797,542,451.79</u>	<u>470,749,005</u>
Contingent liabilities					
a) liabilities relating to negotiated bills of exchange			493,061,888.01		(393,942)
b) liabilities from guarantees and indemnity agreements			21,055,574,350.69		(16,073,181)
c) liabilities relating to collateral given for third-party liabilities			<u>316,549.32</u>		(223,024)
				21,548,952,788.02	16,690,147
Other commitments	21				
a) commitments from ungenuine repurchase agreements			—		(555,319)
b) placing and underwriting commitments			33,342,697.74		(23,478)
c) irrevocable credit commitments			<u>96,905,709,113.93</u>		(70,115,862)
				96,939,051,811.67	70,694,659
Administered funds				38,473,362,961.23	29,131,765

WestLB Group Statement of Income for the Year Ended December 31, 1997

	DM	DM	DM	1. 1. – 31. 12. 1996 DM thousands
Interest from				
a) lending and money market transactions	25,198,904,613.66			(20,094,399)
b) interest-bearing securities and book-entry securities	<u>7,759,020,624.52</u>			(6,245,280)
		32,957,925,238.18		
Interest paid		<u>29,234,463,933.45</u>		(23,074,644)
			3,723,461,304.73	3,265,035
Current income from				
a) shares and other non-interest-bearing securities		275,460,750.58		(305,914)
b) equity investments in non-affiliated companies		267,033,851.90		(269,648)
c) equity investments in affiliated companies		<u>46,269,439.85</u>		(13,514)
			588,764,042.33	589,076
Income from equity investments in associated companies			56,871,367.09	69,187
Income from profit pooling, profit transfer and partial profit transfer agreements			22,373,721.08	10,896
Commission income		2,609,334,542.74		(2,232,062)
Commission paid		<u>616,076,833.97</u>		(580,395)
			1,993,257,708.77	1,651,667
Net result from trading operations			568,601,872.04	425,635
Other operating income			1,088,802,057.72	1,113,276
Income from reversal of special item with partial reserve character			279,750.—	458
General administrative expenses				
a) personnel expenses				
aa) wages and salaries	2,200,540,726.14			(1,964,051)
ab) compulsory social security contributions and expenses for pensions and other employee benefits	<u>549,075,968.77</u>			(553,876)
including:		2,749,616,694.91		
for pensions	DM 285,833,945.37			
b) other administrative expenses		<u>2,133,499,912.82</u>		(1,768,784)
			4,883,116,607.73	4,286,711
Depreciation and value adjustments on intangible and tangible fixed assets			446,427,626.24	432,033
Other operating expenses			643,024,918.97	476,429
Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions			926,932,319.16	588,051
including:				
allocation to fund for general bank risks				
DM	38,750,000.—			
		To be carried forward:	<u>1,142,910,351.66</u>	<u>1,342,006</u>

	DM	DM	1. 1. – 31. 12. 1996 DM thousands
	To be carried forward:	<u>1,142,910,351.66</u>	<u>1,342,006</u>
Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets		211,142,707.—	128,185
Expenses from the assumption of losses		3,263,961.46	12,359
Allocations to special item with partial reserve character		<u>—.</u>	<u>2,877</u>
Profit or loss on ordinary activities		1,350,789,097.20	1,454,955
Extraordinary income	—.		(88,824)
Extraordinary expenses	<u>3,892,138.37</u>		(242,189)
Extraordinary result		– 3,892,138.37	– 153,365
Taxes on income and revenues	551,231,682.61		(499,741)
Other taxes not shown under other operating expenses	<u>68,444,066.83</u>		(66,324)
		<u>619,675,749.44</u>	<u>566,065</u>
Net income for the year		727,221,209.39	735,525
Withdrawals of net income from reserves on retained earnings			
a) legal reserves	—.		(—)
b) reserves required by WestLB's statutes	—.		(—)
c) other reserves	—.		(—)
d) Group reserves	<u>78,466,440.46</u>		(81,383)
		78,466,440.46	81,383
Allocation to capital of Wohnungsbauförderungsanstalt Wfa/ Investitionsbank of Landesbank Schleswig-Holstein		156,511,295.—	185,760
Allocations of net income to reserves from retained earnings			
a) legal reserves	—.		(—)
b) reserves required by WestLB's statutes	70,000,000.—		(40,000)
c) other reserves	130,000,000.—		(160,000)
d) Group reserves	<u>229,622,966.80</u>		(212,805)
		429,622,966.80	412,805
Profit attributable to shareholders outside the Group	33,939,866.05		(56,735)
Loss apportionable to shareholders outside the Group	<u>86,478.—</u>		(92)
		<u>33,853,388.05</u>	<u>56,643</u>
Group profit		<u>185,700,000.—</u>	<u>161,700</u>

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Compilation of Group Annual Accounts

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

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

Consolidation Principles

As required by law, the accounts of the individual Group companies are uniformly prepared in accordance with the accounting and valuation methods applicable to WestLB (unless this is already done from the outset). Claims and liabilities, expenses and income as well as interim results existing or arising between companies included in the Group accounts are eliminated. Where necessary, a deferred tax item is formed to cover any consolidation measures affecting net income.

The annual accounts of foreign subsidiaries prepared in a foreign currency were converted at the official mean rates of exchange prevailing on December 30, 1997.

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

Group members which are consolidated for the first time are valued according to the book value method, with valuation as at the Group balance sheet date. In the case of jointly-managed companies, special-purpose components of equity capital and undisclosed capital contributions are included in capital consolidation. Expenses and income for the entire business year are included in the Group statement of income at their full amount. In accordance with HFA 3/95, the annual profits of companies consolidated for the first time arising from their inclusion as of the Group balance sheet date were neutralized by forming an equalization item, which is shown under other operating expenses or income.

In 1997, five companies were consolidated for the first time; four consolidation balances amounting to DM 0.8 million were offset against

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Group reserves; in one case, there was no difference. All companies included in WestLB's consolidated accounts for the first time had no influence on the Group's net income for the year and had only a marginal effect on the other items of WestLB's consolidated accounts.

The inclusion of Hamburgische Landesbank Group in the annual accounts of Landesbank Schleswig-Holstein for the first time on a pro-rata basis resulted in an equalization item on the liabilities side equivalent to the calculated amount of DM 315.3 million.

The pro-rata inclusion of Hamburgische Landesbank Group contributed DM 23.3 billion or approx. 4% to the increase in WestLB's total assets.

The equity valuation of 12 associated companies continues to be effected according to the book value method. In the case of companies classified as associated companies for the first

time, the valuation basis was the balance sheet reporting date for the Group accounts. Any valuation methods used for associated companies which deviate from those applied by WestLB are not adjusted. We are aware of no facts requiring the elimination of interim results. In the year under review, the number of companies valued at-equity increased by three.

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

Unless they are netted as part of capital consolidation, the earnings of the consolidated subsidiaries are allocated to Group reserves. The Group reserves also reflect the impact of certain consolidation measures on earnings. This means that the Group profit is identical with the profit of WestLB.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Companies Included in the Group Annual Accounts

At the end of 1997, WestLB had a total of 334 affiliated companies, of which 180 are included in the Group

annual accounts. The following table classifies the affiliated companies:

Group Companies of Westdeutsche Landesbank

	Previous Year	Additions	Subtractions	Report Year
Affiliated companies included in the Group accounts	347	32	45	334
not included in the Group accounts pursuant to § 296 (1) No. 3 or (2) of the German Commercial Code (HGB)	191	5	16	180
not included in the Group accounts pursuant to § 295 (1) of the German Commercial Code (HGB)	148	27	23	152
Jointly-managed companies	8	–	6	2
Associated companies pursuant to § 311 (1) of the German Commercial Code (HGB)	3	–	–	3
Associated companies pursuant to § 311 (2) of the German Commercial Code (HGB)	9	3	–	12
	13	–	3	10

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

The Thomas Cook Group comprises 100 affiliated companies which were included in the Group annual accounts.

A total of 152 affiliated companies were not included in the Group accounts, as they are only of minor importance for the net assets, financial condition and earnings of

the WestLB Group or because the shares in these companies are held solely for the purpose of being sold. The aggregate unconsolidated assets of the 131 companies which were not consolidated due to their minor importance accounted for 0.11% of Group total assets.

Moreover, two affiliated companies were not included in the Group accounts, as their inclusion was not compatible with the obligation to provide a true and fair view of the net assets, financial condition and earnings of the Group.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Accounting and Valuation Principles

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

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

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

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

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

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

Securities held in the Group's investment portfolio (financial assets) are valued at cost. Partial holdings were written down using the modified lower of cost or market principle. Any difference between the cost and repayment value of securities held in the investment portfolio is included pro rata temporis in the Group's results.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

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

They are carried either at market or at the applicable value; pro-rata interest, non-recurring payments and option premiums are taken into account. The individual valuation results have been amalgamated in macro portfolios for the first time. The portfolios are delineated according to risk categories (interest, shares and other price risks) and, within these risk categories, according to currency, share type and other basic instruments. Currencies which are considered to be certain members of the European monetary union but which are not main trading currencies have been merged to form a single unit. After netting of the valuation results, any remaining unrealized gains are not shown as income; any unrealized losses are written down and provisions made accordingly.

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

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

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

Income tax charges carried in the statement of income relate to the profit or loss on ordinary activities. There is a fund for general bank risks pursuant to § 340 g of the German Commercial Code (HGB).

WestLB Group's equity includes the special reserves pertaining to the Wohnungsbauförderungsanstalt of WestLB as well as the pro-rata appropriated reserves of Landesbank Schleswig-Holstein and the special capital of Hamburgische Wohnungsbaukreditanstalt as part of the Group reserves. As in the previous year, the annual results of the Wohnungsbauförderungsanstalt Nordrhein-West-

Notes to the WestLB Group Annual Accounts as at December 31, 1997

falen and the Investitionsbank of Landesbank Schleswig-Holstein are included in the net Group profit for the year in the 1997 consolidated accounts. In accordance with applicable

state legal requirements, the results have been allocated to the corresponding capital items in the promotion areas of the two Landesbanks.

Foreign Exchange Valuation

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

Any differences arising from the conversion of hedged balance-sheet items and the corresponding hedging

transactions are shown under other assets. Swap premiums from hedged balance-sheet items were accrued pro rata temporis and included under net interest income.

Balance-sheet items denominated in a foreign currency as well as pending transactions of WestLB were shown for the first time in each currency as specially covered and valued pursuant to § 340 h (2) 2 of the German Commercial Code (HBG). Accordingly, all expenses and income arising from the conversion of foreign currencies pursuant to § 340 h (2) 1 and 2 of the German Commercial Code (HGB) are included in the Statement of Income; there was no income requiring elimination as the foreign-exchange positions prevailing on the balance-sheet date are short term.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Derivatives

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

Currency-Related Derivatives

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

Interest-Related Derivatives

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

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

Other Derivatives

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

The total nominal volume of WestLB Group's derivatives business is DM 1,772.4 (717.6) billion.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Derivatives – Volumes – Group

Group (DM millions)	Nominal Values		Credit Risk Equivalents		Replacement Costs*	
	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
Interest-rate risks						
Interest-rate swaps	763,564	333,317	3,950	2,447	13,755	7,703
FRAs	166,848	87,586	35	110	339	235
Interest-rate options						
– bought	13,486	3,400	86	23	9	52
– written	17,522	5,238	–	–	–	–
Stock market contracts	68,502	15,655	–	–	–	–
Caps, Floors	54,896	40,117	84	82	230	222
Other interest-rate forward transactions	85,597	35,996	12	109	7	134
Total interest-rate risks	1,170,415	521,309	4,167	2,771	14,340	8,346
Currency risks						
Forward exchange transactions	346,780	169,808	2,611	1,136	6,655	2,702
Interest-currency swaps/currency swaps	30,288	11,194	752	279	733	222
Currency options						
– bought	106,942	2,881	558	17	1,393	38
– written	103,593	3,573	–	–	–	–
Stock market contracts	355	1,205	–	–	–	–
Other currency forward transactions	2,037	695	12	0	1	1
Total currency risks	589,995	189,356	3,933	1,432	8,782	2,963
Share and other price risks						
Share options						
– bought	3,698	1,943	93	53	131	79
– written	2,488	484	–	–	–	–
Stock market contracts	3,547	2,765	–	–	–	–
Other forward transactions	2,224	1,700	25	2	30	2
Total share and other price risks	11,957	6,892	118	55	161	81
Total derivatives	1,772,367	717,557	8,218	4,258	23,283	11,390

* excluding Landesbank Rheinland-Pfalz Group, Landesbank Schleswig-Holstein Group (incl. Hamburgische Landesbank Group) and Banque d'Orsay S.A.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

The credit risk equivalents are calculated on the basis of the market-valuation method in accordance with German bank supervisory requirements including a corresponding counterparty weighting and a percentage add-on. WestLB Group's credit risk equivalents pursuant to Principle I represent 3.6% (2.4%) of the entire risk assets of the WestLB Group in accordance with § 10, 10a of German Banking Law (KWG).

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

previous position in the event of a counterparty default would result in additional expenditure or lower income; cover profit was not netted against cover loss. A counterparty weighting was not made.

There is no netting for the purpose of calculating credit risk equivalents and replacement costs, so that the replacement costs stated represent a worst-case scenario at year-end.

Holdings rose steadily in the 1997 business year; average holdings on the basis of nominal values stood at DM 1,243.0 (640.9) billion.

Derivatives – Average Volumes – Group

Average Jan. 1 – Dec. 31, 1997 DM millions	Average Nominal Values		Average Credit Risk Equivalents		Average Replacement Costs	
	1997	1996	1997	1996	1997	1996
Interest-rate risks	828,839	450,034	2,927	2,141	10,596	7,754
Currency risks	401,671	183,135	2,498	1,249	7,329	48
Share and other price risks	12,474	7,754	115	48	176	70
Total derivatives	1,242,984	640,923	5,540	3,438	18,101	7,872

WestLB Group primarily enters into contracts with domestic and foreign banks, with non-OECD banks

accounting for only a very small portion.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Derivatives – Classification of Counterparties*

DM millions	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
OECD banks	1,361,086	490,564	5,723	2,346	21,300	9,230
Non-OECD banks	12,218	5,382	137	43	268	89
Customers**	264,701	145,183	1,322	1,347	1,673	2,066
Public-sector entities	9,144	5,611	19	10	43	6
Total	1,647,149	646,740	7,201	3,746	23,284	11,391

* excluding Landesbank Rheinland-Pfalz Group, Landesbank Schleswig-Holstein Group (incl. Hamburgische Landesbank Group) and Banque d'Orsay S.A.

** including stock market contracts

WestLB Group's derivatives business primarily focuses on trading transactions and contracts for hedging the Group's own portfolios.

Derivatives – Trading Transactions*

DM millions	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
Interest-rate contracts	1,051,060	440,597	3,643	2,363	14,311	8,071
Currency contracts	512,908	139,568	3,259	1,052	8,521	2,741
Share contracts	7,950	6,422	100	48	158	76
Total trading transactions	1,571,918	586,587	7,002	3,463	22,990	10,888

* excluding Landesbank Rheinland-Pfalz Group, Landesbank Schleswig-Holstein Group (incl. Hamburgische Landesbank Group) and Banque d'Orsay S.A.

With respect to the maturities of derivatives, most of the contracts covering currency risks are short-term in nature; those covering interest-rate risks are spread across the entire spectrum of maturities; roughly 25% of the interest-rate contracts have a residual maturity of more than five years.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Derivatives – Classification by Maturity*

Nominal Values DM millions	Interest-Rate Risks		Currency Risks		Share and Other Price Risks	
	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
Residual maturity						
– up to one year	437,519	199,615	495,562	139,936	8,948	6,508
– one to five years	423,993	194,014	29,143	10,770	2,433	200
– more than five years	241,888	93,971	7,664	1,726	–	–
Total	1,103,400	487,600	532,369	152,432	11,381	6,708

* excluding Landesbank Rheinland-Pfalz Group, Landesbank Schleswig-Holstein Group (incl. Hamburgische Landesbank Group) and Banque d'Orsay S.A.

Claims on Banks (1)

	Dec. 31, 1997		Dec. 31, 1996	
	DM millions		DM millions	
	Claims on Associated Banks	Claims on Other Banks	Claims on Associated Banks	Claims on Other Banks
Payable on demand	1,046.9	10,120.5	1,657.4	7,827.6
With agreed maturity or period of notice of				
– less than three months	212.3	30,879.8	154.4	23,837.5
– at least three months, but less than four years	343.9	77,933.2	233.1	49,445.4
– four years or more	23,818.5	58,120.2	19,455.2	44,346.8
Total	25,421.6	177,053.7	21,500.1	125,457.3
Total	202,475.3		146,957.4	
including:				
– loans of building and loan associations	1.9	0.5	1.6	0.7
– loans of the Wohnungsbauförderungsanstalten	–.–	48.1	–.–	22.0

At the end of 1997, claims on banks included claims on companies in which equity investments are held in an amount of DM 5,507.5 (3,105.0)

million. Claims from leasing transactions amounted to DM 449.6 (337.4) million.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Claims on Customers (2)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
With agreed maturity or period of notice of		
– less than four years	65,175.2	36,399.9
– four years or more	162,798.5	143,682.9
Total	227,973.7	180,082.8
including:		
– non-consolidated affiliated companies	459.4	325.1
– companies in which equity investments are held	1,563.0	1,477.7
– from leasing transactions	4,900.3	4,156.9
– loans of building and loan associations	12,437.9	11,960.3
– loans of the Wohnungsbauförderungsanstalten	10,858.8	10,820.6

Claims Secured by Mortgages (3)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Claims on customers with an agreed maturity or period of notice of		
– less than four years	1,011.6	1,075.2
– four years or more	19,681.1	16,286.6
loans of building and loan associations	8,498.2	8,097.8
Total	29,190.9	25,459.6

Bonds and Other Interest-Bearing Securities (4)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Bonds and notes	121,224.0	93,144.6
including:		
– listed on a stock exchange	111,681.6	87,024.1
– not listed on a stock exchange	9,542.4	6,120.5
including:		
– claims on companies in which equity investments are held	986.1	884.8
Money-market instruments	4,643.4	2,444.2
Total	125,867.4	95,588.8

Notes to the WestLB Group Annual Accounts as at December 31, 1997

The following table classifies the Group's portfolio of bonds and other interest-bearing securities according to maturity:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Money-market instruments	4,643.4	2,444.2
Bonds and notes of public-sector issuers		
with original maturities of		
– less than four years	5,210.8	2,070.2
– four years or more	43,085.7	31,541.8
Bonds and notes of other issuers		
with original maturities of		
– less than four years	9,150.3	7,483.5
– four years or more	58,411.6	47,711.1
Bonds issued by the Group		
with original maturities of		
– less than four years	727.7	705.1
– four years or more	4,637.9	3,632.9
Total	125,867.4	95,588.8

Of the Group's portfolio of bonds,

- DM 29.7 (12.7) billion
are carried as trading portfolio
- DM 66.3 (55.7) billion
are carried as investment
portfolio
- DM 29.9 (27.2) billion
are carried as liquidity reserve

The portfolios are classified according to the purpose of the bonds allocated to them and are shown separately

for accounting purposes. The bonds forming part of the Group investment portfolio in an amount of DM 66.3 (55.7) billion including proportionate interest are shown as fixed assets. At year-end, financial assets of DM 11.2 (7.4) billion were valued according to the modified lower of cost or market principle. Of these, a total of DM 4.2 (3.6) billion consisted of securities acquired in connection with interest-rate swap transactions (asset swaps) and whose commercial value is commensurate with the purchase price.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

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

Of the marketable securities included under this item with a value of DM 2,713.6 (1,724.8) million, securities with a value of DM 1,430.9 (1,022.7) million are listed and securities with a value of DM 1,282.7 (702.1) million are not listed on a stock exchange. This includes shares in special funds ("Spezialfonds") of DM 3,749.3 million, predominantly comprising listed securities. Trading portfolios are valued in accordance with the WestLB Group's macro portfolio approach. Other share portfolios are shown at the lower of cost or market.

Of the Group's portfolio of shares and other securities,

- DM 2.0 (1.1) billion are carried as trading portfolio
- DM 0.3 (0.1) billion are carried as investment portfolio
- DM 4.1 (3.1) billion are carried as liquidity reserve

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

WestLB Group's equity investments in non-affiliated companies amounting to DM 5,868.1 (6,197.9) million include marketable securities of DM 3,296.2 (2,177.3) million. Of these, DM 2,845.4 (1,628.9) million are listed and DM 450.8 (548.4) million are not listed on a stock exchange.

Of the equity investments in affiliated companies in an amount of DM 192.9 (148.4) million, DM 19.7 (19.7) million are marketable securities; of these securities, DM 10.0 (19.1) million are listed on a stock exchange.

The list of shareholdings pursuant to §§ 285 No. 11, 313 (2) of the German Commercial Code (HGB) has been deposited with the Düsseldorf district court (Amtsgericht). The exception provided for under §§ 286 (3) No. 2, 313 (3) HGB was utilized in 7 cases.

The structure of the WestLB Group is as follows:

Notes to the WestLB Group Annual Accounts as at December 31, 1997

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

Banking Group Subsidiaries

Banque d'Orsay S.A., Paris (100%)	(LC)
ZAO Westdeutsche Landesbank Vostok, Moscow (100%)	(LC)
Westdeutsche Landesbank (France) S.A., Paris (100%)	(LC)
Westdeutsche Landesbank (Hungaria) Rt., Budapest (99.8%)	(LC)
Westdeutsche Landesbank (Ireland) Plc, Dublin (100%)	(LC)
Westdeutsche Landesbank (Italia) S.p.A., Milan (100%)	(LC)
Westdeutsche Landesbank Polska S.A., Warsaw (100%)	(LC)
Westdeutsche Landesbank (Switzerland) Ltd., Zurich (67.5%)	(LC)
WestKA Westdeutsche Kapitalanlagegesellschaft mbH, Düsseldorf (100%)	(LC)
WestLB Asia Pacific Ltd., Singapore (100%)	(LC)
WestLB Capital Management GmbH, Düsseldorf (100%)	(LC)
WestLB Europa Holding AG, Düsseldorf (100%)	(LC)
Banque Européenne pour l'Amérique Latine (BEAL) S.A., Brussels (100%)	(LC)
WestLB Europe (UK) Holdings Ltd., London (100%)	(LC)
WestLB Finance (Credits) Ltd., London (100%)	(LC)
WestLB Finance UK Plc, London (100%)	(LC)
WestLB UK Ltd., London (100%)	(LC)
WestLB International S.A., Luxembourg (75%)	(LC)
WestLB Securities Pacific Ltd., Hong Kong (100%)	(LC)
West Merchant Bank Holdings Ltd., London (100%)	(LC)
Panmure Gordon & Co. Ltd., London (100%)	(LC)
West Merchant Bank Ltd., London (100%)	(LC)
Deutsche Aussenhandelsbank AG, Berlin (100%)	
WestLB Investment (Hungaria) Rt., Budapest (100%)	
Landesbank Rheinland-Pfalz – Group –, Mainz (37.5%)*	
Landesbank Schleswig-Holstein – Group –, Kiel (39.9%)*	
Westdeutsche ImmobilienBank – Group –, Mainz (50%)*	

* = pro rata consolidated

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

Other Group Subsidiaries

Quorum Capital Management Ltd., London (100%)	(LC)
TBG Touristik Beteiligungs-GmbH, Düsseldorf (100%)	(LC)
TCT Touristik Beteiligungs GmbH & Co. KG, Düsseldorf (100%)	(LC)
The Thomas Cook Group Ltd., London (100%)	(LC)
Thomas Cook Inc., New York (100%)	(LC)
(100 companies) (100%)	(LC)
WestLB ASIAC Bank Ltd., Port Vanuatu (100%)	(LC)
WestLB Europe (UK) Fund Ltd., London (100%)	(LC)
WestLB Finance Curaçao N.V., Curaçao (100%)	(LC)
WestLB Finance Netherlands B.V., Den Bosch (100%)	(LC)
WestLB Securities Americas Inc., Dover (100%)	(LC)
GEV Gesellschaft für Energie- und Versorgungswerte mbH, Dortmund (100%)	
Westdeutsche Spielbanken GmbH & Co. KG, Münster (100%)	
Westfinanz Westdeutsche Finanzierungsges. mbH, Münster (100%)	
WestKB Westdeutsche Kapitalbeteiligungsgesellschaft mbH, Düsseldorf (100%)	
WestLeasing Westdeutsche Leasing Holding GmbH, Düsseldorf (100%)	
WestTM Westdeutsche Technologie Management GmbH, Düsseldorf (100%)	
42 additional affiliated companies included in the consolidated accounts	
154 additional affiliated companies not included in the consolidated accounts	
22 associated companies for information: CWB Capital Partners Ltd., London (49.9%)	(LC)

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Trust Assets (7)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Claims on banks	751.9	947.4
Claims on customers	8,849.6	9,051.5
Bonds and notes	0.1	11.3
Participations in RWI-Fonds	894.2	894.2
Equity investments	14.3	15.2
Other	--	--
Total	10,510.1	10,919.6

Other Assets (8)

The total figure of DM 5,023.3 (1,918.1) million consists principally of

DM 1,891.3 (363.1) million in premiums for warrants, foreign-currency, security and other options as well as interest-rate caps and interest-rate floors

DM 789.2 (148.9) million in equalization items from foreign currency valuation and adjustment items for foreign currency transactions

DM 87.0 (140.9) million in current construction contracts

DM 254.6 (259.6) million for land and buildings acquired as collateral for claims

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Fixed Assets (9)

The following table illustrates the development of WestLB Group's fixed assets:

DM millions	Acquisition Cost/Cost of Production	Additions in the Business Year	Subtractions in the Business Year	Total Depre- ciation	Net Book Value on Dec. 31, 1997	Net Book Value on Dec. 31, 1996	Depreciation in the Business Year
Bonds and non-interest-bearing securities forming part of fixed assets							
	54,411.0	27,386.9	16,695.6	34.5	65,067.8	54,504.8	13.5
Equity investments in							
affiliated companies							
	314.4	88.1	16.6	193.0	192.9	148.7	33.2
Equity investments in							
non-affiliated companies							
	6,315.5	120.1	239.5	328.0	5,868.1	6,197.9	17.4
Intangible assets							
	12.3	18.8	5.1	17.6	8.4	3.9	12.0
Goodwill							
	733.6	4.7	--	258.1	480.2	520.6	45.1
Land and buildings							
	2,003.3	244.2	52.0	734.4	1,461.1	1,313.1	68.0
Office equipment							
	2,012.9	577.1	342.3	1,340.9	906.8	707.2	262.7
Leasing assets							
	206.1	80.8	52.2	95.4	139.3	120.6	50.0
Other fixed assets							
	43.1	15.7	13.7	20.2	24.9	21.2	8.5

The value of bonds shown in the balance sheet does not include any proportional interest. The changes in the business year include additions and subtractions as well as changes resulting from the pro rata temporis

dissolution of premiums and discounts. Of its land and buildings, WestLB Group utilizes premises with a value of DM 1,298.9 (1,170.1) million for its own business activities.

Deferred Items (10)

Deferred items comprise the following:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Premiums on claims	215.5	167.5
Discounts from underwriting business	1,124.7	917.3
Discounts from liabilities	262.7	361.8
Other	6,008.8	5,405.9
Total	7,611.7	6,852.5

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Subordinated Assets (11)

The following items include subordinated assets:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Claims on banks	60.1	68.9
Claims on customers	37.4	87.6
Bonds and other interest-bearing securities	664.1	44.0
Shares and other non-interest-bearing securities	26.6	5.9
Total	788.2	206.4

Pledged Assets

Of the assets shown, DM 28,748.1 (11,571.2) million were pledged under repurchase agreements.

Liabilities to Banks (12)

	Dec. 31, 1997		Dec. 31, 1996	
	DM millions		DM millions	
	Liabilities to Affiliated Banks	Liabilities to Other Banks	Liabilities to Affiliated Banks	Liabilities to Other Banks
Payable on demand	3,411.2	22,774.7	3,570.6	11,609.5
With agreed maturity or period of notice of				
– less than three months	4,298.2	89,919.5	5,477.4	56,482.6
– at least three months, but less than four years	3,232.1	66,487.1	2,897.0	51,861.8
– four years or more	193.3	38,296.1	160.0	37,766.9
Deposits of building and loan associations	86.9	18.3	89.4	12.9
Total	11,221.7	217,495.7	12,194.4	157,733.7
Total	228,717.4		169,928.1	
including:				
– due in less than four years	60.0	19,724.8	34.7	18,444.9

Notes to the WestLB Group Annual Accounts as at December 31, 1997

At the end of 1997, liabilities to banks included liabilities of DM 3,786.8 (2,575.7) million to companies in which equity investments are held.

Liabilities to Customers (13)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Saving deposits	198.8	141.7
Deposits of building and loan associations	12,448.7	11,911.9
Payable on demand	21,234.6	17,373.0
With agreed maturity or period of notice of		
– less than three months	49,395.8	28,377.0
– at least three months, but less than four years	23,000.6	13,342.6
– four years or more	49,769.0	40,159.9
Total	156,047.5	111,306.1
including:		
– due in less than four years	16,411.8	14,357.4
– liabilities to non-consolidated affiliated companies	135.3	188.9
– liabilities to companies in which equity investments are held	1,211.2	1,149.1

Certificated Liabilities (14)

The following table classifies the Group's certificated liabilities according to agreed maturities or periods of notice:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Certificated liabilities with maturities of		
– up to four years	41,862.9	34,039.0
– more than four years	128,139.5	116,606.4
including:		
– due in less than four years	72,399.6	66,762.0
Total	170,002.4	150,645.4

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Trust Liabilities (15)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Liabilities to banks	951.9	1,206.1
Liabilities to customers	6,283.0	6,310.2
RWI certificates	894.2	894.2
Other liabilities	2,381.0	2,509.1
Total	10,510.1	10,919.6

Other Liabilities (16)

The main components of this item of DM 7,708.7 (2,328.4) million include:

DM 3,137.7 (462.0) million
in securities delivery obligations

DM 2,068.2 (443.2) million
in liabilities from foreign currency,
security and other options, caps,
floors, swaptions and warrants

DM 402.6 (289.5) million
in proportionate interest from
profit participation rights and from
subordinated liabilities

Deferred Items (17)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Discounts on claims	251.7	138.7
Premiums from own bonds issued	35.0	34.1
Other	2,112.7	1,771.8
Total	2,399.4	1,944.6

Special Item with Partial Reserve Character (18)

The item of DM 13.6 (14.1) million was formed pursuant to § 6 b of German Income Tax Law (EStG) and equivalent taxation regulations in other countries. A sum of DM 0.3

million was withdrawn in the year under review and a sum of DM 0.2 million was accounted for by final consolidation.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Subordinated Liabilities (19)

The following subordinated liabilities exceed 10% of the total value of all subordinated liabilities of DM 5,837.5

(4,282.6) million of the WestLB Group:

Currency	Nominal Amount in millions	Interest Rate in %	Maturity
USD	500.0	6.75	1993–2005
GBP	250.0	8.50	1993–2003

WestLB Group's remaining subordinated liabilities with a value of DM 4,195.9 (1,914.0) million carry an average interest rate of 7.12% and original maturities of between 6 and 15 years.

In 1997, WestLB Group incurred total costs of DM 397.3 (277.1) for subordinated liabilities.

Subordinated liabilities carried by WestLB or its subsidiaries comply with the requirements of § 10 of German Banking Law (KWG); an extraordinary right of termination has not been agreed.

Capital and Reserves (20)

On December 31, 1997, WestLB Group's equity capital amounted to DM 13,419.4 (12,430.5) million.

Group reserves include special reserves pertaining to the Wohnungsbauförderungsanstalt of DM 5,900 million. Group reserves contain the pro-rata appropriated reserves of the Investitionsbank of Landesbank

Schleswig-Holstein. A total of DM 156.5 million was allocated from the net Group profit for the year to the capital of the Wohnungsbauförderungsanstalt Nordrhein-Westfalen – Anstalt der Westdeutschen Landesbank Girozentrale – and to the capital of the Investitionsbank of Landesbank Schleswig-Holstein.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

WestLB Group's capital and reserves comprise the following:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Subscribed capital	2,315.3	2,315.3
Capital reserves	6,489.7	6,489.7
including:		
– Special reserves pertaining to the Wohnungsbauförderungsanstalt	(5,900.0)	(5,900.0)
Reserves from retained earnings		
– required by WestLB's statutes	870.0	800.0
– other	2,015.0	1,885.0
Group reserves	1,434.6	767.7
Equalizing items for shares of other shareholders	294.8	172.8
Equity capital pursuant to the German Commercial Code (HGB)	13,419.4	12,430.5
Fund for general bank risks	544.7	505.9
Profit participation capital	3,658.2	1,770.6
Subordinated liabilities	5,837.5	4,282.6
Other capital and reserves	10,040.4	6,559.1
Total capital and reserves	23,459.8	18,989.6

Foreign Currency Assets/ Foreign Currency Liabilities

Foreign currency assets were valued at DM 266.1 (163.2) billion and foreign currency liabilities were valued at DM 253.7 (167.7) billion at year-end.

Other Commitments (21)

The amounts shown in the balance sheet for placing and underwriting commitments as well as irrevocable credit commitments involve amounts which have not yet been utilized. Utilization of placing and underwriting commitments amounted to DM 33.3 (23.5) million on the balance sheet date.

WestLB Group's irrevocable credit commitments totalled DM 96.9 (70.1) billion.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Disposal Restrictions/ Security Provisions

WestLB Group deposited or assigned own bonds and securities with a nominal value of DM 33,126.5 (26,119.5) million as collateral for Bundesbank advances against pledge of securities (Lombard loans) and in connection with repurchase agreements under open market transactions with the Bundesbank.

In some cases, the Group's business activities were subject to legal requirements and local practices requiring the provision of collateral to public institutions and banks. Compliance with such requirements tied up assets in the amount of DM 9,440.1 (7,119.4) million.

Collateral for Own Liabilities

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Liabilities to banks	6,173.5	5,302.1
Liabilities to customers	1,489.3	1,391.0
Total	7,662.8	6,693.1

These are registered mortgage-backed bonds and municipal bonds

issued to creditors as collateral for liabilities incurred.

Letter of Comfort

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

forth and specifically designated on Page 30 of the Notes to the WestLB Group Annual Accounts.

This Letter of Comfort applies to WestLB International S.A. and to Westdeutsche Landesbank (Switzerland) Ltd. irrespective of WestLB's investment quota.

Guarantor Obligation

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

Westdeutsche ImmobilienBank, Mainz.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Other Financial Obligations The Group has annual rental and leasing obligations amounting to DM 236.6 (196.2) million.

Cover All issues of WestLB and of the pro-rata consolidated Landesbanks requiring cover were covered in accordance with the relevant legal and statutory regulations. The following table details the amount of cover as at December 31, 1997:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Mortgage-backed bonds	13,260.9	13,074.0
Assets used for covering purposes		
– claims on banks	23.7	22.9
– claims on customers	18,147.8	16,650.2
Excess cover	4,910.6	3,599.1
Bonds of public authorities and entities under public law	123,612.1	117,383.2
Assets used for covering purposes		
– claims on banks	67,229.5	52,665.3
– claims on customers	62,012.8	61,398.3
Replacement cover	7,195.3	17,606.8
Excess cover	12,825.5	14,287.2

Number of Employees The average number of employees during 1997 was as follows:

	Male	Female	Total
Domestic group companies	4,479	3,614	8,093
Foreign group companies	5,987	11,714	17,701
Pro-rata consolidated group companies	2,020	2,013	4,033
Total	12,486	17,341	29,827

Of the above, an average of 277 employees were engaged in apprenticeship training or equivalent training during 1997.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Remuneration Paid to the Executive Bodies

Within the WestLB Group, the total remuneration paid to the Managing Board in 1997 was DM 12.9 (13.1) million; pensions paid to former members of the Managing Board or their survivors amounted to DM 4.0 (4.2) million. Total remuneration paid to the members of the Supervisory Board and the Guarantors' Meeting

amounted to DM 1.3 (1.2) million. Remuneration paid to the Advisory Boards amounted to DM 1.2 (1.1) million.

Pension provisions in the amount of DM 46.7 (39.2) million were made for former members of the Managing Board and their survivors.

Statement of Income

The principal components of profit shown in the WestLB Group

Statement of Income were obtained in the following markets:

DM millions	Germany	Europe	North America	South America	Asia/Australia	Consolidations	Total
Interest income/							
Current income	24,580.8	12,890.1	4,257.3	1,302.3	2,787.5	- 12,192.1	33,625.9
Commission income	1,015.1	1,195.1	179.6	34.4	212.5	- 27.4	2,609.3
Net income from							
trading operations	540.1	426.6	27.1	14.4	31.7	- 471.3	568.6
Other operating income	914.5	1,726.4	105.4	4.6	139.8	- 1,801.9	1,088.8

The geographic breakdown of income was determined on the basis of the domicile of the subsidiaries and branches on whose accounts the amount in question is carried or which were responsible for the transaction. This table has been adjusted for the profit/loss derived from transactions between the regional units and eliminated in the Statement of Income.

Other operating income includes gross revenues from The Thomas Cook Group's tourism activities of DM 217.2 million as well as a further DM 33.6 million of revenues from other external activities.

Notes to the WestLB Group Annual Accounts as at December 31, 1997

Düsseldorf/Münster,
April 7, 1998

Westdeutsche Landesbank
Girozentrale

The Managing Board

Dr. h.c. Neuber Offen Dr. Prautzsch
Dr. Falke Dr. Franke Dr. Holdijk
Dr. Ringel Roggemann Sengera

According to our dutiful audit, the Group Annual Accounts have been compiled in accordance with the pertinent legal requirements. While complying with standard accounting principles, the Group Annual Accounts present a true and fair view of the net assets, financial condition and earnings of the Westdeutsche Landesbank Group. The Group Statement of Financial Condition is consistent with the Group Annual Accounts.

Düsseldorf, April 8, 1998

C&L Deutsche Revision
Aktiengesellschaft,
Wirtschaftsprüfungsgesellschaft

Dickmann	Ramrath
German Public	German Public
Accountant	Accountant

WestLB Annual Accounts for 1997

Statement of Financial Condition
Balance Sheet
Statement of Income
Notes to the Annual Accounts

WestLB Statement of Financial Condition as at December 31, 1997

Business Development

Westdeutsche Landesbank's satisfactory development continued in 1997.

Total assets increased by 31% to DM 457 billion; business volume rose by 30% to DM 549 billion. At DM 1.343 billion, operating profit before risk provisions again reached the good level of the previous year.

The concentration of the European banking business at WestLB continued in 1997 with the transfer of the Istanbul and Izmir Branches of Westdeutsche Landesbank (Europa) AG to WestLB; the expansion of investment banking activities – notably the Global Derivatives and International Fixed Income units in London – also proceeded according to schedule.

The above developments had a significant impact on WestLB's balance sheet.

Key Figures for 1997

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Business volume	548,953	423,431	125,222	29.6
Total assets	456,701	349,761	106,940	30.6
Derivatives (credit risk equivalents)	7,117	3,634	3,482	95.8
Operating profit before risk provisions	1,343	1,337	6	0.4

Portfolio Development

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Credit volume	429,373	333,983	95,390	28.6
Securities holdings	80,568	57,210	23,358	40.8
Equity investments in affiliated and non-affiliated companies	10,092	10,664	- 572	- 5.4
Other assets	27,706	20,080	7,626	38.0
Deposits	297,337	204,593	92,744	45.3
Certificated liabilities	121,557	114,974	6,583	5.7
Capital and reserves (incl. supplementary capital)	19,246	16,557	2,689	16.2
Other liabilities	18,561	13,637	4,924	36.1
Total assets	456,701	349,761	106,940	30.6

Credit Volume

There was a considerable increase in our credit volume in 1997 by DM 95 billion or 29% to DM 429.4 billion, supported also by the positive development of exchange rates in the main trading currencies.

Lending business with customers and banks saw the highest increase. Claims on customers rose by DM 29 billion or 21% to DM 172 billion and

Syndicated Euroloan business developed favourably, benefiting from our customers' demand for acquisition financing in the light of attractive interest-rate constellations.

Claims on banks include refinancing funds of DM 25 billion granted to North Rhine-Westphalian savings banks in WestLB's capacity as the central institution of the savings banks. Growth in this segment came to 17% or DM 3.6 billion.

Credit Volume

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Claims on banks	166,715	119,674	47,041	39.3
Claims on customers (incl. bills of exchange)	171,620	142,133	29,487	20.7
Contingent liabilities	16,343	12,438	3,905	31.4
Irrevocable credit commitments	74,695	59,738	14,957	25.0
Total credit volume	429,373	333,983	95,390	28.6

claims on banks by DM 47 billion or 39% to DM 167 billion. The main component here is securities lending and repo transactions, a considerable volume of which is handled by our London and New York Branches and increasingly also in Düsseldorf since the beginning of 1997.

At DM 18.3 billion and DM 56.6 billion, both the portfolio of real-estate loans and that of municipal loans remained at the level of the previous year.

Securities Holdings

WestLB funds invested in securities rose substantially last year by DM 22 billion or 41.1% to DM 77 billion. The significant changes in this item were again attributable to the expansion of related activities at our New York and London Branches and to the commencement of international fixed income business in London.

Of the total portfolio of bonds and debentures, DM 23 (1996: 7) billion were held in the trading portfolio, DM 40 (30) billion in the investment portfolio and DM 14 (17) billion in the liquidity reserve.

The investment portfolio of DM 40 billion is carried as long-term investment and is funded entirely with matching maturities and interest rates; this largely also applies to the liquidity reserve.

The increase in money market instruments by DM 1 billion to DM 1.8 billion is attributable equally to the growth of our London Branch's portfolio and of our domestic portfolios.

The Bank's portfolio of shares and other non-interest-bearing securities grew by DM 1 billion to DM 4 billion; the portfolio again contains shares valued at DM 2 billion in an investment fund held exclusively by WestLB. The addition is largely attributable to domestic holdings.

Equity Investments in Affiliated and Non-Affiliated Companies

On December 31, 1997, equity investments in affiliated and non-affiliated companies amounted to DM 10.1 billion, i.e. DM 0.6 billion lower than the previous year. Apart from disposals of investment-oriented participations, the portfolio decline was largely attributable to capital reductions at our non-operational subsidiaries WestLB (Europa) AG and Deutsche Aussenhandelsbank AG. These were partly offset, however, by capital increases at WestLB (Ireland) Plc and WestLB Polska.

A list of WestLB's main shareholdings on December 31, 1997 is shown separately.

Customer and Bank Deposits

The total volume of funds deposited with the Bank by banks and customers rose by DM 93 billion or 45% to DM 297 billion.

Liabilities to affiliated savings banks declined slightly by 9% or DM 1 billion.

Growth was largely borne by deposits made by other banks, which increased by DM 64 billion or 60% to DM 171 billion. Our foreign branches contributed some 64% to this increase.

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Liabilities to affiliated savings banks	10,699	11,788	- 1,089	- 9.2
Liabilities to other banks	170,526	106,757	63,769	59.7
Liabilities to customers	116,112	86,048	30,064	34.9
Deposits	297,337	204,593	92,744	45.3

Liabilities to customers rose by DM 30 billion or 35% to DM 116 billion, again largely due to higher liabilities of the London and New York Branches and the commencement of international fixed income business.

The building society deposits of LBS Westdeutsche Landesbausparkasse included in this item increased by DM 0.5 billion to DM 10.8 billion.

Certificated Liabilities

In 1997, WestLB again funded its operations primarily through the issue of WestLB-Bonds, the total outstanding volume of which increased by DM 7 billion to DM 122 billion (excluding those issued by subsidiaries).

WestLB is one of the largest constant issuers of bank bonds in Germany; sales of newly-issued WestLB municipal bonds and WestLB mortgage bonds grew by DM 1 billion to a total of DM 23 billion.

Equity Capital and Reserves

We strengthened our capital base in 1997 via the issue of subordinated liabilities and profit-participation certificates in an amount of DM 2.2 billion; exchange-rate developments of the issuing currencies had a positive effect of DM 0.3 billion.

A total of DM 200 million was allocated to reserves from the net profit for the year; as a result, WestLB's capital and reserves amount to DM 19.2 billion; the Bank's equity capital pursuant to the German Commercial Code (HGB) amounts to DM 11.7 billion.

Statement of Income

WestLB's statement of income is characterized by a marked increase in net interest income and net income from trading activities on the one hand and by a sharp rise in administrative expenses and risk provisions on the other.

The development of net interest income at WestLB was influenced by the continued favourable situation in the money and capital markets as well as the expansion of derivatives and fixed income business. Despite the continued decline in margins in

WestLB's shareholders remain as follows:

	DM millions	%
State of North Rhine-Westphalia	999.3	43.2
Savings Banks and Giro Association of the Rhineland	385.9	16.7
Savings Banks and Giro Association of Westphalia-Lippe	385.9	16.7
Regional Association of the Rhineland	272.1	11.7
Regional Association of Westphalia-Lippe	272.1	11.7
Total	2,315.3	100.0

WestLB Statement of Income

	1997	1996	Changes	
	DM millions	DM millions	DM millions	%
Net interest income	3,064	2,779	285	10.3
Net commission income	395	348	47	13.5
Net income from trading activities	201	142	59	41.5
Personnel expenses	1,272	1,153	119	10.3
Other administrative expenses	1,060	874	186	21.3
Other operating income/expenses	15	95	- 80	- 84.2
Operating profit before risk provisions/ result of evaluation	1,343	1,337	6	0.4
Risk provisions/result of evaluation	613	529	84	15.9
Operating profit after risk provisions/ result of evaluation	730	808	- 78	- 9.7
Extraordinary result	0	- 203	203	100.0
Taxes on income and revenues	188	96	92	95.8
Net income for the year	542	509	33	6.5
Allocation to reserves	200	200	0	0
Allocation to capital of				
Wohnungsbauförderungsanstalt	156	147	9	6.1
Profit	186	163	23	14.1

lending business, the higher volume and the favourable constellation of money market and capital market rates resulted in an increase in net interest income by 10.3% or DM 285 million to DM 3.064 billion. At DM 395 million, net commission income was up 13.5% on the previous year, with higher commission income from the securities business making the largest contribution to growth.

The growth in net income from trading activities by DM 59 million to DM 201 million was primarily due to higher price gains on equities and higher income from foreign-currency trading. In addition to the net result from trading operations shown in the balance sheet, there were considerable unrealized valuation reserves in the trading portfolios and derivatives.

The increase in personnel expenses and other administrative expenses was on the whole more moderate than in the previous year, rising by DM 119 million to DM 1.272 billion

and by DM 186 million to DM 1.060 billion respectively. The exchange rate development of the U.S. Dollar and the Pound Sterling, in particular, had a pronounced effect. The further expansion of our investment banking operations, the establishment of our European Treasury and our substantial EDP investment tied up considerable internal resources and necessitated a high degree of external support. The related expenses as well as the implementation of the needs arising from the conversion to the euro, the introduction of new trading systems and the related expansion of internal and external risk management systems accounted for a substantial portion of the higher administrative expenditure.

The decline in other operating income/expenses by DM 80 million to DM 15 million was largely due to the abolition of the liquidation of reserves in connection with the adoption of new deferral methods for initial income on LBS building society savings contracts in 1996.

Charges for risk provisioning and the valuation of securities rose by DM 84 million to DM 613 million, due not least to the Asian crisis. Taking into account the specific risk structure of our Asian portfolio, adequate provision of almost DM 500 million was made for lending risks in "critical" countries, particularly Indonesia and Thailand.

After deduction of income taxes, which increased by DM 92 million to DM 188 million, the Bank showed a net profit for the year of DM 542 million. Of this, a sum of DM 200 million was allocated to reserves and DM 156 million to the capital of the Wohnungsbauförderungsanstalt. The Bank showed a distributable profit of DM 186 million.

Outlook

Structural changes characterized development in 1997. The cornerstone was the development of a market-oriented Group organization at WestLB in which product expertise, client responsibility and Group services are being pooled in business groups. The implementation of this structure in 1998 will strengthen our sales and product expertise and lead to more efficient management and greater flexibility in terms of our response to future market requirements.

1998 will be dominated by preparations for the launch of the euro on January 1, 1999. Our preparations are not confined to organizational measures but also involve strategic business adjustments. With our market-oriented reorganization, we have laid the main foundations for responding to both the changes in the financial markets with the growing internationalisation of business and to the keener competitive environment. The expansion of our foreign branches and of global trading in fixed-interest securities and derivatives will be of

particular importance in this respect. Investment required for this purpose as well as for IT-related services for the introduction of the euro will again be substantial in 1998; on the other hand, the technical problems in connection with the year 2000 will cause only relatively minor expense. The planned measures are being implemented according to schedule, meaning that we will be able to operate in both euro and DM as of January 1, 1999.

Securities business will continue to make a major contribution to our growth in 1998. Our investment in the field of investment banking, in particular, will have a beneficial effect here. We expect the positive effect on net trading and commission income to continue.

The disinflationary effects of the Asian crisis have caused capital market yields to fall further. Against this background and in view of the continued fierce competition in the financial markets, our aim is to stabilize net interest income at the level reached. We are confident of being able to repeat our earnings performance of the previous year and to secure and expand WestLB's position in the domestic and international markets.

WestLB Balance Sheet as at December 31, 1997

Assets

	see Notes No.	DM	DM	DM	31. 12. 1996 DM thousands
Cash					
a) cash on hand			30,254,012.26		(26,256)
b) balances with central banks			1,205,791,099.33		(2,489,003)
including:					
with Deutsche Bundesbank					
DM		1,097,541,896.90			
c) balances in postal giro accounts			<u>-.—</u>		(—)
				1,236,045,111.59	2,515,259
Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks					
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions			327,818,681.02		(961,697)
including:					
eligible for refinancing with Deutsche Bundesbank					
DM		59,249,763.01			
b) bills of exchange			<u>16,654,214.—</u>		(6,752)
including:				344,472,895.02	968,449
eligible for refinancing with Deutsche Bundesbank					
DM		16,654,214.—			
Claims on banks 1, 11, 25, 27					
a) payable on demand			9,171,863,884.26		(7,608,710)
b) other			<u>157,543,870,682.29</u>		(112,065,607)
including:				166,715,734,566.55	119,674,317
loans of Landesbausparkasse					
DM		1,916,086.33			
Claims on customers 2, 3, 11, 25, 27					
including:				171,619,639,278.36	142,132,918
secured by					
mortgages		DM 18,276,270,016.43			
loans to public authorities and entities under public law		DM 56,682,647,529.25			
loans of Landesbausparkasse					
DM		10,646,683,234.41			
Bonds and other interest-bearing securities 4, 9, 11, 12, 25					
a) money market instruments					
aa) of public institutions		633,881,790.46			(2,642)
ab) of other issuers		<u>1,172,812,275.39</u>			(750,351)
			1,806,694,065.85		
b) bonds and notes					
ba) of public institutions		32,953,197,924.03			(18,246,111)
bb) of other issuers		<u>38,614,630,920.35</u>			(32,909,664)
including:			71,567,828,844.38		
eligible as collateral for Deutsche Bundesbank advances					
DM		32,412,774,995.65			
c) bonds issued by the Bank			<u>3,080,291,700.42</u>		(2,270,620)
principal amount DM 3,011,336,400.—				76,454,814,610.65	54,179,388
Shares and other non-interest-bearing securities 5					
				4,112,911,547.59	3,030,737
			To be carried forward:	<u>420,483,618,009.76</u>	<u>322,501,068</u>

WestLB Balance Sheet as at December 31, 1997

Assets

	see Notes No.	DM	31. 12. 1996 DM thousands	
		To be carried forward:	<u>420,483,618,009.76</u>	<u>322,501,068</u>
Equity investments in non-affiliated companies	6, 9	4,922,035,594.96	5,220,590	
including:				
banks DM	2,438,403,695.76			
Equity investments in affiliated companies	6, 9	5,169,819,226.14	5,443,519	
including:				
banks DM	1,241,150,231.61			
Trust assets	7	7,353,672,456.07	7,621,639	
including:				
trust loans DM	6,459,502,456.07			
Equalization claims against public authorities including notes and bonds issued in substitution thereof		6,383,992,803.58	197,545	
Intangible assets	9	—	2,406	
Fixed assets	9	1,029,542,369.99	848,161	
Other assets	8	4,111,621,133.52	1,503,820	
Deferred items	10	7,246,909,920.08	6,422,237	
Total assets	23	<u>456,701,211,514.10</u>	<u>349,760,985</u>	

Liabilities

	see Notes No.	DM	DM	DM	31. 12. 1996 DM thousands	
				To be carried forward:	<u>441,649,754,514.10</u>	<u>336,348,173</u>
Profit participation capital	21				3,005,757,000.—	1,591,112
including:						
due in less than two years						
DM		—				
Fund for general bank risks					170,000,000.—	170,000
Equity capital	21, 22					
a) subscribed capital				2,315,315,985.—		(2,315,316)
b) capital reserves				6,489,684,015.—		(6,489,684)
including:						
special reserves pertaining to the Wohnungsbauförderungsanstalt						
DM 5,900,000,000.—						
c) reserves from retained earnings						
ca) legal reserves			—			(—)
cb) reserves required by WestLB's statutes			870,000,000.—			(800,000)
cc) other reserves			<u>2,015,000,000.—</u>			(1,885,000)
				2,885,000,000.—		
d) profit				<u>185,700,000.—</u>		(161,700)
					<u>11,875,700,000.—</u>	<u>11,651,700</u>
Total liabilities	23				<u>456,701,211,514.10</u>	<u>349,760,985</u>
Contingent liabilities						
a) liabilities relating to negotiated bills of exchange				282,493,749.30		(223,302)
b) liabilities from guarantees and indemnity agreements				16,343,165,113.23		(12,214,339)
c) liabilities relating to collateral given for third-party liabilities				<u>224,339.10</u>		(224)
					16,625,883,201.63	12,437,865
Other commitments	24					
a) commitments from unguine repurchase agreements				—		(518,655)
b) placing and underwriting commitments				—		(—)
c) irrevocable credit commitments				<u>74,695,289,624.57</u>		(59,738,147)
					74,695,289,624.57	60,256,802
Administered funds					930,345,106.90	975,573

WestLB Statement of Income for the Year Ended December 31, 1997

	see Notes No.	DM	DM	DM	1.1.–31.12.1996 DM thousands
Interest from					
a) lending and money market transactions	28	18,626,871,946.19			(15,962,570)
b) interest-bearing securities and book-entry securities		<u>4,156,141,036.76</u>			(3,189,799)
			22,783,012,982.98		(19,152,369)
Interest paid			<u>20,548,594,514.15</u>		(17,279,944)
				2,234,418,468.83	1,872,425
Current income from	28				
a) shares and other non-interest-bearing securities			122,866,103.69		(216,172)
b) equity investments in non-affiliated companies			175,462,617.64		(217,713)
c) equity investments in affiliated companies			<u>370,705,602.12</u>		(345,699)
				669,034,323.45	(779,584)
Income from profit pooling, profit transfer and partial profit transfer agreements				161,302,519.68	126,714
Commission income	28		695,770,942.96		(606,511)
Commission paid			<u>300,728,724.07</u>		(258,334)
				395,042,218.89	348,177
Net result from trading operations	28			201,409,279.74	142,169
Other operating income	28			129,835,281.80	177,598
General administrative expenses					
a) personnel expenses					
aa) wages and salaries		981,640,530.67			(847,831)
ab) compulsory social security contributions and expenses for pensions and other employee benefits		<u>290,479,749.52</u>			(305,214)
including:			1,272,120,280.19		(1,153,046)
for pensions DM 185,138,436.24					
b) other administrative expenses			<u>928,973,140.33</u>		(759,407)
				2,201,093,420.52	1,912,452
Depreciation and value adjustments on intangible and tangible fixed assets				131,779,054.76	114,700
Other operating expenses				98,753,047.73	77,632
Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions				803,543,536.39	433,622
including:					
allocation to fund for general bank risks					
DM		—			
			To be carried forward:	<u>555,873,032.99</u>	<u>908,261</u>

	DM	DM	1.1.–31. 12. 1996 DM thousands
To be carried forward:	<u>555,873,032.99</u>		<u>908,261</u>
Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets		–.—	54,430
Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	226,253,796.20		–
Expenses from the assumption of losses	<u>36,305,017.60</u>		<u>(41,236)</u>
Profit or loss on ordinary activities	745,821,811.59		812,595
Extraordinary income		–.—	37,706
Extraordinary expenses		<u>–.—</u>	<u>240,664</u>
Extraordinary result		–.—	(202,958)
Taxes on income and revenues	188,047,543.15		(95,807)
Other taxes not shown under other operating expenses	<u>15,838,283.44</u>		<u>(4,656)</u>
		<u>203,885,826.59</u>	<u>100,463</u>
Net income for the year		<u>541,935,985.—</u>	<u>509,174</u>
Allocation to capital of Wohnungsbauförderungsanstalt		156,235,985.—	147,474
Allocation of net income to reserves from retained earnings			
a) legal reserves	–.—		(—)
b) reserves required by WestLB's statutes	70,000,000.—		(40,000)
c) other reserves	<u>130,000,000.—</u>		<u>(160,000)</u>
		200,000,000.—	200,000
Profit		<u>185,700,000.—</u>	<u>161,700</u>

Notes to the WestLB Annual Accounts as at December 31, 1997

Compilation of Annual Accounts

Westdeutsche Landesbank has prepared its annual accounts in accordance with the provisions of the German Commercial Code (HGB) and the Ordinance Regarding Accounting for Banks (RechKredV). Information which can optionally be included in the balance sheet or in the Notes is set out in the Notes.

The assets and liabilities of the LBS Westdeutsche Landesbausparkasse (LBS) and Wohnungsbauförderungsanstalt Nordrhein-Westfalen (Wfa)

are included in the relevant items of the Bank's annual accounts. The claims and liabilities as well as expenditure and income of the Bank, LBS and Wfa have been offset against each other.

The annual results of the LBS and Wfa form part of the WestLB annual result. As in the previous years, the Wfa profit has been allocated to the capital of the Wohnungsbauförderungsanstalt in accordance with legal requirements.

Accounting and Valuation Principles

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

Claims are shown with the principal amount outstanding less unamortized discounts. Liabilities are carried at the amount repayable; the accompanying discounts are entered under deferred items. Premiums relating to claims or liabilities are shown under deferred items as an asset or liability respectively. The proportionate amount of interest at year-end is included with the claim or liability to which it applies. Discounts and premiums from own bonds issued and lending business are dissolved according to the interest-share method. Bills of exchange, treasury bills and discounted treasury

notes were discounted at the effective interest rate. Non-interest-bearing loans to employees are shown with the principal amount outstanding in line with tax regulations. Non-interest and low-interest-bearing loans of the Wohnungsbauförderungsanstalt are stated at their cash value. Zero bonds issued by the Bank are carried as liabilities and shown at their issue value plus interest accrued on the balance sheet date.

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

Notes to the WestLB Annual Accounts as at December 31, 1997

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

Securities held in the Bank's investment portfolio (financial assets) are valued at cost. Partial holdings were written down using the modified lower of cost or market principle. Any difference between the cost and repayment value of securities held in the investment portfolio is included pro rata temporis in the Bank's results.

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

They are carried either at market or at the applicable value; pro-rata interest, non-recurring payments and option premiums are taken into account. The individual valuation results have been amalgamated in macro portfolios for the first time. The portfolios are delineated according to risk categories (interest, shares and other price risks) and, within these risk categories, according to currency, share type and other basic instruments. Currencies which are considered to be certain members of the European monetary union but which are not main trading currencies

have been merged to form a single unit. Any remaining unrealized gains are not shown as income; any unrealized losses are written down and provisions made accordingly.

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

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

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

Income tax charges carried in the statement of income relate to the profit or loss on ordinary activities.

There is a fund for general bank risks pursuant to § 340 g of the German Commercial Code (HGB) as well as a fund for building-society related risks.

Notes to the WestLB Annual Accounts as at December 31, 1997

Foreign currencies are converted and foreign currency transactions valued in accordance with the provisions of § 340 h of the German Commercial Code (HGB) and BFA 3/95. Foreign currency assets and liabilities as well as pending foreign currency spot transactions are converted and valued on the basis of the mean spot rate prevailing on the balance sheet date; pending forward transactions (forward exchange, currency option and futures transactions) are converted and valued on the basis of the forward rate or option premium prevailing on the balance sheet date. Rate-hedged expenses and income are converted at the hedging rate. Any differences arising from the conversion of hedged balance-sheet items and the corresponding hedging transactions are shown under other

assets. Swap premiums from hedged balance-sheet items were accrued pro rata temporis and included under net interest income.

Balance-sheet items denominated in a foreign currency as well as pending transactions of WestLB were shown for the first time in each currency as specially covered and valued pursuant to § 340 h (2) 2 of the German Commercial Code (HGB). Accordingly, all expenses and income arising from the conversion of foreign currencies pursuant to § 340 h (2) 1 and 2 of the German Commercial Code (HGB) are included in the Statement of Income; there was no income requiring elimination as the foreign-exchange positions prevailing on the balance-sheet date are short term.

Derivatives

As part of its business activities, WestLB conducts currency or interest-related and other types of derivatives in the following categories:

Currency-Related Derivatives

Forward exchange transactions, written and bought currency options, forward exchange contracts, issued currency warrants, currency swaps,

interest/currency swaps and gold and precious metals forward transactions/options

Interest-Related Derivatives

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

Notes to the WestLB Annual Accounts as at December 31, 1997

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

□ Other Derivatives

Share forward contracts, written and bought share options, index futures

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

The total nominal volume of WestLB's derivatives business is DM 1,629.5 (583.3) billion.

Derivatives – Volumes

(DM millions)	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
Interest-rate risks						
Interest-rate swaps	719,752	295,882	3,649	2,293	14,466	7,773
FRAs	148,202	70,694	27	101	71	220
Interest-rate options						
– bought	13,186	2,976	81	22	262	49
– written	16,059	4,639	–	–	–	–
Stock market contracts	52,484	9,556	–	–	–	–
Caps, Floors	51,987	34,355	74	78	229	221
Other interest-rate forward transactions	79,433	37,122	6	102	7	134
Total interest-rate risks	1,081,103	455,224	3,837	2,596	15,035	8,397
Currency risks						
Forward exchange transactions	308,900	108,647	2,236	841	6,173	2,318
Interest-currency swaps/currency swaps	21,351	6,958	393	127	678	190
Currency options						
– bought	106,316	2,726	548	16	1,389	45
– written	102,619	3,174	–	–	–	–
Stock market contracts	220	0	–	–	–	–
Other currency forward transactions	0	496	0	1	0	1
Total currency risks	539,406	122,001	3,177	985	8,240	2,554
Share and other price risks						
Share options						
– bought	3,240	1,925	83	51	129	82
– written	1,205	464	–	–	–	–
Stock market contracts	3,083	2,601	–	–	–	–
Other forward transactions	1,472	1,081	20	2	29	2
Total share and other price risks	9,000	6,071	103	53	158	84
Total derivatives	1,629,509	583,296	7,117	3,634	23,433	11,035

Notes to the WestLB Annual Accounts as at December 31, 1997

The credit risk equivalents are calculated on the basis of the market-valuation method in accordance with German bank supervisory requirements including a corresponding counterparty weighting and a percentage add-on. WestLB's credit risk equivalents pursuant to Principle I represent 4.1 (2.5%) of the entire risk assets of the Bank.

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

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

Holdings rose steadily in the 1997 business year; average holdings on the basis of nominal values stood at DM 1,162.1 (507.0) billion.

Derivatives – Average Volumes

Average Jan. 1 - Dec. 31, 1997 DM millions	Average Nominal Values		Average Credit Risk Equivalents		Average Replacement Costs	
	1997	1996	1997	1996	1997	1996
Interest-rate risks	828,839	389,474	2,927	2,028	9,582	6,491
Currency risks	322,684	112,558	2,498	841	5,910	1,939
Share and other price risks	10,541	4,965	115	46	164	71
Total derivatives	1,162,064	506,997	5,540	2,915	15,656	8,501

WestLB primarily enters into contracts with domestic and foreign banks, with non-OECD banks

accounting for only a very small portion.

Notes to the WestLB Annual Accounts as at December 31, 1997

Derivatives – Classification of Counterparties

DM millions	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
OECD banks	1,381,707	440,076	5,785	2,218	21,644	8,816
Non-OECD banks	6,720	2,019	111	22	213	39
Customers*	231,939	135,589	1,202	1,384	1,533	2,174
Public-sector entities	9,143	5,612	19	10	43	6
Total	1,629,509	583,296	7,117	3,634	23,433	11,035

* including stock market contracts

WestLB's derivatives business primarily focuses on trading transactions and contracts for hedging its own portfolios.

Derivatives – Trading Transactions

DM millions	Nominal Values		Credit Risk Equivalents		Replacement Costs	
	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
Interest-rate contracts	1,036,086	432,708	3,788	2,421	15,009	8,128
Currency contracts	514,977	121,466	3,059	983	7,996	2,569
Share contracts	7,913	5,897	100	53	158	89
Total trading transactions	1,558,976	560,071	6,947	3,457	23,163	10,789

With respect to the maturities of derivatives, most of the contracts covering currency risks are short-term in nature; those covering interest-rate risks are spread across the entire spectrum of maturities; roughly 25% of the interest-rate contracts have a residual maturity of more than five years.

Derivatives – Classification by Maturity

Nominal Values	Interest-Rate Risks		Currency Risks		Share and Other Price Risks	
	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
Residual maturity						
– up to one year	391,609	170,059	502,582	109,520	7,958	5,978
– one to five years	429,665	190,051	29,251	10,582	1,042	93
– more than five years	259,829	95,114	7,573	1,899	–	–
Total	1,081,103	455,224	539,406	122,001	9,000	6,071

Notes to the WestLB Annual Accounts as at December 31, 1997

Claims on Banks (1)

Claims on banks include claims on affiliated companies in an amount of DM 15,911.5 (14,037.6) million and claims on companies in which equity investments are held in an amount of DM 20,824.4 (10,726.7) million.

Claims from leasing transactions amount to DM 450.2 (337.4) million.

	Dec. 31, 1997		Dec. 31, 1996	
	DM millions		DM millions	
	Claims on Associated Banks	Claims on Other Banks	Claims on Associated Banks	Claims on Other Banks
Payable on demand	1,043.2	8,128.7	1,652.2	5,956.5
With agreed maturity or period of notice of:				
– less than three months	207.3	27,295.0	154.4	22,123.2
– at least three months, but less than four years	321.1	63,581.1	232.4	38,223.2
– four years or more	23,473.9	42,665.5	19,351.6	31,980.8
Total	25,045.5	141,670.3	21,390.6	98,283.7
Total	166,715.8		119,674.3	
including:				
– LBS loans	1.9	–	1.6	–

Notes to the WestLB Annual Accounts as at December 31, 1997

Claims on Customers (2)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
With agreed maturity or period of notice of		
– less than four years	55,835.7	31,206.5
– four years or more	115,783.9	110,926.4
Total	171,619.6	142,132.9
including:		
– affiliated companies	12,584.9	12,100.9
– companies in which equity investments are held	1,413.8	1,138.7
– from leasing transactions	4,813.0	4,057.2
– LBS loans	10,696.2	10,372.9
– loans of the Wohnungsbauförderungsanstalt	8,122.7	8,309.9
– interest and repayment arrears under LBS loans	6.3	6.1
– LBS loans allocated but not yet disbursed		
– allotted	481.2	455.0
– pre- and interim financing	122.3	202.9
– other	0.1	–.–

Claims Secured by Mortgages (3)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Claims on customers with agreed maturity or period of notice of		
– less than four years	494.5	693.0
– four years or more	7,141.1	11,254.8
LBS loans	10,640.7	6,822.0
Total	18,276.3	18,769.8

Notes to the WestLB Annual Accounts as at December 31, 1997

Bonds and Other Interest-Bearing Securities (4)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Bonds and notes	74,648.1	53,426.4
including:		
– listed on a stock exchange	72,434.6	52,357.4
– not listed on a stock exchange	2,213.5	1,069.0
including:		
– claims on affiliated companies	168.7	252.7
– claims on companies in which equity investments are held	791.1	702.4
Money-market instruments	1,806.7	753.0
Total	76,454.8	54,179.4

The following table classifies the Bank's portfolio of bonds and other interest-bearing securities according to maturity:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Money-market instruments	1,806.7	753.0
Bonds and notes of public-sector issuers		
with original maturities of		
– less than four years	3,485.0	618.8
– four years or more	29,468.2	17,627.3
Bonds and notes of other issuers		
with original maturities of		
– less than four years	3,453.1	2,544.2
– four years or more	35,161.5	30,365.4
Bonds issued by the Bank		
with original maturities of		
– less than four years	316.6	211.5
– four years or more	2,763.7	2,059.1
Total	76,454.8	54,179.4

Notes to the WestLB Annual Accounts as at December 31, 1997

Of the Bank's portfolio of bonds,

DM 22.8 (7.2) billion
are carried as trading portfolio

DM 40.0 (29.5) billion
are carried as investment
portfolio

DM 13.7 (16.7) billion
are carried as liquidity reserve

The portfolios are classified accord-
ing to the purpose of the bonds
allocated to them and are shown

separately for accounting purposes. The bonds forming part of the Bank's investment portfolio in an amount of DM 40.0 (29.5) billion are shown as fixed assets. At year-end, financial assets of DM 6.1 (2.9) billion were valued according to the modified lower of cost or market principle. Of these, a total of DM 1.6 (1.6) billion consisted of securities acquired in connection with interest-rate swap transactions (asset swaps) and whose commercial value is commensurate with the purchase price.

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

Of the marketable securities included under this item with a value of DM 1,257.6 (744.9) million, securities with a value of DM 1,065.2 (604.7) million are listed on a stock exchange. This item includes shares in a special fund launched by WestLB of

DM 2,032.4 million, predominantly comprising listed securities. Trading portfolios are valued in accordance with WestLB's macro portfolio approach. Other share portfolios are shown at the lower of cost or market.

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

WestLB's equity investments in non-affiliated companies amounting to DM 4,922.0 (5,220.6) million include marketable securities of DM 1,778.6 (2,094.7) million. Of these, DM 1,348.6 (1,569.5) million are listed and DM 430.0 (527.2) million are not listed on a stock exchange.

Equity investments in non-affiliated companies held by WestLB in accordance with § 285 No. 11 of

the German Commercial Code (HGB) are itemized in a separate list which has been deposited with the Düsseldorf district court (Amtsgericht).

Of the equity investments in affiliated companies in an amount of DM 5,169.8 (5,443.5) million, DM 1,604.8 (1,960.1) million are marketable securities; as in the previous year, none of these securities are listed on a stock exchange.

Notes to the WestLB Annual Accounts as at December 31, 1997

Trust Assets (7)	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Claims on banks	555.6	706.5
Claims on customers	5,903.7	6,021.0
Bonds and notes	0.2	0.1
Participations in RWI-Fonds	894.2	894.0
Total	7,353.7	7,621.6

Other Assets (8)	The total figure of DM 4,111.6 (1,503.8) million consists principally of	<input type="checkbox"/> DM 403.5 (371.8) million in claims from earnings transfers from affiliated companies <input type="checkbox"/> DM 379.6 (220.5) million in claims arising from tax refunds, almost exclusively from withheld corporate income tax and capital gains tax on income from investments and dividends
	<input type="checkbox"/> DM 1,851.0 (346.0) million in premiums for options, interest-rate caps and interest-rate floors <input type="checkbox"/> DM 751.0 (110.0) million in equalization items from foreign currency valuation and adjustment items for foreign currency transactions	

Fixed Assets (9)

DM millions	Acquisition Cost/Cost of Production	Additions in the Business Year	Subtractions in the Business Year	Total Depreciation	Net Book Value on 31. 12. 97	Net Book Value on 31. 12. 96	Depreciation in the Business Year
Bonds and other interest-bearing securities forming part of fixed assets	28,887.7	10,163.8	- 212.2	--	38,834.3	28,882.7	--
Equity investments in affiliated companies	5,650.9	589.6	- 862.8	- 207.9	5,169.8	5,443.5	--
Equity investments in non-affiliated companies	5,382.1	62.3	- 357.8	- 164.6	4,922.0	5,220.6	- 3.1
Intangible assets	2.4	--	- 2.4	- 2.4	--	2.4	- 2.4
Land and buildings	916.3	32.2	--	- 460.7	487.8	478.8	- 23.1
Office equipment	945.4	283.5	6.8	- 680.4	541.6	369.3	- 104.4

Notes to the WestLB Annual Accounts as at December 31, 1997

The value of bonds shown in the balance sheet does not include any proportional interest. The changes in the business year include additions and subtractions as well as changes resulting from the pro rata temporis

dissolution of premiums and discounts. Of its land and buildings, WestLB utilizes premises with a value of DM 437.5 (423.0) million for its own business activities.

Deferred Items (10)

Deferred items comprise the following:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Premiums on claims	173.4	135.4
Discounts from underwriting business	1,015.8	837.4
Discounts from liabilities	236.3	344.3
Other	5,821.5	5,105.1
Total	7,247.0	6,422.2

Subordinated Assets (11)

The following items include subordinated assets:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Claims on banks	441.5	293.9
Claims on customers	95.4	138.8
Bonds and other interest-bearing securities	528.0	13.7
Total	1,064.9	446.4

Pledged Assets (12)

Of the assets shown, DM 24,613.8 (3,630.5) million were pledged under repurchase agreements. The increase

was attributable to the strong expansion of the repo/securities lending business.

Notes to the WestLB Annual Accounts as at December 31, 1997

Liabilities to Banks (13)

	Dec. 31, 1997		Dec. 31, 1996	
	DM millions		DM millions	
	Liabilities to Affiliated Banks	Liabilities to Other Banks	Liabilities to Affiliated Banks	Liabilities to Other Banks
Payable on demand	3,374.5	19,842.3	3,545.0	8,790.5
With agreed maturity or period of notice of				
– less than three months	4,156.3	70,284.4	5,258.2	35,805.3
– at least three months, but less than four years	2,892.3	46,173.9	2,751.7	30,044.7
– four years or more	188.8	34,225.6	143.5	32,116.3
Deposits of building and loan association	86.8	–	89.4	–
Total	10,698.7	170,526.2	11,787.8	106,756.8
Total	181,224.9		118,544.6	
including:				
– due in less than four years	56,950.4	13,243.2	19.7	12,466.2

Liabilities to banks included liabilities of DM 6,126.1 (5,859.8) million to affiliated companies and liabilities

of DM 4,837.1 (2,399.1) million to companies in which equity investments are held.

Notes to the WestLB Annual Accounts as at December 31, 1997

Liabilities to Customers (14)	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Saving deposits	120.4	99.8
Deposits of building and loan association	10,805.8	10,328.2
Payable on demand	12,561.5	10,156.5
With agreed maturity or period of notice of		
– less than three months	38,226.8	21,364.7
– at least three months, but less than four years	16,133.9	11,136.6
– four years or more	38,264.0	32,963.0
Total	116,112.4	86,048.8
including:		
– due in less than four years	13,333.7	11,860.4
– liabilities to affiliated companies	11,242.5	7,940.1
– liabilities to companies in which equity investments are held	1,036.3	774.0

Certificated Liabilities (15)	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Certificated liabilities with maturities of		
– up to four years	26,606.4	21,810.2
– more than four years	94,950.3	93,163.7
including:		
– due in less than four years	53,129.7	53,488.0
Total	121,556.7	114,973.9

Trust Liabilities (16)	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Liabilities to banks	794.7	901.6
Liabilities to customers	3,300.2	3,333.9
RWI certificates	894.2	894.0
Other liabilities	2,364.6	2,492.1
Total	7,353.7	7,621.6

Notes to the WestLB Annual Accounts as at December 31, 1997

Other Liabilities (17)

The main components of this item of DM 5,988.3 (1,377.7) million include:

- DM 3,137.7 (462.0) million in securities delivery obligations
- DM 2,016.0 (403.6) million in liabilities from foreign currency, security and other options, caps, floors, swaptions and warrants

- DM 169.5 (95.2) million in liabilities from interest to be paid on profit participation rights issued by WestLB after approval of the Annual Accounts (probably on May 14, 1998)

Deferred Items (18)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Discounts on claims	11.5	120.3
Premiums from own bonds issued	11.6	17.7
Other	1,743.3	1,183.6
Total	1,766.4	1,360.6

Provisions (19)

Provisions include provisions for deferred taxes in an amount of DM 7.2 (6.1) million relating to the

business activities of our foreign branches. Total provisions amount to DM 3,211.6 (3,067.9) million.

Subordinated Liabilities (20)

The following subordinated liabilities exceed 10% of the total value of all subordinated liabilities of WestLB

amounting to DM 4,380.2 (3,306) million:

Currency	Nominal Amount	Interest Rate	Maturity
	in millions	in %	
DEM	468.1	7.0	1993–2004
USD	500.0	6.75	1993–2005
GBP	250.0	8.5	1993–2003

Notes to the WestLB Annual Accounts as at December 31, 1997

WestLB's remaining subordinated liabilities include subordinated loans with a value of DM 2,207.5 million and DM 535.1 million in subordinated borrower's note loans which carry an average interest rate of 7.13% and original maturities of between 7 and 14 years.

Expenditure of DM 292.5 (217.7) million was incurred in connection with subordinated liabilities.

Subordinated liabilities towards the affiliated companies WestLB Finance B.V. and WestLB Finance Curaçao amount to DM 2,481.0 (1,725.6) million.

Subordinated liabilities carried by WestLB or its subsidiaries comply with the requirements of § 10 (5a) of German Banking Law (KWG); the subordinated liabilities do not provide for an extraordinary right of termination.

Capital and Reserves (21)

On December 31, 1997, WestLB's subscribed capital amounted to DM 2,315 million. The Bank's reserves totalled DM 9,375 (9,175) million. A total of DM 200 million was allocated to the reserves from the net profit in the report year. The fund for general bank risks totals DM 170 million.

Subordinated liabilities increased in 1997 as a result of the issue of DM 785.6 (134.1) million; profit participation capital rose by DM 1,414.6 (718.3) million. Subordinated liabilities and profit participation capital total DM 7,386.0 (4,897) million. Exchange-rate-related changes, in particular as a result of the development of the USD and GBP, had a positive effect on the equity capital.

Notes to the WestLB Annual Accounts as at December 31, 1997

WestLB's total capital and reserves comprise the following:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Subscribed capital	2,315	2,315
Capital reserves	6,490	6,490
including:		
– special reserves pertaining to the Wohnungsbauförderungsanstalt	(5,900)	(5,900)
Reserves from retained earnings		
– required by WestLB's statutes	870	800
– other	2,015	1,885
Equity capital pursuant to the German Commercial Code (HGB)	11,690	11,490
Fund for general bank risks	170	170
Profit participation capital	3,006	1,591
Subordinated liabilities	4,380	3,306
Other capital and reserves	7,556	5,067
Total capital and reserves	19,246	16,557

The Bank's liable equity capital pursuant to § 10 of German Banking Law (KWG) amounted to DM 17,366 (14,849) million at the end of 1997. Undisclosed reserves (revaluation

reserves) pursuant to § 10 4a, (1) No. 4 of German Banking Law (KWG) were not used as an item for the Solvency Ratio (Principle I).

Special Reserves Pertaining to the Wohnungsbauförderungsanstalt (22)

Pursuant to § 2 of Housing Development Law (WBFG), WestLB operates the Wohnungsbauförderungsanstalt Nordrhein-Westfalen Anstalt der Westdeutschen Landesbank Girozentrale (Wfa) as an organizationally and economically independent institution under public law without legal capacity.

Pursuant to § 3 of Housing Development Law (WBFG), WestLB has allocated the share capital and the

reserves of the Wfa as well as the state residential construction business of the Wfa to the special reserves pertaining to the Wohnungsbauförderungsanstalt.

The unchanged special reserves pertaining to the Wohnungsbauförderungsanstalt of DM 5,900 million are fully covered by the assets of the Wfa subject to the generally accepted discounts on non and low-interest-bearing housing construction loans.

Notes to the WestLB Annual Accounts as at December 31, 1997

The capital of the Wohnungsbauförderungsanstalt developed as follows in the report year:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Capital on 1. 1.	30,989	29,548
– transfers from state budget	1,275	1,327
– other additions	18	151
– allocation from WestLB's net profit for 1997	156	147
– subsidies to third parties	21	51
– capital reductions and other subtractions	159	133
Capital on 31. 12.	32,258	30,989

A sum of DM 156.2 (147.5) million was transferred from WestLB's net profit for 1997 to the capital used for the state residential construction

business of the Wohnungsbauförderungsanstalt pursuant to § 17 of Housing Development Law (WBFG).

Banking Law Ratios

WestLB at all times adhered to the ratios relating to own funds and bank liquidity as defined in §§ 10, 10 a and 11 of German Banking Law (KWG). The recommendations of the Com-

mittee for Banking Regulations and Supervision of July 1988 (Capital Adequacy Ratio of the Cooke Committee) were complied with.

Foreign Currency Assets/ Foreign Currency Liabilities (23)

Foreign currency assets were valued at DM 174.2 (92.4) billion and foreign

currency liabilities were valued at DM 173.0 (91.5) billion at year-end.

Other Commitments (24)

The amounts shown in the balance sheet for placing and underwriting commitments as well as irrevocable credit commitments involve amounts which have not yet been utilized.

Of WestLB's irrevocable credit commitments, an amount of DM 1,836.0

(1,532.1) million is accounted for by central lending schemes, DM 251.3 (328.9) million by approved but not yet released building society loans of the LBS and DM 6,398.2 (6,092.6) million by similar commitments of the Wfa.

Notes to the WestLB Annual Accounts as at December 31, 1997

Disposal Restrictions/ Security Provisions (25)

WestLB deposited or assigned own bonds and securities as well as those of its affiliated companies with a nominal value of DM 31,299.7 (14,259.6) million as collateral for Bundesbank advances against pledge of securities (Lombard loans), other transactions and in connection with repurchase agreements under open market transactions with the Bundesbank. Accounts receivable totalling

DM 1,963.7 (2,258) million were assigned to secure loans made as part of public credit programmes. In some cases, the Bank's business activities abroad were subject to legal requirements and local practices requiring the provision of collateral to public institutions and banks. Compliance with such requirements tied up assets in the amount of DM 4,474.0 (4,265.5) million.

Collateral for Own Liabilities (26)

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Liabilities to banks	5,353.8	4,545.3
Liabilities to customers	1,458.1	1,369.6
Total	6,811.9	5,914.9

These are registered mortgage-backed bonds and municipal bonds

issued to creditors as collateral for liabilities incurred.

Liability

As a result of its participation in the Liquiditätskonsortialbank, WestLB has a potential liability to make additional contributions to the Liquiditätskonsortialbank, amounting to a maximum of DM 121 million. The Bank's potential liability to make additional contributions to the security reserves of the Landes-

banken/Girozentralen total no more than DM 154.2 (102.8) million. The Bank may have additional obligations arising from the potential liability incurred by members of the German Savings Banks and Giro Association to make additional contributions to the Liquiditätskonsortialbank.

Notes to the WestLB Annual Accounts as at December 31, 1997

Letter of Comfort

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

forth and specifically designated on Page 30 of the Notes to the WestLB Group Annual Accounts for 1997.

This Letter of Comfort applies to WestLB International S.A., Luxembourg, and to WestLB (Switzerland) Ltd. irrespective of WestLB's investment quota.

Guarantor Obligation

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

Kiel, via which there is an indirect guarantor liability for Landesbank Hamburg.

Other Financial Obligations

WestLB has rental and leasing obligations amounting to DM 197.5 (164.8) million, of which DM 51.0 (25.5)

million are to affiliated companies and DM 7.1 (14.5) million to companies in which equity investments are held.

Notes to the WestLB Annual Accounts as at December 31, 1997

Cover (27)

All issues of WestLB requiring cover were covered in accordance with the relevant legal and statutory regulations.

The following table details the amount of cover as at December 31, 1997:

	Dec. 31, 1997	Dec. 31, 1996
	DM millions	DM millions
Mortgage-backed bonds	8,977.7	10,102.4
Assets used for covering purposes		
– claims on banks	16.5	17.1
– claims on customers	10,453.4	11,069.2
Excess cover	1,492.2	983.9
Bonds of public authorities and entities under public law	110,346.2	101,560.6
Assets used for covering purposes		
– claims on banks	57,840.1	45,529.9
– claims on customers	48,724.1	50,248.4
Replacement cover	7,167.1	7,032.3
Excess cover	3,385.1	1,250.4

Number of Employees

The average number of employees during 1997 was as follows:

	Male	Female	Total
Domestic branches	2,584	2,364	4,948
Foreign branches	495	401	896
Landesbausparkasse	620	337	957
Wohnungsbauförderungsanstalt	271	199	470
Total	3,970	3,301	7,271

Of the above, an average of 137 (161) employees were engaged in apprenticeship training or equivalent training during 1997.

Notes to the WestLB Annual Accounts as at December 31, 1997

Remuneration Paid to the Executive Bodies

The total remuneration paid to WestLB's Managing Board in 1997 was DM 11.9 (12.1) million; pensions paid to former members of the Managing Board or their survivors amounted to DM 4.0 (4.2) million. Total remuneration paid to the members of the Supervisory Board and

the Guarantors' Meeting amounted to DM 1.3 (1.2) million and to the Advisory Boards DM 1.2 (1.1) million.

Pension provisions in the amount of DM 46.7 (39.2) million were made for former members of the Managing Board and their survivors.

Loans to Members of the Executive Bodies

Members of the Managing Board and the Supervisory Board received advances and loans amounting to DM 8.7 (11.5) million. Members of

the Guarantors' Meeting and the Advisory Boards received advances and loans of DM 25.0 (73.8) million.

Geographic Breakdown of Profit Components (28)

The principal components of profit shown in WestLB's Statement

of Income were obtained in the following markets:

DM millions	Germany	Europe	Far East and Australia	USA	Consolidations	Total
December 31, 1997						
Interest Income/Current Income	17,542.8	7,330.6	2,500.6	4,081.7	- 8,003.7	23,452.0
Commission income	616.7	16.7	26.2	31.6	4.5	695.7
Net income from trading operations	381.5	72.3	41.5	27.1	- 321.0	201.4
Other operating income	143.1	7.2	10.3	0.5	- 31.3	129.8

The geographic breakdown of income was determined on the basis of the domicile of the branch on whose account the transaction in question is carried or which was responsible

for the transaction. This table has been adjusted for the profit/loss derived from transactions between the regional units and eliminated in the Statement of Income.

Notes to the WestLB Annual Accounts as at December 31, 1997

Executive Bodies

Supervisory Board

Dr. Karlheinz Bentele, Chairman	Michael Kranz – since February 5, 1997
Wolfgang Clement, Vice Chairman	Dr. Helmut Linssen
Ferdinand Esser, Vice Chairman	Klaus Matthiesen
Dr. Rolf Gerlach, Vice Chairman	Friedrich Späth
Heinz Schleußer, Vice Chairman	Jens Petring
Dr. Manfred Scholle, Vice Chairman	Joachim Barbonus
Dr. Wolfgang Buchow	Rolf Brunswig
Heinz Biesenbach	Dr. Gerd Wixforth
Dr. Andreas Döhrmann	Fred Eicke
Ernst Gerlach	Christian Gerigk
Michael Geuenich	Helmut Heczko
Heinz Kettler	Gerd-Uwe Löschmann
Dr. Hermann Krämer	Doris Ludwig
Hans-Peter Krämer	Udo Molsberger
	Manfred Schimpf
	Hubertus Schreiber
	Josef Sudbrock
	Gerhard Türck
	Peter Wagemann

Notes to the WestLB Annual Accounts as at December 31, 1997

Guarantors' Meeting

Dr. Günter Berg
Dr. Wolfgang Bodenbender
– until April 16, 1997
Ingeborg Friebe
Rüdiger Frohn
Dieter Gebhard
Dr. Karlheinz Gierden
Dr. Thomas Griese
Rudolf Heib
Dr. Walter Hostert
Bernd Kiesow

Josef Krings
Manfred Morgenstern
Dr. Karl Pröbsting
– since April 16, 1997
Wolfgang Riotte
Harry Voigtsberger
Dr. Hans-Christian Vollert
Gerhard Wattenberg
Marianne Wendzinski
Joachim Westermann

Managing Board

Dr. h.c. Friedel Neuber,
Chairman
Hans Henning Offen,
Vice Chairman
Dr. Wolf-Albrecht Prautzsch,
Vice Chairman
Dr. Dieter Falke
Dr. Adolf Franke

Dr. Rudolf Holdijk
Dr. Axel Kollar
– until June 30, 1997
Dr. Johannes Ringel
Gerhard Roggemann
Hans-Peter Sättele
– until June 30, 1997
Jürgen Sengera

Notes to the WestLB Annual Accounts as at December 31, 1997

Düsseldorf/Münster,
March 17, 1998

Westdeutsche Landesbank
Girozentrale

The Managing Board

Dr. h. c. Neuber Offen Dr. Prautzsch
Dr. Falke Dr. Franke Dr. Holdijk
Dr. Ringel Roggemann Sengera

According to our dutiful audit, the Bank's Annual Accounts have been compiled in accordance with the pertinent legal requirements and the statutes. While complying with standard accounting principles, the Annual Accounts present a true and fair view of the net assets, financial condition and earnings of Westdeutsche Landesbank. The Statement of Financial Condition is consistent with the Annual Accounts.

Düsseldorf, March 24, 1998

C&L Deutsche Revision
Aktiengesellschaft,
Wirtschaftsprüfungsgesellschaft

Dickmann	Niggemann
German Public	German Public
Accountant	Accountant

WestLB Banking Group Addresses

Westdeutsche Landesbank Girozentrale

Düsseldorf
Herzogstrasse 15
40217 Düsseldorf
Tel.: (49-2 11) 826-01
Fax: 826 6119

Münster
Friedrichstrasse 1
48145 Münster
Tel.: (49-2 51) 412-01
Fax: 412 2921

Domestic Network

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

Bielefeld
Niederwall 26
33602 Bielefeld
Tel.: (49-5 21) 547-01
Fax: 547 212

Cologne
Ludwigstrasse 2
50667 Cologne
Tel.: (49-2 21) 20 49-01
Fax: 20 49 660

Dortmund
Kampstrasse 45
44137 Dortmund
Tel.: (49-2 31) 18 14-01
Fax: 18 14 555

Essen
III. Hagen 27
45127 Essen
Tel.: (49-2 01) 22 01-01
Fax: 22 01 242

Frankfurt
Taunusanlage 3
60329 Frankfurt
Tel.: (49-69) 25 79-01
Fax: 25 79 315

Hamburg
Domstrasse 10
20095 Hamburg
Tel.: (49-40) 3 39 68-0
Fax: 3 39 68 201

Leipzig
Dittrichring 18–20
04109 Leipzig
Tel.: (49-3 41) 7 11 79-0
Fax: 7 11 79 51

Munich
Lenbachplatz 2 a
80333 Munich
Tel.: (49-89) 55 25 04-0
Fax: 55 25 04 60

Potsdam
Steinstrasse 104–106
14480 Potsdam
Tel.: (49-3 31) 66 95-0
Fax: 66 95 222

Foreign Branches

Brussels
Chaussée de la Hulpe 166
1170 Brussels
Tel.: (32-2) 663 68 00
Fax: 663 68 59

Hong Kong
36th Floor
Bank of America Tower
12, Harcourt Road
Hong Kong
Tel.: (85-2) 2842 0288
Fax: 2842 0296

Istanbul
Akasyalı Sokak No: 6
4. Levent
80620 Istanbul
Tel.: (90-212) 283 08 08
Fax: 283 04 60

Izmir
Vali Kazım Dirik Caddesi
Akdeniz Mahallesi
Gayret İş Hanı No: 4 Kat 4
35210 Pasaport – Izmir
Tel.: (90-232) 483 10 60
Fax: 483 19 30

London
51, Moorgate
London EC2R 6AE
Tel.: (44-171) 6 38 61 41
Fax: 3 74 85 46

Madrid
Edificio Torre Picasso – Piso 34
Plaza Pablo
Ruiz Picasso, s/n.
28020 Madrid
Tel.: (34-91) 432 8000
Fax: 432 8051

New York
New York Branch
Cayman Island Branch
International Banking Facility
1211 Avenue of the Americas
23rd and 24th Floor
New York, N.Y. 10036
Tel.: (1-212) 8 52 60 00
Fax: 8 52 63 00

Singapore
3 Temasek Avenue
#33-00 Centennial Tower
Singapore 039190
Tel.: (65) 333 2388
Fax: 333 2399

Sydney
Level 29
60 Margaret Street
Sydney NSW 2000
Tel.: (61-2) 9777 9900
Fax: 9777 9911

Tokyo
Fukoku Seimei Building 3F
2-2-2, Uchisaiwaicho
Chiyoda-ku
Tokyo 100
Tel.: (81-3) 55 10 6200
Fax: 55 10 6299

Representative Offices in
Amsterdam Bangkok Chicago
Dubai Jakarta Kiev Los Angeles
Mexico City Nizhny Novgorod
Osaka Peking Prague Shanghai
St. Petersburg Taipei Toronto

Subsidiaries

Westdeutsche ImmobilienBank

Mainz
Wilh.-Theodor-Römheld-Strasse 24
55130 Mainz
Tel.: (49-61 31) 928-0
Fax: 928 200

Branches in
Amsterdam Berlin Cologne
Frankfurt/Main Halle/Saale
Hamburg Hanover Leipzig London
Mannheim Munich Münster
Rostock Stuttgart

WestLB Europa Holding AG

Friedrichstrasse 56
40217 Düsseldorf
Tel.: (49-2 11) 826-01
Fax: 826 6113

WPS WertpapierService Bank AG

Völklinger Strasse 4
40219 Düsseldorf
Tel.: (49-2 11) 826-05
Fax: 826 2667

**WestLB International S.A.
Luxembourg**

32–34, Boulevard
Grande-Duchesse Charlotte
Boîte Postale 420
2014 Luxembourg
Tel.: (35-2) 4 47 41-1
Fax: 4 47 41 210

**Westdeutsche Landesbank
(Switzerland) Ltd.**

Bleicherweg 50
8002 Zurich
Tel.: (41-1) 2 85 74 11
Fax: 2 01 26 52

**Westdeutsche Landesbank
(Hungaria) Rt.**

Madách Imre u. 13–14.
1075 Budapest
Tel.: (36-1) 268 16 80
Fax: 268 19 33

**WestLB Investment Rt.
(Magyarország)**

Madách Imre u. 13–14.
1075 Budapest
Tel.: (36-1) 268 19 40
Fax: 268 19 30

**Westdeutsche Landesbank
(Ireland) Plc**

2, Harbourmaster Place
I.F.S.C.
Dublin 1
Tel.: (35-31) 6 700 100
Fax: 6 700 112

**Westdeutsche Landesbank
(Italia) S.p.A.**

Via Canova, 36/38/40
20145 Milan
Tel.: (39-2) 34 97 41
Fax: 34 97 42 62

**ZAO Westdeutsche
Landesbank Vostok**

ul. Powarskaja 23
Building 4
121069 Moscow
Tel.: (7-095) 258 61 00-04
Fax: 258 61 05

**Westdeutsche Landesbank
(France) S.A.**

15, Avenue de Friedland
75008 Paris
Tel.: (33-1) 40 75 75 00
Fax: 45 63 80 91

**Westdeutsche Landesbank
Polska S.A.**

ul. Emilii Plater 28
00-688 Warsaw
Tel.: (48-22) 653 05 00
Fax: 653 05 01

WestLB UK Ltd.

51, Moorgate
London EC2R 6AE
Tel.: (44-171) 6 38 61 41
Fax: 6 28 18 43

West Merchant Bank Ltd.

London
33/36 Gracechurch Street
London EC3V 0AX
Tel.: (44-171) 623 8711
Fax: 626 1610

Branches in
Berlin Düsseldorf New York
Singapore

Representative Offices in
Bangkok Buenos Aires Caracas
Hong Kong Istanbul Jakarta
Johannesburg Lima Milan
Mexico City Moscow Mumbai
Paris Rome Santiago de Chile
São Paulo Stockholm Sydney
Warsaw Zurich

Panmure Gordon & Co. Ltd.

New Broad Street House
35, New Broad Street
London EC2M 1NH
Tel.: (44-171) 638 4010
Fax: 920 9305

Quorum Capital Management Ltd.

Bastion House
140, London Wall
London EC2Y 5DM
Tel.: (44-171) 4 57 36 00
Fax: 4 57 36 99

Banque d'Orsay S.A.

33, Avenue de Wagram

75017 Paris

Tel.: (33-1) 40 55 44 00

Fax: 40 55 44 10

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

Brussels

Chaussée de la Hulpe 166

1170 Brussels

Tel.: (32-2) 663 69 00

Fax: 663 69 59

Branches in

Buenos Aires Montevideo

São Paulo

Representative Offices in

Bogotá Caracas Santiago de Chile

WestLB Securities Australia Ltd.

Level 29

60 Margaret Street

Sydney NSW 2000

Tel.: (61-2) 9777 9977

Fax: 9777 9975

WestLB Securities Pacific Ltd.

Tokyo Branch

Fukoku Seimei Building 3F

2-2-2, Uchisaiwaicho

Chiyoda-ku

Tokyo 100

Tel.: (81-3) 55 10 6300

Fax: 55 10 6399

Cooperation Partners**ASLK-CGER Bank**

Wolvengracht 48

1000 Brussels

Tel.: (32-2) 228 8952

Fax: 228 9863

Bank Austria AG

Vordere Zollamtsstrasse 13

1030 Vienna

Tel.: (43-1) 7 11 91 6552

Fax: 7 11 91 6566

**Cassa di Risparmio delle Provincie
Lombarde S.p.A.**

Via Verdi 11

20121 Milan

Tel.: (39-2) 88 66 3620

Fax: 88 66 2607

Inkombank

14 Nametkina Street

Block 1

117 420 Moscow

Tel.: (7-095) 747 5037

Fax: 747 5008

Standard Chartered Plc

1, Aldermanbury Square

London EC2V 7SB

Tel.: (44-171) 2 80 7366

Fax: 2 80 7382