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# Press Release

## WestLB Posts Pre-Tax Profit of € 262 Million after Nine Months

- Operating income rises substantially to € 1,707 million (+39%)
- Costs reduced sharply (-17%)
- Impairment charge for credit losses increased to € 582 million (9M 2008: € 345 million)
- Milestone reached in reducing risk and streamlining the balance sheet

WestLB Group posted a pre-tax profit of € 262 million in the first nine months of 2009. This represents an increase of € 620 million compared with the adjusted figure for the same period of the previous year, which was strongly influenced by a ring-fence gain of € 962 million from the transfer of structured securities portfolios to the Phoenix special purpose vehicle. The result for the first nine months of 2009 includes a significantly higher impairment charge for credit losses due to the global recession. Operating income developed very positively, however, driven by a sharp increase in net interest income, which climbed by 39% to € 1,707 million compared with the adjusted figure for the year-earlier period.

Dietrich Voigtländer, Chairman of the Managing Board, said: "Our earnings development is satisfactory. Operationally we are on track, and the stronger focus on the customer business is bearing fruit. Moreover, it is becoming clear that the measures which we have systematically introduced to cut our costs are beginning to have a sustainable impact." Administrative expenses have fallen by 17% year-on-year.

### Net Interest Income Rises by 50%

**Net interest income** rose by € 450 million to € 1,347 million (9M 2008: € 897 million) in the period under review. By increasing the **impairment charge for credit losses** to € 582 million (9M 2008: € 345 million), the Bank made adequate provisions for the substantially higher risks incurred as a result of the global recession. **Net fee and commission income** fell from € 289 million to € 204 million. The decrease was attributable to the securities and custody business, which remained weak because of market conditions. The **net trading result** was heavily influenced by measurement effects and amounted to € 137 million. There were positive effects from government bonds and similar assets in our portfolio, i.e. top-rated securities, which gained € 147 million in value. We recorded negative effects of € 122 million from market-induced credit spread changes with own liabilities and of € 78 million from measurement mismatches related to

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the application of IAS 39. The net trading result of € 631 million in the first nine months of the previous year had been largely shaped by the ring-fence gain from the Phoenix risk shield in an amount of € 763 million. The **result from financial investments** in the first nine months of 2009 stood at € 52 million. This matches the previous year's level, which had likewise been driven by the transfer of portfolios to Phoenix and generated income of € 111 million.

The cost-cutting measures which have been introduced are having a sustainable impact. **Administrative expenses** have been reduced by € 177 million, or 17%, from the year-earlier period to € 863 million. Personnel expenses fell 18% to € 429 million. The number of full-time employees totalled 5,153 at September 30, 2009, 725 fewer than at the end of the third quarter of 2008. Other administrative expenses decreased by € 88 million, or 19%, to € 380 million. The cost/income ratio for the first nine months of 2009 stood at 51%.

#### **Segment Results: Customer-Driven Business Expanded**

In the **Corporates & Structured Finance** segment, profit before taxes rose to € 158 million (9M 2008: € 63 million) in the first nine months of 2009. WestLB once again demonstrated its expertise in promissory note transactions, project finance and corporate bonds and confirmed its strong market position by obtaining a number of attractive mandates. The result in the **Verbund & Real Estate** segment of € 5 million (9M 2008: € -6 million) was largely influenced by the deconsolidation of Weberbank. Without this effect, the result exceeded that of the previous year by € 68 million. The segment result in **Capital Markets** rose particularly sharply to € 489 million (9M 2008: € 26 million). Key earnings contributions were provided here by the business in structured and non-structured interest rate and money market products. In **Transaction Banking** the pre-tax result of € -17 million (9M 2008: € -7 million) was adversely impacted by low money market interest rates. The volume of new business at readybank, which operates in the consumer credit field, increased by 93% compared with the previous year. The **Portfolio Exit Group** segment, which pools all of the results from portfolios which the Bank has identified as non-strategic and plans to wind down or ring-fence off the balance sheet, was influenced by positive valuation effects on European government bonds and the proceeds from the sale of a non-strategic investment, and contributed € 32 million (9M 2008: € -414 million) to the result before tax.

#### **Restructuring and Risk Reduction Making Good Progress**

With a view to complying with the conditions laid down by the European Commission, WestLB has further streamlined its domestic and foreign branch network and, following the sale of Weberbank in the second quarter, announced the sale of its Hungarian subsidiary WestLB Hungaria in the third quarter. The representative offices in Johannesburg, Peking and Houston have been closed. The branches in Münster, Bielefeld and Dortmund are to be closed by the end of the year, followed by Cologne by mid-2010.

At the same time the Bank pressed further ahead with the systematic reduction of risks and non-strategic assets which had already been initiated at an early stage. As a result, the total assets of the WestLB Group decreased by € 29.3 billion, or 10%, in the first nine months of 2009 to € 258.8 billion compared with the end of 2008. As a result of lower fair values from derivative financial instruments, there were particularly sharp reductions in the volume of trading assets (€ -17.9 billion) and trading liabilities (€ -14.0 billion).

At the end of September we signed agreements which will lead to the ring-fencing of non-strategic assets with a volume of approximately € 85 billion. All major decisions in this connection are due to have been taken by the end of November. In a first step a sub-portfolio of structured securities with a volume of approximately € 6 billion was already guaranteed by SoFFin pursuant to § 8 of the amendment to the Financial Markets Stabilisation Act as at September 30, 2009. For this WestLB's owners have provided SoFFin with a pro-rata counter-guarantee amounting to € 4 billion. The ring-fencing of the entire portfolio is expected to be completed by April 30, 2010 with retroactive effect as of January 1, 2010. The Bank's risk-weighted assets totalled € 84.2 billion at September 30, 2009 (end of 2008: € 88.5 billion). The core capital ratio stood at 6.2% (31.12.2008: 6.4%) and the overall ratio 9.3% (31.12.2008: 10.1%).

Dietrich Voigtländer added: "With the agreements signed in September, we have now passed an important milestone in reducing our risk and streamlining the balance sheet significantly. We are currently engaged in constructive talks regarding a permanent ring-fenced solution, which are due to be concluded by the end of November. The core bank, which will focus on profitable business with customers, is now beginning to take shape. We are thus fulfilling the conditions arising from the decision of the European Commission of May 12, 2009."

WestLB expects earnings in the fourth quarter of 2009 to be below average compared with the preceding quarters, above all because of higher credit risk provisioning requirements and expenses associated with the ring-fencing of the sub-portfolio as well as the establishment of the core bank.

#### **Enclosures**

Group Statement of Income January 1 – September 30, 2009  
Group Balance Sheet as at September 30, 2009

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

€ millions	1.1 – 30.09.2009	1.1. - 30.09.2008	Change
<b>GROUP STATEMENT OF INCOME</b>			
Net interest income	1,347	897	450
Impairment charge for credit losses	-582	-345 (-433*)	-237 (-149*)
Net interest income after impairment charge for credit losses	765	552 (464*)	213 (301*)
Net fee and commission income	204	289	-85
Net trading result	137	631 (-132*)	-494 (269*)
Result from financial investments	52	52 (-59*)	0 (111*)
Administrative expenses	863	1,040	-177
Other operating income and expense	-33	237	-270
Restructuring expenses	0	117	-117
<b>Profit before income tax</b>	<b>262</b>	<b>604 (-358*)</b>	<b>-342 (620*)</b>
Income taxes	-78	-72	-6
<b>Profit after income tax</b>	<b>184</b>	<b>532</b>	<b>-348</b>

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

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

€ billions	30.09.2009	31.12.2008	Change
<b>ASSETS</b>			
Cash and balances with central banks	1.2	2.1	-0.9
Loans and advances to banks	11.5	11.8	-0.3
Loans and advances to customers	104.8	112.2	-7.4
Allowances for losses on loans and receivables	-1.6	-1.2	-0.4
Receivables under reverse repo transactions	29.9	30.0	-0.1
Trading assets	70.3	88.2	-17.9
Financial assets designated at fair value	23.7	26.2	-2.5
Financial investments	10.7	11.3	-0.6
Other assets	8.3	7.5	0.8
<b>Total assets</b>	<b>258.8</b>	<b>288.1</b>	<b>-29.3</b>

<b>LIABILITIES AND EQUITY</b>			
Liabilities to banks	29.1	35.6	-6.5
Liabilities to customers	26.8	29.7	-2.9
Certificated liabilities	37.9	35.2	2.7
Liabilities under repurchase agreements	43.1	41.5	1.6
Trading liabilities	53.9	67.9	-14.0
Financial liabilities designated at fair value	52.8	62.3	-9.5
Subordinated debt	5.4	6.3	-0.9
Equity	4.2	3.8	0.4
Other liabilities	5.6	5.8	-0.2
<b>Total liabilities and equity</b>	<b>258.8</b>	<b>288.1</b>	<b>-29.3</b>