Single-Entity Accounts 2010.

WestLB AG

Key Figures

Key Figures Year-on-Year Comparison

Performance Figures	1. 1.–31. 12. 2010 € millions	1. 1.–31. 12. 2009 € millions	Change € millions	Change %
Net interest income	1,177.5	1,395.9	– 218.4	– 15.6
Net commission income	327.5	132.1	195.4	> 100.0
Net income/expenses from trading operations	– 46.5	151.3	– 197.8	> – 100.0
Other operating expenses/income	– 56.3	– 111.1	54.8	49.3
Personnel expenses	– 442.0	– 602.0	160.0	26.6
Other administrative expenses	– 510.6	– 514.7	4.1	0.8
Provisions for credit risks	– 101.7	– 623.3	521.6	83.7
Result of securities and participations	– 346.4	– 117.4	– 229.0	> – 100.0
Extraordinary result	– 60.6	0.0	– 60.6	–
Profit/loss before taxes	**– 59.1**	**– 289.2**	**230.1**	**79.6**
Taxes on income and revenues	59.1	– 5.7	64.8	> 100.0
Profit/loss after taxes	**0.0**	**– 294.9**	**294.9**	**100.0**

Balance Sheet Figures	2010 € billions	2009 € billions	Change € billions	Change %
Total assets	173.3	188.4	– 15.1	– 8.0
Business volume	195.1	232.1	– 37.0	– 15.9
Credit volume	78.2	171.2	– 93.0	– 54.3
Equity capital	4.5	4.6	– 0.1	– 2.2

Bank Regulatory Capital Ratios (SolvV)	2010	2009
Core capital in € billions	4.3	4.3
Own funds in € billions	6.7	6.7
Risk-weighted assets in € billions	36.4	68.5
Core capital ratio in %	11.9	6.3
Overall ratio in %	18.3	9.8

Employees	2010	2009
Number of employees	3,971	4,109
Full-time equivalent	3,767	3,912

Current Ratings	Short Term	Long Term	Public Pfandbrief
Moody's Investors Service	P-1	A3	Aaa
Fitch Ratings	F1	A-	-

Single-Entity Accounts 2010. WestLB AG, Düsseldorf

We will be pleased to send you a copy of the WestLB Annual Report for 2010 and the Group Annual Financial Statements. The Annual Report is also available on the Internet at www.westlb.com.

WestLB AG Statement of Financial Condition at December 31, 2010

Performance at a Glance

Fiscal year 2010 was a year of solid operating results, but also of substantial structural changes in the regulatory environment. As a result, there were numerous one-off effects in connection with the first-time application of the German Accounting Law Reform Act (BilMoG), the transfer of the main portfolio of non-essential strategic positions to Erste Abwicklungsanstalt (EAA) and, most notably, fulfillment of the conditions set by the European Commission, which led to significant value adjustments in the area of equity holdings.

Net interest income benefited from the repatriation of € 155.6 million in capital from a subsidiary, for which an offsetting write-down was captured in the result of securities and participations, the suspension of coupon payments on the profit participation capital (€ 51.3 million in 2010 and € 86.1 million in 2009) and interest of € 64.3 million on tax refunds. Nevertheless, interest income did recede, by € 218.4 million to € 1,177.5 million, because of the exceptionally high money market result in the previous year. Another reason for the decrease was the absence of interest contributions from the portfolios transferred to EAA in 2010, with the transfer taking retroactive effect from January 1, 2010. Adjusted for recognition changes brought about by BilMoG in the amount of € 106.3 million as well as the € 64.4 million in guarantee fees paid to SoFFin in the previous year, net commission income rose by € 24.7 million to € 327.5 million. Recognition changes under BilMoG reduced the net income from trading operations by € 197.8 million to € – 46.5 million. The result of securities and participations (€ – 346.4 million in 2010 versus € – 117.4 million in 2009) includes a € 228.0 million charge resulting from the remeasurement of equity stakes to be sold in the near term pursuant to the conditions set by the European Commission as well as the write-down of the carrying value of an equity stake following a repatriation of capital in the amount of € 155.6 million. Provisions for credit risks declined sharply on a year-on-year basis, shedding € 521.6 million for a net allocation of only € 101.7 million. The operating result was also buoyed by continuing efforts to cut costs. We again reduced our general administrative expenses considerably, bringing them down € 164.1 million, or 14.7%, to € 952.6 million in 2010, despite high one-time costs for legal and consulting fees. It helped that the interest costs for pension obligations are no longer to be reported here pursuant to changes introduced by BilMoG, for which the interest cost totalled € 106.7 million in 2010. The relevant expenses are now captured in the net figure for other operating expenses and income, which came to € – 56.3 million. Changes in the measurement of provisions from the first-time application of BilMoG led to an extraordinary result of € – 60.6 million.

Altogether, we are reporting a loss before taxes of € 59.1 million for 2010 versus a loss of € 289.2 million for 2009. Our net tax position is positive, largely because of the first-time recognition of deferred tax assets (€ 53.1 million).

Despite further substantial charges related to fulfillment of the conditions set by the European Commission as well as numerous one-off effects, both positive and negative, we were able to post a break-even result for the year thanks to sustainable successes in our operating business with customers. Although there will be no coupon payments on the profit participation capital and silent contributions to capital, there will be no further charges to the hybrid capital instruments and equity instruments for 2010.

Adjusted for transfer effects, the business volume of WestLB AG decreased by a total of € 5.2 billion to € 195.1 billion, despite the first-time recognition of derivatives at their gross fair value (€ 43.4 billion). Total assets were down vis-à-vis the end of 2010 despite this BilMoG-related effect. They decreased by € 15.1 billion, predominantly because of the transfer of non-essential strategic activities to EAA. Since more assets than liabilities were transferred to EAA, WestLB's share capital was reduced by € 1,302.9 million, from € 2,269.5 million to € 966.6 million. The capital reserves were reduced by € 1,162.1 million to € 96.7 million. Payment of the second and third tranches of SoFFin's silent contribution to capital in the aggregate amount of € 2,327.6 million almost fully offset this decrease in capital and reserves.

WestLB AG's core capital ratio now stands at 11.9%, whilst its overall ratio is 18.3%.

Economic Setting

The escalating sovereign debt crisis in the euro area was the dominant topic on the financial markets in 2010. Initially, the crisis centred around Greece. The country's ability to fund itself worsened on growing doubt about the long-term viability of its public finances. The spreads between Greek bonds and German Bunds dramatically widened, as did the premiums for credit default swaps on Greek debt. To avert a potential default, the euro area countries and the International Monetary Fund (IMF) approved Greece's request for emergency loans at the beginning of May 2010.

To prevent the Greek crisis from spreading, a € 750 billion rescue package was also established at that time. The purpose of the facility, which expires in 2013, is to assist any other euro area countries which become financially distressed. The European Central Bank (ECB) supported this aid measure by purchasing public and private sector bonds on the secondary market and initiating various money market operations. Despite these efforts, concerns about the solvency of other EMU countries besides Greece, particularly Ireland, Portugal and Spain, mounted. Persisting uncertainty left investors more risk averse, which caused spreads on European government bonds to widen and generally reduced the appeal of structured loans.

The first request for funds under the euro rescue package came in November 2010 from Ireland, whose budget situation had deteriorated severely as a result of the country's extensive bank bailouts. In December 2010, EU leaders resolved to establish a permanent crisis mechanism which will replace the temporary aid package in mid-2013. Creation of a legal basis for the mechanism requires an amendment to Article 136 of the EU Treaty. Decisions about its volume and how it will work are due to be taken in March 2011.

However welcome these moves were, they did not bring lasting relief in the financial markets. Relative to German Bunds, the spreads on Greek and Irish government bonds at year's end skirted the record highs reached before approval of the stability measures. The premiums for Portuguese sovereign bonds also fell little, signalling the financial markets' grave concerns about the medium-term viability of Portugal's public finances. The spreads on Spanish bonds actually widened, ending the year at 1996 levels. Unlike in the first quarters, by the end of 2010 German government bonds ceased to benefit from the sovereign debt crisis. Initially a sought-after safe haven – yields on Germany's ten-year bonds slid to an all-time low of 2.11% in late August – discussions among policymakers about centralisation of the euro area's fiscal policy – whether dubbed "transfer union", "fiscal union" or "eurobond" – tended to hurt Bunds. The euro suffered considerably in the first half as international investors lost confidence in the stability of the European Monetary Union (EMU). It traded below 1.20 to the U.S. Dollar at the time, but then rebounded somewhat in the second half. At year's end, it was worth US$ 1.34, a drop of just under 9% from the beginning of the year.

The global economy expanded faster last year than generally expected. However, despite considerable 4.5% growth, the recovery is not complete. The upswing was driven by monetary and fiscal policy and came at the price of a swelling of government borrowing without precedent in times of peace. It is also being supported by low interest rates, which can lead to a gross misallocation of resources in the real economy and financial markets. The emerging markets remained at the helm of the global recovery. Led by China, economic output grew fastest in the Emerging Asia region, followed by Latin America and, at a considerable distance, Central and Eastern Europe.

Economic momentum in the industrialised countries was far weaker by comparison. The U.S. economy made solid headway at first, spurred on by sweeping stimulus programmes and an extremely expansive monetary policy. As the year progressed, however, the pace of growth subsided again. Stubbornly high unemployment is hurting private consumption. On top of that, the real estate correction is not yet over. In view of the challenging labour market, the U.S. Federal Reserve became increasingly sceptical about the economy's direction and in summer held out the prospect of further easing despite its already extremely expansive monetary policy. At the beginning of November, it announced it would buy up an additional US$ 600 billion in U.S. Treasuries by the end of the second quarter of 2011. President Obama provided further stimulus by signing new tax cuts into law shortly before Christmas. The cuts took effect on January 1, 2011. Between early October and year's end, the yield on ten-year Treasuries rose some 100 basis points to 3.4% on growing optimism about the economy, rising inflation expectations and concerns about a further swelling of the national debt.

At first glance, the euro area economy appears to have improved markedly last year, but a closer look puts its expansion into perspective. Firstly, the pace of growth already started to recede again in summer. Secondly, the growth differed greatly by region. The 1.7% GDP increase expected for the euro area was fuelled in large measure by the surprisingly positive trend in Germany, which moved to the top of the EMU's big economies. The economies of Finland, Austria, Slovakia and the Netherlands also experienced above-average growth. What these countries have in common is their extensive integration into international trade. Whilst France, Italy and even budget-strapped Portugal performed broadly in step with the EMU average, the economies of Greece, Spain and Ireland shrank anew.

Factoring out energy price-induced inflation and indirect tax increases in some nations, inflationary pressure in the monetary union remained moderate. This gave the ECB scope to continue its expansive monetary policy and leave the principal reference rate at 1%. As the sovereign debt crisis escalated, the ECB backed off normalisation and widened its liquidity safety net for commercial banks again. All refinancing operations up to three months will be allotted in full at least until the end of the first quarter of 2011. By contrast, 6 and 12-month tenders, the last of which have since matured, were not renewed.

The German economy was a surprise on many levels in 2010. Its 3.6% growth was far higher than forecast at the start of the year. Contrary to expectations, unemployment dropped and was down to almost three million. The deficit did increase, but at 3.5% of nominal GDP it was well below fears and other countries' deficit rates. In many respects, Germany owes its success in 2010 to enormous growth in exports to the emerging markets in Asia and Latin America. The decision by German companies not only to enhance their competitiveness but also to focus increasingly on selling their products to the fast-growing emerging markets paid off. Combined with the high share of capital-intensive goods, this gives the country a sizeable competitive advantage over many other export nations.

Another factor in Germany's success was the former Union/SPD coalition government's extension of short-time working. The reduced-working-hours subsidy programme enabled companies to keep most of their staff during the recent recession, despite the sharp slump in demand and production. It also made them ready to meet pent-up demand as soon as the global economic recovery got under way and the need for their products and services surged. This was a boon to German exporters competing with companies from countries where employment had been drastically cut. With exports thriving, companies increased capital spending. This had a positive effect on the labour market, which in turn boosted private household incomes. Consumer confidence brightened on the positive developments in the economy and labour market, and consumer spending rose. All in all, Germany experienced a significant upswing in 2010 and now leads the industrialised countries economically.

Developments in the Banking Sector

For the banking sector, 2010 was dominated by the debt crisis in Europe's peripheral countries. After posting a good start to the year, particularly in investment banking, the markets suffered in May due to the turmoil surrounding Greece's sovereign debt crunch. Bond issues nearly ground to a halt over the summer. The foreign exchange markets were also adversely affected. The only stabilisation came in September and October and was short-lived. In November, the spotlight of the peripheral debt crisis shifted to Ireland and produced similarly negative effects on fixed income trading in the last weeks of the year.

In January, the placement volume in the bond market nearly matched the previous year's record level, but then dropped off sharply as Europe's peripheral debt crisis ballooned. Apart from a brief period in September and October, trading results and net commission income in the fixed income business were good more or less only in the first quarter of 2010. Occasionally, the already weak results were driven lower by trading losses or losses realised in the banking book on bonds issued by countries involved in the debt crisis. The turbulent market phases caused increased volatility in exchange rates and stock prices. In addition, trading margins in many parts of the fixed income business narrowed further, since several banks had expanded their sales and trading teams.

The stock markets performed well in spite of the debt crisis, albeit with some notable variations. The markets in Europe's peripheral countries trended weaker, whilst Germany's DAX benefited from the export success of German industry and the low share of financial institutions in the index. Bank shares moved against the trend, falling in response to tougher capital requirements, the potential for adverse effects from the debt crisis and, in part, poorer refinancing conditions. Because stocks performed well overall, many institutions, German ones included, tapped the equity markets for capital, especially in the autumn. Deutsche Bank raised € 10.6 billion, the biggest capital increase in the history of Deutsche Börse.

The German economy experienced a far stronger rebound than expected. This had a positive impact on insolvency statistics. As a result, the credit sector was largely spared the increase in risk provisions which many had still feared at the beginning of the year. Lending appears to remain focused on borrowers with good credit quality. With competition for these customers fierce, margins in the lending business are under pressure from more angles than higher refinancing costs alone.

On September 12, 2010, central bank governors and banking supervisors reached an agreement on stronger liquidity and capital requirements for banks (Basel III). Under the revised framework, the minimum requirement for core capital after deductions (minimum common equity) will be raised from its current level of 2% to 3.5% (starting January 2013) and then in stages up to 4.5% in 2015. The agreement requires an increase in Tier 1 capital from the current 4% to 6% over the same period. Public-sector capital injections will be grandfathered until the beginning of 2018.

However, since much of the market expects early adoption of the new standards, banks on the whole were hesitant to expand business. The switch profoundly affects securitisation and derivative positions, so banks increasingly removed these items from their balance sheets. The purpose of the new rules is to make banks more resilient in the face of economic stresses. Thus, Basel III serves as a key pillar for the global financial reforms announced in the wake of the financial crisis.

The banking sector may also suffer as a result of the mandatory contributions to the restructuring fund (so-called bank tax) introduced in Germany at the end of 2010. Details of the annual contributions and additional contributions will be outlined in a regulation which is still in the consultation phase at this time. Since the bank tax will be based primarily on the total assets reported in the balance sheet prepared according to the German Commercial Code (HGB) less equity capital and customer deposits as well as the nominal volume of derivative positions, it will especially affect banks which have little retail business or those with a stronger focus on investment or wholesale banking.

Another reaction to the experiences of the financial market crisis was the promulgation on October 12, 2010 of Germany's "Regulation Concerning Supervisory Requirements for Remuneration Systems at Institutions (Regulation Governing Remuneration at Institutions)", which went into effect on October 13, 2010. The regulation supplements the "Act Concerning Supervisory Requirements for the Remuneration Systems at Institutions and Insurance Companies" dated July 27, 2010. The regulation covers terms and conditions of variable compensation components and is designed to promote appropriate incentive structures for performance-based remuneration.

Structural Changes

In fiscal year 2010, WestLB focused on sustainably improving its risk profile as well as pressing ahead with the process of downsizing launched in 2009. With both initiatives, the Bank is reducing its risks and complexity and strengthening the customer business.

At a shareholders' meeting held in April 2010, WestLB's owners signed the agreements on the ring-fencing of the Group's main portfolio of non-essential strategic activities and risk positions with a nominal volume of approximately € 71 billion. The spin-off into an existing entity pursuant to § 123 (2) No. 1 and § 131 (1) of the German Transformation Act (UmwG) in conjunction with § 8 a (8) of the Financial Market Stabilisation Fund Act (FMStFG) was recorded in the Düsseldorf commercial register on April 30, 2010. The main portfolio was transferred to Erste Abwicklungsanstalt (EAA) with retroactive effect from January 1, 2010. Taking into account the approximately € 6 billion sub-portfolio which was spun off in December 2009, the total volume of the Group's ring-fenced portfolio amounted to approximately € 77 billion.

Altogether, four different transfer paths were chosen for the designated positions: spin-off, sub-participation, guarantee and sale. Using a choice of transfer paths allowed the Bank to account for the different laws, regulations and tax considerations of the respective countries and supervisory authorities and also minimised the transfer risk. Regardless of the path chosen, the economic risk of the assets and liabilities transferred passes from WestLB to EAA in full.

Through the transfer of portfolios to EAA, WestLB reduced its risk-weighted assets by € 31 billion and, taking into account the equalisation claim, its total consolidated assets by an initial € 27.6 billion. These reductions have enabled it to strengthen its customer-focused business model and meet conditions set by the European Commission. Detailed information about the transfer and its effect on WestLB's and EAA's capitalisation is provided in the annual financial statements for 2009 and 2010, especially in the explanation of the stabilisation measure contained in the Notes.

The Bank sold additional equity stakes and closed more offices in the year under review. In June, it completed its targeted closures for Germany by closing down the Cologne branch. The end of August saw the closure of WestLB's representative office in Dubai. At the end of 2010, the Paris office was closed and operations at the Toronto branch were discontinued.

WestLB also made progress downsizing its participations portfolio. The companies WestLB Covered Bond Bank plc, WestLB Ireland plc, WestLB Asset Management (US) LLC and International Leasing Solutions Japan KK were transferred to EAA as part of the workout entity transaction. The Bank sold its subsidiary WestLB Bank Polska S.A. effective

December 1, 2010. West Pensionskasse AG was also sold. The Bank completed the sale of its French subsidiary Banque d'Orsay S.A. (BdO) to Oddo & Cie on November 30, 2010. DekaBank Deutsche Girozentrale Luxembourg S.A. acquired WestLB International S.A., domiciled in Luxembourg, as of December 31, 2010/January 1, 2011.

In the selling process for Westdeutsche ImmobilienBank AG (WestImmo), various requests for a deadline extension were submitted to the European Commission. In a decision dated December 21, 2010, the Commission extended the deadline for the sale of WestImmo to February 15, 2011. In a ruling which was handed down on January 31, 2011 and will remain in effect until further notice, the General Court of the European Union suspended enforcement of the Commission's decision to the extent that it creates an obligation for WestImmo to stop taking new business after February 15, 2011.

WestLB is busily preparing for its majority change of ownership within the framework of an open, transparent and non-discriminatory bidding process. By appointing a Sales Agent in June 2010, WestLB, the owners and the Financial Market Stabilisation Agency (FMSA) took an important step in the sales process demanded by the European Commission. An advertisement was placed in an English-language daily newspaper with nationwide circulation on September 30, 2010. October 28, 2010 was the deadline for submitting expressions of interest for WestLB. According to the Sales Agent, well-known strategic investors and financial investors from Germany and abroad expressed interest in the Bank. Concrete indicative offers for WestLB were submitted by February 11, 2011. The sales process will be pursued further with two bidders.

On September 20, 2010, WestLB announced its intention to enter into open-ended exploratory talks with BayernLB on a possible merger of the two banks. On November 4, 2010, the Bank was notified of the decision by BayernLB's Managing Board to break off the talks prematurely.

On November 5, 2010, the European Commission extended its investigation proceedings into the transfer of impaired, non-essential strategic activities to Erste Abwicklungsanstalt, the workout entity established in December 2009 to receive these portfolios. On December 22, 2009, the Commission gave its provisional approval of the EAA transaction, undertaken in accordance with § 8 a of the Financial Market Stabilisation Fund Act (FMStFG), as well as the silent contribution to WestLB's capital made by SoFFin pursuant to § 7 of the Financial Market Stabilisation Fund Act (FMStFG), for an initial period of six months. At the same time the European Commission instituted formal investigation proceedings. On June 22, 2010, the European Commission extended the provisional approval pending the outcome of its investigation.

In its decision of November 5, 2010 to extend the proceedings on the matter, the European Commission argued, among other things, that the EAA transaction had created some € 3.4 billion in impermissible state aid. Germany disputes this. Firstly, the German experts arrived at different measurement results than the Commission and its experts. Secondly, the Commission has yet to recognise roughly € 2 billion in adjusting entries which Germany made. These include an approximately € 880 million refinancing disadvantage suffered by WestLB for the transfer of guarantor liabilities to EAA, the loss of about the same amount in income on the portfolios transferred to EAA, and additional adjusting entries of around € 280 million.

On November 15, 2010, representatives of the German government and the owners, the Managing Board of WestLB and the European Commission came to an understanding that the Bank would be given until February 15, 2011 to prepare a revised restructuring plan which also addresses WestImmo. Detailed information about the agreement of February 15, 2011 is provided in the sections "Events Occurring After the Close of the Fiscal Year" and "Outlook".

WestLB AG's shareholders elected Dr. Annette Messemer and Hildegard Müller as new members of the Supervisory Board at their meeting on April 30, 2010. They succeeded Supervisory Board members Dr. Wolfgang Kirsch and Harry Voigtsberger, who left the Supervisory Board as of April 30, 2010. On June 30, the shareholders of WestLB AG elected Heinz Paus to serve on the Supervisory Board as of July 1, 2010. He replaces Dr. Gerhard Langemeyer, who resigned effective June 30, 2010. At their meeting on August 13, 2010, the shareholders elected Dr. Norbert Walter-Borjans, Finance Minister of North Rhine-Westphalia, to the Supervisory Board. He succeeds former Finance Minister Dr. Helmut Linssen, who left the Supervisory Board on August 12, 2010. In addition, Dr. Siegfried Luther resigned effective December 31, 2010. The shareholders' meeting elected Wolfgang Steller as his replacement on February 24, 2011.

In view of the sharp reduction in total assets and funding requirements, the Bank announced its decision in early July 2010 to reduce the number of its rating agencies from three to two. The Bank did not extend its contract with Standard & Poor's and let its contract with DBRS run out. The Bank renewed its dialogue with Fitch Ratings in order to ensure a rating mix which is commensurate with its business model and regional focus. The reorganisation of the relations with rating agencies will bring about significant savings in terms of costs and resources. Fitch Ratings currently has WestLB at a long-term rating of A- and a short-term rating of F1. Moody's lowered its long-term rating for the Bank from A2 to A3 on May 4, 2010. The Bank's short-term rating was confirmed at P-1.

Employees

One of the requirements of the European Commission's decision of May 2009 was further streamlining of the domestic and international branch network. Like all employees affected by the closure of locations in Germany, those at the Cologne branch were offered comparable positions in Düsseldorf. Within the foreign branch network, the offices in Dubai and Paris were closed. Overall, the number of employees decreased by around a further 3% compared to the previous year.

WestLB AG employed 3,971 people as of December 31, 2010, 3,767 of whom worked on a full-time basis. At the end of 2009, the Bank had employed 4,109 people, with 3,912 working on a full-time basis.

The headcount reductions already needed and the ongoing public discussion about the future of WestLB have noticeably undermined our staff's sense of security. With the situation for the banking sector's labour pool brightening, the number of resignations rose in 2010 as competitors courted high-performing employees, sometimes aggressively. The Bank works to counter potential bottlenecks and operational risks with programmes that promote employee loyalty, offer forward-thinking professional development opportunities for seasoned employees and young recruits, create a family-friendly work environment, provide company health benefits and deliver a performance-based compensation policy.

Actively Nurturing Potential

A company's success depends on the skills and expertise of its workforce, especially in challenging times. WestLB invested heavily in the individual qualification of its employees in 2010 as well as in systematic organisational and human resources development.

The "Development and Succession" programme became a routine Bank-wide process for the first time in 2010 and played a central role in WestLB's personnel initiatives. We explored the development opportunities for executives, project managers and key staff in all business units as well as for employees who demonstrated the potential to move into advanced positions. WestLB developed succession scenarios and concrete training plans. These measures focused on increasing internal mobility and the targeted promotion of young talent.

The Bank launched the "Development Center" in 2010, in which junior staff participate in a multi-day workshop that helps them describe their soft skills and formulate career objectives. In a follow-up dialogue with the responsible manager and HR business partner, participants then identify potential career moves which they systematically implement. This programme exemplifies our understanding of how the professional development of the individual fits into a systematic approach to the qualification of our employees.

Skilled Young Talent

At the end of 2010, a total of 54 apprentices were being trained in our five different job profiles. The apprentices completed their programmes with above-average marks. We were pleased with the high percentage who decided to stay on with the WestLB Group after their training due to the strong ties they had developed with their host company. Together with our apprentices, we devised a new advertising campaign for addressing potential recruits.

University graduates are another focus of our recruiting activities. In addition to seeking out targeted exchanges with students at face-to-face events, WestLB is making greater use of social media activities like online job fairs. We also draw on our existing relationships with students in our CampusCircle support programme to fill vacancies.

Family, Work & Health

Helping employees achieve a healthy work-life balance is a cornerstone of WestLB's human resources policy. For this reason the Bank continues to offer staff a wide range of support options, including flexible part-time and full-time working models, nursery school facilities, drop-in childcare in cases of illness, financial assistance with childcare and advisory services.

WestLB supports the health and well-being of its employees in a number of ways. In addition to providing a permanent company medical service and social counselling, the Bank hosts a health day which focuses on stress prevention.

Apart from continuously monitoring the Bank's implementation of § 5 of the German Occupational Health and Safety Act with regard to the potential for staff to suffer adverse physical effects at work, WestLB has conducted concrete studies of the actual occurrence of these effects in its operations in order to develop appropriate occupational health and safety strategies.

Compensation

The subject of banks' compensation policies has become a focus of public attention in recent years. Various national and international regulatory agencies, including the German Federal Financial Supervisory Authority (BaFin), the Financial Stability Board (FSB) and the Committee of European Banking Supervisors (CEBS), have spearheaded legislative initiatives to strengthen the oversight of banks' compensation practices. As early as late 2009, WestLB signed a voluntary undertaking for BaFin in which it expressed its commitment to structure its compensation systems in keeping with the various regulations. In 2010, federal lawmakers issued expanded requirements for the structure of compensation systems by passing the Regulation Governing Remuneration at Institutions on October 12, 2010 and the Restructuring Act on November 26, 2010. The standards put in place are stricter than overseas rules. WestLB has taken account of the new requirements in its compensation policy. In the year under review, for example, it implemented a deferred compensation instrument which ties variable compensation to the achievement of sustainable, long-term operating ratios.

Sustainability and Environmental Management

Identifying and managing environmental and social risks as well as taking an integrated view of economic, social and environmental sustainability concerns in the lending business are mainstays of the Bank's business operations. The "WestLB Policy for Environmental and Social Issues" defines minimum standards for the Bank's business, thus enhancing the extensive integration of appropriate sustainability considerations into all of the Bank's businesses (additional information is provided in the 2009 Annual Report).

The Sustainability Management unit develops sustainable business principles and assists with the analysis and management of the loan portfolio. Credit approval hinges not only on the credit analysis, but on a sustainability assessment of the proposed project.

As Germany's largest project finance institution, we are continually refining the processes for successfully integrating sustainability aspects into the implementation of the Equator Principles (EP). Through our role in the Steering Committee of the EP initiative, we work to improve the underlying standards, including in cooperation with the World Bank Group's International Finance Corporation (IFC), whose performance standards serve as a basis for the Equator Principles.

Sustainability Management in the Area of Energy and Coal-Fired Power Generation

WestLB is a leading lender for energy projects. The energy sector is particularly capital-intensive and undergoing major changes worldwide.

There are fundamental changes occurring in the way we generate electricity and heat as well as in our energy infrastructure. In view of concerns like energy security and climate protection, we are formulating sustainability management standards for individual businesses and credit risk strategies, including, for example, for agricultural products which can be used for both food and energy production (sugar cane, maize, palm oil etc.).

We also have specific minimum sustainability standards for coal-fired power generation. This approach has made WestLB a global leader among commercial banks. We use this leadership position to be a proactive financing partner to our customers in the energy sector and to make a constructive contribution to the development of reliable, sustainable energy.

Numerous Recognitions by Rating Agencies

In the Renewable Energies segment, we benefit from our unique product and structuring experience as well as our competence in the area of sustainability and in-depth market knowledge.

We seek to promote sustainability through our products and services in the capital market as well, including through structured investment products which directly or indirectly promote climate protection. As part of our work with the Carbon Disclosure Project, we published in autumn the CDP Germany Report 2010, which is an analysis of the risks and opportunities faced by the 200 largest German companies in the area of environmental stewardship.

ESG criteria (ESG: Environmental, Social and Governance) are being increasingly integrated into our business with investment products. Our multiple award-winning Extra Financial Research enables us to take an integrated view of social, ecological and economic factors when analysing and rating companies. This unique expertise is very much in demand by our clients, at international conferences and from relevant bodies.

To be successful, any system of governance geared towards sustainability relies on transparency and information. Germany's future e.V., a corporate environmental initiative, and IÖW, an institute for ecological business research, recognised our report "Sustainability 2009. Integration and Efficiency" as one of the best in the German financial services sector in their latest biennial ranking of sustainability reports. We maintained this same high standard of quality in our "Sustainability. Status 2010" report. Key information about our sustainability management practices is also routinely published on our website (www.westlb.com > WestLB > Corporate Responsibility > Sustainability > Sustainability Management).

We engage in meaningful exchanges on the further development of sustainability management. The WestLB Dialogue Forum on Sustainability is an independently, externally moderated platform for discussing corporate responsibility and business risks and opportunities which brings us together with representatives of leading environmental and development organisations and academic institutions.

The integration of sustainability aspects into the Bank's day-to-day operations is also exemplified by our process for managing reputational risks. All employees are required to report particular reputational risks and potential reputational damages. Analysis and decision-making processes were improved and made more efficient in 2010, and sustainability criteria played an important role.

The sustainability-oriented rating agency Oekom Research awarded WestLB "prime" status in 2010, thus placing it in the company of Germany's leading financial institutions. Among Financials/Public & Regional Banks, WestLB was placed 5th out of 29 banks. Sustainalytics put WestLB in 14th place with a score of 61, which was well above the average for the 78 banks rated. The Institut für Markt-Umwelt-Gesellschaft e.V. (Imug) ranked WestLB as above-average in the area of sustainability and gave it a "positive" rating.

Sustainability also factors into our internal processes. WestLB has been certified under the ISO 14001 international standard for environmental management systems since December 2007. The Bank was recertified in early 2011.

Branches, Subsidiaries and Offices of WestLB AG

WestLB AG's head office is in Düsseldorf. The Cologne branch was closed as of June 30, 2010, leaving the Bank with domestic branch offices in Berlin and Frankfurt am Main and sales offices in Hamburg, Munich and Stuttgart. In addition, WestImmo and readybank ag are operating subsidiaries of WestLB AG in Germany.

After various divestitures and closures, WestLB conducts business in Europe through subsidiaries and branches in Istanbul, London, Madrid, Milan and Moscow. Outside Europe WestLB maintains subsidiaries and branches in New York, São Paulo, Hong Kong, Singapore, Shanghai, Sydney and Tokyo. The operating activities of the Toronto branch were discontinued at the end of 2010.

Accounting Methods and Reporting Standards

The single-entity annual financial statements of WestLB AG (hereinafter "the Bank" or "WestLB") are prepared in accordance with the provisions of the German Commercial Code (HGB), the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV), the relevant provisions of the German Stock Corporation Act (AktG) and the Pfandbrief Act (PfandBG). Changes made to these provisions by virtue of the German Accounting Law Reform Act (BilMoG) of May 25, 2009 were taken into account. The individual changes are addressed in greater detail in the Notes section on accounting and valuation principles.

There is limited comparability with the previous year's figures due to the transfer of assets and liabilities to Erste Abwicklungsanstalt as well as the first-time adoption in their entirety of the legislative changes introduced through BilMoG. In the discussion below about the balance sheet, we have shown the effects from the transfer as well as payment of the second and third tranches of SoFFin's silent contribution to capital on the basis of the certified values as of December 31, 2009. We did not restate the previous year's figures to reflect the first-time, full application of BilMoG. However, we have discussed the material effects of the changes on items in the balance sheet and statement of income.

Statement of Income

WestLB's earnings performance in 2010 was shaped by several factors: the Bank's efforts to downsize its operations in fulfillment of the conditions set by the European Commission, the transfer of the main portfolio of non-essential strategic positions to EAA and the first-time application of BilMoG.

The following presentation of the statement of income is consistent with WestLB AG's internal steering. Accordingly, when securities held in the investment portfolio are written down because of the default risk associated with their issuer, such write-downs are reported as part of the risk provisioning for acute counterparty credit risks.

WestLB AG Statement of Income for the Period January 1 – December 31, 2010

	1. 1. – 31. 12. 2010 € millions	1. 1. – 31. 12. 2009 € millions	Changes € millions	%
Net interest income	1,177.5	1,395.9	– 218.4	– 15.6
Net commission income	327.5	132.1	195.4	> 100.0
Net income/expenses from trading operations	– 46.5	151.3	– 197.8	> – 100.0
Other operating expenses/income	– 56.3	– 111.1	54.8	49.3
Personnel expenses	– 442.0	– 602.0	160.0	26.6
Other administrative expenses	– 510.6	– 514.7	4.1	0.8
Provisions for credit risks	– 101.7	– 623.3	521.6	83.7
Result of securities and participations	– 346.4	– 117.4	– 229.0	> – 100.0
Extraordinary result	– 60.6	–	– 60.6	–
Profit/loss before taxes	**– 59.1**	**– 289.2**	**230.1**	**79.6**
Taxes on income and revenues	59.1	– 5.7	64.8	> 100.0
Profit/loss after taxes	**0.0**	**– 294.9**	**294.9**	**100.0**
Capital reduction through spin-off	– 2,465.0	– 672.4	– 1,792.6	> 100.0
Withdrawals from capital reserves	1,162.1	773.0	389.1	50.3
Withdrawals from reserves from retained earnings	0.0	100.0	– 100.0	– 100.0
Withdrawals from profit participation capital	0.0	65.2	– 65.2	– 100.0
Withdrawals from the silent contributions to capital	0.0	29.1	– 29.1	– 100.0
Income from the capital reduction	1,302.9	0.0	1,302.9	–
Distributable profit	0.0	0.0	0.0	–

Net Interest Income

The decrease in net interest income by € 218.4 million to € 1,177.5 million is predominantly attributable to the transfer of items to EAA with retroactive effect from January 1, 2010. In addition, the previous year's extraordinary successes in the money market business were not repeated. Due to solid sales, business with corporate clients and project finance made another positive contribution to net interest income last year. As a result of BilMoG changes, a total of € 22.8 million in interest from trading derivatives was reported in net interest income, which had a positive effect on the result, instead of in net income from trading operations. Also included were non-recurring interest income of € 64.3 million from tax refunds and a payment from the repatriation of € 155.6 million in capital from an affiliated company, for which an offsetting write-down was captured in the result of securities. The absence of coupon payments on the profit participation capital reduced the interest expense in 2010 by € 51.3 million.

The interest margin based on the average risk-weighted assets (SolvV) increased to 2.21% from 1.90% the year before.

Net Commission Income

Net commission income rose by € 195.4 million to € 327.5 million, with € 106.3 million of the increase attributable to reporting changes under BilMoG. Commission expense related to trading activities is no longer reported in net commission income, but in net income/

expenses from trading operations. In addition, the previous year's commission result included € 64.4 million in commissions paid for the SoFFin guarantee. The remaining increase is mostly attributable to higher results in the lending and syndicated lending businesses.

Net Income/Expenses from Trading Operations

Net income/expenses from trading operations decreased by € 197.8 million to € – 46.5 million. A total of € 106.3 million of this decrease is related to the reporting changes already mentioned in the section on net commission income. A further € 22.8 million is related to the BilMoG changes under which interest accrued on trading derivatives is no longer reported in net income/expenses from trading operations, but in net interest income.

The Debt Markets unit could not deliver the same strong result achieved in 2009. As expected, trading income in the money market and fixed income businesses lagged far behind the previous year's exceptionally high level because of a lower risk profile, lower market volatility and narrower bid/ask spreads. The market conditions in 2009 were much more favourable in these areas. The performance of the Equity Markets unit (equity products) fell short of our expectations as the uncertain market climate kept the volume of customer trading low.

Income components from interest rate instruments and the accompanying interest rate derivatives are reported either in net interest income or net income/expenses from trading operations, depending on the nature of our risk steering activities. Consequently, these two income statement items are closely linked.

Other Operating Expenses/Income

The net figure for other operating expenses and income stood at € – 56.3 million (2009: € – 111.1 million) and is largely attributable to the € 125.5 million in interest expenses for provisions reported here for the first time due to BilMoG.

General Administrative Expenses

We reduced our general administrative expenses by a significant 14.7% to € 952.6 million in the year under review.

Expenses for salaries and wages dropped by € 27.3 million to € 402.5 million. The headcount reductions in our restructuring plan drove this decrease. The average number of employees for the year was 3,996, 242 fewer than in the previous year.

The sharp reduction in compulsory social security contributions and expenses for pensions and other employee benefits from € 172.2 million to € 39.6 million is predominantly attributable to changes in the accounting treatment and measurement of pension obligations. In contrast to the previous year, interest costs for pension obligations, which totalled € 106.7 million in 2010, is reported not as part of administrative expenses, but as other operating expense. Another reason for the decrease in expenses for pensions and other employee benefits were the differences between actuarial assumptions and actual experience.

By carefully managing our costs, we also succeeded in reducing our other administrative expenses, which were down € 4.1 million, or 0.8%, to € 510.6 million, despite a high level of legal and consulting fees related to the restructuring (€ 47 million).

Provisions for Credit Risks

The provisions for credit risks reflect a steeply reduced net allocation of € 101.7 million, compared with a net allocation of € 623.3 million the year before. One reason for this decrease was the absence of the portfolios transferred to EAA effective January 1, 2010, for which considerable sums had been allocated to risk provisions in 2009. Another reason was the reduced need for allocations in light of the substantial improvement in the economy. Adequate provisions have been made for all discernible credit risks.

Result of Securities and Participations (including Write-Downs of Securities in the Liquidity Reserve)

We posted net expenses from securities and participations of € 346.4 million, which can be broken down as follows:

	1. 1. – 31. 12. 2010	1. 1. – 31. 12. 2009	Changes	
	€ millions	€ millions	€ millions	%
Result of securities	13.9	338.1	– 324.2	– 95.9
Result of participations	– 360.3	– 455.5	95.2	20.9
Result of securities and participations	**– 346.4**	**– 117.4**	**– 229.0**	**> – 100.0**

The result of securities and participations was chiefly driven by write-downs of equity investments and earnings from divestitures made in fulfillment of the European Commission’s conditions.

The € 155.6 million expense from writing down the equity investment in one of our affiliated companies was offset by interest income from the repatriation of capital from that company.

Extraordinary Result

We are reporting an extraordinary result of € – 60.6 million for 2010. This amount is predominantly attributable to changes in the accounting treatment and measurement of provisions from first-time, full application of BilMoG in 2010. Additional information is provided in Note 2.

Taxes on Income and Revenues

The tax income of € 59.1 million (2009: tax expense of € 5.7 million) was predominantly attributable to the first-time recognition of deferred tax assets in the amount of € 53.1 million.

Net Profit for the Year

WestLB AG's net profit for the 2010 fiscal year is € 0. This means that there will be no coupon payments on the profit participation certificates for 2010 as well as no reinstatement of the expected repayment amounts for profit participation certificates and silent contributions to capital which had been reduced in the past because of loss participation. Thus, there will be no coupon payments on the silent contributions to capital either.

Balance Sheet and Business Volume

The compulsary introduction of the German Accounting Law Reform Act (BilMoG) has resulted in many changes, including the recognition and measurement of various balance sheet items. These changes make a comparison between the items on the 2010 and 2009 balance sheets difficult. Such a comparison is also limited by changes, some of them significant, in individual balance sheet items because of the transfer of assets and liabilities to EAA.

Any reference to the previous year in the following explanations refers to the balance sheet adjusted for transfer effects.

One of the key changes introduced by BilMoG is the separate presentation, at fair value, of all assets and liabilities held for trading in a single item called "trading portfolio" which appears on both sides of the balance sheet. Thus, claims and securities from trading operations and liabilities from trading operations are each reported in their own line item. Derivatives held for trading are also reported here for the first time, at fair value and without taking any bilateral netting agreements into account (€ 43.3 billion). Adjusted for this effect, total assets would not have risen by the € 6.9 billion which is being reported, but would have decreased significantly, particularly given the transfer of non-essential strategic activities to EAA (€ 21.9 billion taking into account the equalisation claim).

Adjusted for transfer effects, business volume decreased by € 5.2 billion to € 195.1 billion in 2010, despite the recognition of derivatives at gross fair value.

Assets

	Dec. 31, 2010 € billions	Dec. 31, 2009 adjusted € billions	Dec. 31, 2009 € billions	Changes against Dec. 31, 2009 adjusted € billions	%
Cash/Liquid debt issues	2.0	2.1	2.1	– 0.1	– 4.8
Claims on banks	11.7	54.9	55.8	– 43.2	– 78.7
Claims on customers	43.4	73.8	69.5	– 30.4	– 41.2
Securities not held for trading	21.9	20.6	47.1	1.3	6.3
Trading portfolio	89.4	n/a	n/a	n/a	n/a
Equity investments in affiliated and non-affiliated companies	2.2	2.9	3.6	– 0.7	– 24.1
Trust assets	0.6	0.3	0.3	0.3	100.0
Fixed assets/Intangible assets	0.1	0.1	0.1	0.0	0.0
Other assets	2.0	11.7	9.9	– 9.7	– 82.9
Total assets	**173.3**	**166.4**	**188.4**	**6.9**	**4.1**

Liabilities

	Dec. 31, 2010 € billions	Dec. 31, 2009 adjusted € billions	Dec. 31, 2009 € billions	Changes against Dec. 31, 2009 adjusted € billions	%
Liabilities to banks	17.7	65.7	70.2	– 48.0	– 73.1
Liabilities to customers	29.7	48.5	53.2	– 18.8	– 38.8
Certificated liabilities	30.3	31.6	44.1	– 1.3	– 4.1
Trading portfolio	84.3	n/a	n/a	n/a	n/a
Trust liabilities	0.6	0.3	0.3	0.3	100.0
Other liabilities	3.4	12.5	12.7	– 9.1	– 72.8
Subordinated liabilities/ Profit participation capital	2.8	3.3	3.3	– 0.5	– 15.2
Equity capital	4.5	4.5	4.6	0.0	0.0
Total liabilities	**173.3**	**166.4**	**188.4**	**6.9**	**4.1**
Contingent liabilities	4.6	5.3	7.4	– 0.7	– 13.2
Other commitments/Credit commitments	17.2	28.6	36.3	– 11.4	– 39.9
Business volume	**195.1**	**200.3**	**232.1**	**– 5.2**	**– 2.6**

Credit Volume

Excluding the fair values from derivatives, the credit volume as of December 31, 2010 was € 76.9 billion (2009: € 162.6 billion). The adjusted prior-year figure includes the equalisation claim against EAA captured in claims on customers.

Given the changes introduced by BilMoG, we no longer report receivables from reverse repurchase agreements and interest rate swaps as claims (credit volume), but as part of the trading portfolio. In 2010, these items totalled € 35.0 billion. The same applies to the time deposits, non-marketable securities and cash collateral furnished in connection with the derivatives business which are captured in the trading portfolio.

Under irrevocable credit commitments, there were further reductions in liquidity facilities provided to structured investment vehicles.

Credit Volume

	Dec. 31, 2010	Dec. 31, 2009 adjusted	Dec. 31, 2009	Changes against Dec. 31, 2009 adjusted	
	€ billions	€ billions	€ billions	€ billions	%
Claims on banks	11.7	54.9	55.8	– 43.2	– 78.7
Claims on customers	43.4	73.8	69.5	– 30.4	– 41.2
Contingent liabilities	4.6	5.3	7.4	– 0.7	– 13.2
Other commitments/Credit commitments	17.2	28.6	36.3	– 11.4	– 39.9
Credit volume carried on the balance sheet	**76.9**	**162.6**	**169.0**	**– 85.7**	**– 52.7**
Net fair value of derivatives	1.3	n/a	n/a	n/a	n/a
Total credit volume	**78.2**	**162.6**	**171.2**	**– 84.4**	**– 51.9**

Securities Not Held for Trading

The total holdings in bonds and other interest-bearing securities as well as shares and other non-interest-bearing securities not assigned to the trading portfolio amounted to € 21.9 billion as of December 31, 2010, which corresponds to a slight increase of € 1.3 billion.

Of this € 21.9 billion, € 3.2 billion (2009: € 4.5 billion) was invested in money market instruments, € 18.6 billion (2009: € 15.5 billion) in bonds and notes, and € 0.1 billion (2009: € 0.3 billion) in shares and other non-interest-bearing securities. Money market instruments of € 2.7 billion and notes of € 12.0 billion are attributable to issuances by EAA.

The decrease resulting from changes in the presentation of items held for trading was offset by the addition of the refinancing notes issued by EAA.

Trading Portfolio

Pursuant to BilMoG, items in the trading portfolio are recognised in the balance sheet at fair value less a risk discount.

Our trading portfolio on the assets side had a volume of € 89.4 billion as of December 31, 2010. Of this amount, € 43.4 billion was attributable to derivatives, € 34.3 billion to claims involving reverse repurchase agreements and money market transactions, and € 11.7 billion to securities.

The portfolio of trading liabilities had a volume of € 84.3 billion, with € 43.5 billion in derivative instruments and € 40.8 billion in other liabilities. The latter included liabilities from repurchase agreements (€ 27.8 billion), return delivery obligations under securities lending transactions (€ 5.1 billion), overnight and time deposits (€ 2.3 billion) and issues which WestLB itself issued (€ 0.7 billion).

Equity Investments in Affiliated and Non-Affiliated Companies

The carrying value of our equity investments in affiliated and non-affiliated companies totals € 2.2 billion (2009: € 2.9 billion). We sold companies with a total carrying value of € 166.5 million in the year under review. These companies were: WestLB Bank Polska S.A., Warsaw, WLB Funding S.A. de C.V. de SOFOM, Mexico, Banque d'Orsay S.A., Paris and WestLB International S.A., Luxembourg.

Companies with a total carrying value of € 508.3 million were transferred to EAA. These were: WestLB Ireland plc, Dublin, WestLB Covered Bond Bank, Dublin, WestLB Asset Management (US) LLC, New York, International Leasing Solutions Japan KK, Tokyo, and Basinghall Finance plc, London.

We acquired Universal Factoring GmbH, Essen, in 2010. The purpose of the company is to buy and sell receivables. The acquisition has enhanced the existing factoring business.

Customer and Bank Deposits

Liabilities to banks and liabilities to customers were both down sharply, at € 17.7 billion and € 29.7 billion, respectively (compared with € 65.7 billion and € 48.5 billion the year before). The chief reason for this decrease is the change in how repurchase agreements and accrued claims from interest rate swaps are reported. Under BilMoG, they are captured in the trading portfolio.

Of the liabilities to banks and customers, overnight and time deposits accounted for € 30.4 billion, and registered securities € 9.1 billion.

Issuing Business

Certificated liabilities were € 30.3 billion as of December 31, 2010 (December 31, 2009: € 31.6 billion), with bonds and notes issued by the Bank making up the predominant portion of this amount at € 26.2 billion (2009: € 28.9 billion).

In 2010 we funded our operations through the issuance of € 12.6 billion in certificated liabilities.

In the secured category, we issued a total of € 2.3 billion in Pfandbriefe in 2010. In February 2010, we floated a € 1.0 billion public-sector Pfandbrief with a five-year maturity. The issue was subscribed for by 80 investors from Germany and elsewhere throughout Europe. Demand was especially brisk from banks, central banks and institutional investors.

We were also successful in the execution of our unsecured funding plan during the reporting year, which provided for the flotation of € 8 billion in new issues. In reality, we issued € 10.3 billion in unsecured notes and Schuldscheindarlehen, placing € 8.7 billion of this amount at an average maturity of four to five years. The Schuldscheindarlehen are reported in “liabilities to banks” and “liabilities to customers”.

Own Funds

WestLB is required to calculate its ratios according to the Basel Capital Accord (Basel II) and the German Solvency Regulation (SolvV), which was drafted in implementation of the corresponding EU directive. Under § 10 of the German Banking Act (KWG) and § 2 of the German Solvency Regulation (SolvV), WestLB must have adequate capital and reserves to support its operations.

Specifically, own funds must not fall below 8% of the sum of the weighted credit risks, the operational risks and 12.5 times the relevant amount for the market risk positions. WestLB AG exceeded the required capital backing at all times in 2010.

The capital and reserves recognised under SolvV consist of core and supplementary capital and Tier III capital. The breakdown of eligible capital and reserves for WestLB AG at December 31, 2010 was as follows:

	WestLB AG Dec. 31, 2010 € millions SolvV after result for the year	WestLB AG Dec. 31, 2009 € millions SolvV after result for the year
Core capital	**4,336.0**	**4,316.1**
Paid-in capital	966.6	2,269.5
Disclosed reserves	99.2	1,258.8
Capital contributions of silent partners	3,440.3	1,112.7
Fund for general bank risks pursuant to § 340 g (HGB)	0.0	0.0
Intangible assets	– 46.3	– 53.0
Deductions	– 123.8	– 271.9
Supplementary capital	**2,252.0**	**2,303.3**
Modified available capital	**6,588.0**	**6,619.4**
Tier III capital	**72.8**	**73.1**
Unused Tier III capital	– 9.2	0.0
Own funds under SolvV	**6,651.6**	**6,692.5**

The volume of WestLB AG's own funds receded in 2010 predominantly because of the net effect from the transfer of portfolios to EAA and ineligibility of some profit participation rights and subordinated liabilities for continued inclusion in the regulatory capital. By contrast, the transfer of items to EAA reduced the volume of deductions for capital shortfalls and those taken for unconsolidated participations pursuant to § 10 (6) Sentence 1 No. 1 of the German Banking Act (KWG).

The capital contributions of silent partners increased in 2010 because of the second and third tranche of SoFFin's silent contribution to capital in the aggregate amount of € 2,327.6 million. Conversely, the subscribed capital and reserves were reduced by € 2,465.0 million in conjunction with the transfer of portfolios to EAA. SoFFin's silent contribution to capital of € 2,999.3 million constitutes capital under the terms of § 10 (2 a) No. 8 of the German Banking Act (KWG) and is therefore considered common equity until the expiration of the grandfathering period for public-sector capital injections in 2018.

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

The amount of profit participation rights included in the supplementary capital was € 95.7 million.

The amount of subordinated liabilities included in the supplementary capital was € 2,302.7 million. Interest was paid on the subordinated liabilities in accordance with the terms on which they were issued.

The following ratios were determined at December 31, 2010 on the basis of the eligible capital and reserves pursuant to SolvV guidelines and taking into account the bottom line for the year:

	WestLB AG Dec. 31, 2010 € millions SolvV after result for the year	WestLB AG Dec. 31, 2009 € millions SolvV after result for the year
Counterparty credit risks	31,998	63,975
Operational risks	3,258	2,837
12.5 x the relevant amount for market risk positions	1,112	1,703
Total	**36,386**	**68,514**
Core capital ratio	11.9	6.3
Overall ratio	18.3	9.8

Risk Report

As already discussed in the chapter entitled "Structural Changes", WestLB achieved a significant reduction in its risks by sustainably improving its risk profile as well as pressing ahead with the process of downsizing launched in 2009. Chief among these steps were the ring-fencing and reduction of non-essential strategic assets and the resulting opportunity to focus on core business.

WestLB steers its risk on the basis of the "Advanced Internal Ratings Based Approach" (AIRBA) and the "Internal Assessment Approach" (IAA). It uses the Advanced Measurement Approach (AMA) on a full-use basis to measure the WestLB Group's operational risks and an internal VaR model, also full-use, to determine the regulatory capital required to back the general and specific market price risks in its trading book as well as the foreign exchange risks in its banking book. All of the risk-steering models have been approved by the German Federal Financial Supervisory Authority.

Since WestLB's risk management is geared towards the WestLB Group, the information presented in this Risk Report, especially the figures, basically refer to the WestLB Group. Any figures referring explicitly to WestLB AG are clearly identified as such.

Risk-Oriented Overall Bank Management

Organisation of Risk Management

The goal of WestLB's risk management system is to ensure that the risk profile is aligned with the Bank's risk-taking capacity and that all risks are presented transparently and actively steered with foresight. The core processes of risk management are determining, monitoring, analysing, steering and reporting on the Group's risks on an autonomous basis.

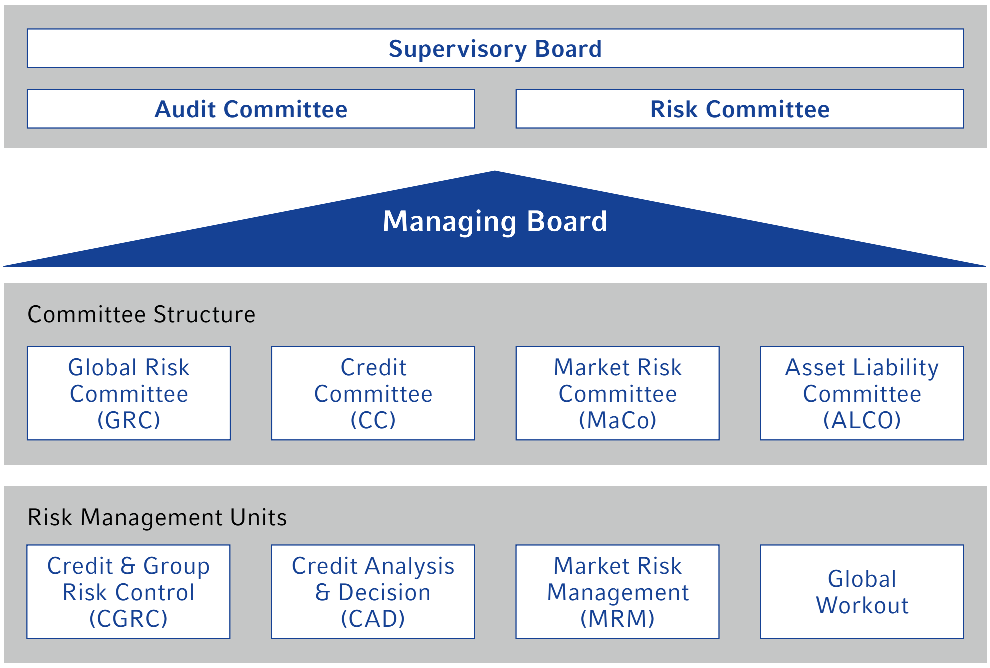
In compliance with the Minimum Requirements for Risk Management (MaRisk), risk management is performed independently of the front office units.

The framework for the risk steering of the WestLB Group is the Bank's overall risk strategy, which establishes risk management principles, defines the material types of risk pursuant to MaRisk and identifies core elements of the risk management processes. When defining the material types of risk, a distinction is drawn between types of risk which are quantified in economic capital and those which are monitored and steered using specific risk management processes.

The Bank puts its overall risk strategy into concrete terms by formulating specific risk strategies for the individual types of risk, including the related business strategies.

The Managing Board determines our business and risk strategies as well as principles of our risk policy and risk management in communication with the Supervisory Board's risk committee. The strategies are subject to review once a year. Bank-wide risk governance is rooted in a committee structure which spans the various divisions and business units. The structure of the committees is aligned with that of the risk management units and facilitates the close involvement of the Treasury unit.

The committees and risk units responsible for Bank-wide risk steering are set out below:



The committees are responsible for integrating risk management into operations pursuant to the business and risk strategies determined by the Managing Board. The Chief Risk Officer (CRO) chairs the Global Risk Committee, Credit Committee and Market Risk Committee. The front-office units can vote in the various risk committees, but cannot overrule risk management decisions. The Managing Board member with responsibility for the capital markets business chairs the Asset Liability Committee.

The committees' responsibilities are:

- GRC is responsible for the overall steering of all key risk types except liquidity positions, allocating economic capital, steering the Bank-wide loan portfolio, defining the risk appetite as it relates to all risk and business strategies by proposing resolutions to the Managing Board and approving Bank-wide risk processes and procedures.

- CC is vested with the authority to approve credit applications and proposed equity investments and is also in charge of steering single-name credit and equity exposures as well as single-name concentration and country risks.

- MaCo takes care of monitoring market price risk positions and strategies as well as allocating value-at-risk (VaR) limits and monitoring mark-to-market changes.

- ALCO is in charge of planning and managing structural liquidity and the structure of the balance sheet as well as proposing resolutions relating to the structural liquidity and capital increases.

Regular, independent reporting on counterparty credit, market price, liquidity, equity investment, operational, reputational and legal risks ensures close interaction between the Managing Board, the committees and the risk and front-office units.

The Risk Management division is responsible for the following tasks:

- CGRC – risk controlling for the Bank's key risks and overall risk steering based on risk-taking capacity, portfolio management, loan portfolio model, internal and external reporting, loan administration, development and validation of the internal rating systems, measurement and steering of operational risks as well as management of reputational risks.

- CAD – independent monitoring of counterparty credit risks, especially credit, issuer and counterparty risks; approval of new commitments and monitoring of existing counterparty credit risks.

- MRM – independent monitoring of market price and liquidity risks; management of trading products for certain segments of counterparty and country risk.

- Global Workout – centralised management of loans which carry increased risk or have already defaulted (processing of problem loans and loan modification). This unit was carved out of CAD on May 1, 2010 and reports directly to the CRO.

Risk Reporting

In order for our system of risk steering and monitoring to be sustainable, it is imperative that we identify all risks, maintain transparency about their severity and use the results of our risk management activities to provide meaningful information to decision makers. Risk reporting, therefore, is one of the core tasks of our risk management. The responsible committees, the Managing Board and the supervisory bodies receive regular, unbiased reports about developments within the Bank which are significant from the perspective of risks and/or returns.

These reports are tailored to the respective audience and include, for the Managing Board, the daily and weekly "Market Price/Liquidity Risk Report" and the monthly "Risk Situation Report", which also forms the basis for the detailed quarterly reports prepared for the Risk Committee of the Supervisory Board. The responsible committees deliberate the corresponding decisions or arrange for measures related to the Bank's risk positioning on the basis of the risk situation and the Bank's risk appetite.

WestLB publishes additional qualitative and quantitative information in a separate Disclosure Report in order to meet its disclosure obligations under the German Solvency Regulation (SolvV). The Disclosure Report focuses on such topics as adequacy of own funds, the risks taken and the procedures in place to manage these risks, including the computation methods used for counterparty credit, market price and operational risks, as well as credit risk mitigating techniques and securitisation transactions. The report is made available on WestLB's website and offers insight into the Bank's current risk situation, as presented within the guidelines of banking supervisors.

We also follow a recommendation from the Financial Stability Board (FSB) and Senior Supervisors Group (SSG) to disclose special portfolio data by publishing an FSB Report on our website (www.westlb.com/ir) soon after release of the annual and half-year reports.

Counterparty Credit Risks

Counterparty credit risk is defined as the risk of potential losses caused by a business partner´s failing to meet one of its contractual obligations. It includes the classic credit risk, as well as issuer, counterparty and country risks.

The presentation of counterparty credit risks is based on the exposure at default (EaD), the chief unit of risk measurement in our risk reporting. For internal steering purposes, the portion of the EaD covered by SolvV-compliant surety bonds, guarantees and credit default swaps is linked to the protection seller (guarantor substitution) if the guarantor has a higher credit rating than the borrower.

Differences between how risks are steered internally and how they are presented in the financial statements are largely attributable to a difference in exposure definitions, or, more specifically, the treatment of collateral.

Managing Counterparty Credit Risks

Using the business strategy as its basis, WestLB has formulated a Bank-wide strategy for counterparty credit risks ("credit risk strategy") which reflects the type and scope of the Bank's transactions and its planning for the overall lending business.

This strategy defines the range of action for those of WestLB's business activities which are exposed to counterparty default risk. The credit risk strategy encompasses the general credit risk strategy as well as individual credit risk strategies for specific sectors, products and customer groups which supplement the general strategy.

When making plans about the future course of the lending business, budgeting (including the risk capital budget) and the Bank's capacity to absorb risk are taken into account.

General Credit Risk Strategy

The general credit risk strategy, which is closely linked to the business strategy, defines the Bank's risk steering principles and establishes guidelines for all activities in the lending business. One of the other core elements of the general credit risk strategy is the limit concept. By setting overall portfolio limits for sectors and regions, sub-portfolio limits (e.g. for certain rating classes), as well as limits for single-name concentrations, the limit concept prevents one-sided portfolio movements and ensures an even distribution of risk. The results of the stress tests also factor into the limits and reference values set. This limit structure, which is updated on a continual basis, has proven to be an effective tool for risk steering, even during the financial market crisis and ensuing global recession. It is based on the notion of balancing the business focus with the Bank's risk-absorbing capacity.

For the most part, a new set of priorities was established in the credit risk strategy in 2010:

- concentrate on core businesses
- adapt the limit structure to the Bank's new direction and economic developments
- steer the business units on the basis of the Bank's risk-taking capacity and set appropriate risk capital guidelines
- practise nuanced steering of concentration risks, including income concentrations
- establish distinct requirements for the credit quality of commitments, including unsecured and non-structured new lendings, based on whether or not the Bank has a presence in the respective country
- adapt the risk-adjusted target and minimum return on risk capital (RoR) while maintaining the same requirements for the return on core capital (RoE)

Individual Credit Risk Strategies

The general credit risk strategy is supplemented by individual risk strategies for the specific sectors, customer groups and products which make up the Bank's key portfolios and will remain a focus of its core operations under the restructuring plan. There are nine individual credit risk strategies. They pertain to those parts of WestLB's operations which are being continued in accordance with EU requirements after the transfer of assets to EAA.

The qualitative minimum requirements for new business were tightened further last year in view of the overall economic conditions. This included adjustments to limits for individual products and product groups, e.g. portfolio limits for asset classes in the customer-based securitisation business and a product limit for agricultural commodity financing. The portfolio limit for the core business field energy was raised slightly, in part because of the improved economic picture in this sector.

Measuring Counterparty Credit Risks

Counterparty credit risk is determined using internal rating procedures that estimate the probability of default, recovery rates and draw rates associated with unused external credit lines. These parameters are likewise incorporated into our regulatory reporting and into the internal credit portfolio model, which simulates the loss distribution of the Group portfolio under certain correlation assumptions and provides the basis for our economic capital steering (for more information, see the sections on economic capital utilisation and capital stress testing).

WestLB received supervisory approval in 2008 for use of the Advanced Internal Ratings Based Approach (AIRBA) and the Internal Assessment Approach (IAA). Continually validating and improving on the approved methods will remain a core task of risk management. We carefully analyse the insights gained from actual crises and estimates concerning potential crises and use them in our ongoing efforts to improve our internal rating systems and credit portfolio model, and we also bring this experience to bear when enhancing our stress tests.

The improvements we made in 2010 to our internal systems for measuring counterparty credit risks focused on the following areas:

- Expanding and increasing the level of detail in the database of default events and losses in the lending business and conducting more extensive analyses of the performance of rating methods

- Continuing a project on the development of an IT system for accelerating rating processes (including by automating the processing of risk-relevant information) and improving data quality

- Refining the models for the precise determination of the level of credit risk posed by project finance transactions with complicated financing structures, funds, securitisations and governments

- Enhancing the functionality of the credit portfolio model to meet the requirements for calculating the regulatory incremental risk charge (IRC). The model was reviewed by the Bundesbank in 2010

Managing Individual Risks

The volume of individual risks is steered and limited on the basis of ratings (PD) and rating methods as well as on the basis of the exposure at default (EaD) and risk capital requirements.

The analysis, evaluation, monitoring, steering and decision-making in respect of counterparty credit risks are based on documented, uniform Bank-wide standards and processes. The central elements in our risk process are credit approval, ongoing monitoring (both at the individual commitment level and portfolio level) as well as identification and handling of problem loans.

Each new transaction with a customer, extension of a transaction, and material change involving an existing commitment is subject to approval by the responsible approval level. The approval is based on a thoughtful credit risk analysis and impartial assessment which takes into account the current credit risk strategy, portfolio characteristics, the overall exposure and risk-return ratios. The information pertinent to a lending decision is presented in a standardised credit application. Ratings are an integral component of the credit application and all subsequent processes related to it. Ratings are the result of extensively documented measurement processes which systematically examine both quantitative and qualitative factors and meet the requirements of the German Solvency Regulation (SolvV) for advanced IRBA and IAA rating systems.

Integrated risk management processes ensure that individual commitments which have a sub-standard risk profile or carry increased risk are identified, undergo closer scrutiny or get transferred to a special unit for processing as problem loans, and, if necessary, are covered through adequate risk provisioning. Problem loans are monitored closely by workout teams, who work under the direction of specialists in the Global Workout unit. The goal is to lower a commitment's risk through active management, which typically involves restructuring the loan or reducing its volume (and in some cases may involve a sale on the secondary market). When insolvency is imminent or insolvency proceedings have already been initiated, the Bank has a specialised workout and sale team in Germany which is responsible for reducing the volume of the commitment as much as possible.

Portfolio Management

WestLB steers its risk profile with the help of the WestLB Capital Adequacy Programme (WestCAP). WestCAP ensures that the Bank's material risks are continually matched to its risk-taking potential pursuant to MaRisk, taking into account risk concentrations. WestLB's system of risk management makes appropriate allowances for the risk of loss from risk concentrations. Any concentrations which arise are routinely monitored, quantitatively and qualitatively assessed, and discussed in risk reporting.

The CGRC unit initiates measures for managing credit risk positions from a Group and portfolio perspective. It also performs the ongoing credit risk monitoring at the portfolio level. To avoid risk concentrations, the Bank has derived a Group-wide limit system on the basis of the risk tolerance with limits for the usage of economic capital being allocated to the business units and risk types. Concentration risks are subject to limits both at portfolio level and at the individual commitment level. For the credit risk at portfolio level, limits and reference values are set for sectors identified as high-risk. Limits are also set for regions and for specific country risks. There are limits which apply to sub-portfolios, such as for certain rating classes and products or asset classes. In addition, a special early warning system captures changes in market data from one day to the next and provides up-to-the-minute information on changes in external and internal ratings which affect exposures in the global loan portfolio.

A consistent, goal-oriented approach to new business in the portfolio management activities of the CGRC unit has made a decisive contribution towards ensuring an appropriate degree of diversification in the portfolio. The credit risk strategies underlying the approach to new business were adapted in 2010 to reflect, in particular, the Bank's future focus on core businesses. An absolute necessity for committing to any sizeable loans is having risk-mitigating strategies in place which are plausible and timely (e.g. primary and secondary market disposals, refinancing through capital market products, hedging through credit derivatives, use of credit insurance). Given that the market environment remains difficult despite signs of recovery, implementing such strategies on economically reasonable terms is particularly challenging.

Increasing the number of sector-specific limits for steering sectors characterised by a high usage of risk capital and/or above-average risk intensity and developing reference values proved to be very effective tools during the economic crisis. The 90% early warning threshold that was introduced for limited sectors in 2009 made an important contribution in this regard. As of the reporting date, no limits or references values had been exceeded. For the largest and most risk-intensive sub-portfolios, we regularly prepare portfolio structure analyses and submit them to the Global Risk Committee. In addition to providing information which is helpful in formulating the risk strategies, these analyses help us formulate concrete recommendations for action in respect of steering new business.

Each month, all single-name concentration risks are monitored on the basis of the limit structure set in the general credit risk strategy and analysed for risk-mitigating potential. Results are reported to the Credit Committee on a quarterly basis and include detailed analyses of rating migrations and volume changes. The Credit Committee uses this information to decide on individual measures for reducing commitments. The report also includes a summary of the opportunities for reduction presented by the markets and of risk mitigation measures.

On the whole, we ensured an adequate diversification of the loan portfolio with respect to counterparties and sectors at all times.

The Bank integrated limits for income concentrations into its risk management system as well. The purpose of these limits is to cap the share of income any one product type or sector can represent in the total budget.

Credit Risk from the Portfolio Perspective

When measuring the volume of credit risk in our portfolio, we look at all counterparty credit risks. The types of risk include:

- credit risk, which essentially covers conventional loans, money market transactions and guarantees
- issuer risk, which derives from securities positions
- pre-settlement risk (the risk of loss from having to replace a derivative transaction at the prevailing market rate), which derives from OTC derivatives and repurchase agreements
- other risks

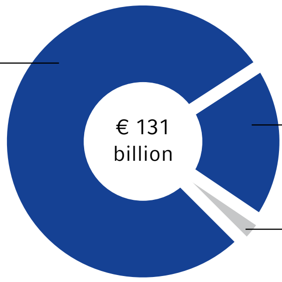
Regular detailed assessments of the volume of credit risk in the Group support us in our efforts to identify, analyse, evaluate and steer all of the counterparty credit risks in the portfolio. For internal steering purposes, we regularly analyse the volume of credit risk with the help of a number of parameters, including rating class, sector, region, commitment size and collateral, especially so that we can identify risk concentrations and determine appropriate measures. We also monitor the volume of rating migration on a monthly basis so that we can identify risk trends in the Bank's portfolio at an early stage.

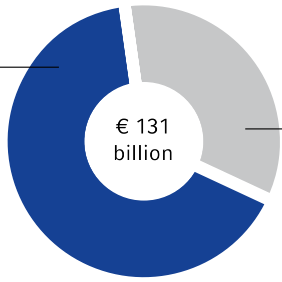
The key risk indicators, which document the positive impact of the spin-off and reduction of non-essential strategic assets, were as follows as of the reporting date:

Risk Indicators (€ billion)	**Dec. 31, 2009 Group**	**Dec. 31, 2010 Group**	**Dec. 31, 2010 Core Bank[3]**
RWA	83.0	48.6	36.2
EaD	161.2	131.1	86.7
Total EL[1]	529	251	191
EC (economic capital)	3.4	2.6	2.1
Total VaR[1]	140.3	77.1	79.7
Global Watchlist volume	14.3	6.9	5.0
NPL net[2]	2.99	1.07	0.77
Provisions for credit risks[2]	1.74	0.95	0.61
Ratios (%)			
Risk density (EL/EaD)	0.33	0.19	0.22
Coverage ratio[2]	58	89	80
Ø PD/average rating	2.7/B3	1.9/B1	1.8/B3

1 € million
2 pursuant to IFRS; coverage ratio: provisions for credit risks/NPL net
3 Core bank: after deducting Unbundling/FU PEG division; EC excluding diversification effects from the sale of subsidiaries

Breakdown of Exposure at Default
WestLB Group at December 31, 2010





* Includes the subsidiaries to be sold, the transactions transferred to EAA via the Bank's assumption of guarantees and the refinancing of EAA, which is still provided by WestLB at this time.

Breakdown by Division

	Exposure at Default (€ millions)		EL (€ millions)		Risk Density (%)	
	Dec. 31, 2009	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**
Verbund & Mittelstand	5,023	4,560	15	20	0.31	0.43
Corporates & Structured Finance	44,642	47,914	146	143	0.33	0.30
Capital Markets	35,811	32,629	18	26	0.05	0.08
Transaction Banking	788	665	0	0	0.05	0.04
Other	765	952	1	1	0.13	0.14
Core Bank	**87,030**	**86,718**	**181**	**191**	**0.21**	**0.22**
FU PEG/ Unbundling (incl. WestImmo)	74,220	44,431	349	61	0.47	0.14
WestLB Group	**161,249**	**131,149**	**529**	**251**	**0.33**	**0.19**

We steer the counterparty credit risks at the level of the WestLB Group. Within the Group, 80% of the EaD is attributable to WestLB AG, which means that the Group portfolio details discussed below also apply basically to WestLB AG.

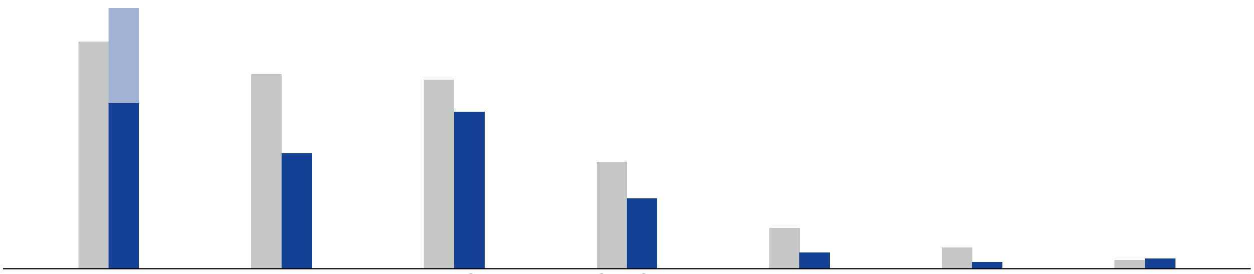
There was another sizeable reduction in risk concentrations in 2010 due to the selective cancellation of credit lines, active tightening of lending criteria and expiration of business. The transfer of non-essential strategic assets to EAA also sustainably improved the portfolio structure. Having on opposite effect on EaD volume was WestLB's refinancing of EAA, which started in the middle of last year, but is to be gradually eliminated.

Breakdown by Risk Type (Exposure at Default)
WestLB Group

Exposure at Default (€ billions)	Dec. 31, 2009	Dec. 31, 2010
Credit risk	104	83
Issuer risk	46	37
Pre-settlement risk	11	11
	161	131

The following chart provides a historical breakdown by the internal rating classes making up our internal Basel II-compliant rating scale.

Breakdown by Rating Class (Exposure at Default)



	A0–A4 AAA–AA-	A5–B3 A+–A-	B4–C2 BBB+–BBB-	C3–C5 BB+–BB-	D1–D5 B+–C	E Default (Basel II)	unrated
	45,835	39,760	38,254	21,916	8,526	4,533	2,425
	52,405	23,651	31,929	14,768	3,876	1,736	2,784

EAA
EaD Dec. 31, 2009 (161,249)
EaD Dec. 31, 2010 (131,149)

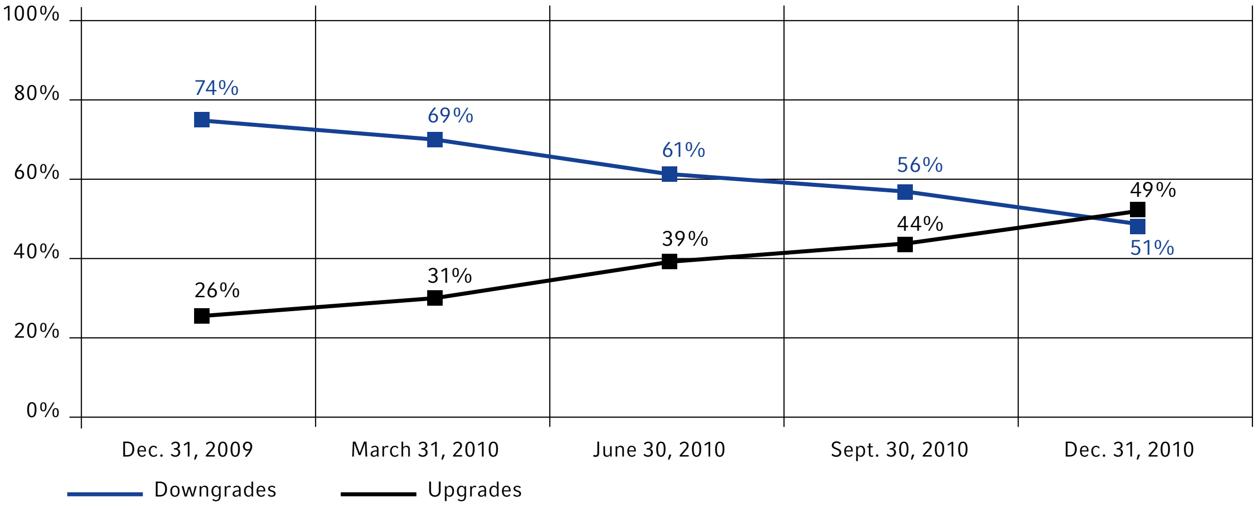
€ millions

The substantial improvement in the quality of the portfolio following the transfers to EAA is clearly evident in the rating distribution. Excluding the funding notes for EAA, a total of 81% of the total rated EaD were investment grade (A0 to C2), which demonstrates the high quality of the overall portfolio. The volume of commitments to customers with sub-investment grade ratings decreased by a considerable € 15 billion, or 42%, with 72% of that volume being attributable to customers in the higher rating classes of the sub-investment grade range (C3 to C5).

The EaD-weighted probability of default of the WestLB Group's loan portfolio improved significantly, down to 1.9% from 2.7%. The average rating of the loan portfolio, which is defined as the EaD-weighted median, was B1.

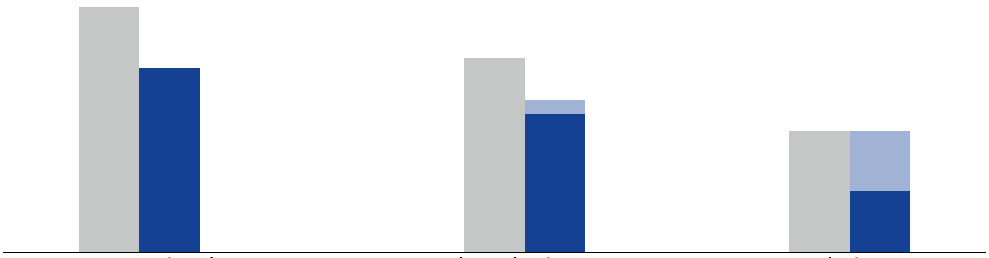
The average rating for the core bank was B3, and the EaD-weighted probability of default of its loan portfolio was 1.8%.

Breakdown of Rating Migration in the WestLB Group (Exposure at Default)



The percentage of rating downgrades and rating upgrades moved much closer together in the first three quarters. In the fourth quarter, rating upgrades prevailed.

Breakdown by Sector (Exposure at Default)



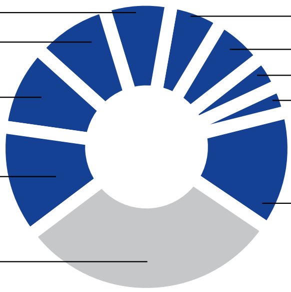
	Industry and Services	Financial Sector (incl. Other)	Public Sector
EaD Dec. 31, 2009	70,791	56,000	34,458
EaD Dec. 31, 2010	53,089	43,517	34,543

EAA
EaD Dec. 31, 2009 (161,249)
EaD Dec. 31, 2010 (131,149)

€ millions

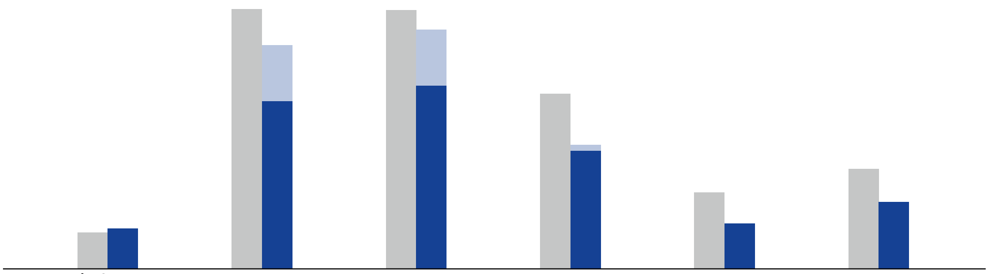
Commitments to customers in industry and services make up the largest share of the portfolio by sector at 40%, followed by the financial sector at 33%. Excluding the preliminary refinancing of EAA, the share in EaD for industry and services stood at 48%, whilst that for the financial sector was 35%.

Breakdown of Industry and Services by Sub-Sector for WestLB AG (December 31, 2010)



The largest sector in terms of EaD, Industry and Services is made up of 15 sub-sectors and thus broadly diversified. At 32% of the sector's EaD, the Energy, Utilities sub-sector makes up one of the Bank's core business focuses. In addition, WestImmo accounts for € 21 billion of the EaD volume in industry and services. Specific limits have been set for the following sub-sectors: real estate and construction; energy, utilities; transportation, logistics, travel; wholesale and retail trade; telecommunication; automotive industry.

Breakdown by Maturity in the WestLB Group (Exposure at Default)



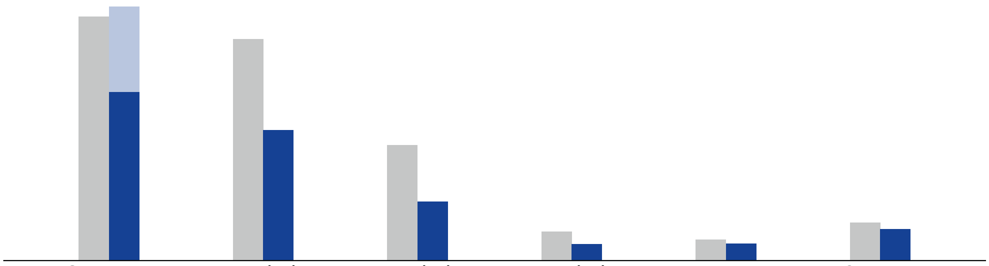
	until further notice	up to 1 year	1 to 4 years	4 to 8 years	8 to 15 years	> 15 years
EaD Dec. 31, 2009	6,630	46,109	45,635	31,142	13,832	17,901
EaD Dec. 31, 2010	7,381	39,378	42,148	21,825	8,441	11,976

EAA
EaD Dec. 31, 2009 (161,249)
EaD Dec. 31, 2010 (131,149)

€ millions

The distribution within the maturity ranges is nearly unchanged from the previous year when the refinancing of EAA is excluded; distribution of the reduction in the exposure at default was broadly even among all of the maturity ranges. The major share of our commitments in terms of maturities (64%) lies in the medium to long-term ranges of "1 to 4 years" and "> 4 years". Nearly all of the commitments with medium to long-term maturities are lending transactions, predominantly with counterparties from the corporates/real estate and government sectors.

Breakdown by Region in the WestLB Group (Exposure at Default)



	Germany	Industrialised Nations Europe*	Industrialised Nations America	Industrialised Nations Asia	Eastern Europe	Other**
EaD Dec. 31, 2009	58,490	53,137	27,838	7,219	5,266	9,299
EaD Dec. 31, 2010	68,767	31,223	14,518	4,295	4,431	7,915

EAA
EaD Dec. 31, 2009 (161,249)
EaD Dec. 31, 2010 (131,149)

€ millions

* without Germany
** Middle East and Africa, emerging markets America, emerging markets Asia

The regional breakdown of the portfolio captures both foreign currency business, which is relevant for country risk (transfer risk), and local currency business. At 76% of EaD (72% excluding the refinancing for EAA), our lending activities continue to focus on Germany and the other industrialised nations of Europe following the transfer of non-essential strategic assets to EAA. The share of exposure in emerging markets, including Eastern Europe, was at a moderate level of 9%.

Problem Loans and Risk Provisioning

The WestLB Global Watchlist (WGW) is the central, Group-wide system for capturing problem loans. It provides the entire Group with the basis for steering and managing critical creditworthiness risks. An early warning system within the meaning of MaRisk, it allows WestLB to identify, monitor and report on individual loan commitments and whole loan portfolios

- which have a sub-standard risk profile, carry increased risk, are likely to default or already have defaulted pursuant to Basel II or

- non-performing loans requiring a specific allowance because the client has ceased making some or all of its payments.

When exposures are included in the WGW, they are assigned to various categories on the basis of clearly defined risk indicators. The risk indicators are back tested periodically and adjusted as needed. The information recorded in the WGW database is updated and checked regularly so that the relevant bodies (Credit Committee, Global Risk Committee, Managing Board, risk committee of the Supervisory Board) can receive regular reports about the current risk situation of these loans and the Bank's need for risk provisioning.

Loans with a sub-standard risk profile additionally undergo closer scrutiny. Loans with increased risk, loans which have already defaulted and non-performing loans and impaired loans are transferred to the Global Workout unit for processing as problem loans pursuant to MaRisk.

The volume of problem loans was halved in 2010, from € 14 billion to € 7 billion, due to the spin-off of non-essential strategic assets to EAA, active limiting of the loss potential through exposure reductions and an improvement in the overall economic conditions.

Provisions for Credit Risks

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

Result of Risk Provisions – Lending Business

	Allocations to Allowances € millions	Reversal of Allowances € millions	Net Allowances € millions	Other Risk Exp./Income € millions	Risk Result € millions
Acute counterparty credit risk	**– 207.9**	**111.7**	**– 96.2**	**0.6**	**– 95.6**
Credit rating risk	– 203.3	104.0	– 99.3	1.7	– 97.6
Country risk	– 4.6	7.7	3.1	0.0	3.1
Other risk	0.0	0.0	0.0	– 1.1	– 1.1
Latent counterparty credit risk	**– 16.1**	**10.0**	**– 6.1**	**0.0**	**– 6.1**
	– 224.0	**121.7**	**– 102.3**	**0.6**	**– 101.7**

Additional information is provided in the section entitled "Statement of Income" and in the Notes.

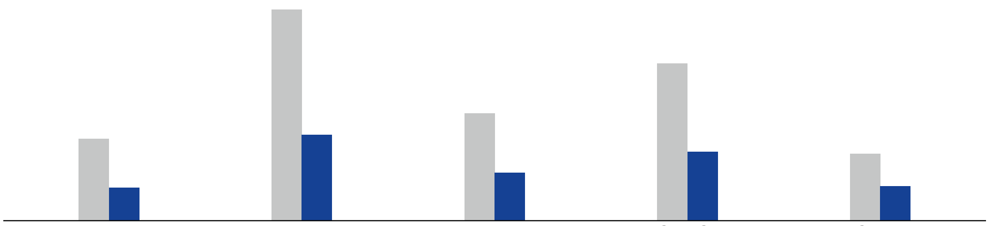
Country Risk

We define country risk as the risk that a borrower will not (or no longer) be able to service its foreign currency debt because of a government-issued order to stop transfers out of the borrower's home country or because of a worsening of the economy in the borrower's home country. Accordingly, any commitment which is not denominated in the borrower's home currency is subject to a potential country risk and has to be included in a country exposure list.

Each country which is relevant to the Bank receives an internal rating. A country limit is determined on the basis of this country rating as well as on the size of the country and the Bank's risk-taking capacity. The responsibility for approving the individual country limits actually set and for approving any deviations, which are handled on a case-by-case basis, rests with the Credit Committee. The client business units are responsible for managing the utilisation of the country limits and for ensuring that the limits are not exceeded.

The global economic downswing sparked by the financial market crisis caused the risk situation to progressively deteriorate in 2008/2009. Many emerging markets were hard hit by the declining demand from industrialised countries for their exports and by the decrease in commodity prices. In some cases, emergency loans from the IMF, and in Europe from the European Stability Mechanism, became necessary. With extensive stabilisation of the economic situation in 2010, rating downgrades and country limit reductions were necessary in only a few cases, after significant reductions in the previous year.

Use of Country Limits by Country Rating Category for All Countries Subject to Limits at December 31, 2010 (WestLB Group)



	B1	B2–B3	B4–B5	C1–C2	C3–E
Group country limits	2,855.0	7,528.0	3,764.0	5,555.0	2,272.0
Outstandings	1,013.9	3,005	1,622	2,323	1,103

Group country limits (21,974)
Outstandings (11,118)

€ millions

Aside from the country limit management directed at emerging economies and developing countries, stricter risk monitoring has been in place since 2009/2010 for commitments in some industrialised nations, especially heavily indebted EMU member states like Greece, Ireland, Portugal and Spain and the direct exposure to governments in those states (including to local authorities and in respect of guaranteed transactions). The sweeping rescue measures adopted by the EU and IMF are helping to stabilise the situation. The transfer of non-essential strategic assets to EAA greatly reduced the Bank's sovereign exposure from the previous year throughout Europe, but particularly in the PIIGS countries. Even after the transfer, the core bank's exposure to countries like Portugal and Ireland was reduced further in the year under review.

In conjunction with the results of its CEBS stress testing, the Bank published its sovereign exposure (including that to local authorities and in respect of guaranteed transactions) in the trading book and banking book. The core bank's exposure with government and near-government borrowers (EaD) to Portugal, Italy, Ireland, Greece and Spain was € 1,711 million as of December 31, 2010. The exposure (EaD) attributable to each of these countries is presented in the following table:

Country	**EaD (€ millions)**
Portugal*	158
Italy	798
Ireland	14
Greece	97
Spain	644

* There is an additional trading book exposure of € – 89 million.

The following table shows the exposures to banks (EaD):

Country	**EaD (€ millions)**
Portugal	50
Italy	196
Ireland*	350
Greece	2
Spain	284

* € 342 million in exposures are attributable to the EAA subsidiary EAA Covered Bond Bank.

Counterparty Credit and Country Risks in Trading Operations

The counterparty credit risks in our trading business include pre-settlement risk from derivatives, issuer risk from securities positions, settlement risk from foreign currency transactions and securities transactions, and credit risk from money market transactions. Our internal regulations require that counterparty credit risks also be incorporated into our country risk calculations.

Our issuer risk calculations on securities positions are based predominantly on the mark-to-market approach. To determine the pre-settlement risks from its derivatives business, WestLB uses Monte Carlo-based portfolio simulation techniques. Counterparty credit risks from trading operations are charged daily to the appropriate credit lines.

WestLB has established internal standards for reducing the risks associated with the credit lines used in our trading activities, including rules on netting the exposures from buy and sell positions in our securities business and standards for close-out netting and margining in the OTC derivatives business, which is carried out using industry-standard master agreements. The responsibility for approving close-out netting and margining standards rests with the Netting Committee, a sub-committee of the Global Risk Committee.

The counterparty credit risk from OTC derivatives is measured independently of the trading units using credit value adjustments (CVA) and actively steered by the CVA Desk.

Equity Holding Risks

Equity holding risk represents the risk from the provision of subordinated capital and equity capital. WestLB manages its equity holding risks at Group level. The Corporate & Structured Finance Products business unit is responsible for private equity investments and mezzanine finance. Group Development oversees strategic equity investments and Group companies. These units monitor and steer the risks relating to these investments. When strategic equity investments are involved, they involve the front-office units which are accountable for the returns on the respective exposures. Particular attention is paid to companies which are exposed to entrepreneurial risks. In accordance with MaRisk requirements, the CAD unit assumes the back-office function.

Ongoing equity holding controlling enables us to analyse the current and future risks posed by holdings. The information provided serves as the basis for managing the equity holdings from a shareholder perspective and in accordance with the equity investment strategy.

Group companies with their own bank status are fully incorporated into WestLB's risk and operational management, and certain investments are also followed by specialist units which monitor the risk situations. This approach allows for optimal support of companies whose business activities are closely linked with the activities of the respective product unit. Risks related to private equity investments and mezzanine finance are kept in check with the help of diversification and volume targets as well as exit scenarios.

With respect to the requirements of Basel II, WestLB uses a PD/LGD-based model for calculating the economic capital required to back its equity holding risks. The risk is measured using a Basel II-compliant banks and corporates risk-weighting formula. However, because the provision of equity capital is inherently riskier than the provision of debt capital, the formula utilises the adapted risk parameters Probability of Default of Equity (PDE) and Loss Given Default of Equity (LGDE). These parameters extend beyond pure default risk to take account of the broader risk of an equity holding's depreciation.

The equity holding risk declined sharply in 2010 due to divestitures and to the transfer to EAA of equity investments which were not or no longer considered strategic. A further reduction in risk was achieved by the refinement of methods (look-through approach) and the repayment of capital contributions.

Market Price Risks

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

Monitoring of Market Price Risks

WestLB uses the value at risk (VaR) method, stress tests, sensitivity and off-nominal testing to quantify and monitor market price risks from trading transactions in the trading and banking books. These risk measures and indicators are included in the market price risk strategies as limits and threshold values for the Bank as a whole and for individual portfolios. They serve as the basis for ongoing management of and reporting on market price risks. The VaR limits and threshold values for stress tests are derived directly from the economic capital allocated to cover market price risks.

Adjustments were made to the market price risk strategies and to the allocation of market price risk capital in connection with the spin-off of non-essential strategic portfolios to EAA. The transfer of structured credit products and bonds from Europe's peripheral countries produced a marked improvement in the market price risk profile, which in turn is reflected in correspondingly lower usage of market price risk limits. The volume of credit derivatives experienced another sharp reduction, in part because of the successful restructuring of the corporate synthetic obligations (CSO) portfolio. Proprietary trading was ceased in accordance with the conditions set by the European Commission. The market price risk strategies were adjusted for this accordingly.

The only risk concentrations at present relate to WestLB's own bonds and the risk of changes in WestLB's credit risk premiums, which make up a large part of the VaR and stress tests. There are no other significant risk concentrations at this time. Future increases in risk concentrations will be prevented with well-balanced VaR limiting and close observation of stress test results. If necessary, market price risk concentrations in individual portfolios and product groups will be monitored for off-nominal values and sensitivities using so-called non-VaR limits.

The Bank's VaR model calculates interest rate, equity price and foreign exchange risks (including commodity price risks) as well as the volatility risks associated with each market for the trading and banking books on a daily basis. In 2005, the Federal Financial Supervisory Authority (BaFin) approved the Bank's adoption of this model on a full-use basis to determine the regulatory capital required to back the general and specific market price risks in its trading book as well as the foreign exchange risks in its banking book. For internal purposes, the Bank determines its VaR for a confidence interval of 99% and a holding period of one day. For external regulatory purposes, a holding period of ten days is assumed. The model has been expanded to include stressed VaR and the incremental risk charge (IRC) as components. The Bundesbank has already reviewed the Bank's approach to calculating the incremental risk charge. These additional risk measures are now part of the ongoing market risk reporting which takes place internally.

VaR methodology helps to portray standard market risks, but it does not capture other potential risks from trading operations such as liquidity, concentration and correlation risks or risks relating to digital products. These other risks are analysed and assessed on a regular basis and, if material, are monitored with sensitivity and off-nominal limits.

In addition, there are historical and parametric stress tests that are run on a weekly basis which, regardless of statistically observed probabilities of occurrence, simulate the impact of market price risks which are not captured by VaR models. The stress tests themselves were reviewed extensively, and scenarios modelling the impact of extreme macroeconomic developments in the future (global recession, sharp downturn) were added.

Value at Risk

Due to the transfer of portfolios to EAA and sale of additional portions of the business in the year under review, the market price risk decreased from December 31, 2009 by € 2.5 million to a VaR of € 6.2 million in the trading book and by € 63.2 million to a VaR of € 77.1 million in the WestLB Group. Now that the EAA transfer is complete, the dominant component in the market price risk structure are the credit risk premiums on WestLB's own issues, which are measured at fair value.

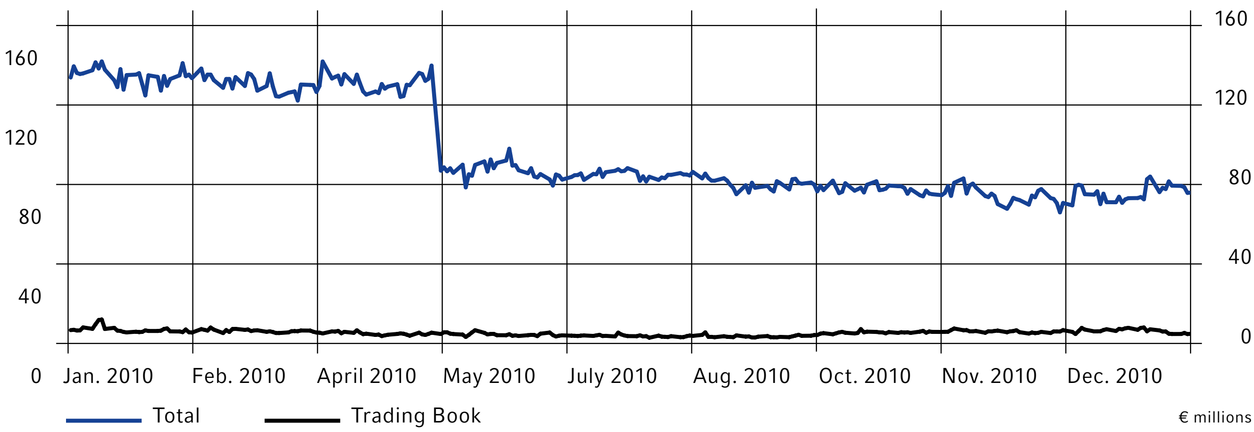
The following table shows the aggregate market price risks of the WestLB Group:

Overview of Value at Risk in the Trading and Banking Books

	Total Utilisation		thereof Trading Book	
Confidence level of 99%/ 1 day	**1. 1.–31. 12. 2010 € millions**	**1. 1.–31. 12. 2009 € millions**	**1. 1.–31. 12. 2010 € millions**	**1. 1.–31. 12. 2009 € millions**
Value at risk on the reporting date	77	140	6	9
Minimum value at risk	67	137	4	9
Maximum value at risk	143	268	13	22
Average value at risk	99	224	7	14

Movement in the VaR over the course of 2010 was as follows:

Movement in the VaR in 2010



Stress Testing

Next to VaR, stress tests are another essential tool for measuring and steering market price risks in the trading and banking books of WestLB. At the individual steering levels, the Bank uses its market price risk strategies to set and then allocate economic capital to cover the related risk appetite, i.e. the maximum acceptable losses in the event of stress. Customary stress testing benchmarks, such as those from the Bundesbank or Committee of European Banking Supervisors/European Banking Authority (CEBS/EBA) help determine the severity of the underlying stress scenarios used. On the whole, stress risks are steered just as rigidly as VaR.

The stress risk profile also improved significantly as a result of the spin-off of non-essential strategic portfolios to EAA. In the scenario which incorporates a steep rise in interest rates and credit risk premiums, an event which occurs once a year according to statistical averages, the Bank would have posted a gain of approximately € 400 million at year's end (versus a potential loss of approximately € 340 million at the end of 2009). The source of the potential gains were the own bonds and notes issued by the Bank, and there would have been just minimal losses on the assets side to offset them.

In addition to scenarios which simulate movement in the credit risk premium on WestLB's own issues, interest rate scenarios remained of central importance. An increase in interest rates by 100 basis points would have produced a loss of approximately € 325 million at the end of 2010 (versus € 300 million at the end of 2009). These interest rate scenarios do not, however, take into account the ongoing hedging of the structured interest rate books and therefore indicate a potential for losses which is far in excess of the losses to be expected from such market developments. In terms of equity price risks, the sale of Banque d'Orsay yielded a roughly € 60 million improvement in the stress result of the scenario which simulates a 30% drop in share prices. The potential loss at year's end was roughly € 35 million.

Stress scenarios are reviewed regularly and updated with regard to the latest market conditions and portfolio structures. Scenarios were added in 2010 which assume particularly extreme developments in order to ensure that the full range of marginally plausible scenarios is covered.

One of the stress tests encompasses calculating and monitoring interest rate risks in the banking book by observing how the shock scenarios defined by BaFin of "plus 130 basis points" and "minus 190 basis points" change the present value of relevant exposures.

As of the end of 2010, an increase in interest rates by 130 basis points across all currencies would have caused the interest-bearing exposures in the WestLB Group's banking book to lose € 363 million in value (a loss of a further € 76 million compared to the previous year). The threshold at which present value losses of individual institutions become reportable to the supervisory authorities ("outlier criterion") equals 20% of regulatory own funds. With WestLB's simulated losses amounting to a maximum of 5.9%, this threshold was never reached, neither at the end of 2010 nor during the year.

Interest Rate Risks in the Banking Book

€ millions	**Income change with an interest rate shock of**	
	+ 130bp/Delta 2009	**– 190bp/Delta 2009**
EUR	– 363/– 76	+ 252/– 179

Given the revisions to MaRisk requirements this year, equity components are no longer included in the quantification of market price risk. Early repayments of loans are reflected in the market price risk if their inclusion is technically feasible.

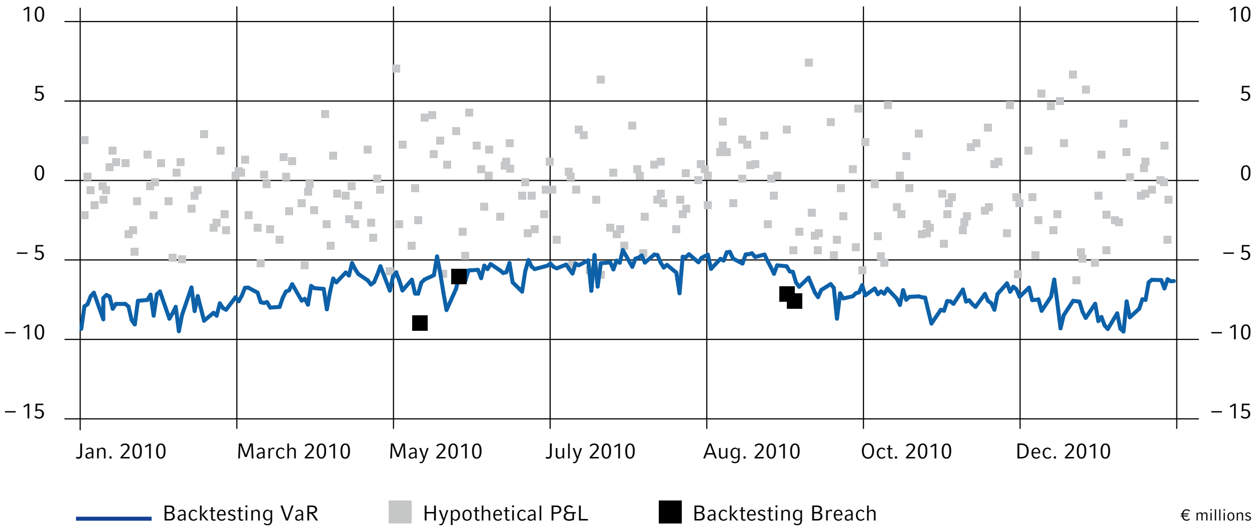
Model Validation and Back Testing

The relevant market price risk positions are back tested on an ongoing basis pursuant to the guidelines of German banking regulators for the use of internal market price risk models, which means that the potential changes predicted by the VaR model are compared to the actual changes (hypothetical P&L) seen in market values from one day to the next.

There were four instances where back testing revealed a breach of VaR in 2010. Thus, there is no need to apply an add-on factor to the capital charges according to regulatory guidelines.

Two of the breaches occurred in May and were triggered by exceptionally sharp swings in the stock markets. The other two breaches happened in the third quarter and were caused by particularly sharp swings in the bond markets. Our internal analyses have verified that all four incidents were related to rare events which are not predictable using the VaR model. Overall, we believe this confirms the outstanding quality and forecasting capacity of our VaR model.

Back Testing of the Internal Model for WestLB AG's Trading Book in 2010



Beyond back testing, we validate the key assumptions underlying our VaR model on a regular basis. We test their capacity to adequately capture the market parameters and composition of the portfolio under evolving market conditions. The results of this testing are reported to the Market Risk Committee and also furnished to the banking supervisors in Germany. This process ensures that our VaR model is continually updated.

Liquidity Risks

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

The responsibility for managing the Group's liquidity rests with the Treasury business unit. Over and above that, Market Risk Management independently monitors liquidity risks, and the CGRC unit prepares the regulatory reports on the liquidity position. The liquidity risk strategy sets the reporting instruments and steering goals for the individual time bands. The liquidity and refinancing strategy then sets the risk tolerance for the individual steering goals on this basis. Both are reviewed at least once a year.

Our liquidity management differentiates between operating, tactical and strategic liquidity.

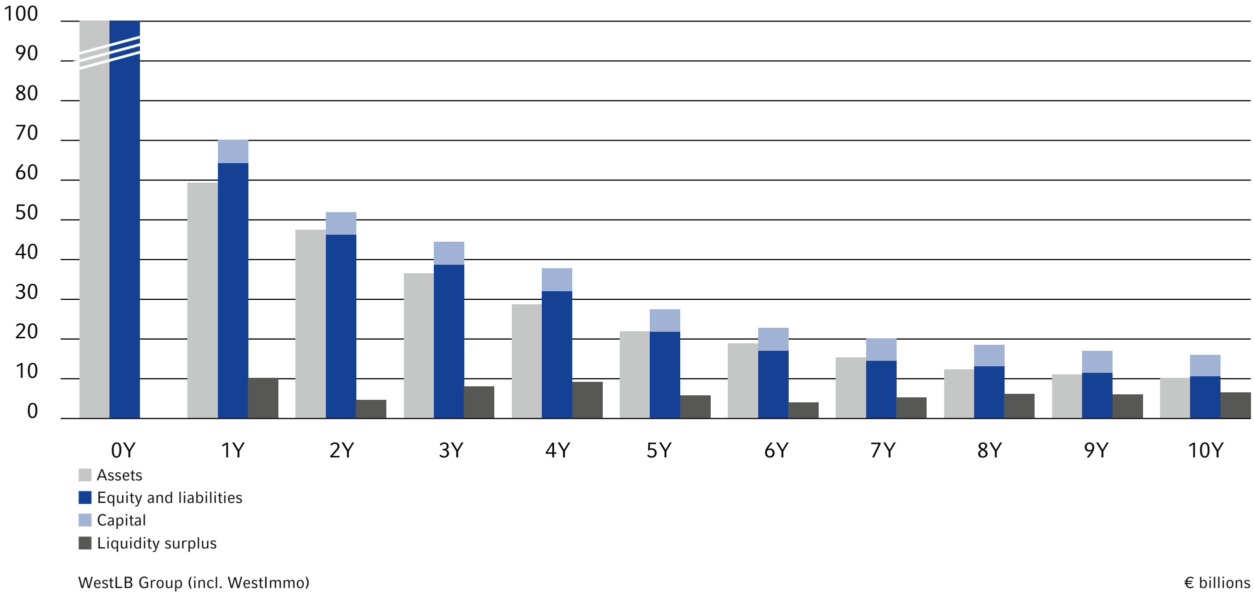
The goal of operating liquidity management is to ensure that daily liquidity needs and short-term liquidity needs of up to one week are met. Daily cash flow projections, the operating liquidity stress test and projections concerning changes in the liquidity reserve, particularly in instruments eligible for recognition by central banks as collateral, assist in the management of operating liquidity.

Tactical liquidity management helps ensure the availability of sufficient liquidity for up to one year. In order to steer our tactical liquidity, we determine, on a daily basis, the contractual maturity profile of all assets and liabilities having an impact on liquidity and supplement it with information concerning the potential inflows and outflows from the liquidity reserve, modelled deposits, assumptions concerning access to unsecured refinancing and contingent liabilities. The tactical and operating stress tests employed simulate the liquidity-related behaviour of individual components in accordance with predefined scenarios and have contributed to the formulation of quantitative targets, i.e. a risk tolerance, for the cumulative liquidity position.

All of the parameters used in the stress tests are continually back tested and adapted to changes in market conditions.

The purpose of strategic liquidity management is to ensure that the Bank is capable of satisfying its long-term liquidity requirements. A structural liquidity gap report shows potential surpluses and bottlenecks in the structural liquidity. The strategic risk tolerance is set on the basis of the difference between assets and equity and liabilities after one year and was maintained at all times in 2010. The structural liquidity gap report is also used as the basis for the long-term funding programme.

Structural Liquidity Gap Report



Steps were taken in 2010 to improve the Bank's liquidity management in accordance with the overall economic situation. For instance, the Bank switched to a more robust system environment for the preparation of its liquidity stress tests, thereby reducing operational risks.

We also continued to engage in a regular dialogue with regulatory authorities and central banks in 2010.

In the case of OTC derivatives transactions, the Bank enters into agreements on the provision of collateral at the request of customers. These agreements may require an increase in the amount of collateral provided should the Bank's rating be downgraded. The impact which a downgrade by one notch and resulting need to furnish additional collateral would have on WestLB's liquidity situation is simulated as part of the "Downgrade Scenario" stress test. When running this scenario, WestLB uses the lowest rating published by DBRS, Fitch, Moody's and Standard & Poor's. Compared to other liquidity risks, the liquidity risk posed by the collateral agreements executed is straightforward.

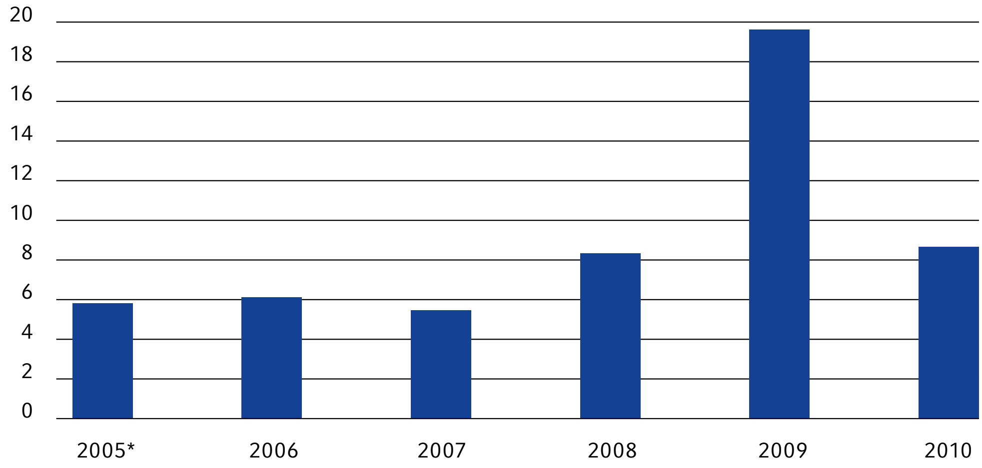
A bank's liquidity is evaluated for regulatory purposes using the liquidity ratio determined pursuant to the German Liquidity Regulation (LiqV), which sets the cash available within a given month in relation to the payment obligations which may be called in during the same period. A bank's liquidity is considered sufficient if this ratio is at least 1.0. For WestLB, the ratio averaged 1.26 in the period from January to December 2010, which was an improvement on the previous year's 1.14. Sufficient liquidity was available to the Group at all times in 2010.

Issuance Activity

2010 was another successful year for WestLB's issuance business. The goal of securing € 8 billion in funding from unsecured debt instruments with a maturity of more than one year was already achieved in November. Altogether, € 8.8 billion in unsecured long-term debt instruments was floated.

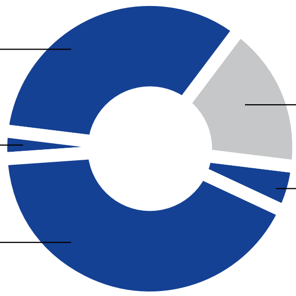
With a share of 77%, our alliance with the savings banks proved, as in previous years, to be the cornerstone of our refinancing strategy. As in 2009, we covered a large portion of our refinancing needs (approximately 43%) through the sale of capital-guaranteed certificates to savings bank customers. This high figure is partly attributable to the persistently low interest rates, but it also demonstrates the effectiveness of our funding franchise with the savings banks.

Annual Issuance Volume (unsecured, over 1 year)



* Annualised figure based on the issuance volume after elimination of guarantor liability in the second half of 2005. € billions

Unsecured Issuance Volume by Investor Type in 2010 (WestLB AG)



Operational Risks

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risks, but excludes strategic and reputational risks.

Managing Operational Risks

The central unit Operational Risk Management (ORM), which is part of the CGRC business unit, is in charge of defining the operational risk management framework as well as related instruments and guidelines. In the process, it ensures that operational risk management activities are consistent throughout the Group, records the operational risks, provides its expert opinion on them and advises the Group's business units. This ensures that the analysis, measurement, steering and monitoring of operational risks meet uniform standards of quality.

The primary responsibility for management of operational risk rests with the business and functional units themselves. The unit heads are supported in their efforts by decentralised Operational Risk Managers, who function as contact points for all of the respective units' employees on matters relating to the steering of operational risks. The decentralised Operational Risk Managers are in close contact with the central ORM unit.

Employee awareness of operational risks is raised through our Group-wide web-based learning programme as well as through frequent seminars on the subject. In addition, regional OpRisk Forums (Americas, Asia-Pacific, UK, Continental Europe) provide a platform for the regular exchange of information about current incidents involving WestLB and other banks in connection with operational risks.

ORM cooperates closely with central units of the Bank (e.g. Contingency Planning, Audit, Law and Compliance, Insurance, IT and Non-IT Security) at regular workshops.

The instruments used for operational risk management include:

- internal/external data pooling
- risk self assessment
- risk indicators
- scenario analysis
- tracking

For exchanging data on an external basis, WestLB joined the ORX data consortium (Operational Riskdata eXchange Association).

In addition, incentive systems are used as a means of improving the quality of decentralised operational risk management activities. Two key incentive systems are:

- Scorecards: We assess and compare the quality of our decentralised operational risk management in various categories and against various criteria and then adjust the (regulatory and economic) operational risk capital charges generated by our internal model in line with the results.

- Self-insurance model: The business units budget a certain amount of money, much like an insurance premium, to guard against operational risks. In return, they receive a reimbursement of their expenses for reported events (less a deductible).

In the context of operational risks, it makes sense on a cost-benefit level for some areas to use insurance as a means of risk transfer. At Group level, WestLB has a global insurance programme in place that has been pooled together into one central insurance portfolio. The Bank uses no other risk transfer instruments at this time.

Given the difficult framework conditions, WestLB faces an elevated risk that key employees will leave. Some already did so in 2010, despite the early adoption of stabilisation measures. Personnel risk is analysed and assessed on an ongoing basis as part of operational risk steering, and the Bank's supervisory bodies are notified accordingly. The Bank has so far not had to report an increase in operational losses because of employee migration. Additional measures to reduce future personnel risks are planned. Discussions with the supervisory authorities and SoFFin on this matter are under way.

Measuring Operational Risks (AMA Model)

WestLB AG has been using the Advanced Measurement Approach (AMA) on a full-use basis to measure the WestLB Group's operational risks since 2008.

WestLB's internal steering of operational risks relies on the use of the Bank's own proprietary model for determining the relevant economic capital charges. The model is based on a loss distribution approach. Estimates for the distribution parameters are calculated using internal loss data, data from the ORX consortium and data from scenario analysis.

Correlations in the number of observed losses (across event types within a business unit) are taken into account. For some areas, the model makes allowances for insurance payments on the basis of deductibles, coverage limits and probability of occurrence. This reduces the operational risk capital charges to a small extent. The BU scorecard and risk indicators are used to adjust the capital requirements. The capital charges are then allocated among the business units and legal entities.

The operational risk capital charges routinely undergo stress testing. Using hypothetical scenario assumptions, the input parameters of loss frequency, loss amount and weighting are varied (stressed) for the relevant Basel II event categories and the corresponding operational risk capital charges calculated. The results are incorporated into the Bank-wide capital stress testing.

Internal Control and Risk Management System in Relation to the Accounting Process

The goal of an internal control and risk management system (ICS/RMS) as it relates to the accounting process is to ensure compliance with existing accounting standards and regulations and to guarantee the accuracy and reliability of accounting data.

With respect to the accounting process, WestLB has implemented an ICS/RMS which is appropriate to its operations.

The essential policies and procedures of this ICS/RMS

- give reasonable assurance that transactions are fully, promptly and accurately captured and entered into the system as they accrue, in accordance with statutory and other provisions, and thereby ensure that the financial reporting provides a fair and accurate view of the company to the public (integrity and reliability of the accounting system);
- ensure that decision-makers and the relevant bodies are regularly and promptly given the accounting information they need in order to steer the company (internal reporting);

- give reasonable assurance that any unauthorised purchase and any unauthorised use or sale of assets which could have a material effect on the accounting is prohibited or detected at an early stage;

- create the basis for an appropriate control and documentation environment (e.g. separation of functions, adherence to predetermined approval and competency levels, adherence to the dual control principle when recording transactions, dispatch of transaction and balance confirmations, orderly recordkeeping);

- ensure that the files and records with information pertaining to accounting entries, in reasonable detail, accurately and fairly provide information about transactions and the usage of assets and that these files and records are properly archived and protected.

The effectiveness of the ICS/RMS in place for the accounting process is monitored on an ongoing basis. The internal audit department routinely audits the existing technical and functional controls, which are also the subject of regular audits by the external auditors.

In addition, the accounting processes are integrated into the general, Bank-wide risk management process for operational risks so that mistakes and misstatements can be avoided to the greatest extent possible or identified at an early stage.

The accounting policies are documented in electronic manuals and made available to all business units worldwide. Annual, quarterly and monthly financial statements are prepared according to a preset schedule, adherence to which is supported and monitored within the system.

New statutory and regulatory requirements are implemented on a timely basis, including in the context of stand-alone projects and sometimes as written directives, depending on their respective scope and significance to the Bank. The relevant business units and management levels, as dictated by the topics, are involved pursuant to the Bank's internal project guidelines.

By having accounting staff involved in the relevant risk and steering committees, the Bank ensures that developments impacting its strategy or risk exposure are promptly captured in the accounting and financial reporting.

Transactions involving new products and/or significant special purpose entities (SPEs) undergo the New Product Approval (NPA) and/or SPE process under the involvement of the accounting department.

Section 107 (3) Sentence 2 of the German Stock Corporation Act clarifies that the tasks which a supervisory board can delegate to its audit committee include monitoring the accounting process, the effectiveness of the internal control system, risk management system and internal audit system as well as monitoring the auditing of the financial statements, including, in particular, the impartiality of the auditor, the award of the audit contract and the reasonableness of the auditor’s fee.

Legal Risks

The responsibility for identifying and steering legal risks in the WestLB Group is chiefly shouldered by the Legal and Compliance business unit, which relies on a close working relationship with all other units in the Group. Each unit is responsible for recognising any existing or imminent legal risks in its own operations. Once risks are identified, the required steps to reduce or prevent them to the greatest extent possible are taken. In this way, notice is taken of occurrences which could harm the Group for legal reasons and suitable, preventive countermeasures are introduced.

Investors of subordinated bonds have filed suit against WestLB with the Supreme Court of the State of New York. The suit is directed at WestLB AG and a Group company involved in the management of the investment companies which issued the bonds and accuses them, among other things, of mismanagement and false reporting. Our expectation is that the plaintiffs’ claims will be dismissed. In the interim, WestLB has transferred its stake in the co-defendant Group company, including any pending actions, to EAA by way of a cash sub-participation which took retroactive economic effect as of January 1, 2010.

In December 2005, WestLB granted a mortgage loan in the amount of US$ 100 million which was secured by a number of real estate projects in the United States. In connection with the sale of the collateral, WestLB became the target of various lawsuits alleging, in part, that the claims for repayment are not enforceable because the interest rates on the loans were excessive. We currently believe that the plaintiffs will not prevail in showing that WestLB has broken any applicable laws. The economic risk of this exposure was transferred to EAA on the basis of appropriate guarantees.

WestLB AG substantially terminated its contract with a particular service provider for cause. WestLB AG expects to suffer a loss in the tens of millions due to the early termination of this agreement and intends to seek reimbursement from the service provider in question for cost overruns. The negotiations have so far yielded no results. WestLB AG is currently weighing legal action. If there is a lawsuit, the outcome of the proceedings will depend in large measure on the results of extensive evidence taking.

Reputational Risks

Reputational risk is defined as the risk that WestLB's stakeholders will develop a negative perception of its performance, competence, integrity or trustworthiness.

WestLB has identified reputational risk as a key risk category across all business lines and related products making up its core operations. The responsibility for coordinating the efforts to steer WestLB's reputational risks rests with Operational Risk Management, which works closely with External Communications, Group Compliance (including Anti-Money Laundering) and Sustainability Management. Employee awareness of reputational risks is raised through in-house workshops.

Reputational risks identified by the front-office or back-office units during a deal's initiation trigger a special review of the deal and may, in some cases, cause the proposed transaction to be declined.

The established reputational risk process was more closely integrated into the credit process in 2010. In relevant cases, a formal opinion on a potential loan's reputational risk is addressed in the back office's deliberations on whether to approve the commitment.

Tax Risk

Since the risk posed by structured tax transactions is minimal, there is no longer any need to hold economic capital against this tax exposure. Thus, the Bank no longer considers tax risk to be one of its material risk types and will no longer include it in its risk reporting. Adequate provisions have been formed for tax risks arising from the transfer of assets and liabilities to EAA and for other, general tax risks.

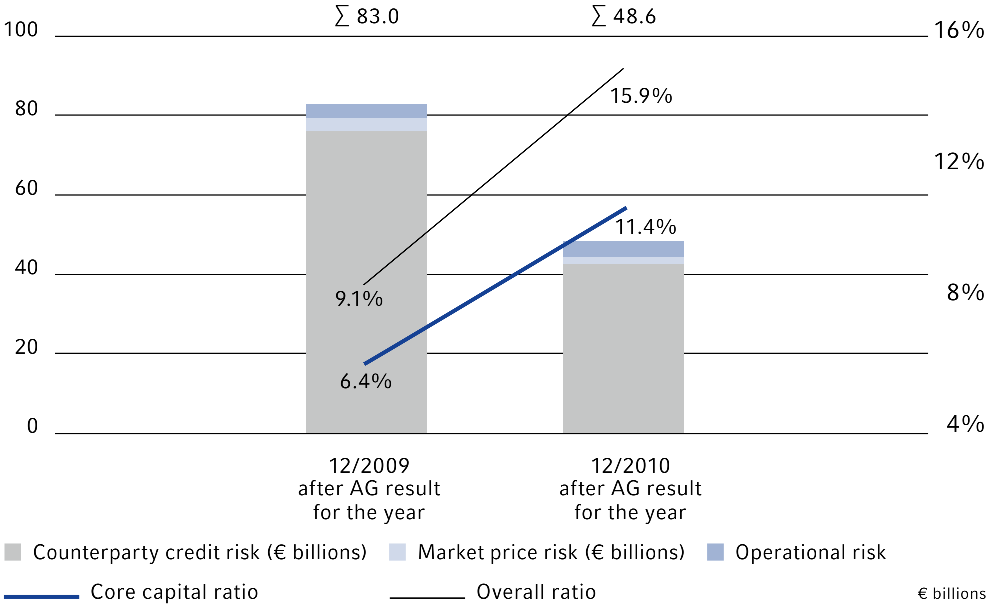
Business Risks

Business risk refers to the risk that a company will fail to meet its goals as a result of entrepreneurial risks (global, local, sector-specific risks) as well as risks related to business processes (risks from process execution).

WestLB treats business risk as a material risk pursuant to MaRisk and includes it when quantifying its sources of risk-taking capacity. The volume of business risk is validated at least once a year. Using a scenario approach, we compare the recognised income and expense to budgeted amounts. Doing so provides a historical record of where to expect budget variances which can then be used to determine the economic capital charges for business risk. At present, the integration of business risk into our capital charges is based on variance analyses for the prior years which have been adjusted for non-recurring effects and diversification effects (diversification of the business risk with other risk types). Business risk is treated as a deduction from the risk tolerance.

Capitalisation

Usage of Regulatory Capital in the WestLB Group



WestLB is required to calculate its ratios according to the Basel Capital Accord (Basel II) and the corresponding EU directive, which was implemented by the German Solvency Regulation (SolvV). Under § 10 of the German Banking Act (KWG) and § 2 of the German Solvency Regulation (SolvV), WestLB must have adequate capital and reserves to support its operations. WestLB Group exceeded the required capital backing at all times in 2010.

The regulatory capital ratios of WestLB Group were 11.4% (core capital ratio) and 15.9% (overall ratio) at year-end 2010 after taking into account the result reported in the single-entity financial statements for the year. These were significantly higher than the figures for the previous year.

Additional information is available in the section entitled “Own Funds”.

Usage of Economic Capital (Risk Tolerance)

Pursuant to Pillar 2 of the Basel II Framework, banks must have a procedure for assessing whether they hold adequate capital relative to their risk profile as well as a strategy for maintaining their equity capital level (Internal Capital Adequacy Assessment Process; ICAAP). With the WestLB Capital Adequacy Programme (WestCAP), which WestLB launched in 2004, WestLB created a procedure which is based on Pillar 2 as well as MaRisk requirements. MaRisk represent the implementation of Basel II/Pillar 2 requirements into German supervisory law.

In a first step, WestCAP determines the sources of risk-taking capacity which are available to cover potential losses. These sources of risk-taking capacity (also referred to as economic capital) are broadly identical to the WestLB Group's core capital, except that hybrid capital from subsidiaries is not eligible if it only serves a loss absorption function in the respective company. The net result of undisclosed charges and reserves is also captured in economic capital.

The sources of risk-taking capacity are compared to the risks calculated using a horizon of one year and a confidence level of 99.95%, which is higher than in previous years. Any risks classified as material risks are quantified using internal models and aggregated to a total risk using a top-down approach. An assumption is made during this process that there is diversification potential between the risk types, such that not all risks will necessarily materialize at the same time. This diversification effect is made transparent as part of reporting. The types of risk which are currently quantified using economic capital are credit risk (losses from loan defaults and rating downgrades), market price risk, equity holding risk, operational risk and business risk. Business risk is treated as a deduction from economic capital, whilst the other risk types are explicitly weighed against the remaining sources of risk-taking capital in the monthly reporting.

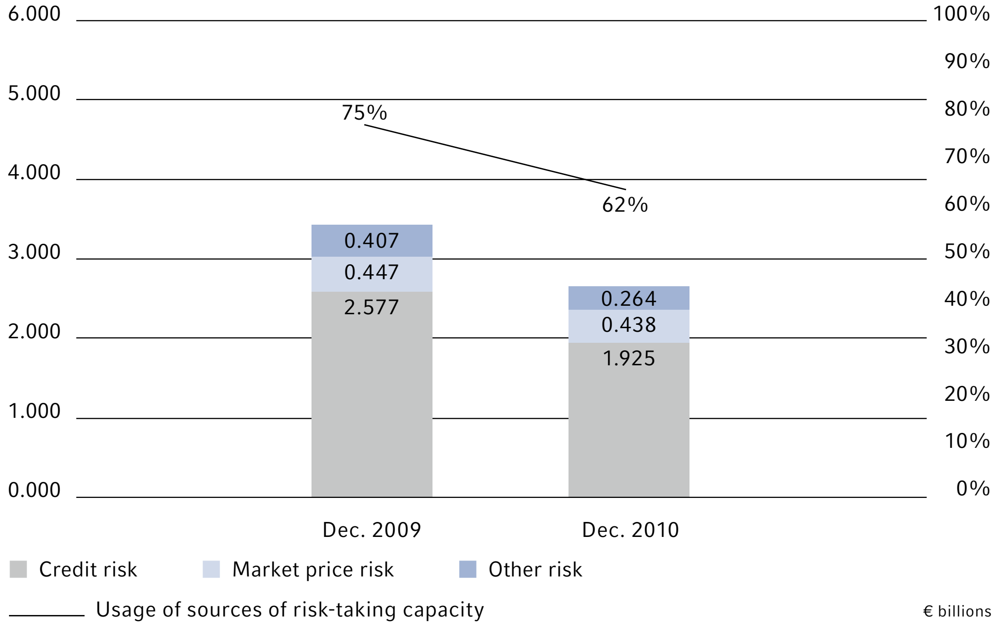
The usage of economic capital is the ratio of total risk to available sources of risk-taking capacity.

In order to steer the usage of economic capital and avoid concentrations in the portfolio, each business unit is allocated an economic capital limit for the various risk types as part of the budget process. Adherence to these limits is monitored on a regular basis and discussed in the Global Risk Committee, which also decides on any measures for limit adherence.

Following the spin-off of non-essential strategic assets to EAA, the core bank is adequately capitalised, with a sufficient buffer (difference between available sources of risk-taking capacity and economic capital limits allocated to the business units) to ensure its future risk-taking capacity also under adverse economic conditions. This buffer was created with the help of stress tests at the time of the spin-off of assets into EAA and is the result of the total economic capital limits allocated to the business units being smaller than the available sources of risk-taking capacity (for more information, see the section below on capital stress testing).

The usage of economic capital was at 62% as of December 31, 2010. By volume, credit risk is by far the most significant type of risk. The decrease in the usage of economic capital as compared to the previous year's figure of 75% is predominantly attributable to the spin-off of assets into EAA. It is notable that there was a reduction despite the confidence level being raised from 99.90% to 99.95% and despite WestLB's current refinancing of EAA, which is being decreased gradually.

Usage of Economic Capital



Capital Stress Testing

To ensure that our risk-taking capacity is robust enough even under adverse economic conditions, we run stress tests at least once per quarter which simulate the impact a macroeconomic downturn scenario would have on our usage of economic and regulatory capital. The scenario used for these tests is formulated and updated using economic assumptions from our Research business unit. These assumptions include estimates for gross domestic product, consumer prices, the real estate markets and stock markets, interest rates, credit spreads, exchange rates and market volatility. The current stress scenario assumes a recessive trend overall, with few policy instruments to steer the economy in the other direction, rising levels of sovereign debt and a bearish stock market.

The effects these economic assumptions would have on the development of the credit-quality profile and recovery rates in the various asset classes, sectors and regions are reviewed with the responsible credit analysis units. The effects on the other risk types (market price risk, equity holding risk and operational risk) are also quantified.

All in all, the stress tests simulate the impact on our sources of risk-taking capacity/risk tolerance (effects from losses in excess of budgeted amounts) and on our usage of the risk tolerance (as measured in economic capital and risk-weighted assets).

We report the results of our regulatory and economic capital stress tests to the Global Risk Committee, Managing Board and risk committee of the Supervisory Board. We also use them to report our usage of regulatory capital to the Bundesbank. The responsibility for initiating any countermeasures which are needed rests with the Global Risk Committee.

In December 2010, our capital buffer was sufficient to cover the impact of the adverse developments assumed in the stress scenario. We also met all minimum capital ratios required by supervisors.

CEBS Stress Test

On the basis of a resolution of the European Council in June 2010, WestLB was one of 91 European banks (including 14 German banks) which took part in a stress test of macroeconomic scenarios coordinated by the Committee of European Banking Supervisors (CEBS). WestLB shows core capital ratios for 2010 and 2011 which are higher than the minimum ratios set by the supervisors, both in the benchmark scenario and in the so-called adverse scenarios.

The Bank is preparing to participate in the next stress test.

Events Occurring After the Close of the Fiscal Year

On January 26, 2011, the Supervisory Board announced that Dr. Hans-Jürgen Niehaus, Chief Financial Officer of WestLB AG, was leaving the Bank effective April 30, 2011, at his own request and by mutual agreement. On May 1, 2011, Thomas Groß will assume Dr. Niehaus's duties as Chief Financial Officer, with divisional responsibility for Group Controlling and Group Finance, in addition to his existing duties as Chief Risk Officer.

On February 15, 2011, the German federal government delivered a revised restructuring plan drafted by WestLB within the agreed timeframe to the European Commission. Some of the details of the plan and its impact on the Bank's cash flows, financial condition and results of operations are discussed in the Outlook section.

Outlook

The world economy will continue to rebound in 2011. The pace of recovery will be mixed across the regions, but we expect global growth of around 4.3% overall, which is slightly weaker than in 2010. Policy makers in many emerging economies will adopt a more restrictive stance in their monetary and fiscal strategies. In addition, the demand from industrial nations for imports from these markets will remain soft. That being the case, we expect to see a moderate slowdown of economic growth. Among the emerging markets, Emerging Asia is likely to outperform Latin America and especially Central and Eastern Europe again. Unlike many industrialised countries, the emerging markets in Asia have scope to relax their economic policy if the economy were to slow down unexpectedly sharply. This applies not least of all to China.

The industrialised countries are poised to experience fierce fiscal policy restrictions, at a time when debt relief for the private sector is far from concluded. In keeping with numerous findings, including most recently from the IMF, we expect this to curb growth perceptibly at first, especially since the possibility for successfully loosening monetary policy is effectively zero.

We believe the U.S. can deliver growth of more than 3% after the tax cuts which were adopted. However, the tax relief programme will not have any lasting impact on the economy. For there to be a higher pace of growth over the long term, the top priority is a dramatic improvement in the labour market. Without it, the economy will retreat to a lower rate of expansion as soon as the temporary stimulus provided by the tax cuts loses steam. Growth disparity in the euro area will remain wide. Output in Spain, Greece, Portugal and Ireland will do barely more than stagnate given the drastic austerity measures in those countries. The sovereign debt crisis will continue to pose a formidable risk to the euro area's financial markets and economic performance in 2011. It is entirely possible that additional countries will find themselves utilising the euro rescue facility. As things stand today, Portugal and then Spain are potential candidates. Whether the funds which have been promised are sufficient is impossible to say in advance. This depends on the further course of the economy and developments in these countries' budgets. The major central banks are not expected to tighten monetary policy to any appreciable degree. Neither the Fed nor the ECB are likely to raise key interest rates in 2011.

The German economy will continue to benefit in 2011 from its strong international competitiveness. Even if the momentum from exports is not quite as robust as it was last year because of a slight slackening in global economic expansion, we predict that there will still be noticeable gains in exports. Experience shows that export business has a positive influence on capital spending. Since capacity utilisation already normalised again during the course of 2010, the focus of future capital expenditures will be on capacity expansion.

In light of this, the positive trend in the labour market is set to continue. Accordingly, there is a good chance that the average number of registered unemployed for the year will dip below the three million mark for the first time since 1992.

Rising employment, longer working hours and decreasing short-time working will have a positive effect on private household incomes in Germany. The expiration of wage agreements in some sectors of the economy will also make a positive difference, since the new arrangements are expected to bring higher pay. Despite an increase in social security contributions and reduction in financial assistance, all indications are that private household incomes will rise at a faster pace than in 2010. Even if a portion of the income gains are eroded by inflation, there will be scope for consumer spending to expand by around 1.5%. Were the various fiscal burdens on private households not a factor, we believe that the growth in private spending could be as much as one-half of a percentage point higher.

Fiscal policy will tend to be slightly restrictive, but domestic consumer demand should still expand somewhat more sharply than in 2010. Since the impetus from foreign trade and inventory build-up will probably be weaker than last year, we forecast that GDP growth will tail off in 2011, dropping from 3.6% to 2.8%. The upswing will nevertheless become more broadly based as a result of the revival of consumer demand. We also expect the German economy to post a more dynamic performance than in many other industrialised nations. We believe that an unexpectedly severe slowing of global growth, the sovereign debt crisis in Europe's peripheral countries and the possibility of banks remaining too conservative in their lending policy pose the biggest threats to Germany's economic prospects in 2011.

The international banking market will have to contend with noticeably higher capital requirements in 2011. Competition for customers with good credit quality is likely to increase. We expect the squeeze on interest margins to tighten, as investors' risk aversion drives banks' refinancing costs higher. Another factor is that banks have already shed assets to meet the higher capital requirements and are likely to continue to do so in 2011. On the whole, banks' income statements are expected to suffer as a result.

The bond market should perform well, in principle, as long as the debt crisis in Europe's periphery remains in check. Borrowers with solid credit quality will be better served by utilising the bond market rather than taking out loans. Demand for financing on the part of the public sector is poised to stay high, and there is a certain backlog which built up when issuance activity stagnated towards the end of 2010. Therefore, the outlook for bond underwriting should remain good. In the fixed income business in general, we still expect a slight decrease in margins. However, this reduction could be more than offset by higher customer activity.

The significant gains in the stock markets should boost receipts in the equities business. In addition, we still see considerable growth potential in customer activity, which picked up only slightly in the course of 2010. The underwriting business for IPOs should also improve again in 2011. The conditions for capital increases likewise improved on the back of the further gains in stock prices.

The general increase in the price of assets is likely to drive commission income in the securities and asset management business higher. Here, too, there remains potential which can be realised through higher customer activity, an area which was still hard hit by low risk appetite in 2010.

The future of the capital markets business is full of uncertainty. For instance, receipts in the fixed income business would continue to decline if Europe's peripheral debt crisis were to escalate.

Costs in the banking sector should recede further, since the cost-cutting measures launched during the financial crisis had yet to make their full impact in 2010. A few banks even adopted expansion measures again. On balance, however, the upside factors will prevail on the cost front, albeit to a lesser degree.

We believe there will be further consolidation in the banking sector, and that banks which are already well capitalised will presumably win additional market share at the expense of weaker institutions. After all, many banks are making efforts or even being forced to sell additional assets and in some cases whole businesses.

The German federal government submitted the revised restructuring plan approved by the WestLB Supervisory Board to the European Commission on February 15, 2011 within the agreed timeframe. Under the restructuring plan, WestLB will further reduce its total assets and risk-weighted assets by approximately one-third on an adjusted basis by 2015. This is compared with the figures stipulated in the original state aid decision of May 12, 2009. The Bank is also proposing the separation of four legally dependent but organisationally autonomous operating units ("Teilbetriebe") under the umbrella of WestLB, namely Verbund & Corporates, Specialised Finance, Transaction Bank and Group & Service Functions. Individual units can be incorporated into mergers or sold at a later stage in the context of partner options.

The further downsizing of WestLB proposed in the revised restructuring plan involves financial burdens which would also have to be borne by the owners, the State of North Rhine-Westphalia and the German federal government, but the Bank believes it takes account of the requirements laid down by the European Commission. In this respect, the Bank considers that the revised restructuring plan will meet with the approval of the European Commission.

On February 15, 2011, the German federal government also presented the European Commission with a report from the Sales Agent detailing the progress made in the sales process. WestLB is continuing without deviation to pursue its majority change in ownership as part of the agreement reached with the European Commission on May 12, 2009. At the time the financial statements were prepared, the change had not been completed. The sales process for WestImmo is also ongoing.

On February 17, 2011, WestLB learned of a letter written on February 15, 2011 by Germany's Federal Minister of Finance to European Competition Commissioner Joaquin Almunia. This stated that the owners of WestLB were currently exploring another structure in the event that the sale of WestLB would not be successful and that the revised restructuring plan presented by WestLB would not meet the requirements of the European Commission in a form necessary for the Bank to receive a final approval. The alternative concept which is currently under consideration and of which the Commissioner was notified envisages dividing WestLB into the following three parts: a "Verbundbank" to be owned by the savings banks organisation, the sale of sub-portfolios to third parties and the transfer of non-sellable portfolios to Erste Abwicklungsanstalt, with a reorganisation of the remaining WestLB into a pure servicing unit. The letter noted that a detailed plan for implementing this structure could be submitted within two months as of February 15, 2011. The economic viability of this option still requires further investigation and, according to the Bank, cannot be assessed at the present time.

The further transformation of WestLB is very uncertain and may have material adverse effects on WestLB's cash flows, financial condition and results of operations in the coming years. In its revised restructuring plan, WestLB estimates the potential costs for headcount reductions and IT conversion to be in the mid triple-digit millions. This sum may need to be charged to the 2011 income statement when the required decisions – including a decision on a compensatory capital measure – have been taken.

WestLB is a qualifying institution within the meaning of § 2 of the Act on Establishing a Restructuring Fund for Banks (Restructuring Fund Act – RStruktFG), meaning that, in principle, it must start paying the so-called bank tax in the form of mandatory contributions to the restructuring fund in 2011. Pursuant to § 12 (10) of the Restructuring Fund Act, details of the annual and special contributions will be outlined in a regulation that is currently still in the consultation phase. Thus, WestLB cannot make any statements at this time as to the specific burden the bank tax will have on the Bank starting in 2011.

Excluding any restructuring expenses and the bank tax, and on the basis of the revised restructuring plan submitted to the European Commission, the Bank expects to post a break-even result for 2011 and a net profit of approximately € 100 million for 2012 in its single-entity financial statements prepared according to the German Commercial Code (HGB).

WestLB AG Balance Sheet as at December 31, 2010

Assets

	see Notes No.	€	€	31. 12. 2010 €	31. 12. 2009 adjusted* € thousands	31. 12. 2009 certified € thousands
1. Cash						
a) cash on hand			5,094,654.21		(4,268)	(4,268)
b) balances with central banks			1,900,574,709.08		(1,804,728)	(1,804,728)
including:				1,905,669,363.29	1,808,996	1,808,996
with Deutsche Bundesbank						
€ 832,742,223.54 (2009: € 1,304,669,679.62)						
2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks						
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions			52,433,331.86		(339,548)	(339,548)
including:						
eligible for refinancing with Deutsche Bundesbank						
€ 0.00 (2009: € 335,883,085.20)						
b) bills of exchange			0.00		(0)	(0)
				52,433,331.86	339,548	339,548
3. Claims on banks	*4, 9, 18, 37, 43*					
a) payable on demand			3,268,050,791.82		(11,018,939)	(11,036,682)
b) other			8,479,313,201.33		(43,881,112)	(44,774,847)
				11,747,363,993.15	54,900,051	55,811,529
4. Claims on customers	*5, 6, 9, 16, 18, 37, 43, 46, 48*			43,380,909,837.87	73,845,850	69,501,915
including:						
secured by mortgages						
€ 50,474,578.39 (2009: € 381,589,513.03)						
loans to public authorities and entities under public law						
€ 10,000,835,182.86 (2009: € 10,978,913,233.17)						
5. Bonds and other interest-bearing securities	*7, 9, 14, 18, 19, 37, 44*					
a) money market instruments						
aa) of public institutions		2,747,273,172.22			(177,862)	(177,862)
including:						
eligible as collateral for Deutsche Bundesbank advances						
€ 2,747,273,172.22 (2009: € 140,371,155.58)						
ab) of other issuers		500,391,756.94			(4,282,471)	(4,282,471)
including:			3,247,664,929.16		(4,460,333)	(4,460,333)
eligible as collateral for Deutsche Bundesbank advances						
€ 500,391,756.94 (2009: € 3,186,407,511.78)						
b) bonds and notes						
ba) of public institutions		13,529,915,680.51			(5,497,223)	(7,666,132)
including:						
eligible as collateral for Deutsche Bundesbank advances						
€ 12,617,289,468.88 (2009: € 6,605,323,874.20)						
bb) of other issuers		5,046,549,452.14			(9,999,606)	(34,215,382)
including:			18,576,465,132.65		(15,496,829)	(41,881,514)
eligible as collateral for Deutsche Bundesbank advances						
€ 3,865,506,095.29 (2009: € 17,075,865.882.92)						
c) bonds issued by the Bank						
principal amount			0.00		(309,468)	(309,468)
€ 0.00 (2009: € 268,838,722.97)				21,824,130,061.81	20,266,630	46,651,315
			To be carried forward:	78,910,506,587.98	151,161,075	174,113,303

* For comparability, the certified values as of December 31, 2009 were adjusted for the effects of the spin-off as well as payment of the second and third tranches of SoFFin's silent contribution to capital.

Liabilities

	see Notes No.	€	€	31. 12. 2010 €	31. 12. 2009 adjusted* € thousands	31. 12. 2009 certified € thousands
1. Liabilities to banks	16, 20, 23, 26					
a) payable on demand			3,108,536,867.45		(9,334,764)	(9,334,764)
b) with agreed maturity or						
period of notice			14,641,203,043.36		(56,382,588)	(60,914,394)
				17,749,739,910.81	65,717,352	70,249,158
2. Liabilities to customers	16, 21, 23, 26					
a) deposits						
aa) with agreed period of notice						
of three months		179,967.62			(180)	(180)
ab) with agreed period of notice						
of more than three months		0.00			(0)	(0)
			179,967.62		(180)	(180)
b) other liabilities						
ba) payable on demand		6,021,518,712.50			(13,216,094)	(13,216,182)
bb) with agreed maturity or						
period of notice		23,722,725,623.18			(35,331,176)	(39,936,294)
			29,744,244,335.68		(48,547,270)	(53,152,476)
				29,744,424,303.30	48,547,450	53,152,656
3. Certificated liabilities	16, 22, 23, 26, 46					
a) bonds and notes issued by the Bank			26,221,350,542.84		(28,878,571)	(34,799,062)
b) other certificated liabilities			4,048,066,086.96		(2,723,264)	(9,260,442)
including:				30,269,416,629.80	31,601,835	44,059,504
money market instruments						
€ 32,730,401.50 (2009: € 351,244,300.00)						
3a. Trading portfolio	23			84,283,550,869.85	–	–
4. Trust liabilities	24			569,549,983.95	344,402	344,402
including:						
trust loans						
€ 5,055,401.29 (2009: € 5,882,304.09)						
5. Other liabilities	23, 25, 45			1,133,972,112.29	10,088,778	10,234,287
6. Deferred items	26, 45			421,492,609.20	449,797	594,694
6a. Deferred tax liabilities	17			284,508.82	–	–
7. Provisions	27, 36					
a) for pensions and similar						
obligations			548,516,777.84		(567,574)	(567,574)
b) tax reserve			451,634,476.61		(367,018)	(367,018)
c) other			838,609,934.21		(923,459)	(925,645)
				1,838,761,188.66	1,858,051	1,860,237
8. Subordinated liabilities	28			2,322,402,976.95	2,522,399	2,522,399
9. Profit participation capital	25, 29			471,105,390.87	738,239	738,239
including:						
due in less than two years						
€ 375,449,421.55 (2009: € 507,148,231.82)						
			To be carried forward:	168,804,700,484.50	161,868,303	183,755,576

* For comparability, the certified values as of December 31, 2009 were adjusted for the effects of the spin-off as well as payment of the second and third tranches of SoFFin's silent contribution to capital.

WestLB AG Balance Sheet as at December 31, 2010

Assets

	see Notes No.	€	€	31. 12. 2010 €	31. 12. 2009 adjusted* € thousands	31. 12. 2009 certified € thousands
			Carried forward:	78,910,506,587.98	151,161,075	174,113,303
6. Shares and other non-interest-bearing securities	*8, 9, 14, 18, 37, 43*			124,555,628.50	335,449	361,237
6a. Trading portfolio	*9, 18, 45*			89,366,897,226.10	–	–
7. Equity investments in non-affiliated companies	*10, 14, 37, 54*			519,428,992.25	511,190	639,505
including:						
banks						
€ 9,529,906.70 (2009: € 25,047,819.20)						
financial services institutions						
€ 2,700.64 (2009: € 2,700.64)						
8. Equity investments in affiliated companies	*11, 14, 37, 54*			1,636,088,801.83	2,403,782	2,961,075
including:						
banks						
€ 822,270,992.96 (2009: € 1,839,308,262.62)						
financial services institutions						
€ 27,778,384.12 (2009: € 54,047,596.87)						
9. Trust assets	*12*			569,549,983.95	344,402	344,402
including:						
trust loans						
€ 5,055,401.29 (2009: € 5,882,304.09)						
10. Intangible assets	*14*					
a) Licences acquired against payment, industrial property rights and similar rights and assets, as well as licences to such rights and assets			34,913,257.96		(40,922)	(40,922)
				34,913,257.96	40,922	40,922
11. Fixed assets	*14, 36*			69,703,879.42	77,182	77,182
12. Other assets	*9, 13, 45*			1,433,464,642.47	10,891,890	9,145,962
13. Deferred items	*16, 45*			589,773,497.52	606,016	712,999
14. Deferred tax assets	*17*			55,915,541.11	–	–
Total assets	*32*			**173,310,798,039.09**	**166,371,908**	**188,396,587**

* For comparability, the certified values as of December 31, 2009 were adjusted for the effects of the spin-off as well as payment of the second and third tranches of SoFFin's silent contribution to capital.

Liabilities

	see Notes No.	€	€	31. 12. 2010 €	31. 12. 2009 adjusted* € thousands	31. 12. 2009 certified € thousands
			Carried forward:	168,804,700,484.50	161,868,303	183,755,576
10. Equity capital	30					
a) subscribed capital						
divided into						
Class A registered shares		621,334,863.50			(621,335)	(1,458,791)
Class B registered shares		345,314,143.95			(345,314)	(810,740)
			966,649,007.45		(966,649)	(2,269,531)
b) capital reserves			96,664,900.74		(96,665)	(1,258,783)
c) reserves from retained earnings						
ca) legal reserves		0.00			(0)	(0)
cb) other		2,492,595.62			(0)	(0)
			2,492,595.62		(0)	(0)
d) typical silent contributions to capital			3,440,291,050.78		(3,440,291)	(1,112,697)
e) profit			0.00		(0)	(0)
				4,506,097,554.59	4,503,605	4,641,011
Total liabilities	32			173,310,798,039.09	166,371,908	188,396,587
1. Contingent liabilities	41, 42, 44					
a) liabilities from guarantees and indemnity agreements			4,553,960,704.61		(5,288,733)	(7,393,685)
				4,553,960,704.61	5,288,733	7,393,685
2. Other commitments	41					
a) irrevocable credit commitments			17,214,231,715.77		(28,633,052)	(36,336,970)
				17,214,231,715.77	28,633,052	36,336,970
3. Administered funds				533,167.92	633	633

* For comparability, the certified values as of December 31, 2009 were adjusted for the effects of the spin-off as well as payment of the second and third tranches of SoFFin's silent contribution to capital.

WestLB AG Statement of Income

for the Period January 1 – December 31, 2010

	see Notes No.	€	€	1. 1. – 31. 12. 2010 €	1. 1. – 31. 12. 2009 € thousands
1. Interest from	33				
a) lending and money market transactions		2,876,695,920.85			(3,843,805)
b) interest-bearing securities and book-entry securities		538,922,510.73			(1,370,324)
			3,415,618,431.58		(5,214,129)
2. Interest paid	25, 27, 28		2,646,244,550.33		(4,148,372)
				769,373,881.25	1,065,757
3. Current income from	33				
a) shares and other non-interest-bearing securities			13,814,105.92		(15,524)
b) equity investments in non-affiliated companies			22,531,775.78		(9,538)
c) equity investments in affiliated companies			272,255,424.42		(149,060)
				308,601,306.12	174,122
4. Income from profit pooling, profit transfer and partial profit transfer agreements	33			99,494,902.09	156,022
5. Commission income	33		454,840,119.38		(435,005)
6. Commission paid			127,336,729.13		(302,855)
				327,503,390.25	132,150
7. Net income/ expenses from trading operations	33			– 46,488,861.63	151,246
8. Income from leasing business	33, 35			1,257,296.81	1,166
9. Expenses from leasing business	14, 35			578,208.89	536
10. Other operating income	33, 36			228,842,811.65	108,273
11. General administrative expenses					
a) personnel expenses					
aa) wages and salaries	47	402,464,482.75			(429,781)
ab) compulsory social security contributions and expenses for pensions and other employee benefits	27, 47	39,565,767.10			(172,197)
including:			442,030,249.85		(601,978)
for pensions € 3,847,859.58 (income) (2009: € 129,422,362.25 [expenses])					
b) other administrative expenses			479,848,284.19		(481,663)
				921,878,534.04	1,083,641
12. Depreciation and value adjustments on tangible and intangible assets	14			30,756,235.23	33,039
13. Other operating expenses	27, 36, 47			284,640,701.02	211,024
			To be carried forward:	450,731,047.36	460,496

for the Period January 1 – December 31, 2010

	see Notes No.	€	€	1. 1. – 31. 12. 2010 €	1. 1. – 31. 12. 2009 € thousands
			Carried forward:	450,731,047.36	460,496
14. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions	26, 37			107,069,764.19	594,214
15. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	14, 37			333,683,255.00	107,028
16. Expenses from the assumption of losses	37			7,376,195.67	39,462
17. Profit or loss on ordinary activities				2,601,832.50	– 280,208
18. Extraordinary expenses	39		60,615,249.47		(0)
19. Extraordinary result	39			– 60,615,249.47	0
20. Taxes on income and revenues	40		59,074,410.52		(– 5,714)
including: Income tax benefit from changes in the recognition of deferred taxes € 53,138,436.67 (2009: –)					
21. Other taxes not shown under other operating expenses			– 1,060,993.55		(– 9,016)
				58,013,416.97	– 14,730
22. Net profit/loss for the year				0.00	– 294,938
23. Capital reduction through spin-off				2,465,000,000.00	672,406
24. Withdrawals from capital reserves				1,162,118,407.45	773,010
25. Withdrawals from reserves from retained earnings				0.00	100,000
26. Withdrawals from profit participation capital				0.00	65,215
27. Withdrawals from the silent contributions to capital				0.00	29,119
28. Income from the capital reduction				1,302,881,592.55	0
29. Profit				**0.00**	**0**

Notes to the Annual Financial Statements

General Information

1. Preparation of Annual Financial Statements

The single-entity annual financial statements of WestLB AG (hereinafter “the Bank” or “WestLB”) are prepared in accordance with the provisions of the German Commercial Code (HGB), the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV), the relevant provisions of the German Stock Corporation Act (AktG) and the Pfandbrief Act (PfandBG). Changes made to these provisions by virtue of the German Accounting Law Reform Act (BilMoG) of May 25, 2009, were taken into account. Information which may appear either on the balance sheet or in the Notes has been included in the Notes.

There is limited comparability with the previous year’s figures due to the transfer of assets and liabilities to Erste Abwicklungsanstalt (EAA) as well as the first-time adoption in their entirety of the legislative changes introduced through BilMoG (see Notes 2 and 3). As a result, we have added a third column to the balance sheet pursuant to Statement HFA 5/1988 of the Institute of German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer), as amended in 1998, in order to show the effects from the transfer as well as from payment of the second and third tranches of SoFFin’s silent contribution to capital using the certified values as of December 31, 2009. Material effects on the statement of income are explained at the appropriate places in the Notes and in the Statement of Financial Condition. We did not restate the previous year’s figures to reflect the first-time, full application of BilMoG. However, the material effects of those changes on items on the balance sheet and in the statement of income are also discussed at the appropriate places in the Notes and Statement of Financial Condition.

We prepare consolidated annual financial statements in addition to the single-entity annual financial statements in accordance with § 315a of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 (IAS Regulation). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The single-entity and consolidated annual financial statements are submitted to the operator of the electronic Bundesanzeiger (Federal Gazette) (www.ebundesanzeiger.de) and published in accordance with § 325 and § 328 of the German Commercial Code (HGB).

2. Accounting and Valuation Principles

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

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

Discernible risks in the lending business are adequately covered by individual value adjustments and provisions. Latent risks from claims and contingent liabilities are covered by global value adjustments used in accordance with tax valuation methods and by contingency reserves formed pursuant to § 340f of the German Commercial Code (HGB). In the case of loans to borrowers in countries with acute transfer risk, we establish country-related globalised value adjustments. We base our write-down rates on the difference between the yields on the relevant country's top-rated government bonds and market returns for its government securities over the maturity profile of the respective exposure. When market prices for a country's government bonds are not available, we rely on the allowance ratios which are regularly updated by external rating agencies. A country is identified as posing an increased risk on the basis of WestLB's internal rating for it. This rating is a function of current and anticipated economic data as well as the overall political situation in the country and is regularly adjusted to reflect changes in these factors.

Securities held in the liquidity reserve are valued according to the strict lower of cost or market principle.

Securities treated as fixed assets (long-term investments) are valued at cost. Any difference between the cost and the redemption amount is recognised on a pro rata basis in income. Where a decline in value is expected to be permanent, they are written down to the lower fair value. Any such securities carried at a value higher than their current market value because of application of the modified lower of cost or market principle are shown separately in the Notes. This information is subject to change over time because of portfolio changes, as well as movements in interest rates and/or market value.

The accounting treatment of structured financial instruments follows the accounting principle issued by the Institute of German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer) concerning when and when not to treat the components of structured financial instruments separately for accounting purposes (IDW RS HFA 22).

The fair value as of the balance sheet date of the shares, bonds, derivatives and other trading instruments held by WestLB in the trading portfolio is initially determined independent of the trading units on a per-asset basis. The items are measured at their exchange or market prices as of the reporting date, in this case December 30, 2010, or, absent such prices, using generally accepted methods of measurement; accrued interest, one-time payments and option premiums are taken into account. If exchange or market prices are not available or cannot be reliably determined, particularly in the case of derivative financial instruments, the fair value is determined on the basis of standard pricing models or discounted cash flows.

We marked down the values calculated for some assets using a valuation model if the models did not take into account all factors which market participants consider. The markdowns are predominantly for credit rating, model and liquidity risks.

In application of the risk-adjusted mark-to-market method, we then combine the fair valued trading positions into portfolios according to the risk steering in the respective business units. The aggregate measurement results of each portfolio are subsequently reduced by the potential loss (value at risk, VaR) calculated using a mathematical formula (Monte Carlo simulation). Based on the calculation methods employed by the Bank's risk management, the VaR discounts are measured such that any maximum loss anticipated from open trading positions, assuming a holding period of ten days and probability of 99%, can be offset. The procedure in place since 2005 for applying the risk-adjusted mark-to-method method is compatible with the changes introduced by BilMoG under § 340e (3) Sentence 1 of the German Commercial Code (HGB) and therefore did not need to be adapted.

The specific measurement methods and parameters we use for the relevant product categories are as follows:

Interest rate products: Liquid exchange-traded products (e.g. futures) are measured at their exchange prices. For many over-the-counter (OTC) derivatives, there are standardised specifications (e.g. swaps, caps, swaptions) and measurement methods (Black 76) as well as reliable market quotations (swap rates, cap volatilities). These are used in the measurement if available. For more exotic OTC derivatives (e.g. Bermudan swaptions, CMS spread swaps), we use proprietary models based on the Markov functional approach. Securities with exotic coupons are measured in a manner consistent with the corresponding OTC derivatives used for hedging. In the process, the credit spread attributable to the respective issuer is also used for calculating the net present value.

Bonds are measured at their market prices. Less liquid securities for which market prices are not readily available are measured either at observable market prices for comparable instruments or by discounting cash flows while taking into account credit spreads derived from the observable prices for comparable instruments.

Equity and commodity products: Liquid exchange-traded products (e.g. forwards, options) are measured at their exchange prices. Prices of classical equity and commodity derivatives with a single underlying (e.g. call and put options, knock-out options, digital options) are determined using finite difference methods for the Black Scholes differential equation. By contrast, more exotic derivatives, some of which may be based on more than one underlying, are measured using Monte Carlo simulations. Here, the Bank uses proprietary routines which are based on market-established models. All equity and commodity derivatives are fair valued using the risk-free yield curve. With equity products, estimates on dividend payments are also incorporated; with commodity products, so-called indifference, or utility curves, are included. Indifference curves represent the monetary advantages and disadvantages associated with commodities trading. If the derivatives include optional components, the volatilities of the underlyings must be taken into account. If there is more than one underlying, the correlations between them are incorporated. Exchange rate volatility and the correlations between underlyings and exchange rates are relevant anytime the currency of the derivative and underlying(s) is different. With fund derivatives, distributions from the underlying fund are treated like dividends on stocks. If the derivatives are like participation certificates, an analytical formula without simulation can be used for the measurement. No fund volatilities are required in this case.

Credit products: Securities with exotic coupons or credit components like credit linked notes and other products, like perfect asset swaps, derived from credit derivatives are measured in the same way as the corresponding OTC derivatives. Where necessary, the credit spread attributable to the respective issuer is also used when calculating the net present value.

	Product	Measurement Model	Measurement Parameters
Interest rate products	Standard swaps	Present value method	Interest rates
	Exotic swaps	Markov functional	Interest rates Interest rate volatility
	FRAs	Present value method	Interest rates
	Standard caps, floors, collars	Black 76	Interest rates Interest rate volatility
	Exotic caps, floors	Markov functional	Interest rates Interest rate volatility
	European standard swaptions	Black 76	Interest rates Interest rate volatility
	Exotic swaptions	Markov functional	Interest rates Interest rate volatility
Exchange rate products	Currency swaps	Present value method	Interest rates Exchange rates
	Options	Black 76	Interest rates Exchange rates Exchange rate volatility
	Forward interest rate/ currency swaps	Present value method	Interest rates Exchange rates
Equity, fund and commodity products (incl. precious metals)	Forwards	Finite differences	Price of the underlying, interest rates Dividend payments
	Standard options (single underlying)	Finite differences	Price of the underlying, interest rates Dividend payments (shares, stock indices) Indifference curves (commodities) Volatility (underlying, exchange rate) Exchange rate/underlying correlation
	Exotic options	Monte Carlo simulation	Price of the underlying, interest rates Dividend payments (shares, stock indices) Indifference curves (commodities) Correlations (underlyings, exchange rates)
	Participation certificates	Analytical formula	Price of the underlying, interest rates
	Capital-guaranteed certificates	Analytical formula, finite differences	Price of the underlying, interest rates Fund distributions Fund volatility
Credit products	Credit default swaps (single underlying debtor)	Hazard rate bootstrapping model	Credit spreads
	Basket credit default swaps (homogeneous in correlations and residual servicing ratios)	Hazard rate bootstrapping model One-factor Gaussian model	Credit spreads Correlation factors (derived from market consensus data)
	Basket credit default swaps (heterogeneous in correlations or residual servicing ratios)	Hazard rate bootstrapping model Monte Carlo simulation	Credit spreads Correlation factors (derived from market consensus data)
	Collateralized synthetic obligations	Hazard rate bootstrapping model One-factor Gaussian model	Credit spreads Correlations (derived from market data)
	Asset backed securities	Bloomberg cash flow model	Credit spreads Conditional prepayment rate

The measurement of financial instruments sometimes requires that management make assumptions and estimates which are based on subjective assessments and inevitably entail forecasting uncertainties. Even when our estimates are based on available information, past experience and other criteria, actual, future events may still vary, which can have a not insignificant impact on our cash flows, financial condition and results of operations. We believe the employed parameters are appropriate and justifiable.

Interest received and paid on financial instruments held for trading, dividend income from such instruments and the refinancing costs of the trading portfolio are reported as part of the interest result and current income in the statement of income. With the introduction of BilMoG, this also applies to the interest received and paid on derivatives. To the extent they result from trading transactions, price gains and losses, as well as payments made and received under forward contracts, options and other derivative instruments, are included in the net income/expenses from trading operations. The same applies to measurement gains and losses on trading products. Under BilMoG, commissions paid and received for transactions involving financial instruments held in the trading portfolio as well as the related transaction costs, are now reported in the net income/expenses from trading operations, and not in net commission income; this reporting change resulted in a charge of € 106.3 million to the net income/expenses from trading operations for 2010.

Pursuant to § 340e (4) of the German Commercial Code (HGB), at least 10% of any positive net income from trading operations which WestLB generates in a given fiscal year must be allocated to, and disclosed separately under, the fund for general bank risks formed pursuant to § 340g of the German Commercial Code (HGB). This item cannot be reversed unless the Bank reports net expenses from trading operations or unless the fund's total amount exceeds 50% of the average net income from trading operations for the last five years, in which case the amount of the excess is reversed. For 2010, the Bank is reporting net expenses from trading operations.

The introduction of BilMoG has changed the way financial instruments held for trading are reported on the face of the balance sheet. From now on, these positions are reported in the line item "trading portfolio", which appears on the assets side and on the liabilities side. In the year-on-year comparison, these reporting changes mean that certain financial instruments were reclassified out of their previous line items, which were claims on banks, claims on customers, bonds and other interest-bearing securities, shares and other non-interest-bearing securities, and other assets, as well as liabilities to banks, liabilities to customers, certificated liabilities, and other liabilities, into the asset-side or liability-side trading portfolio, respectively. WestLB's prior practice of reporting a net figure for covered short sales on securities was discontinued; delivery obligations under short sales are now reported, un-netted, in the liability-side trading portfolio.

There were no financial instruments which were reclassified out of the trading portfolio pursuant to § 340e (3) Sentence 3 of the German Commercial Code (HGB) in 2010; the Bank's internal criteria for including financial instruments in the trading portfolio remained the same.

Another change brought about by BilMoG was the introduction of § 254 of the German Commercial Code (HGB), which deals with the application of hedge accounting. If the Bank uses financial instruments to hedge specific risks (e.g. interest rate risks) from assets, liabilities, pending transactions or highly probable forecast transactions, it is not required to apply the general accounting and measurement conventions to the hedge (including, in particular, the principle of item-by-item measurement as well as the historical cost convention, realisation principle and imparity principle) as long as the hedge is effective. The ineffective portion of the hedge as well as any other unhedged risks remain subject to the general accounting and measurement rules.

WestLB steers the general interest rate risk in its banking book centrally, as part of asset/liability management. Prevailing opinion holds that the Bank's efforts in this regard do not constitute a macro hedge within the meaning of § 254 of the German Commercial Code (HGB), but rather a measurement convention where all of the derivative and non-derivative financial instruments of the banking book are economically related (Refinanzierungsverbund). As a result, when WestLB measures its assets and liabilities at the lower of cost or market, it determines for the interest rate risks in its banking book on a net present value basis whether there is a sufficient volume of counterclaims to offset the value of its obligations. To the extent that the measurement of the aggregate interest rate position of the banking book reveals an excess liability, the principle of prudence in German financial accounting requires the Bank to form a provision pursuant to § 249 (1) Sentence 1 No. 2 of the German Commercial Code (HGB) (provision for anticipated losses).

Equity investments in affiliated and non-affiliated companies are carried at cost. Where a decline in value is expected to be permanent, they are written down to the lower fair value. The conditions set by the European Commission require the prompt disposal of numerous holdings in affiliated and non-affiliated companies. Hence, when measuring the stakes in those companies which have not yet been sold, allowances had to be made for their impending sale.

Tangible assets and intangible assets acquired against payment are depreciated or amortised over their useful lives; the cost of low-value assets is deducted in full in the year of purchase. The Bank does not make use of the option pursuant to BilMoG to capitalise the costs attributable to the development of internally generated intangible assets.

The changes introduced by BilMoG include substantial changes to the accounting for and measurement of provisions for uncertain liabilities and anticipated losses. When measuring provisions, companies are now required to recognise increases in costs and prices. In the case of pension provisions, this especially means wage and salary increases as well as a pension index. In addition, discounting is now required for provisions with a residual term of over one year. The discounting is done using the average market interest rate of the previous seven fiscal years for the term matching the provisions', or their underlying liabilities', remaining time to maturity. Yield curves are published at monthly intervals on the Deutsche Bundesbank website.

The first-time application, on January 1, 2010, of the accounting changes for pensions introduced by BilMoG revealed an aggregate actuarial deficit of € 478.3 million as of that date in the Bank's pension provisions, including its provisions for obligations to NRW.BANK from pension commitments. The Bank is making use of the option pursuant to Article 67 (1)

Sentence 1 of the Introductory Act to the German Commercial Code (EGHGB) to allocate the difference resulting from the remeasurement over a maximum period of 15 years. Last year's portion of the allocation was reported in the extraordinary result.

The first-time application, on January 1, 2010, of the changes introduced by BilMoG also revealed a deficit for a portion of the other provisions measured according to the principle of item-by-item measurement which was charged to last year's earnings in the form of extraordinary expenses of € 28.7 million. A surplus of € 15.1 million was revealed for another portion of the other provisions. In this case, the Bank elected to retain this surplus in its other provisions pursuant to Article 67 (1) Sentence 2 of the Introductory Act to the German Commercial Code (EGHGB).

As provided for in § 285 No. 17 of the German Commercial Code (HGB), we have not disclosed the auditor's fee for last year here since this information is included in the notes to our consolidated financial statements.

All of the transactions in 2010 between WestLB and its affiliated companies and persons were conducted on an arm's length basis. Therefore, there was no need for any disclosures pursuant to § 285 No. 21 of the German Commercial Code (HGB).

The rules on currency translation have been adjusted under BilMoG. In a first step, BilMoG introduced § 256a of the German Commercial Code (HGB), a standard which applies to all companies. Under it, liabilities and assets which are denominated in a foreign currency are to be translated at the mean spot rate effective on the reporting date and treated according to generally accepted accounting principles. In a second step, BilMoG reworked § 340h of the German Commercial Code (HGB), which is one of the German Commercial Code's supplementary provisions for banks. The revised § 340h modifies § 256a to the effect that a bank's gains on foreign currency translation must be recognised in profit and loss if the corresponding assets, liabilities or forward rate agreements are specifically hedged by assets, liabilities or other forward rate agreements in the same currency. Furthermore, the revised § 340e (3) of the German Commercial Code (HGB) requires that items held for trading, including any foreign currency positions assigned to the trading portfolio, be measured at fair value less a risk allowance. The measurement of foreign currency items held for trading pursuant to § 340e (3) Sentence 1 of the German Commercial Code (HGB) takes precedence over their measurement pursuant to § 340h in conjunction with § 256a of the German Commercial Code (HGB).

Since WestLB already measured its trading assets and trading liabilities according to the risk-adjusted mark-to-market method and specifically hedged the foreign currency items held outside of its trading portfolio in years past, the provisions on currency translation ultimately have not affected WestLB's recognition of expense and income. For risk management purposes, WestLB transfers the currency risks from its non-trading portfolios to special trading books, where it then measures them according to the conventions for measuring financial instruments held for trading. As a result, all expenses and income generated from the translation of foreign currency pursuant to § 340e (3) of the German Commercial Code (HGB) are captured in net income/expenses from trading operations.

Assets and liabilities denominated in foreign currencies, as well as unsettled spot deals, were translated using the ECB reference rates effective on December 31, 2010. Unsettled forward contracts (currency forwards and currency options) have been carried at the mean forward rate or option premium effective on that date. Income and expenses for which a particular exchange rate has been agreed are translated at the respective hedge rate. Swap premiums on balance sheet items hedged for foreign exchange risk are deferred and amortised over time. The amortisation amounts are included in the interest result.

The concept for determining deferred taxes was also changed with the introduction of BilMoG. BilMoG provides for a transition from the income-statement-oriented "timing differences concept" to the balance-sheet-oriented "temporary differences concept". In the financial statements for the year ended December 31, 2010, WestLB opted to make its first-ever recognition of deferred taxes on the assets side of the balance sheet. No deferred tax assets on loss carryforwards were recognised. The change produced an effect of € 2.5 million to be offset directly in equity against the reserves from retained earnings.

There were no mortgage loans in WestLB's cover pool as of the reporting date. The portion of the cover pool attributable to loans to local authorities versus other claims (€ 9.3 billion versus € 1.2 billion) is presented in detail in the table entitled "Claims Used to Back Public-Sector Pfandbriefe". None of the claims in the cover pool is payable on demand and no claims from securities lending are included. There were no material deferred items related to the Pfandbrief business. WestLB floated registered public-sector Pfandbriefe (€ 1.8 billion) and bearer public-sector Pfandbriefe (€ 7.8 billion) exclusively. It did not issue any Pfandbriefe which are payable on demand or any registered mortgage Pfandbriefe or public-sector Pfandbriefe delivered to lenders as collateral for loans received.

3. Stabilisation Measure

In late 2009, the Special Fund Financial Market Stabilisation (SoFFin), WestLB and its owners agreed on a timetable to stabilise the Bank. Shortly thereafter, on December 23, 2009, the establishment of Erste Abwicklungsanstalt (EAA) was recorded in the commercial register.

As a first step under this timetable, securities with a total carrying value according to the German Commercial Code (HGB) of approximately € 6.2 billion and liabilities with a total carrying value according to the German Commercial Code (HGB) of approximately € 5.5 billion were transferred to EAA of by way of a spin-off into an existing entity pursuant to § 123 (2) No. 1 and § 131 (1) of the German Transformation Act (UmwG) in conjunction with § 8a (8) of the German Financial Market Stabilisation Fund Act (FMStFG) with retroactive effect as of January 1, 2009. The spin-off was also recorded in the commercial register on December 23, 2009. In conjunction with this spin-off, EAA received € 672.4 million in equity capital from WestLB AG. SoFFin, in turn, paid the first tranche of its silent contribution to WestLB's capital in the amount of € 672.4 million on December 23, 2009. Additional information is provided in the single-entity financial statements for 2009.

The second tranche of SoFFin's silent contribution to capital in the amount of € 1.5 billion was paid on January 4, 2010.

On the basis of the corresponding shareholder resolutions adopted in April 2010, the second step was taken as planned on April 30, 2010, through the transfer of the main portfolio to EAA with retroactive effect as of January 1, 2010. In addition to spin-off, the transfer paths of sub-participation, asset deal and guarantee were used. Overall, far more assets than liabilities were transferred. EAA received additional equity capital of € 2,465.0 million. The remaining difference (equalisation claim) was settled in a first step by EAA's issuance of bonds and the recording of loan receivables (see the discussion on financial status in the statement of financial condition). The spin-off into an existing entity pursuant to § 123 (2) No. 1 and § 131 (1) of the German Transformation Act (UmwG) in conjunction with § 8a (8) of the German Financial Market Stabilisation Fund Act (FMStFG) was recorded in the Düsseldorf commercial register on April 30, 2010.

Payment of the third tranche of SoFFin's silent contribution to capital in the amount of € 827.6 million was also made on April 30, 2010, bringing the total silent participation to a nominal value of € 3.0 billion. Pursuant to a shareholders' resolution adopted on April 23, 2010, the share capital of WestLB was reduced by € 1,302.9 million, from € 2,269.5 million to € 966.6 million (simplified procedure for capital reduction pursuant to § 145 of the German Transformation Act (UmwG) in conjunction with § 229 et seq. of the German Stock Corporation Act (AktG)). The capital reserves were reduced by € 1,162.1 million to € 96.7 million.

Taking into account the transfer of the first sub-portfolio on December 23, 2009, equity capital of € 3,137.4 million has been transferred to EAA. In return, WestLB has received the silent contribution to capital from SoFFin in the amount of € 3.0 billion, which qualifies as equity capital under the German Commercial Code as well as regulatory core capital.

The Managing Board was authorised by the extraordinary shareholders' meeting held on April 23, 2010 to grant the Financial Market Stabilisation Fund (FMS) the option of converting all or part of this silent contribution to capital into shares of WestLB AG. To this end, a new class of shares (Class C) was created, with a preferred dividend of 10%, a preferred stake in any proceeds from the sale of divisions and subsidiaries and senior ranking in the event of liquidation. FMS's stake may not exceed 49.9% of the share capital. The share capital was conditionally raised by € 966.6 million pursuant to § 7a of the Financial Market Stabilisation Acceleration Act (FMStBG) in conjunction with § 192 et seq. of the German Stock Corporation Act (AktG). The agreement on the granting of the conversion right was signed in April 2010.

In the presentation of the adjusted balance sheet figures for the previous year, payment of the second and third tranches of SoFFin's silent contribution to capital in the aggregate amount of € 2.3 billion and the notional equalisation claim against EAA of € 17.2 billion were reported on the face of the balance sheet.

The spin-off on April 30, 2010, of the main portfolio of non-essential strategic activities, with retroactive effect from January 1, 2010, reduced total assets by € 41.6 billion and total liabilities by € 21.9 billion. The volume of contingent liabilities and other commitments transferred totalled € 9.8 billion. The following tables break down the assets and liabilities transferred to EAA by balance sheet item and show their carrying values as of January 1, 2010:

	Jan. 1, 2010 € millions
Claims on banks	911.5
Claims on customers	12,879.0
Bonds and other interest-bearing securities	26,384.7
Shares and other non-interest-bearing securities	25.8
Equity investments in non-affiliated companies	128.3
Equity investments in affiliated companies	557.3
Other assets	581.6
Defered items	107.0
Total assets	**41,575.2**

	Jan. 1, 2010 € millions
Liabilities to banks	4,531.8
Liabilities to customers	4,605.2
Certificated liabilities	12,457.7
Other liabilities	145.5
Deferred items	144.9
Provisions	2.2
Total liabilities	**21,887.3**

EAA also guaranteed assets and liabilities (carrying value on December 31, 2010: € 1.9 billion). Transfers by guarantee work differently than the other methods of transfer in that items for which EAA assumes a guarantee remain on WestLB's balance sheet. WestLB continues to capture the income from these items in its statement of income. That income, however, is reduced by the expenses related to refinancing the items, as well as by the guarantee fees which WestLB pays to EAA for assuming the risk of default on them. For the period up to December 31, 2010, such expenses totalled € 12.4 million.

Where domestic taxes are concerned, tax questions relating to the transfer of the main portfolio were largely clarified in the context of a binding ruling from the tax authorities. A tax provision has been formed for any remaining tax risks, particularly with regard to foreign taxes.

Notes to the Balance Sheet

4. Claims on Banks

	Dec. 31, 2010 € millions		Dec. 31, 2009 € millions	
	Claims on Affiliated Banks	Claims on Other Banks	Claims on Affiliated Banks	Claims on Other Banks
Payable on demand	375.6	2,892.5	268.4	10,768.3
With residual maturities of				
– up to 3 months	36.4	959.5	299.7	30,325.7
– between 3 months and 1 year	52.3	2,352.3	128.6	8,703.8
– between 1 and 5 years	2,125.5	2,194.9	688.5	2,127.3
– more than 5 years	124.7	633.7	1,622.1	879.1
Total	**2,714.5**	**9,032.9**	**3,007.3**	**52,804.2**
Book value	**11,747.4**		**55,811.5**	

Claims on banks decreased by € 911.5 million due to the transfer of portfolios to EAA.

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

Claims on other banks include claims on affiliated companies in the amount of € 2,808.5 million (2009: € 8,649.0 million) and claims on other companies in which equity investments are held in the amount of € 1.4 million (2009: € 159.5 million). Claims from leasing finance amounted to € 1,035.5 million (2009: € 276.3 million).

5. Claims on Customers

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Book value	**43,380.9**	**69,501.9**
including:		
– on affiliated companies	738.6	2,366.1
– on other companies in which equity investments are held	414.1	590.7
– from the leasing business	717.6	2,292.1
Breakdown by residual maturity		
– up to 3 months	4,082.5	10,991.0
– between 3 months and 1 year	6,279.2	12,785.1
– between 1 and 5 years	20,984.1	29,412.4
– more than 5 years	11,540.6	13,878.2
Claims with undetermined maturity	494.5	2,435.2

Claims on customers decreased by € 12,879.0 million due to the transfer of portfolios to EAA.

6. Claims Secured by Mortgages

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Claims on customers with residual maturities of		
– up to 3 months	16.5	41.8
– between 3 months and 1 year	10.9	26.4
– between 1 and 5 years	13.8	196.5
– more than 5 years	9.3	116.9
Book value	**50.5**	**381.6**

7. Bonds and Other Interest-Bearing Securities

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Book value	**21,824.1**	**46,651.3**
including:		
amounts becoming due before December 31, 2010	6,747.6	10,288.8
Breakdown by product		
– money market instruments	3,247.7	4,460.3
– bonds and notes of public-sector issuers	13,529.9	7,666.1
– bonds and notes of other issuers	5,046.5	34,215.4
– own bonds	–	309.5
Breakdown by marketability		
– marketable securities	21,824.1	46,651.3
thereof:		
– listed on a stock exchange	5,427.9	21,162.2
– not listed on a stock exchange	16,396.2	25,489.1
Breakdown by portfolio		
– trading portfolio	–	10,625.9
– liquidity reserve	–	84.4
– investment portfolio	21,824.1	35,941.0
Breakdown by Group affiliation		
– securities of affiliated companies	2,039.5	8,160.3
– securities of other companies in which equity investments are held	–	260.8

The volume of bonds and other interest-bearing securities reported on the balance sheet decreased by € 26,384.7 million due to the transfer of portfolios to EAA.

The € 21.8 billion (2009: € 35.9 billion) in bonds and other interest-bearing securities held in the investment portfolio is considered to be part of fixed assets. At year-end, € 3.8 billion (2009: € 20.5 billion) of these assets had been valued at the modified lower of cost or market. Their fair value totalled € 3.7 billion (2009: € 18.9 billion). The sum of € 0.4 billion (2009: € 1.9 billion) of the investment portfolio holdings represented debt obligations which were acquired in connection with interest rate swaps (asset swaps). We fund the portion not hedged with asset swaps at the individual transaction level (€ 3.4 billion) either at matching maturities and currencies or secure it against interest rate-based changes in value at the portfolio level.

8. Shares and Other Non-Interest-Bearing Securities

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Book value	**124.6**	**361.2**
Breakdown by marketability		
– marketable securities	105.9	276.8
thereof:		
– listed on a stock exchange	20.0	245.1
– not listed on a stock exchange	85.9	31.7
Breakdown by portfolio		
– trading portfolio	–	246.1
– liquidity reserve	–	25.4
– investment portfolio	124.6	89.7

The volume of shares and other non-interest-bearing-securities reported on the balance sheet decreased by € 25.8 million due to the transfer of portfolios to EAA.

Of the securities held in the investment portfolio, an amount of € 25.0 million was valued at the modified lower of cost or market. The book value of these holdings exceeded their fair value by € 5.4 million; in the previous year, their book value had exceeded their fair value by € 13.0 million.

9. Trading Portfolio

	Dec. 31, 2010 € millions
Derivative financial instruments	43,338.1
Claims	34,330.2
Bonds and other interest-bearing securities	10,472.2
Shares and other non-interest-bearing securities	1,247.5
Risk allowance pursuant to § 340 e (3) Sentence 1 HGB	– 21.1
Total	**89,366.9**

The trading portfolio item, which is new to the balance sheet under the reporting changes introduced by BilMoG, is composed predominantly of reverse repurchase agreements as well as the fair values of the derivatives held for trading. Given that this is the first time the fair values of derivatives have been carried on the balance sheet, the total assets reported are substantially higher.

The decrease in the items claims on banks and claims on customers is largely attributable to the changes in the reporting of reverse repurchase agreements and accrued interest on derivatives.

Other reclassifications into the trading portfolio related to bonds and other interest-bearing securities, shares and other non-interest-bearing securities as well as other assets.

10. Equity Investments in Non-Affiliated Companies

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Book value	**519.4**	**639.5**
including:		
– banks	9.5	25.0
– financial services institutions	0.0	0.0
Breakdown by marketability		
– marketable securities	2.3	42.9
thereof:		
– listed on a stock exchange	1.2	1.2
– not listed on a stock exchange	1.1	41.7

Equity investments in non-affiliated companies decreased by € 128.3 million due to the transfer of portfolios to EAA.

11. Equity Investments in Affiliated Companies

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Book value	**1,636.1**	**2,961.1**
including:		
– banks	822.3	1,839.3
– financial services institutions	27.8	54.0
Breakdown by marketability		
– marketable securities	281.3	1,070.7
thereof:		
– not listed on a stock exchange	281.3	1,070.7

Equity investments in affiliated companies decreased by € 557.3 million due to the transfer of portfolios to EAA. Divestitures made in fulfillment of the conditions set by the European Commission, including, in particular, the sale of WestLB International S.A., Luxembourg, and Banque d´Orsay S.A., Paris, caused additional reductions.

Of our equity investments in affiliated and non-affiliated companies, a volume of € 63.0 million had book values which exceeded their fair values by a total of € 8.7 million. We do not expect the impairments on these holdings to be permanent.

12. Trust Assets

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Claims on customers	5.1	5.9
Other assets	564.4	338.5
Book value	**569.5**	**344.4**

The increase in fiscal 2010 was chiefly the result of taking on the agency services business of Westdeutsche ImmobilienBank AG, Mainz.

13. Other Assets

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Book value	**1,433.5**	**9,146.0**
including:		
– offsetting items from the valuation of currency transactions	651.7	584.5
– claims from tax refunds	458.7	351.4
– claims from profit and loss pooling agreements	120.2	198.9
– claims from swaps	0.1	1,260.0
– premiums for options	–	4,031.7
– offsetting items from the valuation of the trading portfolio	–	2,563.9

Other assets decreased by € 581.6 million due to the transfer of portfolios to EAA.

The claims from swaps reported on December 31, 2010 are the result of credit default swaps which are not assigned to the trading portfolio. The remaining claims from swaps, as well as premiums for options and offsetting items from the valuation of the trading portfolio, are now captured in the trading portfolio pursuant to BilMoG.

14. Fixed Assets

€ millions	Acquisition Cost/Cost of Production Jan. 1, 2010	Additions	Retirements	Reclassifications	Appreciation	Total Depreciation Dec. 31, 2010	Depreciation in the Fiscal Year	Book Value Dec. 31, 2010	Book Value Dec. 31, 2009	Transfer-Related Retirements
Bonds and other interest-bearing securities forming part of fixed assets	9,588.3	Net change pursuant to § 34 (3) Sentence 2 RechKredV; € 10,624.3 million					–	21,824.1	35,941.0	26,384.7
Shares and other non-interest-bearing securities forming part of fixed assets	89.3						–	124.6	89.7	0.4
Equity investments in non-affiliated companies	584.1						6.4	519.4	639.5	128.3
Equity investments in affiliated companies	3,218.2						387.1	1,636.1	2,961.1	557.3
Intangible assets	281.9	5.5	14.4	–	–	238.1	11.4	34.9	40.9	–
Land and buildings	47.5	0.2	0.5	–	–	37.4	0.6	9.8	10.6	–
Leasing assets	7.0	–	–	–	–	1.5	0.6	5.5	5.7	–
Office equipment	280.8	13.3	34.1	–	–	205.6	18.8	54.4	60.9	–

Changes at foreign branches caused by the use of the exchange rates effective on the reporting date for currency translation are captured in the amounts reported for cost and in the figures for total depreciation. The acquisition cost/cost of production at January 1, 2010 reflects the items held by the Bank after the spin-off.

The changes during the fiscal year with regard to securities relate mostly to the addition of the refinancing notes for EAA in the amount of € 14.7 billion. With regard to bonds and other interest-bearing securities, the changes in the fiscal year include, on top of other additions and retirements, changes resulting from the amortisation of premiums and discounts. With regard to shares and other non-interest-bearing securities, the changes in the fiscal year relate mostly to investment certificates. No impairment was expected to be other than temporary, so there were no write-downs of any securities treated as fixed assets in 2010.

Of the write-downs of equity investments in affiliated companies, the sum of € 228.0 million is attributable to the fulfillment of the conditions set by the European Commission. Another € 155.6 million relates to the repatriation of capital from a subsidiary which was sold during the year.

The item “land and buildings” refers exclusively to properties which are not used in the Bank’s own operations. There is € 2.5 million (2009: € 2.6 million) in land and buildings acquired under bail-out transactions which has been on the books for more than five years.

15. Own Shares

We did not acquire any of our own shares in 2010, nor did we hold any of our own shares at year-end.

16. Deferred Items

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
One-time payments from swaps	212.0	215.6
Discounts from underwriting business	200.8	272.9
Discounts from liabilities	147.4	197.8
Premiums on claims	5.8	5.2
Other	23.8	21.5
Book value	**589.8**	**713.0**

The volume of deferred items on the assets side of the balance sheet decreased by € 107.0 million due to the transfer of portfolios to EAA.

The one-time payments from swaps are predominantly attributable to interest rate/ currency swaps and credit default swaps which are not assigned to the trading portfolio.

17. Deferred Taxes

The deferred taxes relate to the following differences and tax loss carryforwards:

	Total Assessment Basis €	Tax Rate %
Cash	– 2,646,378.58	31.23
Claims on banks	4,984,078,646.58	27.25
Claims on customers	2,869,641,789.32	28.17
Bonds and other interest-bearing securities	265,249,048.77	32.23
Shares and other non-interest-bearing securities – other	31,729,427.00	27.25
Trading portfolio – before risk allowance within the meaning of § 340e (3) HGB	– 30,854,567,227.34	27.26
Trading portfolio – risk allowance (./.)	8,874,392.15	27.25
Shares in affiliated companies – partnerships – corporate income tax liability only	19,182,689.38	15.82
Shares in affiliated companies – partnerships – trade tax and corporate income tax liability	– 24,889,583.45	31.23
Intangible assets – internally generated intangible assets treated as fixed assets	9,150,795.22	27.25
Intangible assets – other	– 420,074.36	27.03
Fixed assets	14,793,935.89	36.30
Other assets – miscellaneous	103,146,970.30	25.81
Deferred items	10,881,531.22	33.21
Liabilities to banks	– 4,344,784,313.34	27.25
Liabilities to customers	– 1,727,926,289.87	27.25
Certificated liabilities	– 1,092,087,279.79	27.25
Trading portfolio	30,951,891,285.83	27.25
Other liabilities – miscellaneous	5,130,413.69	27.11
Deferred items	4,273,558.21	27.25
Provisions – pensions and similar obligations for offsetting with assets prior to netting	44,434,932.95	31.16
Provisions – anticipated losses	53,579,137.06	27.25
Provisions – other	133,957,854.78	36.56
Deductible temporary differences prior to BMG transfer recognised on statement of income – corporate income tax portion	39,608,741,314.65	27.28
Taxable temporary differences prior to BMG transfer recognised on statement of income – corporate income tax portion	– 38,146,066,053.03	27.22
Deductible temporary differences prior to BMG transfer recognised on statement of income – trade tax portion	39,589,558,625.27	0.10
Taxable temporary differences prior to BMG transfer recognised on statement of income – trade tax portion	– 38,146,066,053.03	0.04
Deductible temporary differences received – corporate income tax portion	6,411,396.17	15.82
Taxable temporary differences received – corporate income tax portion	– 65,939,378.14	15.82
Deductible temporary differences received – trade tax portion	6,411,396.17	15.40
Taxable temporary differences received – trade tax portion	– 65,939,378.14	15.40
Deductible temporary differences after BMG transfer recognised on statement of income – corporate income tax portion	39,615,152,710.82	27.28
Taxable temporary differences after BMG transfer recognised on statement of income – corporate income tax portion	– 38,212,005,431.17	27.20
Deductible temporary differences after BMG transfer recognised on statement of income – trade tax portion	39,595,970,021.44	0.10
Taxable temporary differences after BMG transfer recognised on statement of income – trade tax portion	– 38,212,005,431.17	0.06
Measurement discount on deductible temporary differences after BMG transfer – corporate income tax portion	– 1,238,923,988.80	29.33
Measurement discount on deductible temporary differences after BMG transfer – trade tax portion	– 76,151,925.02	13.15
Corporate income tax/solidarity surcharge loss carryforward likely useable in future	782,254,110.37	22.34
Trade tax loss carryforward likely useable in future	567,757,106.22	17.21
Capital losses likely nettable in future	178,488,955.25	10.00
Measurement discount on corporate income tax/solidarity surcharge loss carryforward	– 782,254,110.37	22.34
Measurement discount on trade tax loss carryforward	– 567,757,106.22	17.21
Measurement discount on nettable capital losses	– 178,488,955.25	10.00

WestLB's deferred tax assets totalled € 55.9 million as of December 31, 2010, whilst its deferred tax liabilities came to € 0.3 million. As a result, the sum of € 55.6 million in deferred taxes was recognised on the assets side of the balance sheet and blocked from distribution pursuant to § 268 (8) of the German Commercial Code (HGB).

The switch from the income-statement-oriented concept of determining deferred taxes to the balance-sheet-oriented concept under BilMoG produced a tax effect of € 2.5 million to be recognised directly in equity in the reserves from retained earnings.

18. Subordinated Assets

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

	Dec. 31, 2010 € millions	**Dec. 31, 2009 € millions**
Claims on banks	128.7	248.3
including: affiliated companies	16.0	160.0
including: other companies in which equity investments are held	–	88.3
Claims on customers	138.1	220.5
including: affiliated companies	1.0	31.5
including: other companies in which equity investments are held	–	12.9
Bonds and other interest-bearing securities	27.8	69.7
including: affiliated companies	–	0.1
including: other companies in which equity investments are held	–	–
Shares and other non-interest-bearing securities	49.6	70.7
including: affiliated companies	–	1.2
including: other companies in which equity investments are held	–	–
Trading portfolio	16.8	–
including: affiliated companies	1.8	–
including: other companies in which equity investments are held	–	–
Total	**361.0**	**609.2**

19. Assets Sold Under Repurchase Agreements

The book value of the balance sheet assets sold under repurchase agreements totalled € 9,972.9 million (2009: € 11,206.0 million).

20. Liabilities to Banks

	Dec. 31, 2010 € millions		Dec. 31, 2009 € millions	
	Liabilities to Affiliated Banks	Liabilities to Other Banks	Liabilities to Affiliated Banks	Liabilities to Other Banks
Payable on demand	2,214.7	893.8	2,819.6	6,515.1
With residual maturity of				
– up to 3 months	2,823.1	5,392.6	2,911.7	36,137.3
– between 3 months and 1 year	1,332.7	682.4	1,282.7	11,824.5
– between 1 and 5 years	847.0	2,401.8	1,281.7	4,123.9
– more than 5 years	598.8	562.8	790.7	2,562.0
Total	**7,816.3**	**9,933.4**	**9,086.4**	**61,162.8**
Book value	**17,749.7**		**70,249.2**	

Liabilities to banks decreased by € 4,531.8 million due to the transfer of portfolios to EAA.

Liabilities to banks include liabilities to affiliated companies in the amount of € 38.5 million (2009: € 3,827.0 million) and liabilities to other companies in which equity investments are held in the amount of € 0 million (2009: € 112.0 million).

21. Liabilities to Customers

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Deposits	0.2	0.2
thereof:		
– savings deposits with agreed periods of notice of		
– up to 3 months	0.2	0.2
– between 3 months and 1 year	–	–
– between 1 and 5 years	–	–
– more than 5 years	–	–
Liabilities to customers	29,744.2	53,152.5
thereof:		
– payable on demand	6,021.5	13,216.2
with residual maturities of		
– up to 3 months	12,022.2	20,457.8
– between 3 months and 1 year	1,795.3	6,155.0
– between 1 and 5 years	2,865.1	4,326.4
– more than 5 years	7,040.1	8,997.1
Book value	**29,744.4**	**53,152.7**
including:		
– liabilities to affiliated companies	545.2	893.1
– liabilities to other companies in which equity investments are held	29.9	56.8

Liabilities to customers decreased by € 4,605.2 million due to the transfer of portfolios to EAA.

22. Certificated Liabilities

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Bonds issued	26,221.4	34,799.1
including:		
amounts becoming due before December 31, 2011	2,700.0	8,753.9
Other certificated liabilities	4,048.0	9,260.4
thereof with residual maturities of		
– up to 3 months	194.4	365.3
– between 3 months and 1 year	254.8	678.1
– between 1 and 5 years	3,468.8	4,863.1
– more than 5 years	130.0	3,353.9
Book value	**30,269.4**	**44,059.5**
including:		
– to affiliated companies	–	–
– to other companies in which equity investments are held	–	–

Certificated liabilities decreased by € 12,457.7 million due to the transfer of portfolios to EAA.

23. Trading Portfolio

	Dec. 31, 2010 € millions
Derivative financial instruments	43,518.5
Liabilities	40,765.1
Total	**84,283.6**

The trading portfolio item, which is new to the balance sheet under the reporting changes introduced by BilMoG, is composed predominantly of repurchase agreements as well as the fair values of the derivatives held for trading.

Given that this is the first time the fair values of derivatives have been carried on the balance sheet, the total liabilities reported is substantially higher.

The decrease in the items liabilities to banks and liabilities to customers is largely attributable to the changes in the reporting of repurchase agreements and accrued interest on derivatives.

Other reclassifications into the trading portfolio related to certificated liabilities and other liabilities.

24. Trust Liabilities

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Liabilities to banks	0.4	0.4
Liabilities to customers	569.1	344.0
Book value	**569.5**	**344.4**

The increase in fiscal 2010 was chiefly the result of taking on the agency services business of Westdeutsche ImmobilienBank AG, Mainz.

25. Other Liabilities

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Book value	**1,134.0**	**10,234.3**
including:		
– liabilities to NRW.BANK under pension commitments	670.1	634.9
– liabilities from profit participation certificates which matured	267.1	579.3
– liabilities from swaps	0.5	1,257.7
– premiums from options	–	6,531.6
– securities delivery obligations	–	966.8

Other liabilities decreased by € 145.5 million due to the transfer of portfolios to EAA.

The liabilities from swaps reported on December 31, 2010 are the result of credit default swaps which are not assigned to the trading portfolio. The remaining liabilities from swaps, premiums from options and securities delivery obligations are now captured in the trading portfolio pursuant to BilMoG.

26. Deferred Items

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
One-time payments from swaps	363.0	523.2
Premiums from own bonds issued	45.5	48.5
Premiums from liabilities	2.5	4.5
Other	10.5	18.5
Book value	**421.5**	**594.7**

The volume of deferred items on the liabilities side of the balance sheet decreased by € 144.9 million due to the transfer of portfolios to EAA.

The one-time payments from swaps are predominantly attributable to interest rate/currency swaps and credit default swaps which are not assigned to the trading portfolio.

27. Provisions

€ millions	Volume at Dec. 31, 2009	Transfer-Related Reductions	Utilised	Reversal	Additions	Unwinding of the discount	Allocations due to first-time application of BilMoG	Other Changes	Volume at Dec. 31, 2010
For pension liabilities	567.6	0.0	49.9	21.8	10.1	42.2	8.9	– 8.6	548.5
For taxes	367.0	0.0	15.4	30.4	127.4	0.0	0.0	3.1	451.7
Other provisions	925.6	2.2	342.2	168.9	375.4	19.2	28.7	3.0	838.6
– in the personnel area	382.0	0.0	109.1	19.3	75.3	15.1	27.3	7.0	378.3
– for loans/equity investments	66.4	2.2	4.4	35.0	26.5	0.4	0.0	– 5.1	46.6
– miscellaneous	477.2	0.0	228.7	114.6	273.6	3.7	1.4	1.1	413.7
Book value	**1,860.2**	**2.2**	**407.5**	**221.1**	**512.9**	**61.4**	**37.6**	**– 2.5**	**1,838.8**

Other provisions decreased by € 2.2 million due to the EAA spin-off.

Independent actuaries measured the present value of the pension liabilities according to the projected unit credit method, taking into account future wage and pension increases. Their calculation was based on the following parameters and assumptions:

	Dec. 31, 2010
Discount rate	5.16%
Wage and salary index	4.00%
Pension index	2.00%
Fluctuation	4.00%–5.00%
Mortality tables	Heubeck Richttafeln 2005 G

Pursuant to Article 67 (1) Sentence 1 of the Introductory Act to the German Commercial Code (EGHGB) one-fifteenth of the deficit of € 478.3 million revealed by the measurement of pension liabilities in connection with the first-time application of BilMoG (including € 344.7 million in obligations to NRW.BANK from pension commitments) was allocated to pension provisions. As a result, there are pension liabilities in the amount of € 446.4 million which were not recognised on the balance sheet as of December 31, 2010. A total of € 321.7 million of this amount relates to liabilities to NRW.BANK under pension commitments. The existing provision for liabilities to NRW.BANK under pension commitments (€ 670.1 million as of December 31, 2010) is reported under other liabilities (see Note 25).

Pursuant to Article 67 (1) Sentence 2 of the Introductory Act to the German Commercial Code (EGHGB), companies have the option of retaining the carrying amount for any of their provisions which they technically should reduce under the measurement changes introduced by BilMoG if the amount to be reversed would have to be added again by December 31, 2024 at the latest. WestLB exercised this option. Of the excess coverage of € 15.1 million, the sum of € 4.9 million was offset against the interest expense on this portion of the provisions in 2010. The sum of € 2.0 million was reversed because the underlying relationships on which the provisions were based ended in 2010. As a result, the amount of excess coverage came to € 8.2 million as of December 31, 2010.

For a portion of the other provisions, the carrying values increased under the measurement changes introduced by BilMoG. The required allocations of € 28.7 million were charged in full to last year's extraordinary result.

The € 130.8 million in interest costs for provisions in 2010 was offset in the amount of € 4.9 million by the excess coverage resulting from the first-time application of BilMoG. The remaining € 125.5 million in interest costs unrelated to banking operations was reported in the other operating result.

Of the amount reported for other provisions, the sum of € 293.1 million (2009: € 342.3 million) relates to measures undertaken in conjunction with headcount reductions, whilst the sum of € 35.7 million (2009: € 70.8 million) represents restructuring provisions (miscellaneous provisions). The item miscellaneous provisions also includes € 60.8 million (2009: € 99.2 million) for services for Erste Abwicklungsanstalt, € 39.5 million (2009: € 0.0 million) for assistance to a company active in the life insurance business, € 17.9 million (2009: € 25.5 million) for potential litigation risks, € 42.6 million (2009: € 50.1 million) for adapting the business and organisational structure, and € 16.3 million (2009: € 18.8 million) for sales commissions.

28. Subordinated Liabilities

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Book value	2,322.4	2,522.4
including:		
– to affiliated companies	866.9	998.5
– to other companies in which equity investments are held	0.0	0.0

Of the total subordinated liabilities, € 28.0 million (2009: € 253.6 million) have a residual maturity of less than two years. The original maturities range from 5 to 40 years.

The Bank incurred interest expense of € 105.7 million (2009: € 185.3 million) in connection with its subordinated liabilities in 2010. The subordinated liabilities carried by WestLB itself or via its subsidiaries comply with the requirements of § 10 (5a) of the German Banking Act (KWG); the right to terminate the liabilities without notice has not been reserved.

The capital we raised with the following note exceeded 10% of our total subordinated liabilities as of December 31, 2010:

Identification No.	Currency	Amount in € millions	Interest Rate	Matures
WKN 807957	EUR	300.0	5.00%	Dec. 15, 2015

The terms and conditions for subordinated notes apply. There is no contractual agreement to convert these funds into capital or into another form of debt.

29. Profit Participation Capital

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

at Dec. 31, 2009 € millions	Additions € millions	Substractions € millions	at Dec. 31, 2010 € millions
738.2	–	– 267.1	471.1

The terms of the profit participation certificates stipulate that if we report a loss on our balance sheet, the repayment claims of the certificate holders will be reduced to the same extent which the equity capital, including profit participation capital, reported on the balance sheet is depleted in order to cover the loss. For 2009, the holders of profit participation certificates were allocated a portion of the loss equal to € 65.2 million; of that amount, € 28.7 million was attributable to the certificates which matured on December 31, 2009, which were reported under other liabilities. The profit participation certificates which matured during 2010 were allocated a € 13.2 million portion of the 2009 loss and have also been reported under other liabilities. Because of the break-even result, there will be no coupon payments on the profit participation certificates for 2010.

The following table depicts the breakdown of the profit participation capital by maturity (par value as well as after allocation of the loss for 2009, but before the deduction of discounts):

Maturity	Repayment Claim € millions
2011	240.0
2012	135.4
2013	34.1
2014–2019	61.6
Total	**471.1**

The profit participation certificates constitute own funds of € 95.7 million (2009: € 230.9 million) for the Bank within the meaning of § 10 (5) of the German Banking Act (KWG).

30. Equity Capital

EAA received equity capital of € 2,465.0 million in the course of the transfer of the main portfolio to EAA which occurred on April 30, 2010, but took retroactive from January 1, 2010. As a result, the share capital of WestLB was reduced by € 1,302.9 million, from € 2,269.5 million to € 966.6 million, pursuant to a shareholders' resolution adopted on April 23, 2010 (simplified procedure for capital reduction pursuant to § 145 of the German Transformation Act (UmwG) in conjunction with § 229 et seq. of the German Stock Corporation Act (AktG)). The capital reserves were reduced by € 1,162.1 million to € 96.7 million.

The subscribed capital of WestLB was thus € 966.6 million at December 31, 2010 (2009: € 2,269.5 million) and was divided into 22,695,306 (2009: 22,695,306) no-par-value registered shares. A total of 8,107,400 of these shares offer a preferred dividend up through the year 2016. The theoretical par value of each share is € 42.59 (2009: € 100.00). All shares carry the same voting rights. For information concerning our current shareholder structure, please see Note 50.

The € 2.5 million in other reserves from retained earnings is attributable to the first-time application pursuant to BilMoG of the balance-sheet-oriented concept for determining deferred taxes in place of the income-statement-oriented concept used previously.

WestLB issued silent contributions to capital in 2005, with one tranche totalling US$ 300.0 million and the other € 240.0 million (for a combined total of € 469.4 million). The parties who made these silent contributions to capital absorbed € 28.4 million of the 2009 loss in keeping with the share the carrying value of their individual contributions represented in the total carrying value of all core capital elements of WestLB participating in the loss. Due to the break-even result, there will be no reinstatement and therefore no coupon payments for 2010.

Pursuant to the agreement of December 12, 2009 concerning the silent participation, SoFFin paid WestLB the first tranche of its silent contribution in the amount of € 672.4 million on December 23, 2009. The agreement provides for the silent partner's participation in any loss which would be reported absent an adjustment of the reserves, with the loss being absorbed in proportion to the share the nominal value of the silent partner's contribution represents in the total carrying value of all liable capital elements participating in the loss (§ 10 [2a], [4] and [5] of the German Banking Act [KWG]). The total amount SoFFin can absorb from losses is limited to the amount of its silent contribution to the capital. The first tranche participated in the 2009 loss pro rata temporis. The second tranche of the silent contribution to capital, which totalled € 1.5 billion, was paid on January 4, 2010, whilst the third tranche, in the amount of € 827.6 million, was paid on April 30, 2010. The Managing Board was authorised by the extraordinary shareholders' meeting held on April 23, 2010, to grant the Financial Market Stabilisation Fund (FMS) the option of converting all or part of this silent contribution to capital into shares of WestLB AG. To this end, a new class of shares (Class C) was created, with a preferred dividend of 10%, a preferred stake in any proceeds from the sale of divisions and subsidiaries and senior ranking in the event of liquidation. FMS's stake may not exceed 49.9% of the share capital. The share capital was conditionally raised by € 966.6 million pursuant to § 7 a of the Financial Market Stabilisation Acceleration Act (FMStBG) in conjunction with § 192 et seq. of the German Stock Corporation Act (AktG). The agreement on the granting of the conversion right was signed in April 2010. Due to the break-even result, there will be no reinstatement and therefore no coupon payments on the silent contribution to capital for 2010.

WestLB's net profit for the 2010 fiscal year is € 0.

	Total Dec. 31, 2009 € millions	Spin-off-Related Reductions € millions	Changes Resulting from Conversion/Issue of Silent Contributions € millions	Other Changes in Capital € millions	Total Dec. 31, 2010 € millions
Subscribed capital	2,269.5	– 1,302.9	–	–	966.6
Capital reserves	1,258.8	– 1,162.1	–	–	96.7
Reserves from retained earnings	–	–	–	2.5	2.5
Typical silent contributions to capital					
– issued in 2005	441.0	–	–	–	441.0
– issued in 2009/2010	671.7	–	2,327.6	–	2,999.3
Distributable profit	–	–	–	–	–
Equity capital pursuant to the German Commercial Code (HGB)	**4,641.0**	**– 2,465.0**	**2,327.6**	**2.5**	**4,506.1**

31. Liability for Pre-Existing Commitments – Grandfathering

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

The grandfathering rules for guarantor liability on commitments agreed to prior to July 19, 2005 are as follows:

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

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

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

Following the transfer to EAA, WestLB AG had € 3.9 billion in liabilities which were still grandfathered at December 31, 2010.

32. Foreign Currency Assets/Foreign Currency Liabilities

At year-end, WestLB AG had foreign currency assets valued at € 33.9 billion (2009: € 66.9 billion) and foreign currency liabilities valued at € 13.6 billion (2009: € 23.2 billion).

Notes to the Statement of Income

33. Geographic Breakdown of Income Components

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

1. 1.– 31. 12. 2010 € millions	**Interest Income**	**Current Income**	**Commission Income**	**Net Income/Expenses from Trading Operations**	**Leasing Income**	**Other Operating Income**
Germany	18,773.5	404.7	264.0	– 33.3	–	170.9
UK	16,879.4	0.3	66.8	– 55.9	–	20.0
Rest of Europe	86.5	–	24.5	3.3	–	1.6
Far East and Australia	501.8	–	23.5	4.6	–	4.8
North America	4,683.5	3.1	111.1	34.8	1.3	31.5
Offsets	– 37,509.1	–	– 35.1	–	–	–
Amount reported on the Statement of Income	**3,415.6**	**408.1**	**454.8**	**– 46.5**	**1.3**	**228.8**

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

34. Administrative and Custodial Services

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

35. Result of Leasing Business

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

36. Other Operating Result

	1. 1. – 31. 12. 2010 € millions	1. 1. – 31. 12. 2009 € millions
Other operating income		
Amount reported on the Statement of Income	**228.8**	**108.3**
including:		
income from the reversal of other provisions	129.8	51.0
income from services provided to EAA	58.3	–
reimbursement from Group companies and third parties	19.0	15.2
including: income from IT services	7.1	8.3
rental and property income	4.6	4.2
income from input tax refunds	–	20.7

	1. 1. – 31. 12. 2010 € millions	1. 1. – 31. 12. 2009 € millions
Other operating expenses		
Amount reported on the Statement of Income	**284.6**	**211.0**
including:		
unwinding of the discount on provisions	125.5	–
allocations to other provisions	78.8	104.1
expenses from intragroup netting	25.1	24.4
allocation to DSGV security reserve	15.3	–
expenses for land and buildings not used by the Bank	1.3	0.8
losses on the sale of fixed assets	1.1	2.5
litigation expenses	–	60.9

The non-banking-related interest costs on provisions necessitated by BilMoG in 2010 was captured in the other operating result. Up to and including 2009, the corresponding amounts were reported in personnel expenses and other expense items.

37. Risk Provisions

Individual Value Adjustments and Credit Provisions (excluding reserves formed pursuant to § 340f and § 340g HGB)

	2010 € millions	2009 € millions
Beginning balance 1. 1.	1,420.1	1,030.8
Transfer-related reductions	– 969.8	0.0
Allocations	207.9	807.0
Unwinding of the discount	0.1	0.0
Reversals	– 111.7	– 143.2
Usage	– 40.6	– 271.4
Market value differences/Other changes	12.2	– 3.1
Ending balance 31. 12.	**518.2**	**1,420.1**

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

	1. 1. – 31. 12. 2010 € millions	1. 1. – 31. 12. 2009 € millions
Result of provisions	**– 440.8**	**– 701.2**
Income/expenses from loans and securities	– 107.1	– 594.2
thereof: – loans	– 101.7	– 623.3
– securities	– 5.4	29.1
Participations/shares in affiliated companies and income/expenses from securities	– 333.7	– 107.0
thereof: – participations/shares in affiliated companies	– 352.9	– 416.0
– securities	19.2	309.0

Pursuant to § 340 f (3) of the German Commercial Code (HGB) we offset the income and expenses resulting from the evaluation of the lending business with write-ups and write-downs of securities held in the liquidity reserve. The net result in 2010 was a negative € 107.1 million (2009: negative € 594.2 million). Similarly, pursuant to § 340 c (2) of the German Commercial Code (HGB), the expenses related to shares in affiliated and non-affiliated enterprises, as well as securities held in the banking book, were offset by the income amounts for these investments. The net result in this case was a negative € 333.7 million (2009: negative € 107.0 million).

In addition, we absorbed losses of € 7.4 million (2009: € 39.5 million) from subsidiaries.

38. Income and Expenses Relating to Different Accounting Periods

With regard to income and expense items relating to different accounting periods in 2010, we had € 154.3 million in income from tax refunds and interest on the tax refunds for prior years.

39. Extraordinary Result

The extraordinary result of € – 60.6 million is attributable to the allocation to provisions for which the carrying values increased under the changes in liability measurement introduced by BilMoG. There was no extraordinary result in the previous year.

40. Taxes on Income and Revenues

The income of € 59.1 million reported in the taxes on income and revenues item for 2010 consists of a € 53.1 million income tax benefit from changes in the recognition of deferred taxes and a € 6.0 million income tax benefit from current taxes. The tax benefit from current taxes is attributable to tax income of € 15.5 million from the business of our domestic branches and tax expense of € 9.5 million from foreign operations. These amounts reflect the net effect of tax refunds as well as allocations to and releases from tax provisions. The income tax expense of € 5.7 million reported for the previous year consisted of € 12.4 million in income taxes charged to the business of our domestic branches and tax income of € 6.7 million from foreign operations.

Other Information

41. Contingent Liabilities

Liabilities from Guarantees and Indemnity Agreements

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Liabilities from guarantees and indemnity agreements	4,554.0	7,393.7

The liabilities from guarantees and indemnity agreements consist mostly of letters of credit as well as surety bonds, guarantees and indemnities in the lending business. These liabilities decreased by € 2.1 billion due to the transfer of portfolios to EAA. We believe that the borrowers will largely honour their obligations and that there will be no need for any draws on these items. Commitments to borrowers having a sub-standard risk profile or presenting increased risk are monitored as part of our early warning system. For situations where a borrower is likely to default, we have formed the necessary credit provisions.

Other Commitments

Irrevocable credit commitments involve external credit lines which have not yet been utilised. The volume of irrevocable credit commitments decreased by € 7.7 billion due to the transfer of portfolios to EAA. The elimination of liquidity facilities for structured investment vehicles was the largest source of the additional reductions.

The volume of € 17.2 billion (2009: € 36.3 billion) shown on the face of the balance sheet stems from ordinary domestic and international lending activities. Information about how we steer the counterparty credit and liquidity risks from irrevocable credit commitments is included in the relevant sections of the Statement of Financial Condition.

42. Letters of Comfort

WestLB AG will, except in the case of political risk, ensure that – proportionate with its investment quota – the banks, financial institutions and management companies in which it holds a majority stake will be in a position to meet their obligations. When our stake in any covered company is reduced, so too, and to the same degree, are our commitments under these letters of comfort with respect to obligations the respective company incurs after the stake is reduced; if we no longer hold a majority stake in the respective company because of such a reduction, we are released from the letters of comfort with respect to obligations the respective company incurs after our loss of majority ownership. The 5 enterprises covered by these Letters of Comfort (2009: 12) and the amount of WestLB's investment quotas in them (direct and indirect) are:

Banco WestLB do Brasil S.A., São Paulo	100%
Bank WestLB Vostok (ZAO), Moscow	100%
Westdeutsche ImmobilienBank AG, Mainz	100%
WestLB do Brasil Cayman Ltd., George Town	100%
WestRM – West Risk Markets AG, Baar	100%

The Bank has also issued specific Letters of Comfort to third parties for the following 3 (2009: 3) companies:

PE Projekt-Entwicklungsgesellschaft mbH & Co. Büro- und Businesscenter Leipzig Park KG, Düsseldorf
readybank ag, Berlin
Westdeutsche ImmobilienBank AG, Mainz

43. Off-Balance-Sheet Items

Provision of Collateral for Own Liabilities

WestLB has assigned or pledged the following asset volumes to the third parties listed in order to secure its own liabilities:

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Own securities assigned or pledged to central banks	19,610.7	23,391.6
Claims assigned for public-sector lending programmes	128.1	188.7
Own securities pledged to other banks or customers	19.3	1.1
Hedging of pension obligations	15.5	16.0
Own securities deposited as collateral for participation in stock exchange trading systems and clearing systems	–	527.6
Total assets pledged	**19,773.6**	**24,125.0**

Outsourcing

The Bank has outsourced a variety of IT and settlement activities, including the development and operation of IT infrastructure applications, master data maintenance, security settlement and custodian services, as well as collections for credit card portfolios. We outsource activities and processes only after performing a detailed profitability and risk study. Our aim in outsourcing is to be more efficient, more competitive and to cut costs on a sustainable basis. All outsourcing satisfies the requirements of § 25a of the German Banking Act (KWG) and MaRisk. We regularly review our outsourcing procedures for potential risks and adjust the procedures as needed.

Revocable Credit Commitments

WestLB has made credit and liquidity lines available to its customers which it can terminate at any time. These lines are considered banking transactions from which the Bank generates interest and commission income. The lines are subject to credit and market risks which are customary in the banking industry. Some of these lines have been granted to the securitisation vehicles of the WestLB Group.

44. Other Financial Obligations

Deposit Insurance and Other Insurance Mechanisms

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

The insurance scheme of the Sparkassen-Finanzgruppe consists of eleven funds belonging to the regional savings banks and giro associations, the security reserves of the Landesbanken and Girozentralen and the security fund of the Landesbausparkassen, which together form a system of joint liability. There are rules and regulations governing the relationships between regional and national funds which provide for offsetting in cases where coverage is claimed (so-called overflow agreements). In 2010, the Bank was obligated, on paper, to make an additional contribution of € 285.3 million (2009: € 202.5 million) to the security reserves of the Landesbanken and Girozentralen.

Effective October 1, 2004, the Savings Banks and Giro Association of the Rhineland and the Savings Banks Association of Westphalia-Lippe each jointly established a € 500.0 million reserve fund with WestLB to support WestLB and the member savings banks should any of them face financial difficulties. Each fund consists of € 250.0 million in cash and an additional funding obligation of the same amount and is earmarked for the Phoenix transaction.

Guarantor Liability

WestLB is still a guarantor, to the extent permitted by law, of LRP Landesbank Rheinland-Pfalz, Mainz (for commitments made up to October 1, 2004), and HSH Nordbank AG, Hamburg/Kiel, as well as Westdeutsche ImmobilienBank AG, Mainz, and DekaBank Deutsche Girozentrale, Frankfurt/Main. Since new commitments made by these institutions have not been covered by guarantor liability since July 19, 2005, the volume of covered liabilities is constantly being reduced by the repayment of amounts which have since become due.

Other Contingent Liabilities

WestLB has issued various "letters of undertaking" in conjunction with the residual value guarantees provided by outside companies. These letters of undertaking stipulate conditions, the occurrence of which can entitle the beneficiaries of the residual value guarantees to demand the issuance of counter-guarantees for the outside companies' obligations. One counter-guarantee each was issued in two cases in 2006; counter-guarantees for two additional cases are currently being discussed.

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

The deficit resulting from indirect pension obligations not carried on the balance sheet within the meaning of Art. 28 (2) of the Introductory Act to the German Commercial Code (EGHGB) was € 96.1 million (2009: € 70.4 million).

The Bank has other financial obligations resulting from rental, lease and service contracts as well as from uncalled residual funding obligations and as yet unutilised lines from private equity investments in the total amount of € 1,291.7 million (2009: € 1,467.2 million), with € 514.9 million (2009: € 556.6 million) of that amount stemming from contracts with affiliated companies. The agreements run for a maximum of 22 years.

WestLB guaranteed, through the year 2110, the long-term "ground rent payments" which a former subsidiary agreed to make to the owner of a parcel of land in conjunction with a real estate financing. The beneficiary of the guarantee did not release WestLB from this obligation when the subsidiary in question was sold. In order to protect WestLB, the entity which acquired the subsidiary agreed to indemnify WestLB against any claims asserted under the guarantee. The shares of the subsidiary were pledged to WestLB as security for this counter-guarantee.

45. Forward Transactions/Derivatives

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

- **Products based on interest rates**
  Interest rate swaps, interest rate futures, forward rate agreements (FRAs), interest rate options, issued interest rate warrants, interest rate caps, interest rate floors, interest rate collars and swaptions.

- **Products based on exchange rates**
  Currency forwards, currency options, issued currency warrants, interest rate/currency swaps, forward interest rate/currency swaps.

- **Products based on share prices and other prices**
  Stock forwards, stock options, index forwards, index options, issued stock warrants and issued index warrants, precious metal/commodity forwards and options.

- **Credit derivatives**
  Credit default swaps, total return swaps and credit linked notes.

As of the balance sheet date, the total volume in nominal terms of forward transactions/derivatives was € 2,254.9 billion (2009: € 2,442.9 billion). The emphasis continues to be on interest rate products, whose share of the total volume increased to 84.2% (2009: 83.4%).

Derivatives – Volumes at the Reporting Date

	Nominal Values		Positive Market Values		Negative Market Values	
€ millions	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Products based on interest rates	**1,898,604**	**2,038,183**	**34,231**	**31,912**	**32,907**	**30,040**
Products traded OTC	1,738,063	1,661,583	34,230	31,892	32,906	30,025
Products traded on the stock exchange	160,541	376,600	1	20	1	15
Products based on exchange rates	**259,284**	**234,517**	**7,197**	**7,084**	**6,279**	**7,489**
Products traded OTC	259,284	234,517	7,197	7,084	6,279	7,489
Products based on share prices and other prices	**43,342**	**54,648**	**2,489**	**4,543**	**3,446**	**4,977**
Products traded OTC	18,631	15,109	933	1,727	1,503	1,947
Products traded on the stock exchange	24,711	39,539	1,556	2,816	1,943	3,030
Credit derivatives	**53,714**	**115,599**	**1,123**	**2,563**	**1,161**	**2,679**
Products traded OTC	53,714	115,599	1,123	2,563	1,161	2,679
Total derivatives	**2,254,944**	**2,442,947**	**45,040**	**46,102**	**43,793**	**45,185**
Products traded OTC	2,069,692	2,026,808	43,483	43,266	41,849	42,140
Products traded on the stock exchange	185,252	416,139	1,557	2,836	1,944	3,045

In addition to the credit derivatives in the trading book, which are shown in the table, we use credit derivatives in the banking book. Of those in the banking book, the Bank was the guarantee for (had bought) a total nominal volume of € 977.0 million (2009: € 1,138.0 million) and was guarantor for (had sold) a total nominal volume of € 0 million (2009: € 100.0 million) at December 31, 2010.

In fiscal 2010, the average annual value, in nominal terms, of the derivatives and forward transactions was € 2,646.7 billion (2009: € 2,782.5 billion).

Derivatives – Average Volumes

1. 1. – 31. 12.	Nominal Values		Positive Market Values		Negative Market Values	
€ millions	2010	2009	2010	2009	2010	2009
Products based on interest rates	**2,261,737**	**2,335,724**	**40,676**	**35,312**	**38,908**	**33,142**
Products traded OTC	1,917,877	1,706,451	40,661	35,288	38,897	33,121
Products traded on the stock exchange	343,860	629,273	15	24	11	21
Products based on exchange rates	**262,106**	**239,353**	**8,183**	**9,551**	**8,097**	**8,724**
Products traded OTC	262,106	239,353	8,183	9,551	8,097	8,724
Products based on share prices and other prices	**53,911**	**69,768**	**3,566**	**5,390**	**4,342**	**6,139**
Products traded OTC	17,956	25,340	1,162	1,658	1,610	2,094
Products traded on the stock exchange	35,955	44,428	2,404	3,732	2,732	4,045
Credit derivatives	**68,898**	**137,681**	**1,366**	**5,019**	**1,418**	**4,784**
Products traded OTC	68,898	137,681	1,366	5,019	1,418	4,784
Total derivatives	**2,646,652**	**2,782,526**	**53,791**	**55,272**	**52,765**	**52,789**
Products traded OTC	2,266,837	2,108,825	51,372	51,516	50,022	48,723
Products traded on the stock exchange	379,815	673,701	2,419	3,756	2,743	4,066

We capture book values of non-trading-portfolio items which are relevant only with respect to option premiums paid or received and interest payment components as “other assets” and assets under “deferred items” as well as “other liabilities” and liabilities under “deferred items”.

Almost all of the derivatives are assigned to the trading portfolio; most customer transactions are entered into by the trading units. Except in the case of credit derivatives, we reflect contracts for hedging the Bank’s own non-trading portfolio in the trading portfolio by way of internal contracts.

Most of the interest rate contracts, products based on exchange rates and products with share price and other price risks are short to medium-term. The credit derivatives are predominantly medium-term with a residual maturity of more than one year.

Derivatives – Breakdown by Maturity

Nominal Values	Products Based on Interest Rates		Products Based on Exchange Rates		Products Based on Share Prices and Other Prices		Credit Derivatives	
€ millions	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Residual maturity								
– up to 3 months	434,092	478,871	45,736	51,099	4,905	6,814	2,221	4,340
– 3 months to 1 year	484,494	576,701	64,248	49,592	14,881	21,413	8,202	10,682
– 1 to 5 years	662,880	617,192	116,553	96,035	19,677	26,421	36,661	76,951
– more than 5 years	317,138	365,419	32,747	37,791	3,879	0	6,630	23,626
Total	**1,898,604**	**2,038,183**	**259,284**	**234,517**	**43,342**	**54,648**	**53,714**	**115,599**

46. Disclosures Pursuant to the Pfandbrief Act (PfandBG)

Outstanding Pfandbriefe and the cover pool backing them pursuant to § 28 (1) Nos. 1 to 4 of the Pfandbrief Act (PfandBG):

Totals

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
I. Face value		
Public Pfandbriefe	9,609.8	10,120.2
Cover pool	10,471.3	11,032.1
thereof:		
– derivatives	–	–
– money claims against suitable credit institutions	402.0	477.8
Excess cover	861.5	911.9
II. Net present value (NPV)		
Public Pfandbriefe	10,229.6	10,720.3
Cover pool	11,015.1	11,523.7
thereof:		
– derivatives	–	–
– money claims against suitable credit institutions	427.3	508.8
Excess cover	785.5	803.4
III. Risk-adjusted NPV*		
Public Pfandbriefe	10,229.6	10,720.3
Cover pool	10,935.1	11,421.1
thereof:		
– derivatives		–
– money claims against suitable credit institutions	427.3	508.8
Excess cover	705.5	700.8

* Internal risk model pursuant to § 5 (2) of the Ordinance Regarding the Net Present Value of Pfandbriefe (PfandBarwertV)

Breakdown by Maturity (Residual Maturity)

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Up to 1 year		
Public Pfandbriefe	694.5	2,461.5
Cover pool	383.9	1,746.8
Between 1 and 2 years		
Public Pfandbriefe	2,129.5	694.5
Cover pool	1,634.8	438.0
Between 2 and 3 years		
Public Pfandbriefe	942.5	2,129.5
Cover pool	1,295.9	1,233.4
Between 3 and 4 years		
Public Pfandbriefe	320.0	247.5
Cover pool	1,205.7	1,320.5
Between 4 and 5 years		
Public Pfandbriefe	1,712.5	520.0
Cover pool	1,974.3	1,082.9
Between 5 and 10 years		
Public Pfandbriefe	2,700.9	2,956.8
Cover pool	2,637.2	4,098.6
More than 10 years		
Public Pfandbriefe	1,109.9	1,110.4
Cover pool	1,339.5	1,111.9

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

Claims Used to Back Public Pfandbriefe

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Federal Republic of Germany	8,511.3	9,173.5
Government	73.4	155.5
Regional authorities	2,909.1	3,119.5
Local authorities	4,483.6	4,777.0
Other debtors	1,045.2	1,121.5
Switzerland	542.3	518.9
Regional authorities	502.1	485.3
Local authorities	40.2	33.6
Austria	406.5	270.5
Government	115.0	80.0
Regional authorities	200.0	85.0
Local authorities	91.5	105.5
Spain	361.3	351.2
Government	–	100.0
Regional authorities	361.3	251.2

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
Belgium	171.9	175.4
Regional authorities	31.4	32.7
Local authorities	100.0	100.0
Other debtors	40.5	42.7
Portugal	170.0	170.0
Government	150.0	150.0
Regional authorities	20.0	20.0
France	152.5	51.7
Government	40.0	–
Regional authorities	22.5	7.5
Other debtors	90.0	44.2
Netherlands	110.0	50.0
Government	50.0	50.0
Regional authorities	60.0	–
Canada	25.6	80.9
Regional authorities	25.6	25.6
Other debtors	–	55.3
Luxembourg	15.0	15.0
Other debtors	15.0	15.0
Finland	4.9	–
Government	4.9	–
Greece	–	100.0
Government	–	100.0
Slovenia	–	40.0
Government	–	40.0
Ireland	–	35.0
Government	–	35.0
Total	10,471.3	11,032.1

Total Payments at Least 90 Days in Arrears

	Dec. 31, 2010 € millions	Dec. 31, 2009 € millions
	–	–

47. Remuneration of the Governing Bodies

	2010 € millions	2009 € millions
Total remuneration of the Managing Board	**3.1**	**9.5**
– fixed	3.1	8.6
– performance-based	0.0	0.9
Total remuneration of former Managing Board members and their survivors	**6.6**	**6.6**
Total remuneration of Supervisory Board members	**1.2**	**1.1**
– fixed	1.2	1.1
Pension provisions for former Managing Board members and their survivors	**67.5**	**72.6**

No performance-based compensation was paid to members of the Managing Board for 2009. The amount shown relates to payments for previous years.

The € 1.2 million (2009: € 1.1 million) reported as remuneration of the Supervisory Board members represents a lump-sum reimbursement of their out-of-pocket expenses of € 0.2 million (2009: € 0.2 million) and a provision of € 1.0 million (2009: € 0.9 million) established for their compensation.

The change in the amount of pension provisions for former Managing Board members and their survivors is largely attributable to the changes introduced by BilMoG to measuring provisions for pension liabilities.

48. Loans to Members of the Governing Bodies

No advances or loans were granted to members of the Managing Board or Supervisory Board.

49. Number of Employees

The average number of employees in 2010 was as follows:

Number of employees	Male	Female	Total 2010	Total 2009
Domestic branches	1,611	1,340	2,951	3,071
Foreign branches	635	410	1,045	1,167
Total	**2,246**	**1,750**	**3,996**	**4,238**

An average of 69 (2009: 84) employees were engaged in apprenticeship training or equivalent training.

50. Shareholdings in WestLB AG

Shareholders	Investment Quota	
	Dec. 31, 2010 %	Dec. 31, 2009 %
NRW.BANK	30.862	30.862
State of North Rhine-Westphalia	17.766	17.766
Savings Banks and Giro Association of the Rhineland	25.032	25.032
Savings Banks Association of Westphalia-Lippe	25.032	25.032
Regional Association of the Rhineland	0.654	0.654
Regional Association of Westphalia-Lippe	0.654	0.654
Total	**100.000**	**100.000**

* Held indirectly via Westfälisch-Lippische Vermögensverwaltungsgesellschaft mbH, Münster

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

51. Seats Held by Members of the Managing Board

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

Dietrich Voigtländer

DekaBank Deutsche Girozentrale*
readybank ag

Hubert Beckmann

readybank ag
Westdeutsche ImmobilienBank AG
WestLB International S.A. (until December 31, 2010)

Klemens Breuer

DekaBank Deutsche Girozentrale (from April 15, 2010)*
WestLB International S.A. (until December 31, 2010)
WestLB Mellon Asset Management Kapitalanlagegesellschaft mbH

Thomas Groß

Banque d'Orsay S.A. (until November 30, 2010)
Westdeutsche ImmobilienBank AG
WestLB Bank Polska S.A. (until December 1, 2010)

Dr. Hans-Jürgen Niehaus

Banque d'Orsay S.A. (until November 30, 2010)
Westdeutsche ImmobilienBank AG

Werner Taiber

Banco WestLB do Brasil S.A.
Banque d'Orsay S.A. (until November 30, 2010)
WestLB Mellon Asset Management Kapitalanlagegesellschaft mbH

52. Seats Held by Employees

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

Ian Beckman

Compagnie Belge de la WestLB (CBW) S.A. (until April 10, 2010)

Karl-Heinz Böhmer

Compagnie Belge de la WestLB (CBW) S.A. (from April 10, 2010 to October 12, 2010)

Neil Colverd

WestLB Covered Bond Bank plc (until March 24, 2010)
WestLB Ireland plc (until March 24, 2010)

Stefan Dreesbach

Banco WestLB do Brasil S.A.
Bank WestLB Vostok (ZAO)
WestLB Bank Polska S.A. (until December 1, 2010)

Dietmar Fischer

WestLB AG

Michael Frank

Banco WestLB do Brasil S.A.
WestLB New York Capital Investment Ltd.
WestLB Securities Inc.

Alan Halperin

WestLB New York Capital Investment Ltd.

Alexander Hasselberg

Basinghall Finance plc (until May 7, 2010)

Kai-Uwe Henkel

Bank WestLB Vostok (ZAO)

Stephen Heyworth

Basinghall Finance plc (until September 29, 2010)

Sigrid Janetzko
WestLB AG

Ralf Josten
OIE AG (until August 31, 2010)
Stadtwerke Düren GmbH (until August 31, 2010)

Thomas Kaiser
WestLB Ireland plc (until April 30, 2010)

Manfred Kammans
WestLB Bank Polska S.A. (until December 1, 2010)

Sonja Kardorf
Banco WestLB do Brasil S.A. (until June 10, 2010)

Stephan Kloock
Banco WestLB do Brasil S.A.

Lutz Kranzbühler
Bank WestLB Vostok (ZAO)

Timo Krempe
Compagnie Belge de la WestLB (CBW) S.A. (from July 15, 2010)

Christiane Kutil-Bleibaum
WestLB AG

Sabine Luchte
Bank WestLB Vostok (ZAO)
readybank ag
WestLB Bank Polska S.A. (until December 1, 2010)

Doris Ludwig
WestLB AG

Frank Malone
Basinghall Finance plc (from September 29, 2010)
EAA Covered Bond Bank plc (from November 25, 2010)
EAA Ireland plc (from November 25, 2010)

Alston (Rob) Marshall
Basinghall Finance plc (until September 29, 2010)

Yoram Matalon

Banco WestLB do Brasil S.A.

Bank WestLB Vostok (ZAO)

Manfred Matthewes

WestLB AG

Thomas McCaffery

WestLB New York Capital Investment Ltd.

James McPartlan

Banco WestLB do Brasil S.A.

Lucian Milburn

Methuselah Life Markets Ltd. (from December 9, 2010)

Peter Minhorst

readybank ag

Westdeutsche ImmobilienBank AG (from February 15, 2010)

WestLB International S.A. (until December 31, 2010)

Louise Moat

Bank WestLB Vostok (ZAO)

Guido W. Mundt

Banque d’Orsay S.A. (until November 30, 2010)

Thierry Nardon

WestLB New York Capital Investment Ltd.

Max Niesert

AKA Ausfuhrkredit-Gesellschaft m.b.H.

Heinz-Günter Sander

WestLB AG

Dr. Johannes Scheel

WestLB International S.A. (until December 31, 2010)

Frank Simon

European Policy Exchange Ltd.

Heinz-Otto Stamp
Compagnie Belge de la WestLB (CBW) S.A. (until July 15, 2010)

Gerhard Steigüber
Banco WestLB do Brasil S.A. (from June 10, 2010)

Manish Taneja
WestLB Securities Inc.

Alexander Tcherepnine
Banco Finantia S.A.
Klenk Holz AG

Martin Tillert
WestLB Mellon Asset Management Kapitalanlagegesellschaft mbH

Nadine Veldung
Banque d'Orsay S.A. (until January 7, 2010)

Joachim Voss
technotrans AG (until September 21, 2010)

Matthias Wargers
Westdeutsche ImmobilienBank AG (until February 15, 2010)
WestLB Securities Inc. (until February 15, 2010)

Ingo Wichelhaus
European Policy Exchange Ltd.

53. Governing Bodies of WestLB

Members of the Managing Board

Dietrich Voigtländer, Chairman
Hubert Beckmann, Vice Chairman
Klemens Breuer
Thomas Groß
Dr. Hans-Jürgen Niehaus
Werner Taiber

Members of the Supervisory Board

Michael Breuer
Chairman
President, Savings Banks and Giro Association of the Rhineland

Doris Ludwig
Vice Chairwoman
Director, WestLB AG Düsseldorf

Raimund Bär
Chairman of the Staff Council, Westdeutsche ImmobilienBank AG

Dietmar P. Binkowska
Chairman of the Managing Board, NRW.BANK

Rolf Finger
Secretary for Financial Services,
ver.di Vereinte Dienstleistungsgewerkschaft

Dietmar Fischer
Director, WestLB AG Düsseldorf

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

Volker Goldmann
Chairman of the Managing Board, Sparkasse Bochum

Cornelia Hintz
Secretary, ver.di Vereinte Dienstleistungsgewerkschaft

Sigrid Janetzko
Bank Director, WestLB AG Düsseldorf

Dr. Wolfgang Kirsch (until April 30, 2010)
Regional Director, Regional Association of Westphalia-Lippe

Christiane Kutil-Bleibaum
Director, WestLB AG Düsseldorf

Dr. Gerhard Langemeyer (until June 30, 2010)
Former Lord Mayor, City of Dortmund

Dr. Helmut Linssen (until August 12, 2010)
Former Finance Minister, State of North Rhine-Westphalia

Annette Lipphaus
Regional Head of Legal Protection, ver.di Vereinte Dienstleistungsgewerkschaft

Dr. Siegfried Luther (until December 31, 2010)
Former Vice Chairman of the Executive Board, Bertelsmann AG

Manfred Matthewes
Director, WestLB AG Düsseldorf

Dr. Annette Messemer (from April 30, 2010)
Investment Banker, Frankfurt

Hildegard Müller (from April 30, 2010)
Chief Executive Officer,
German Federal Energy and Water Association (BDEW)

Heinz Paus (from July 1, 2010)
Mayor, City of Paderborn

Heinz-Günter Sander
Director, WestLB AG Düsseldorf

Wolfgang Steller (from February 24, 2011)
Former State Secretary, Düsseldorf

Harry Voigtsberger (until April 30, 2010)
Former Regional Director, Regional Association of the Rhineland

Dr. Norbert Walter-Borjans (from August 13, 2010)
Finance Minister, State of North Rhine-Westphalia

Alexander Wüerst
Chairman of the Managing Board, Kreissparkasse Köln

54. Shareholdings

List of Shareholdings

Reporting company: WestLB AG

Date: Dec. 31, 2010

Target currency/unit: EUR/thousands

Disclosure of stake and percentage of voting rights if different than stake

I. Companies included in the consolidated financial statements

1. Fully consolidated subsidiaries

a. Subsidiaries under IAS 27

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
1	Banco WestLB do Brasil S.A.[2 3 15]	São Paulo, Brazil	100.00		BRL	221,923.61	25,332.10
2	Bank WestLB Vostok (ZAO)[3 15]	Moscow, Russian Federation	100.00		RUB	93,619.33	34,073.71
3	readybank ag[15]	Berlin	100.00		EUR	54,461.01	0.00
4	Universal Factoring GmbH[4]	Ratingen	100.00			n/a	n/a
5	West Merchant Limited[1 15]	London, United Kingdom	100.00		GBP	98,102.86	– 16,826.92
6	Westdeutsche Immobilienbank AG[3 4 15]	Mainz	100.00		EUR	875,872.80	0.00
7	Westdeutsche ImmobilienHolding GmbH[1 15]	Mainz	94.60		EUR	5,539.47	0.00
8	WestGKA Management Gesellschaft für kommunale Anlagen mbH[2 15]	Düsseldorf	94.87	100.00	EUR	642.00	0.00
9	WestLB do Brasil Cayman Limited[1 3 15]	George Town, Cayman Island	100.00		USD	17,323.01	1,576.11
10	WestLB Europa Holding GmbH[4 15]	Düsseldorf	100.00		EUR	199,237.58	0.00
11	WestLB Europe (UK) Holdings Limited[15]	London, United Kingdom	100.00		GBP	174,520.43	5,142.24
12	WestLB Finance Curaçao N.V.[9]	Willemstad, Curaçao, Netherlands Antilles	100.00		EUR	1,264.76	1,218.76
13	WestLB Fund Investments Limited[1 3 15]	London, United Kingdom	100.00		GBP	863.49	12,340.60
14	WestLB New York Capital Investment Limited[14]	St. Helier, Jersey	100.00		EUR	1,148,051.00	1,760.00
15	WestLB Securities Inc.[15]	New York, USA	100.00		USD	26,206.25	1,097.17
16	WestLB Securities Pacific Limited[3 15]	Central, Hong Kong	100.00		EUR	26,925.07	550.80
17	WestLB UK Limited[1 15]	London, United Kingdom	100.00		GBP	41,251.66	766.89
18	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH[1 15]	Düsseldorf	94.60	100.00	EUR	1,559.56	0.00
19	WIB Real Estate Finance Japan K.K.[1 13]	Minato-ku, Japan	100.00		JPY	13,233.71	5,440.44
20	WMO Erste Entwicklungsgesellschaft mbH & Co. KG[1 15]	Bonn	47.54	50.25	EUR	– 7,497.84	556.42

b. Subsidiaries under SIC-12

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
21	Compass Securitisation Limited [6]	Dublin 1, Ireland	0.00		EUR	8.00	n/a
22	Compass Securitization LLC	New York, USA	0.00			n/a	n/a
23	GOD Grundstücksverwaltungs-gesellschaft & Co. KG [15]	Mainz	94.00	11.11	EUR	167,809.35	7,563.34
24	GOH Grundstücksverwaltungs-gesellschaft & Co. KG [15]	Mainz	94.00	11.11	EUR	140,076.21	5,936.36
25	WIRE 2008-1 GmbH	Frankfurt am Main	0.00			n/a	n/a

2. Joint ventures included at equity

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
26	FEN Fachmarktzentrum ehemaliges Eisstadion Nürnberg GmbH & Co. KG [1 15]	Berlin	50.00		EUR	1,270.34	– 31.78
27	WestLB Mellon Asset Management Holdings Limited [15]	London, United Kingdom	50.00		EUR	116,217.86	– 6,151.31

3. Associated companies included at equity

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
28	EMG Projekt Gewerbepark Ludwigsfelde/ Löwenbruch GmbH [1 15]	Berlin	47.50		EUR	– 904.04	548.09

II. Companies not included in the consolidated financial statements

1. Subsidiaries not included

a. Subsidiaries under IAS 27

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
29	Allvaris GmbH [1 15]	Düsseldorf	94.92	100.00	EUR	741.21	– 128.90
30	Berme Grundstücksverwaltungs-gesellschaft mbH i.L. [1 15]	Mainz	100.00		EUR	12.20	– 3.11
31	BfP Beteiligungsgesellschaft für Projekte mbH [1 15]	Düsseldorf	75.68	80.00	EUR	25.37	0.00
32	Chondrit Grundstücksverwaltungs-gesellschaft mbH i.L. [1 15]	Mainz	100.00		EUR	– 91.21	– 94.23
33	Compagnie Belge de la WestLB (CBW) S.A. [2 3 16]	Braine l'Alleud, Belgium	100.00		EUR	22,848.39	30,412.56
34	Dussinvest2 Beteiligungsgesellschaft mbH [4 15]	Düsseldorf	100.00		EUR	232.20	0.00
35	Dusskapital Acht Beteiligungsgesellschaft mbH [4 15]	Düsseldorf	100.00		EUR	12,050.00	0.00
36	Dusskapital Vierunddreißig Beteiligungsgesellschaft mbH [15]	Düsseldorf	100.00		EUR	25.30	0.08
37	Dusskapital Zwanzig Beteiligungsgesellschaft mbH [15]	Düsseldorf	100.00		EUR	26.00	2.24
38	Fischerinsel Beteiligungs-GmbH [1 15]	Mainz	100.00		EUR	20.20	– 0.89
39	Fischerinsel Vermietungs GmbH & Co. KG [1 15]	Mainz	100.00		EUR	1,582.20	– 998.74
40	GKA Gesellschaft für kommunale Anlagen mbH [1 15]	Düsseldorf	94.87	100.00	EUR	155.95	23.27
41	GkA Grundstücksgesellschaft Hilden mbH [1 15]	Düsseldorf	45.54	60.00	EUR	58.46	4.84
42	Hamada Grundstücksverwaltungs-gesellschaft mbH i.L. [1 15]	Mainz	94.00		EUR	12.19	– 8.38
43	Harrier Capital Management (Bermuda) Ltd. [5]	Hamilton, Bermuda	100.00		USD	133.41	0.07
44	Infrastrukturentwicklungsgesellschaft Hilden mbH [1 15]	Düsseldorf	49.33	52.00	EUR	81.99	21.15
45	KA Deutschland Beteiligungs KG [1 15]	Düsseldorf	100.00		EUR	– 3,463.31	– 1,486.54
46	Kainit Grundstücksverwaltungsgesellschaft mbH [1 15]	Mainz	100.00		EUR	19.36	– 0.15

47	Kassiterit Beteiligungs GmbH [1,15]	Düsseldorf	100.00		EUR	22.87	– 0.14
48	KB Zwei Länder Beteiligungs- und Verwaltungs KG [1,15]	Düsseldorf	100.00		EUR	782.40	52.86
49	KB Zwei Länder Beteiligungsgesellschaft mbH [1,15]	Düsseldorf	100.00		EUR	553.69	– 12.43
50	Leasing Belgium N.V. [1,15]	Antwerp, Belgium	100.00		EUR	824.21	– 10.03
51	LIFE.VALUE Construction GmbH [1,15]	Düsseldorf	94.87	100.00	EUR	551.59	– 2.22
52	LIFE.VALUE GmbH & Co. Building 1 KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 714.56	– 16.50
53	LIFE.VALUE GmbH & Co. LivingLofts KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 118.38	– 18.09
54	LIFE.VALUE GmbH & Co. Loft 1 KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 484.99	– 14.98
55	LIFE.VALUE GmbH & Co. Palace 1 KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 950.31	– 26.92
56	LIFE.VALUE GmbH & Co. 10 Broome KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 207.69	– 23.45
57	LIFE.VALUE GmbH & Co. 11/14 Centre KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 294.02	– 136.47
58	LIFE.VALUE GmbH & Co. 2 Sullivan KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 129.26	56.48
59	LIFE.VALUE GmbH & Co. 3 Thompson KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 108.22	– 53.73
60	LIFE.VALUE GmbH & Co. 4 Wooster KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 137.86	– 45.76
61	LIFE.VALUE GmbH & Co. 5 Greene KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 241.32	– 108.59
62	LIFE.VALUE GmbH & Co. 6 Houston KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 187.45	– 23.29
63	LIFE.VALUE GmbH & Co. 7/8 Prince KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 560.89	– 42.24
64	LIFE.VALUE GmbH & Co. 9 Spring KG [1,15]	Düsseldorf	85.20	100.00	EUR	– 227.17	– 21.59
65	Life.Value Properties GmbH [1,15]	Düsseldorf	85.27	100.00	EUR	173.94	18.88
66	Methuselah Life Markets Limited [1,15]	London, United Kingdom	100.00		GBP	16,721.35	– 4,417.95
67	Monolith Grundstücksverwaltungs-gesellschaft mbH [1,15]	Mainz	100.00		EUR	69.43	5.50
68	Monolith Grundstücksverwaltungs-gesellschaft mbH & Co. Objekt Neubau Sparkassen-Versicherungen Sachsen OHG [1,15]	Mainz	5.00	76.00	EUR	– 25,026.76	192.10
69	Montelucia Phoenix Inc. [1]	Dover, USA	100.00			n/a	n/a
70	Nephelin Grundstücksverwaltungs-gesellschaft mbH [1,15]	Mainz	100.00		EUR	– 34.58	– 3.84
71	PE Projekt-Entwicklungsgesellschaft mbH [1,15]	Düsseldorf	94.92	100.00	EUR	25.06	0.00
72	PE Projekt-Entwicklungsgesellschaft mbH & Co. Büro- und Businesscenter Leipzig Park KG [2,15]	Düsseldorf	99.49	100.00	EUR	231.31	– 2,433.15
73	PM Portfolio Management GmbH [1,15]	Düsseldorf	94.92	100.00	EUR	63.00	1.03
74	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG [1,15]	Bad Homburg	48.38	51.00	EUR	– 3,571.86	– 116.54
75	Projekt Carrée am Bahnhof Verwaltungs GmbH [1,15]	Bad Homburg	48.38	51.00	EUR	– 13.19	– 0.17
76	Projektentwicklungsgesellschaft Gartenstadt Wildau Röthegrund II mbH [2,15]	Wildau	100.00		EUR	– 6,181.60	155.81
77	Projektgesellschaft Klosterberg mbH [2,15]	Münster	100.00		EUR	– 500.55	– 99.04
78	Readypartner GmbH [1,15]	Düsseldorf	100.00		EUR	25.00	0.00
79	Styrax Grundstücksverwaltungsgesellschaft mbH i.L. [1,15]	Mainz	100.00		EUR	– 77.74	– 12.50
80	Systemhaus der ABC Privatkunden-Bank GmbH [1,15]	Berlin	100.00		EUR	51.21	0.00
81	Treuhand- und Finanzierungsgesellschaft für Wohnungs- und Bauwirtschaft mit beschränkter Haftung, Treufinanz [9]	Düsseldorf	65.41	66.37	EUR	3,910.57	27.56
82	Unterstützungseinrichtung der WestLB GmbH [15]	Düsseldorf	99.23		EUR	26.00	0.00
83	Vivaldis Gesellschaft für strukturierte Lösungen S.A. [8]	Luxembourg, Luxembourg	100.00		EUR	31.00	– 124.81
84	West Treuhand- und Verwaltungsgesellschaft mbH [9]	Düsseldorf	100.00		EUR	31.14	5.25
85	West Zwanzig GmbH [1,15]	Mainz	100.00		EUR	25.23	0.08
86	Westdeutsche Immobilien Fonds Beteiligungs-gesellschaft mbH [1,15]	Düsseldorf	100.00		EUR	41.73	0.00
87	WestFonds Geschäftsführungs-gesellschaft 1 mbH [1,15]	Düsseldorf	100.00		EUR	21.46	– 3.52
88	WestFonds Geschäftsführungs-gesellschaft 2 mbH [1,15]	Düsseldorf	100.00		EUR	21.48	– 3.52
89	WestFonds Gesellschaft für geschlossene Immobilienfonds mbH [1,15]	Düsseldorf	100.00		EUR	79.75	6.25
90	WestFonds Holland Grundstücksgesellschaft Voorburg und s'Hertogenbosch mbH [1,15]	Düsseldorf	100.00		EUR	33.39	– 3.84
91	WestFonds Immobilien Gesellschaft Objekt Essen Schnieringshof 10–14 mbH [1,15]	Düsseldorf	100.00		EUR	5.13	– 20.09
92	WestFonds Immobilien Gesellschaft Objekt Halle/Saale Charlottenstraße mbH [1,15]	Düsseldorf	100.00		EUR	5.74	– 20.26

93	WestFonds Immobilien Gesellschaft Objekt Magdeburg An der Steinkuhle 2–2e mbH [1 15]	Düsseldorf	100.00	EUR	6.15	– 19.85
94	WestFonds Immobilien Gesellschaft Objekt Magdeburg Rogätzer Str. 8 mbH [1 15]	Düsseldorf	100.00	EUR	5.78	– 19.40
95	WestFonds Immobilien Gesellschaft Objekt Wien Heiligenstädter Lände 29 mbH [1 15]	Düsseldorf	100.00	EUR	4.81	– 20.19
96	WestFonds Immobilien-Anlagegesellschaft mbH [4 15]	Düsseldorf	100.00	EUR	1,176.58	0.00
97	Westfonds 6 Palazzo Michelangelo Frankfurt KG [1 15]	Düsseldorf	94.23	EUR	– 2,832.94	– 571.67
98	WestFonds-PHG Gesellschaft RWI-Fonds 120 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
99	WestFonds-PHG Gesellschaft RWI-Fonds 125 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
100	WestFonds-PHG Gesellschaft RWI-Fonds 140 mbH [1 15]	Düsseldorf	100.00	EUR	22.36	– 2.64
101	WestFonds-PHG Gesellschaft RWI-Fonds 43 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
102	WestFonds-PHG Gesellschaft RWI-Fonds 47 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
103	WestFonds-PHG Gesellschaft WestFonds Wien 2 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
104	WestFonds-PHG Gesellschaft WestFonds 1 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
105	WestFonds-PHG Gesellschaft WestFonds 2 D mbH [1 15]	Düsseldorf	100.00	EUR	22.36	– 2.64
106	WestFonds-PHG Gesellschaft WestFonds 2 H mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
107	WestFonds-PHG Gesellschaft WestFonds 5 Aachen mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
108	WestFonds-PHG Gesellschaft WestFonds 5 Bremen mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
109	WestFonds-PHG Gesellschaft WestFonds 5 Frankfurt mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
110	WestFonds-PHG Gesellschaft Westfonds 6 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
111	WestFonds-PHG Gesellschaft WestFonds 7 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
112	WestFonds-PHG-Gesellschaft BI-Fonds 12 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
113	WestFonds-PHG-Gesellschaft BI-Fonds 14 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
114	WestFonds-PHG-Gesellschaft BI-Fonds 17 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
115	WestFonds-PHG-Gesellschaft BI-Fonds 18 S mbH [1 15]	Düsseldorf	100.00	EUR	22.36	– 2.64
116	WestFonds-PHG-Gesellschaft BI-Fonds 19 S mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
117	WestFonds-PHG-Gesellschaft BI-Fonds 23 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
118	WestFonds-PHG-Gesellschaft BI-Fonds 6 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
119	WestFonds-PHG-Gesellschaft KA Deutschland Beteiligungsgesellschaft mbH [1 15]	Düsseldorf	100.00	EUR	22.37	– 2.63
120	WestFonds-PHG-Gesellschaft KB Zwei Länder Beteiligungsgesellschaft mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
121	WestFonds-PHG-Gesellschaft RWI-Fonds 25 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
122	WestFonds-PHG-Gesellschaft RWI-Fonds 34 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
123	WestFonds-PHG-Gesellschaft RWI-Fonds 40 mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
124	WestFonds-PHG-Gesellschaft WestFonds 3 Berlin mbH [1 15]	Düsseldorf	100.00	EUR	22.43	– 2.57
125	WestFonds-PHG-Gesellschaft WestFonds 3 Düsseldorf mbH [1 15]	Düsseldorf	100.00	EUR	22.30	– 2.70
126	WestFonds-PHG-Gesellschaft WestFonds 4 mbH [1 15]	Düsseldorf	100.00	EUR	22.37	– 2.64
127	WestIB Westdeutsche Immobilien Beteiligungsgesellschaft mbH [4 15]	Düsseldorf	100.00	EUR	353.11	0.00
128	West-ISH-Beteiligungsgesellschaft mbH [4 15]	Düsseldorf	100.00	EUR	13,500.00	0.00

129	WestLB Akademie Schloss Krickenbeck GmbH [4 15]	Nettetal	100.00		EUR	153.40	0.00
130	WestLB do Brasil Participacoes, Representacoes e Negocios Ltda. [15]	São Paulo, Brazil	100.00		BRL	2,880.46	90.18
131	WestLB Holborn Limited [15]	George Town, Cayman Island	100.00		GBP	5.14	0.00
132	WestLB International Leasing GmbH [1 15]	Düsseldorf	100.00		EUR	200.63	114.93
133	WESTLB INTERNATIONAL SERVICES LTD. [1 15]	St. Helier, Jersey	100.00		GBP	435.50	– 4.94
134	WestLB Life Markets GmbH [4 15]	Düsseldorf	100.00		EUR	1,287.16	0.00
135	WestLB Limited [1 15]	London, United Kingdom	100.00		GBP	2,452.68	3,948.34
136	WestLB Property Services Limited [1 15]	London, United Kingdom	100.00		GBP	6,069.97	870.94
137	WestLB Securities SA (Pty) Ltd. [1 15]	Johannesburg, South Africa	100.00		ZAR	1,361.44	177.14
138	WestLB Servicios S.A. [1 15]	Buenos Aires, Argentina	95.00		ARS	2.82	– 1.28
139	WestLB Trust GmbH [4 15]	Düsseldorf	100.00		EUR	2,502.11	0.00
140	WestLB Trust Premium Select Management GmbH [1 15]	Düsseldorf	100.00		EUR	49.55	10.21
141	WestLB Trust Premium Select Verwaltungs GmbH [1 15]	Düsseldorf	100.00		EUR	35.63	4.12
142	WestLB Trust Verwaltung GmbH [1 15]	Schönefeld	100.00		EUR	24.41	– 19.06
143	WestLB Versorgungskasse GmbH [15]	Düsseldorf	100.00		EUR	25.26	0.08
144	WestLeasing Westdeutsche Leasing Holding GmbH [4 15]	Düsseldorf	100.00		EUR	11,627.75	0.00
145	WestMerchant Beteiligungs GmbH [1 15]	Düsseldorf	100.00		EUR	26.43	0.11
146	WestRM West Risk Markets AG [3 15]	Baar, Switzerland	100.00		CHF	15,934.49	– 28.82
147	WestTA Beteiligungsgesellschaft mbH [4 15]	Düsseldorf	100.00		EUR	645.93	0.00
148	WestTeam Marketing GmbH [4 12]	Düsseldorf	100.00		EUR	534.30	0.00
149	WestUBG – Westdeutsche Unternehmensbeteiligungsgesellschaft mbH [4 11]	Düsseldorf	100.00		EUR	10,635.13	0.00
150	WestVerkehr Beteiligungsgesellschaft mbH [1 15]	Düsseldorf	100.00		EUR	348.78	28.18
151	WIP Westdeutsche Immobilien Portfolio Managementgesellschaft mbH [1 15]	Düsseldorf	100.00		EUR	611.04	10.36
152	WMB Beteiligungs GmbH [1 8]	Düsseldorf	100.00		EUR	156.24	3.05
153	WMB Leasing Nine Limited [1 15]	London, United Kingdom	100.00		GBP	21.60	19.99
154	WMB Leasing Seven Limited [1 15]	London, United Kingdom	100.00		GBP	324.17	281.12
155	WMB Leasing Ten Limited [1 15]	London, United Kingdom	100.00		GBP	948.09	339.90
156	WMO Entwicklungsgesellschaft mbH [1 15]	Bonn	47.54	100.00	EUR	31.20	1.26

b. Subsidiaries under SIC-12

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
157	FACTORINGproM Funding Ltd.	Dublin 1, Ireland	0.00			n/a	n/a
158	RN Beteiligungs-GmbH [8]	Stuttgart	50.00		EUR	12,974.04	739.23
159	Tersicore Finance SrL [7]	Conegliano, Italy	0.00		EUR	10.00	0.60
160	Teseo Finance Srl [7]	Conegliano, Italy	0.00		EUR	10.00	0.00
161	Westcommodities Limited	George Town, Cayman Island	0.00			n/a	n/a
162	WestLB Mellon Compass Euro Balanced Fund	Senningerberg, Luxembourg	0.00			n/a	n/a
163	WestLB Mellon Pension Dynamic-Fonds WestLB Mellon AM KAG mbH Beschr.verf.ber.gem.InvG	Düsseldorf	0.00			n/a	n/a

2. Joint ventures

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
164	FEN Fachmarktzentrum ehemaliges Eisstadion Nürnberg Verwaltungs GmbH [1 15]	Berlin	50.00		EUR	49.75	2.37

165	Frankonia Eurobau Max-Viertel GmbH [1,15]	Nettetal	25.00		EUR	3,240.37	50.75
166	GID Gesellschaft für Innenstadtentwicklung in Duisburg mbH [1,15]	Hamburg	45.00		EUR	– 1.46	2.91
167	Grundstücksentwicklungsgesellschaft Krohnstieg-Süd mbH [1,15]	Bremen	45.00		EUR	– 2,942.05	– 243.77
168	Kampnagel 3. Grundstücksentwicklungs-gesellschaft mbH i.L. [1,8]	Hamburg	33.60		EUR	1,286.95	1,079.22
169	Objektgesellschaft KAP am Südkai GmbH i.L. [1,9]	Cologne	25.00		EUR	1,148.61	281.17

3. Associated companies

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
170	Börse Düsseldorf AG [15]	Düsseldorf	21.95		EUR	36,394.96	4,310.65
171	Entwicklungsgesellschaft Wohnpark Unna-Süd mbH [1,15]	Unna	33.33		EUR	456.92	172.20
172	European Policy Exchange Limited [15]	London, United Kingdom	72.90	38.61	EUR	5,814.30	2,018.92
173	GML Gewerbepark Münster-Loddenheide GmbH [1,15]	Münster	33.33		EUR	13,211.00	3,179.18
174	iclear GmbH	Mannheim	25.17			n/a	n/a
175	Platin 183. GmbH [15]	Frankfurt am Main	39.00		EUR	23.70	– 0.42
176	Projekt Zeppelin-Center Friedrichshafen Verwaltungs GmbH i.L. [1]	Bonndorf	25.00			n/a	n/a
177	Reschop Carré Hattingen GmbH [1,15]	Düsseldorf	40.00		EUR	– 1,064.65	– 158.30
178	Reschop Carré Marketing GmbH [1,15]	Düsseldorf	40.00		EUR	16.03	3.53
179	S-Chancen-Kapitalfonds NRW GmbH [15]	Münster	50.00		EUR	25,982.32	– 2,225.29
180	StadtGalerie Witten GmbH [1,15]	Düsseldorf	40.00		EUR	– 957.44	54.52
181	StadtGalerie Witten Marketing GmbH [1,15]	Düsseldorf	40.00		EUR	25.74	13.24
182	S-Verbund-Clearing NRW GmbH [15]	Düsseldorf	33.33		EUR	30.00	0.00
183	SWest Objektgesellschaft Rechenzentrum mbH i.L. [15]	Düsseldorf	50.00		EUR	5,129.87	989.97
184	Westfalia-Automotive Holding GmbH [11]	Rheda-Wiedenbrück	41.84		EUR	22,853.64	5,472.62
185	WPW Immobilienentwicklungs-gesellschaft Nr. 1 mbH i.L. [1,15]	Trier	33.33		EUR	327.87	– 0.69

4. Stakes in other companies

a. Stake of at least 20%

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
186	COREplus Private Equity Partners GmbH & Co. KG [1,15]	Düsseldorf	36.52	0.00	EUR	39,914.44	– 604.94
187	Garnet Real Estate LLC	New York, USA	100.00			n/a	n/a
188	IFV ImmobilienFonds Verwaltungsgesellschaft Objekte Halle, Essen und Magdeburg mbH [15]	Ingelheim am Rhein	40.00		EUR	40.18	5.18
189	Indigo Land Bell Construction LLC	New York, USA	100.00			n/a	n/a
190	Indigo Land Cleveland Avenue, LLC	New York, USA	100.00			n/a	n/a
191	Indigo Land Exchange GMO, LLC	New York, USA	100.00			n/a	n/a
192	Indigo Land Groveland LLC	New York, USA	100.00			n/a	n/a
193	Indigo Land Inlet at Sebastian LLC [15]	Dover, USA	100.00		USD	362.54	0.00
194	Indigo Land Majestic Bay LLC	New York, USA	100.00			n/a	n/a
195	Indigo Land Mt. Dora Development LLC	New York, USA	100.00			n/a	n/a
196	Indigo Land Northwood LLC	New York, USA	100.00			n/a	n/a
197	Indigo Land Progresso Lofts, LLC	New York, USA	100.00			n/a	n/a
198	Indigo Land Riverside Landings LLC	New York, USA	100.00			n/a	n/a
199	Indigo Real Estate LLC [15]	New York, USA	100.00		USD	9,487.38	0.00
200	Lantana W. Holdings LLC	New York, USA	100.00	0.00		n/a	n/a
201	METRO Group Asset Management GmbH [9]	Saarbrücken	33.33	0.00	EUR	51.64	3.64
202	Pacific Ethanol Equity Holdings LLC	New York, USA	100.00			n/a	n/a
203	S Institut für Marketing & Kundenbindung GmbH [8]	Elsdorf	37.50		EUR	3,616.15	8.62

204	Spring Holdco Limited	London, United Kingdom	100.00	0.00		n/a	n/a
205	West Pensionsfonds AG [15]	Düsseldorf	49.90		EUR	5,296.10	– 119.57
206	Westfälische Textil-Gesellschaft Klingenthal & Co. mit beschränkter Haftung [10]	Salzkotten	25.26		EUR	11,113.86	– 74.70
207	Westfonds 5 Büropark Aachen Laurensberg KG [1 15]	Düsseldorf	49.11		EUR	9,299.95	524.37
208	WestFonds 5 Palazzo Fiorentino Frankfurt KG [1 15]	Düsseldorf	45.62		EUR	69.00	– 8,137.38
209	WestFonds 5 Walle-Center Bremen KG [1 15]	Düsseldorf	46.03		EUR	14,708.19	824.86
210	White W. Holding LLC	New York, USA	100.00			n/a	n/a
211	WLB ASA Ethanol LLC	New York, USA	100.00			n/a	n/a

b. Stake in voting rights over 5% (large corporations)

No.	Name	Place	Stake	Voting Rights, if different	WKZ	Share Capital	Result
212	AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung [15]	Frankfurt am Main	5.02		EUR	153,142.18	5,150.00
213	DEUTSCHE ANLAGEN-LEASING GmbH [1 15]	Mainz	6.00		EUR	25,323.31	11,433.31
214	Deutscher Sparkassenverlag GmbH [15]	Stuttgart	5.41		EUR	95,620.98	15,007.75

c. Other partnerships where WestLB is a general partner with unlimited liability

215	GBR Industrie- und Handelskammer Rheinisch-Westfälische-Börse	Düsseldorf	5.88	5.00	EUR	n/a	n/a
216	GLB GmbH & Co. OHG	Frankfurt am Main	15.47		EUR	n/a	n/a

Footnotes
1 = indirectly held
2 = including shares held indirectly
3 = letter of comfort
4 = profit and loss pooling agreement
5 = data as of Dec. 31, 2005
6 = data as of Mar. 31, 2006
7 = data as of Dec. 31, 2006
8 = data as of Dec. 31, 2007
9 = data as of Dec. 31, 2008
10 = data as of June 30, 2009
11 = data as of Sep. 30, 2009
12 = data as of Oct. 31, 2009
13 = data as of Nov. 30, 2009
14 = data as of Dec. 14, 2009
15 = data as of Dec. 31, 2009
16 = data as of Oct. 31, 2010

Düsseldorf, March 1, 2011

WestLB AG

The Managing Board

Dietrich Voigtländer	Hubert Beckmann	Klemens Breuer
Thomas Groß	Dr. Hans-Jürgen Niehaus	Werner Taiber

Auditor's Opinion

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

"We have audited the annual financial statements, which consist of the balance sheet, statement of income and notes to the annual financial statements, together with the bookkeeping system, and the statement of financial condition prepared by WestLB AG, Düsseldorf, for the financial year ending December 31, 2010. The bookkeeping and preparation of the annual financial statements and statement of financial condition according to German commercial law regulations is the responsibility of the legal representatives of the Company. It is our task to give an opinion on the annual financial statements, together with the bookkeeping system, and the statement of financial condition on the basis of our audit.

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

Our audit resulted in no objections.

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

Without qualifying this opinion, we draw attention to the following special circumstance: As presented in the ‘Outlook’ section of the statement of financial condition, the accounting in the present financial statements and presentation of future performance in the statement of financial condition have been based on the assumption that the revised restructuring plan will be approved. A majority change in ownership or, alternatively, a division of the bank are also possible. If the required decisions for these changes are made, the further transformation may have lasting material adverse effects on WestLB AG’s net assets, financial condition and earnings in the coming years.”

Düsseldorf, March 1, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werthmann	Lösken
German Public Accountant	German Public Accountant

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of WestLB AG, and the management report includes a fair review of the development and performance of the business and the position of WestLB AG, together with a description of the principal opportunities and risks associated with the expected development of WestLB AG.

Düsseldorf, March 1, 2011

The Managing Board
WestLB AG

Dietrich Voigtländer

Hubert Beckmann

Klemens Breuer

Thomas Groß

Dr. Hans-Jürgen Niehaus

Werner Taiber

Report of the Supervisory Board

WestLB AG's 2010 fiscal year was dominated by the implementation of the conditions from the decision of the European Commission dated May 12, 2009 and, on a related basis, the establishment of a sustainably profitable core bank. The Supervisory Board, owners and Managing Board worked closely with the Special Fund Financial Market Stabilisation and German Federal Ministry of Finance on the necessary steps.

In late April 2010, the Supervisory Board and Shareholders' Meeting voted on and then signed a comprehensive package of agreements on spinning off the so-called main portfolio of non-essential strategic activities on the basis of the § 8a framework agreement executed in December 2009. The relevant portfolios were transferred to Erste Abwicklungsanstalt (EAA) soon thereafter, with retroactive effect as of January 1, 2010.

In addition, Attorney Friedrich Merz was appointed Sales Agent in June 2010. Pursuant to the condition of the European Commission from its decision of May 12, 2009, an advertisement for the sale of WestLB AG was published on September 30, 2010 in order to expedite the majority change in ownership required of the Bank. The Sales Agent reported regularly on the status of the selling process at the meetings of the Supervisory Board.

In a decision dated November 5, 2010, the European Commission instituted extended investigation proceedings into the transfer of non-essential strategic activities to EAA. Although Germany, in an opinion dated December 22, 2010, reiterated its disagreement with the Commission's position that this measure included an impermissible aid element in the amount of € 3.4 billion, the Federal Republic gave its assurance in a meeting with Vice President Almunia on November 15, 2010 that a revised restructuring plan which takes account of the further restructuring requirements laid down by the Commission would be submitted by February 15, 2011.

These challenges placed special demands on the Supervisory Board and its committees during the past fiscal year to support the Managing Board in its work, receive up-to-the-minute reports about current developments and make the necessary decisions.

Supervision and Advising of Management

In the year under review, the Supervisory Board continually advised the Managing Board, supervised its management and actively supported the Bank within the scope of the tasks required of supervisory boards by law at a total of 15 meetings. Accordingly, the Supervisory Board performed its duties in full keeping with the statutory provisions as well as the Bank's own articles and bylaws. The Managing Board provided the Supervisory Board and its committees with detailed reports on a continuous basis. All important aspects of planning, the course of business, company management and strategy, as well as material events and transactions, were covered. Decisions and transactions requiring the Supervisory Board's approval were presented to the Supervisory Board, and a decision was made.

The Supervisory Board supervised and examined the Managing Board's management activities on the basis of the information provided and requested as well as the documents submitted. The Chairman and Vice Chairwoman of the Supervisory Board and the Chairman of the Managing Board regularly discussed current issues and Managing Board decisions.

Supervisory Board Meetings

The Supervisory Board held meetings in 2010 on January 25, February 24, March 22, April 23, April 30, May 28, June 18, August 13, September 20, October 6, October 26, November 6, November 18, November 29 and December 13.

At these meetings, the Supervisory Board regularly focused on a detailed discussion of the state of the Bank's business on the basis of the report presented by the Managing Board. In addition, the Chairmen of the Risk Committee and Audit Committee presented reports on their committees' work. The Supervisory Board also routinely discussed Managing Board affairs, made decisions concerning equity investments presented for its approval and appointed and removed advisory council members.

In addition to these regular agenda items, the Supervisory Board discussed the projected earnings for fiscal year 2009 presented by the Managing Board, reviewed the 2010 budget, received the status report on FMStFG measures, and resolved to close the branch offices in Paris and Toronto in further fulfillment of the conditions set by the European Commission at its meeting on January 25, 2010. It also examined the implementation of the changes in the regulatory framework and recommended practices in the Bank's articles and bylaws.

At its meeting on February 24, 2010, the Supervisory Board approved the conclusion of a D&O insurance policy.

The Supervisory Board met again on March 22, 2010, and, after hearing the reports by the Chairman of the Audit Committee and the auditor, dealt at length with the audit, discussion and adoption of the 2009 single-entity financial statements and statement of financial condition and adopted the Corporate Governance Report of WestLB AG to be included in the 2009 Annual Report.

At its extraordinary meeting on April 23, 2010, the Supervisory Board adopted resolutions, and proposed resolutions for adoption by the ensuing Shareholders' Meeting, which created the legal basis for the spin-off of the main portfolio into EAA.

Items addressed at the Supervisory Board meeting held on April 30, 2010 included the audit, discussion and approval of the 2009 Group financial statements and the resolution on the Report of the Supervisory Board to be included in the 2009 Annual Report, as well as proposals for the Shareholders' Meeting concerning ratification of the acts of the Managing Board and Supervisory Board for 2009 and appointment of the external auditors for fiscal year 2010. In addition, the Supervisory Board recommended that the Shareholders' Meeting elect Dr. Annette Messemer and Hildegard Müller as new members of the Supervisory Board. Earlier, Dr. Wolfgang Kirsch and Harry Voigtsberger had resigned from the Supervisory Board effective April 30, 2010. Subject to their election by the Shareholders' Meeting, the Supervisory Board also appointed Dr. Messemer as a member of the Audit Committee and Risk Committee and Ms. Müller as a member of the Executive Committee. Additionally, the Supervisory Board recommended that the Shareholders' Meeting adopt a resolution to amend the articles of association to include information about the newly formed Guarantors' Committee.

In addition to receiving the regular reports, the Supervisory Board heard details about the 2009/2010 compensation round at the Supervisory Board meeting on May 28, 2010.

Managing Board affairs were discussed at the additional meeting of the Supervisory Board held on June 18, 2010.

After Former Lord Mayor Dr. Gerhard Langemeyer stepped down from the Supervisory Board effective June 30, 2010, the Supervisory Board decided by means of a written vote taken on June 29, 2010 to recommend that the Shareholders' Meeting elect Heinz Paus, Mayor of the City of Paderborn, as a member of the Supervisory Board and appointed him, subject to the resolution of the Shareholders' Meeting, as a member of the Risk Committee.

In another written vote taken outside of a meeting, the Supervisory Board recommended, after Former Minister Dr. Helmut Linssen resigned from the Supervisory Board as of August 12, 2010, that the Shareholders' Meeting elect Dr. Norbert Walter-Borjans, Finance Minister of the State of North Rhine-Westphalia, as a member of the Supervisory Board. In addition, the Supervisory Board appointed Dr. Walter-Borjans, subject to the resolution of the Shareholders' Meeting, as a member of the Executive Committee.

The Supervisory Board meeting on August 13, 2010 addressed the regular items on the agenda and also adopted the resolution on the sale of Banque d'Orsay S.A., Paris.

At its meeting on September 20, 2010, the Supervisory Board examined the potential merger with BayernLB under discussion. Among other items, the Supervisory Board also approved the sale of WestLB International S.A., Luxembourg, at this meeting, clearing the way for the fulfillment of another condition of the European Commission.

The Supervisory Board reconvened on October 6, 2010, and adopted additional resolutions related to the selling process for Westdeutsche ImmobilienBank. Along with other equity investments, this topic was also a main agenda item at the Supervisory Board meeting held on October 26, 2010.

Following the decision of BayernLB to break off talks about the exploration of a merger and the statements made on November 5, 2010 by the European Commission, the Supervisory Board convened at short notice on November 6, 2010 for another meeting and heard details from the Managing Board about the current situation.

At an extra meeting held on November 18, 2010, the Supervisory Board again discussed the further course of action regarding the selling process for Westdeutsche ImmobilienBank.

The Supervisory Board convened for another extra meeting on November 29, 2010 to review the topic of liability issues.

At the regular Supervisory Board meeting on December 13, 2010, the Managing Board informed the Supervisory Board, among other items, about the status of the revision of the restructuring plan and the further basis for planning. The Supervisory Board also discussed equity investments readybank and Westdeutsche ImmobilienBank and adopted a resolution on renewing the D&O policy.

Work in the Committees

The Executive Committee met a total of eight times in 2010, namely on January 25, March 22, April 30, May 20, May 28, August 13, September 20 and December 13, 2010, and also discussed current items in four conference calls (June 9, June 25, October 27, November 5). In addition to preparing the meetings of the full Supervisory Board which followed, the Executive Committee discussed the Managing Board mandates and Managing Board affairs at its meetings and additionally received status reports on ongoing judicial proceedings. At its December meeting it made the anticipatory resolution for 2011 on loans to members of the Bank's governing bodies pursuant to § 15 of the German Banking Act (KWG).

The Audit Committee discussed all topics relevant to the single-entity and Group financial statements at its meetings on March 11 and April 13, 2010. In addition to reviewing the related audit reports and resolutions, the Audit Committee was briefed on the results of special audits which were ordered, and a proposal for the appointment of the external auditors was prepared.

The Risk Committee convened a total of four times in 2010. At its meetings on February 26, May 20, September 1 and November 25, 2010, it discussed WestLB's risk situation, discussed the Bank's risk strategies at length, issued its approval for loans to members of the Bank's governing bodies where § 15 of the German Banking Act (KWG) requires such approval and took note of the approval requests for large loans as defined under § 13a of the German Banking Act (KWG). The Risk Committee also dealt with the Bank's Basel II compliance and the outlook for Basel III, heard details from the Managing Board about collateral management and the results of external audits performed at international locations, and, in addition, reviewed the presentation of the derivatives portfolio and special projects of the Bank.

The Mediation Committee did not meet in 2010.

Audit and Adoption of the 2010 Single-Entity and Group Financial Statements

On March 24, 2011, the Supervisory Board adopted the 2010 single-entity financial statements and approved the 2010 Group financial statements. The Supervisory Board also prepared a recommendation for the Shareholders' Meeting to ratify the acts of the Managing Board and Supervisory Board and appoint the external auditors for 2011.

Supervisory Board members received copies, in a timely manner, of the single-entity financial statements and statement of financial condition prepared by the Managing Board, the Group financial statements and Group statement of financial condition, the external auditors' reports on the single-entity financial statements and Group financial statements, as well as the annual summary report prepared by Group Audit, pursuant to the Minimum Requirements for the Internal Audit Function of Banks. The external auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, attended the relevant meetings of both the Supervisory Board and Audit Committee. The Audit Committee discussed the external auditors' reports on the single-entity financial statements and Group financial statements at its meeting on March 22, 2011. The external auditors audited the single-entity financial statements and statement of financial condition, as well as the Group financial statements and Group statement of financial condition, for the 2010 fiscal year. The financial statements and statements of financial condition of WestLB AG and WestLB Group, as well as the bookkeeping on which they are based, received the external auditors' unqualified audit opinion.

The Supervisory Board and Audit Committee examined the financial statements and statements of financial condition and discussed the reports of the external auditors on the results of their audit. Based on the final result of this review, no objections were raised.

Düsseldorf, March 24, 2011

The Chairman of the Supervisory Board

Michael Breuer

Corporate Governance at WestLB AG

Responsible and transparent corporate governance on the part of companies active in the international financial markets requires coherent corporate governance standards. In addition, it is a fundamental goal of WestLB AG to make a contribution towards promoting the confidence of national and international investors, customers, employees and the public at large in the management and supervision of banks.

Although only listed German companies are required to comply with the German Corporate Governance Code (the "GCGC"), WestLB AG therefore decided voluntarily in 2006 to base its corporate governance on the GCGC, in its current version and any revised versions.

The GCGC reflects essential statutory regulations for the management and supervision of German listed companies and contains nationally and internationally recognised standards for good and responsible governance. The GCGC clarifies the obligation of the Managing Board and the Supervisory Board to ensure the continued existence of the enterprise and its sustainable creation of value in conformity with the principles of the social market economy.

We make information concerning our compliance with the recommendations of the GCGC a regular part of our Annual Report and also publish it on our website at www.westlb.com.

Compensation Report

The subject of compensation has become a focus of public attention because of the financial market crisis. In response to a call made by G 20 members, the Financial Stability Board published the "Principles for Sound Compensation Practices" in April 2009, which it then supplemented with detailed "Implementation Standards" in September 2009. Germany and the other G 20 members have pledged to implement the FSB principles and standards.

Having regard to the implementation of the FSB principles and standards, the Managing Board of WestLB AG issued the following voluntary undertaking on December 4, 2009:

"The establishment of appropriate governance structures and adequate risk management instruments has high priority for us as a globally operating company with extensive and complex business activities. Our compensation systems will be structured in such a way that they more effectively support our corporate goals, which are aligned with the principles of sustainability. For this reason, we commit ourselves fully to the 'Principles for Sound Compensation Practices – Implementation Standards' of the Financial Stability Board (FSB) of September 25, 2009. We will implement these principles as quickly as civil, labour and corporate law allow and will be mindful of them when determining the compensation for the 2009 fiscal year. Since all G 20 members have pledged to implement the FSB principles, we are also making an important contribution with our commitment to ensuring a level playing field worldwide."

By giving this voluntary undertaking, WestLB AG is emphasising that it takes the FSB principles seriously and is committed to pursuing a compensation policy which is geared towards sustainability.

WestLB has adjusted its compensation system accordingly.

WestLB AG discloses the compensation of its Managing Board in a compensation report which, as part of the corporate governance report, also describes the principles of the compensation system for Managing Board members. The compensation report also includes information about the composition and amount of compensation paid to the Supervisory Board.

In all other respects, the publication of information relating to the compensation paid to members of the governing bodies is handled pursuant to the German Financial Market Stabilisation Fund Act (FMStFG) and the agreements entered into with the Special Fund Financial Market Stabilisation (SoFFin).

Compensation of the Managing Board

The responsibility for preparing the appointment of Managing Board members, including their employment contracts, rests with the Executive Committee of the Supervisory Board of WestLB AG. On this basis, the Supervisory Board determines the compensation for the Managing Board members of WestLB AG in accordance with the statutory requirements and SoFFin/FMStFG requirements. This applies, in particular, to salaries and other components of compensation, including pension commitments. Employment agreements detailing the remuneration are concluded with the members of the Managing Board.

The fixed component, a basic compensation not directly linked to performance, is paid on a monthly basis as salary. It is typically reviewed when employment agreements are renewed. It also includes non-cash compensation awarded in customary amounts. Essentially, such non-cash compensation covers the use of a company car for business purposes and the payment of insurance premiums.

WestLB grants its Managing Board members additional, job-related benefits, including reimbursement of their expenses for a home office, annual medical check-ups, business trips and appropriate security.

Until the FMStFG and related agreements with SoFFin entered into force, there was also an individual end-of-year bonus which was conceived as an incentive system.

To stabilise the Bank, WestLB entered into extensive agreements with SoFFin which took effect on November 1, 2009. All Managing Board members signed an undertaking as part of these agreements, which is publicly available on our website. In this context the total compensation for each Managing Board member has been capped at € 500,000 per year since November 1, 2009.

Compensation of the Supervisory Board

The compensation of the Supervisory Board, which members receive after the close of the fiscal year, is set at a reasonable level by a resolution of the Shareholders' Meeting.

The Company compensates the Supervisory Board members for their out-of-pocket expenses and any value-added tax they pay on their compensation, if they invoice the tax separately.

Remuneration of the Governing Bodies in 2010

The remuneration of the governing bodies of WestLB AG in the 2010 fiscal year was as follows:

	1. 1.–31. 12. 2010 € millions	1. 1.–31. 12. 2009 € millions
Total remuneration of the Managing Board*	**3.1**	**9.7**
– fixed	3.1	8.6
– performance-based	0.0	0.9
– from holding supervisory board seats at Group subsidiaries	0.0	0.2
Total remuneration of former Managing Board members and their survivors	**6.6**	**6.6**
Total remuneration of Supervisory Board members	**1.2**	**1.1**
– fixed	1.2	1.1
– performance-based	0.0	0.0
– performance-based with long-term incentive effects	0.0	0.0
Pension provisions for former Managing Board members and their survivors	**67.5**	**72.6**

* A total of € 2.1 million was allocated to pension provisions for Managing Board members in 2010 (2009: € 1.3 million). This figure also includes amounts related to changes in the calculation of pension obligations introduced under the German Accounting Law Reform Act.

In the 2010 fiscal year there were no promises of benefits within the meaning of Section 4.2.4 of the GCGC which were granted to a Managing Board member of WestLB AG in case of premature or statutory termination of the function as a Managing Board member or which have been changed during the fiscal year.

Directors Dealings (Disclosures Pursuant to Section 6.6 of the GCGC)

None of our Managing Board or Supervisory Board members directly or indirectly own shares in WestLB AG or related financial instruments.

Declaration of Conformity 2010

The Managing Board and Supervisory Board herewith declare for 2010 that WestLB AG complied with the recommendations of the "Government Commission of the German Corporate Governance Code" as amended on May 26, 2010, with the following exceptions:

- We do not follow the recommendation in Section 2.3.1 Sentence 3 and Section 2.3.2 of the GCGC to publish the documents required for shareholders' meetings on our website and send the notices of meeting and related documents by electronic means. This recommendation is tailored to the information needs of shareholders, most notably foreign shareholders, in listed stock corporations. It does not serve the particular needs of WestLB AG's shareholders, since the company is not listed. In agreement with its owners, WestLB AG mails each of them the relevant documents and information directly.

- Section 4.2.1 Sentence 2 of the GCGC recommends making the allocation of duties among individual Managing Board members part of the rules governing the conduct of its business. WestLB AG refrains from specifying fixed responsibilities for its Managing Board members in the rules for conducting business in order to ensure maximum flexibility. The duties of individual members are regulated in an organisational chart.

- We do not follow the recommendations in Section 5.1.2 Paragraph 2 Sentence 3 and Section 5.4.1 Sentence 2 of the GCGC to specify an age limit for Managing Board and Supervisory Board members. WestLB AG believes that the age of Board members is not a sufficient measure of their qualification to serve.

- Section 5.3.3 of the GCGC recommends that the Supervisory Board form a nominating committee to propose suitable candidates to the Supervisory Board for recommendation to the Shareholders' Meeting. At WestLB AG, the candidates to serve as the shareholder representatives on the Supervisory Board are recommended regularly by the owners themselves. WestLB AG will therefore not be forming a nominating committee.

- Section 5.4.6 Paragraph 2 Sentence 1 of the GCGC recommends that members of the Supervisory Board receive performance-based compensation in addition to fixed compensation. The Bank believes that performance-based compensation could affect the objectivity of the Supervisory Board. The Shareholders' Meeting of WestLB AG has therefore determined that the members of the Supervisory Board will receive a fixed remuneration.

To view the declaration of conformity on the web, point your browser to www.westlb.com and click "Corporate Responsibility/Corporate Governance".

Düsseldorf, March 24, 2011

Representing the Supervisory Board

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The single-entity accounts are also available in German and can be inspected on the Internet at www.westlb.com/Investor Relations.

Disclaimer
Reservation regarding forward-looking statements

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

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