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# Press Release

## WestLB Posts Pre-Tax Profit of € 302 Million in First Half

- Operating income rises substantially to € 1,243 million (+34%)
- Administrative expenses reduced sharply by 24% – restructuring begins to bite
- Impairment charge for credit losses increased substantially
- Options for streamlining the balance sheet through Financial Markets Stabilisation Act

WestLB Group posted a pre-tax profit of € 302 million in the first half of 2009. This was attributable above all to the substantial rise in operating income, which increased by 34% to € 1,243 million compared with the same period of the previous year (excluding the Phoenix ring-fence gain). The key earnings driver was the sharp increase in net interest income, reflecting the growth of customer business. The Bank made further progress on the cost front, reducing administrative expenses by roughly one quarter. Dietrich Voigtländer, Acting Chairman of the WestLB Managing Board since May 18, 2009, said: “WestLB put in a solid performance in the first half of the year. The restructuring measures introduced at an early stage are clearly beginning to bear fruit, both in terms of the profits generated from our customer business and on the cost front. Our customers are convinced of our ability and potential – we remain a reliable financing partner.” The result in the first half of 2008 (€ 657 million) was influenced considerably by the transfer of the structured securities portfolio to the Phoenix special purpose vehicle, which led to a ring-fence gain of € 962 million in 2008.

### Sharp Rise in Net Interest Income

**Net interest income** rose by € 243 million in the first half of 2009, up 38% to € 889 million from the same period of the previous year. At € 495 million, the figure for the second quarter exceeded the already excellent result of the first three months by more than a quarter. By increasing the **impairment charge for credit losses** to € -368 million (HY1 2008: € -186 million) at the half-year stage, the Bank made adequate provisions for the substantially higher risks incurred as a result of the global recession. The half-year result for 2008 included income of € 88 million from the transfer of previously adjusted holdings to the Phoenix special purpose vehicle. Compared with the previous-year figure adjusted for this effect, this represents an increase of 34%. Against the backdrop of market-induced declines above all in the securities and custody business, **net fee and**

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**commission income** in the first half of 2009 amounted to € 140 million (HY1 2008: € 193 million). The **net trading result** of € 249 million was influenced substantially by the successful business with interest rate products. Market value losses on top-rated securities (mainly bonds issued by European governments and municipal bonds) totalled roughly € 67 million. Measurement mismatches related to the application of IAS 39 drove the trading result down by € 92 million. There were positive effects from spread changes on own liabilities amounting to approximately € 204 million. The trading result in the first half of 2008 (€ 589 million) resulted largely from the ring-fence gain under the Phoenix risk shield. The **result from financial investments**, which amounted to € -2 million in the first six months of 2009, was likewise influenced considerably by Phoenix in the same period of the previous year (€ 99 million).

#### **Personnel Costs Down 30%**

The prudent management of personnel and operating costs is beginning to have a sustainable impact: Administrative expenses fell by € 183 million, or 24%, in the first half of 2009 to € 573 million. Personnel costs were reduced by 30%, or € 121 million, to € 287 million. At the end of June 2009, the number of full-time employees stood at 5,208, 455 fewer than at the end of 2008 and 786 fewer than at the end of June 2008. Other administrative expenses decreased by € 68 million (-22%) to € 247 million.

#### **Customer Business Strengthened**

In the **Corporates and Structured Finance** segment, profit before taxes rose to € 73 million (HY1 2008: € -9 million). WestLB confirmed its strong market position in particular in promissory note business, acquisition finance, international project finance business and corporate bonds. The result in the **Verbund and Real Estate** segment of € -30 million (HY1 2008: € -4 million) was attributable essentially to the deconsolidation of Weberbank. Operating development in this segment was in line with expectations. The volume of business with the savings banks' retail clients (e.g. capital-guaranteed investment products) and the public sector increased significantly over the previous year. The markedly improved result in the **Capital Markets** segment of € 386 million (HY1 2008: € 49 million) benefited especially from the successful business in the money market and with structured interest rate products. In **Transaction Banking** the low money market interest rates had an adverse impact on the half-year result of € -12 million (HY1 2008: € -9 million). The total volume of transactions showed a further increase. The volume of new business of readybank, which operates in the consumer credit field, grew by 88% compared with the same period of 2008. The **Omega** segment, which pools all portfolios which the Bank has identified as non-strategic and plans to wind down, contributed € 59 million (HY1 2008: € -222 million) in the first half-year to the profit before taxes. Valuation increases and, therefore, lower charges against earnings, in particular from government bonds and government-guaranteed securities as well as from debt instruments issued by financial institutions played a major role here.

### **Restructuring Making Good Progress – Options for Streamlining the Balance Sheet**

WestLB is pressing ahead with the systematic implementation of the conditions laid down by the European Commission. The Bank is clearly on course with the downsizing and refocusing of its operations: Weberbank and our Hungarian subsidiary WestLB Hungaria have already been sold and the representative offices in Prague, Seoul, Peking and Johannesburg have been closed. Further steps for streamlining the domestic and international branch network will follow by the end of the year. At the same time we are sharpening our profile by focusing on customer business in the three areas Capital Markets / Corporates / Structured Finance, Verbund / Mid Caps and Transaction Banking.

The total assets of the WestLB Group decreased in the first half of 2009 by € 33.6 billion (-12%) to € 254.5 billion compared with the end of 2008. The decrease was predominantly attributable to the ongoing systematic reduction of non-strategic assets as well as lower fair values of derivative financial instruments. Trading assets fell by € 19.1 billion and receivables under reverse repo transactions by € 4.6 billion. Loans and advances to customers fell by € 4.3 billion compared to the end of 2008. On the liabilities side, equity capital rose by 8% to € 4.1 billion. The core capital ratio dropped to 5.7% (31.12.2008: 6.4%).

Risk-weighted assets amounted to € 90.2 billion at the end of June 2009 and thus fell by € 2.7 billion vis-à-vis the end of the first quarter of 2009 (31.12.2008: € 88.5 billion). This reflects, amongst other things, the improved risk profile of the Bank.

The Bank expects to take a major step forward in improving its capital ratios by leveraging the options available under the amendment to the Financial Markets Stabilisation Act (FMStFG). "The new legislation offers effective and flexible possibilities for streamlining the balance sheet. We are holding intensive discussions with our owners, SoFFin and the supervisory authorities on the ring-fencing of non-strategic assets off the balance sheet. The legislation offers the opportunity to satisfy a key requirement for a consolidation among Germany's Landesbanks and, in particular, to free up capital resources in order to continue to secure the supply of credit to the economy," Acting Chairman Dietrich Voigtländer added. The earnings picture in the second half of the year hinges on the further development of the markets and the economy as well as on the concrete steps taken to ring-fence non-strategic assets off the balance sheet. In light of this, we refrain from making a forecast at the present time.

### **Enclosures**

Group Statement of Income January 1 – June 30, 2009

Group Balance Sheet as at June 30, 2009

The full Interim Report will be published on August 18, 2009.

**Statement of Income for the Period January 1 – June 30, 2009 for the WestLB Group**

€ millions	1.1 – 30.06.2009	1.1. - 30.06.2008	Change
<b>GROUP STATEMENT OF INCOME</b>			
Net interest income	889	646	243
Impairment charge for credit losses	-368	-186	-182
Net interest income after impairment charge for credit losses	521	460	61
Net fee and commission income	140	193	-53
Net trading result	249	589	-340
Result from financial investments	-2	99	-101
Administrative expenses	573	756	-183
Other operating income and expense	-33	276	-309
Restructuring expenses	0	204	-204
<b>Profit before income tax</b>	<b>302</b>	<b>657*</b>	<b>-355</b>
Income taxes	-78	-77	-1
<b>Profit after income tax</b>	<b>224</b>	<b>580</b>	<b>-356</b>

\*Adjusted for effects of the one-time ring-fence gain of € 962 million from the sale of structured securities portfolios to the Phoenix independent special purpose vehicle

**Balance Sheet as at June 30, 2009 for the WestLB Group**

€ billions	30.06.2009	31.12.2008	Change
<b>ASSETS</b>			
Cash and balances with central banks	1.9	2.1	-0.2
Loans and advances to banks	9.8	11.8	-2.0
Loans and advances to customers	107.9	112.2	-4.3
Allowances for losses on loans and receivables	-1.6	-1.2	-0.4
Receivables under reverse repo transactions	25.4	30.0	-4.6
Trading assets	69.1	88.2	-19.1
Financial assets designated at fair value	23.8	26.2	-2.4
Financial investments	10.6	11.3	-0.7
Other assets	7.6	7.5	0.1
<b>Total assets</b>	<b>254.5</b>	<b>288.1</b>	<b>-33.6</b>

<b>LIABILITIES AND EQUITY</b>			
Liabilities to banks	34.7	35.6	-0.9
Liabilities to customers	24.9	29.7	-4.8
Certificated liabilities	38.1	35.2	2.9
Liabilities under repurchase agreements	36.0	41.5	-5.5
Trading liabilities	51.6	67.9	-16.3
Financial liabilities designated at fair value	54.1	62.3	-8.2
Subordinated debt	5.5	6.3	-0.8
Equity	4.1	3.8	0.3
Other liabilities	5.5	5.8	-0.3
<b>Total liabilities and equity</b>	<b>254.5</b>	<b>288.1</b>	<b>-33.6</b>