Interim Report

June 30, 2009

30 6

Key Figures

Financial Data January 1 – June 30, 2009

	1. 1. – 30. 6. 2009	1. 1. – 30. 6. 2008*	Change absolute	%
Performance Figures in € millions				
Net interest income	889	646	243	38
Impairment charge for credit losses	– 368	– 186	– 182	– 98
Net interest income after impairment charge for credit losses	521	460	61	13
Net fee and commission income	140	193	– 53	– 27
Net trading result	249	589	– 340	– 58
Result from financial investments	– 2	99	– 101	> – 100
Administrative expenses	573	756	– 183	– 24
Other operating income and expense	– 33	276	– 309	> – 100
Restructuring expenses	0	204	– 204	– 100
Profit before income tax	302	657**	– 355	– 54
Income taxes	– 78	– 77	– 1	– 1
Profit/loss after income tax	224	580	– 356	– 61

	30. 6. 2009	31. 12. 2008	Change absolute	%
Balance Sheet Figures in € billions				
Total assets	254.5	288.1	– 33.6	– 12
Equity	4.1	3.8	0.3	8
Bank Regulatory Capital Ratios (SolvV)				
Core capital in € billions	5.2	5.7	– 0.5	– 9
Own funds in € billions	7.8	8.9	– 1.1	– 12
Risk-weighted assets in € billions	90.2	88.5	1.7	2
Core capital ratio in %	5.7	6.4	–	–
Overall ratio in %	8.6	10.1	–	–
Employees				
Number of employees	5,474	5,957	– 483	– 8
Full-time employees	5,208	5,663	– 455	– 8

Current Ratings	Short Term	Long Term	Public Pfandbrief
Moody's Investors Service	P-1	A2	Aaa
Standard & Poor's	A-2	BBB+	AAA
Dominion Bond Rating Service	R-1 (middle)	A (high)	(–)

* Previous year's figures restated (IAS 8)

** € 962 million thereof attributable to the ring-fence gain from the risk shield

Chairman's Statement

Dear partners and clients,

In a challenging market environment, WestLB posted a pre-tax profit of € 302 million for the first half of 2009. This encouraging development is primarily attributable to a significant increase in net interest income. In addition, the Bank reduced administrative expenses by 24% compared with the same period a year ago, marking a further sustainable improvement in the cost basis.

The figures prove that the restructuring measures which we introduced at an early stage are beginning to bear fruit – not only on the cost front but also in terms of the profits generated from our customer business. According to a survey by Reuters, WestLB ranked fifth in Germany in the syndicated loan market in the first half of 2009 with an equivalent volume of more than € 2 billion (pro-rata volume as mandated lead arranger). Moreover, we are one of the Top 3 arrangers of promissory notes in Germany. All of which indicates that WestLB is, and remains, a reliable financing partner for German industry.

At the same time we significantly expanded our business with the savings banks and their clients (mid caps, retail clients, public-sector clients) in the first half of 2009 compared with the previous year. Particular mention should be made here of our business with the savings banks' retail clients (e.g. capital-guaranteed investment products), which quadrupled over the year-earlier period to more than € 3 billion.

The Bank is also clearly on course with the downsizing and refocusing of its operations. We have sold Weberbank and WestLB Hungaria, our Hungarian subsidiary, and we have closed our representative offices in Prague, Seoul and Johannesburg. We are working resolutely and with great determination on the repositioning of the Bank. The Managing Board has approved an organisational framework for implementing the realignment entitled "Core", which will ensure that WestLB promptly and efficiently carries out all the restructuring measures associated with the decision of the European Commission. My colleagues on the Managing Board and I will make every effort to maintain this momentum. Further steps for streamlining the domestic and international branch network will be implemented by the end of the year.

We have made further progress in respect of the planned reduction in our balance sheet. At June 30, 2009, WestLB’s total assets had decreased by 12% vis-à-vis December 31, 2008. We expect to achieve a major, and above all more sustainable, step forward in this connection, however, by leveraging the possibilities available to banks under the amendment to the Financial Markets Stabilisation Act. The Managing Board believes that the new legislation represents an effective and flexible way forward for streamlining the balance sheet and reducing risk. We have therefore intensified our discussions with the owners, SoFFin and the supervisory authorities regarding the type and scope of non-strategic assets which are to be ring-fenced off the balance sheet. At the same time 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.

The strategic realignment will strengthen WestLB on a sustainable basis. Our greatly improved cost, risk and capital discipline form the basis for the systematic further development of the Bank. Streamlined, and deeply rooted in North Rhine-Westphalia, the economically strongest of Germany’s federal states, we have the strength to master the challenges that lie ahead. Thank you for your continued trust and confidence along our chosen path.

Sincerely yours

Dietrich Voigtländer
Acting Chairman of the Managing Board

Contents

Group Interim Statement of Financial Condition

Economic Setting

Recessionary forces lost steam throughout the world toward the end of the first half of 2009. After unusually pronounced shrinkage in many countries in the first quarter, the pace of GDP contraction slowed markedly in the second quarter. The German economy even grew slightly compared with the previous quarter. The emerging stabilisation of the global economy is largely attributable to the sweeping measures taken by governments and central banks. The U.S. passed the largest recovery plan in history shortly after President Obama took office and has introduced additional comprehensive programmes to prop up the financial sector. The German federal government, too, has supplemented its stimulus plan, which was launched at the end of the previous year. Specific initiatives include an expansion of public-sector investment and the use of cash incentives (scrapping bonus) to encourage consumers to discard old motor vehicles and buy new ones.

Several central banks, including in the U.S., U.K. and Switzerland, have adopted what for all intents and purposes is a zero interest rate policy. In addition, they have employed other monetary policy tools, including the purchase of corporate and government bonds, to support the real economy and credit system. The ECB has likewise noticeably loosened monetary policy, reducing the benchmark interest rate to 1% by May, the lowest level since the beginning of monetary union. Additionally, it expanded its refinancing spectrum by introducing a twelve-month option in its refinancing operations with banks and committing to the purchase of covered bonds. The situation in the credit and financial markets has eased slightly. Money market rates dropped significantly because of the central banks' initiatives. The spreads between several other countries' government bonds and German Bunds narrowed, as did corporate bond spreads. However, it is still too early to sound the all-clear.

Despite a sharp drop in employment, private consumption in the U.S. has remained relatively robust thanks to government efforts to relieve the fiscal burden of private households as part of the economic stimulus programme. The real estate markets, by contrast, continued to plunge. In Germany, private consumption also proved to be a source of support for the economy, especially because of the scrapping bonus, which caused a substantial increase in the number of new vehicle registrations. The driving forces of the previous upturn, namely exports and capital spending, were still weak, but expectations are that the rate of decline has slowed tangibly of late. There are already clear signs of an economic recovery in China. With the help of the Chinese government's economic programme, output is increasing both in construction and manufacturing.

Inflationary pressure diminished further in practically every corner of the globe. Germany's inflation rate dropped to 0.1% in June. Indeed, in the euro area as a whole in June, monthly consumer prices dipped below their year-earlier level for the first time since the launch of monetary union. Despite the declining inflation rates, the improving economic outlook and healthy jump in issuing volume at first weighed heavily on government bond prices. The yield on the 10-year Bund had risen to 3.7% by early June, after starting the year at just under 3%. Nevertheless, Bunds rebounded slightly thereafter, sending yields and the yield curve lower.

We assume that the recessionary forces will continue to fade and the global economy will slowly start to recover during the further course of the year. Apart from the stimulus provided by fiscal and monetary policy, the steep drop in oil prices from a year earlier has also had a positive effect. Several leading indicators made a clean break from their lows in the first half and support our forecast. Of course, the present recovery will take much longer than those which follow conventional recessions due to the extent and duration of the crisis in the financial markets. Despite modest improvement in the second half, we still expect the economy in many parts of the world to post the largest annual contraction since 1945.

Developments in the Banking Sector

The good conditions in the capital markets business continued in the second quarter of 2009. Bond issues virtually remained at the record level of the previous quarter. With spreads still wide and volumes high, solid results were again achieved in many areas of the fixed income business. Write-downs on toxic securities are expected to have been less severe in the second quarter compared with the first.

Risk provisioning in the lending business was higher in the first half of 2009 due to the rapid deterioration in economic conditions. In addition, further rating migrations squeezed equity resources. All told, banks are likely to continue their efforts to reduce risks and scale back their balance sheets.

Structural Changes in the WestLB Group

The European Commission announced a formal decision on May 12, 2009 that brought the WestLB proceedings to a close. The risk shield of € 5 billion guaranteed by WestLB's owners for the Phoenix portfolio, which the Bank removed from the balance sheet in spring 2008, has therefore received final approval. The decision gives WestLB the planning and legal certainty which it requires. The basis of the decision is an extended restructuring plan agreed with the Commission, which the Commission also believes will ensure a viable business model. Going forward, WestLB will focus on the following three business segments: Verbund/Mid-caps, Transaction Banking and Capital Markets/Corporates/Structured Finance. It is the shared aim of the owners, the Bank and the Commission to strengthen the Bank's core competencies on this basis in a sustainable way. The Bank will phase out activities which do not conform to its strategy and by March 31, 2011 reduce total assets as well as risk-weighted assets by 50% from their levels at December 31, 2007. At the same time the Commission's decision includes a majority change of ownership within the framework of a non-discriminatory bidding procedure of WestLB by the end of 2011. This explicitly does not preclude the possibility of WestLB playing an integrative role in the Landesbank consolidation. The extended restructuring plan approved by the Commission provides for a streamlining of the domestic and foreign branch network as well as the sale of participations.

As a first step in this realignment, the Bank sold Weberbank Actiengesellschaft, Berlin (Weberbank), to Mittelbrandenburgische Sparkasse before the end the first half of 2009. WestLB Asia Pacific Ltd., Singapore, a specialist in structured finance for southern Asia, was removed from the scope of consolidation after its business operations were discontinued and capital fully repaid.

High-risk securities portfolios were transferred to an independent special purpose vehicle ("Phoenix") at the end of the first quarter of 2008. The special purpose vehicle is secured by a guarantee from the owners of up to € 5 billion to cover actual payment defaults (risk shield). Details are provided in our Annual Report for the year ended December 31, 2008.

Additional downgrades for structured securities already given by or to be expected from rating agencies in 2009 have caused the anticipated losses on the securities portfolio transferred to Phoenix to increase. In view of the existing risk shield, future negative consequences are possible. Against this backdrop, all owners of WestLB AG passed resolutions in their corresponding committees in June 2009 to increase the scope of the guarantee in order to ensure the regulatory compliance of the Phoenix structure until additional portfolios can be ring-fenced off the balance sheet into a solution that is compatible with the amendment to the Financial Markets Stabilisation Act (FMStFG). Additional information is included in the section “Events Occurring after June 30, 2009” (page 15).

Standard & Poor’s reviewed the ratings of all Landesbanks and published their findings on May 6, 2009. The long-term rating of several institutions was downgraded. Some also saw their short-term ratings decline. WestLB’s long-term rating was lowered from A-/Credit Watch Negative to BBB+/Negative Outlook. The Bank’s short-term rating was confirmed at A-2.

Heinz Hilgert resigned as Chairman of the Managing Board of WestLB AG on May 18. At an extraordinary meeting held the same day, the Supervisory Board appointed Dietrich Voigtländer as the Acting Chairman of the Managing Board of WestLB AG with immediate effect. At its meeting on June 30, the Supervisory Board appointed Klemens Breuer to serve as an ordinary member of the Managing Board effective July 1, 2009. Mr. Breuer had served as a substitute member of the Managing Board since September 2008. He will remain in charge of the Bank’s Equity Markets, Debt Markets, Research and Treasury operations in his new position.

Business Review

Performance

We are reporting a Group profit before income tax of € 302 million (H1 2008: € 657 million) and a profit after income tax of € 224 million (H1 2008: € 580 million). The result of the prior-year period was strongly influenced by the ring-fence gain from the risk shield in the amount of € 962 million, of which € 763 million was reflected in the net trading result, € 88 million in the impairment charge for credit losses and € 111 million in the result from financial investments. Adjusted for this effect, we improved on the previous year’s first-half result before taxes by € 607 million.

Income, up a considerable 34% at € 314 million, drove this encouraging performance. Excluding the effect of the ring-fence gain in the previous year, we registered significant growth in our net interest income and net trading result, in particular. Net fee and commission income, by contrast, receded as market conditions remained challenging. In addition, we reduced administrative expenses compared with the first six months of 2008 by a sizeable 24%, which contributed € 183 million towards the earnings improvement. On the downside, the impairment charge for credit losses increased by € 94 million due to the economic slowdown. Finally, there have been no restructuring expenses to report this year, versus € 204 million accounted for in the previous year.

For the first half of 2009, the cost/income ratio reached 46%, and the return on equity before taxes 15%. Because of the Phoenix effect, the corresponding prior-year figures are not comparable.

Net Interest Income

Net interest income rose substantially, reaching € 889 million, following € 646 million in the first half of 2008. The money market business drove this result, despite the adverse effects of the challenging market environment overall and higher costs of refinancing. Higher margins in new business with real estate and corporate clients also had a positive effect.

Impairment Charge for Credit Losses

Our impairment charge for credit losses for the first six months of 2009 reflects a net allocation of € 368 million versus a net allocation of € 186 million in the first half of 2008. The figure for the first half a year ago included a reversal of € 88 million in charges previously taken on commitments which were ring-fenced off the balance sheet as part of the risk shield. However, the net allocation still rose year-on-year when adjusting for this effect, especially because of the rating downgrades attributable to the global recession. We have taken due account of all discernible risks.

Net Fee and Commission Income

Net fee and commission income decreased by € 53 million, or 27%, from the same period a year ago to € 140 million. Our results in the lending and syndicated lending business as well as from payment transactions essentially drew level with the first half of 2008. With the ongoing market turmoil, the negative trend of prior months continued, especially in the markets for securitised products and equity products. Hence, we suffered further declines in our securities and custody business.

Net Trading Result

The net trading result amounted to € 249 million, following € 589 million in the first half of the previous year, a figure which was entirely attributable to the ring-fence gain from the risk shield. Our debt markets (interest rate products) business was particularly successful in the first six months of this year, whilst our equity markets (equity products) business made no positive contributions to earnings.

The government bonds and similar assets in our portfolio, i.e. top-rated securities, lost € 67 million in value. Measurement mismatches, which despite having positions that are economically hedged are unavoidable because of the application of IAS 39, drove the trading result down by some € 92 million. We recorded positive effects of around € 204 million from market-induced credit spread changes with own liabilities for which we apply the fair value option. On the whole the trading result, and therefore the overall result, is heavily influenced by measurement effects and cannot be extrapolated for the full year.

Result from Financial Investments

We broke even with our financial investments in the first half of 2009, after reporting income of € 99 million as our result from financial investments in the same period the year before. The previous year's figure is largely attributable to the transfer of portfolios to Phoenix, which generated income of € 111 million. For the first half of 2009, sales proceeds from the private equity and equity investments business were offset by loss absorptions and write-downs on participations.

Administrative Expenses

We reduced administrative expenses by a considerable 24%, or € 183 million, from the first half of 2008 to € 573 million. Personnel expenses were especially lower, having decreased by € 121 million, or 30%, to € 287 million. The headcount reductions built into the restructuring plan and lower non-linear salary components drove this decrease. The number of full-time employees dropped by 455 to 5,208 in the first half of 2009; factoring in the sale of Weberbank, headcount is down by 786 compared with the end of the second quarter of the previous year. By keeping a tight rein on operating costs, we also lowered our other administrative expenses from € 315 million to € 247 million, a drop of 22%. Our comprehensive measures generated significant savings for nearly every cost type.

Other Operating Income and Expense

The net figure for other operating income and expense stood at € – 33 million. The deconsolidation of Weberbank proved the predominant drag on earnings at € – 57 million. The year-earlier figure of € 276 million was largely the result of € 304 million in income generated from the deconsolidation of various structured investment vehicles in connection with the risk shield.

Segment Results

The front office and Corporate Center units made the following contributions to WestLB Group's result before taxes for the first half of 2009:

Verbund & Real Estate

The Verbund & Real Estate segment covers all activities in the area of real estate as well as the business with savings banks, the public sector, retail clients and mid-cap corporate clients. Organisationally, the sales units for the Verbund business are also assigned to this segment. However, these units' costs and the related income are reported in either the Capital Markets or Transaction Banking segment, depending on the nature of the sale made.

The result before taxes in this segment amounted to € – 30 million in the first half of 2009, compared with € – 4 million the year before.

The deconsolidation of Weberbank, which resulted in a € 57 million charge captured in other operating expense, was the sole reason for the poorer performance against the previous year. Without this effect, the segment's operating income was up by more than 12% from the year before. The income boost is primarily attributable to a roughly € 30 million increase in net interest income, which itself stems from a successful money market business and higher margins in the business of Weberbank and Westdeutsche Immobilien-Bank AG, Mainz (WestImmo).

General economic developments, particularly in the real estate sector, factored heavily into the increase in the impairment charge for credit losses by € 13 million to € 25 million as well as into the € 16 million in charges to the result from financial investments attributable to write-downs on participations.

Administrative expenses, at € 76 million, were down 6% from a year earlier. Savings were achieved in personnel and other administrative expenses, in particular.

Corporates & Structured Finance

The Corporates & Structured Finance segment captures the results from standard and structured lending to corporate clients and from the joint venture in asset management.

Despite the ongoing financial market crisis, we improved our result before taxes in this segment considerably, from € – 9 million in the first half of 2008 to € 73 million in the first half of 2009. The corporates business was stable both in and outside Germany. Of particular note were the successful placement of several promissory note transactions, the engagement as mandated lead arranger in important acquisition finance deals, the strengthening of our leading position in international project finance and our strong position in corporate bonds.

Overall, we kept our net interest income, net fee and commission income and the net trading result at their previous year's levels. We reduced the segment's administrative expenses by € 12 million to € 60 million.

Capital Markets

The Capital Markets segment comprises the Debt Markets, Equity Markets, Treasury and Research business units.

The result for the period of € 386 million, which is well above the € 49 million achieved in the year-earlier period, was fuelled, in particular, by the positive course of business in interest rate products (Debt Markets unit) coupled with the simultaneous reduction in the market and credit risk. The customer-driven business with structured, but also non-structured capital and money market products made a substantial contribution to segment earnings. The business with public-sector clients and the retail operations of the savings banks were particularly gratifying.

The Equity Markets business unit improved its result year-on-year, but still closed the period under review in negative territory. In particular, volatile equity markets left investors very cautious, causing income in the customer-driven business to fall below expectations.

Administrative expenses in the Capital Markets segment were well below their previous year's level at € 52 million (H1 2008: € 95 million) due to headcount reductions and operating cost savings.

Transaction Banking

The Transaction Banking segment combines the activities of the payments business and the consumer credit business, which is run via readybank ag.

Despite the financial market crisis, we achieved a slight increase in our business volume in payments. However, income in payment transactions suffered, especially because of the falling interest rates. This was evidenced most clearly in our float business and in the interest income generated on demand deposits. Whilst the float volume was somewhat higher than the year before, the average interest rate dropped from 3.9% in the second quarter of 2008 to 1% in the second quarter of 2009. Customer sales in currency and precious metal trading remained robust and had a positive effect on the segment's net fee and commission income.

We continued to expand new business at readybank ag in 2009. The volume of new business in the first half of 2009 was up 88% from the same period a year ago. With growth in new business from its automotive and savings banks distribution channels, readybank ag posted a considerable increase in income, with the gain in net interest income being driven by the more favourable refinancing rates attributable to market conditions. The impairment charge for credit losses at readybank ag in 2009 is the product of the severe economic downturn.

Administrative expenses were well below their previous year's level at € 31 million (H1 2008: € 46 million).

Overall, the negative effects reflected in income and the impairment charge for credit losses prevailed. The Transaction Banking segment closed the first half of 2009 with a modest loss of € 12 million, which was on a par with its result for the first half of the previous year.

Omega

The Omega segment pools all of the results from portfolios which the Bank has identified as non-strategic and plans to wind down.

Credit spreads narrowed in the second quarter of 2009, especially with government bonds, state-guaranteed securities and debt instruments issued by financial institutions. These securities recovered considerably in value as a result, which meant lower charges to earnings in our secondary market portfolios. In addition, the measurement of own issues assigned to this segment produced a positive result when comparing the first half of this year to the first half of last year. These positive measurement effects and stable net interest income of € 137 million more than offset the impact of the impairment charge for credit losses, which had doubled from the same period a year ago to € 149 million. All in all, the segment achieved a positive result before taxes of € 59 million.

Only limited year-on-year comparisons of the individual earnings components are possible, since in the first quarter of 2008 charges from structured investment vehicles reflected in the net interest income and net trading result were offset by positive deconsolidation effects in connection with the risk shield, which were reported in that period's net figure for other operating income and expense.

Administrative expenses, at € 30 million, were € 12 million lower than the year before because of prudent cost management and, as mentioned earlier, the deconsolidation of special investment vehicles.

Corporate Center

The Corporate Center units provide services for the front-office and sales units and carry out central steering functions in the Group, including IT and Services, central staff functions, Risk Management as well as Finance and Controlling.

Administrative expenses in the Corporate Center units continued to drop because of the cost-cutting and restructuring programmes already introduced in previous years. At € 293 million, they were a total of € 73 million, or 20%, below their previous year's level. Headcount reductions, which proceeded according to plan, a sharp decrease in non-linear salary components and structural operating cost reductions contributed to this improvement. Reduced outlays for consulting services, which were needed in the previous year in connection with the Bank's strategic realignment, also kept administrative expenses down.

All expenses and income of the Corporate Center units were allocated among the remaining divisions as part of the internal netting process. On the whole, the significant cost reductions also led to a substantial reduction in charges to the front-office units.

Other

This segment captures consolidations, adjustments made for reconciliation to Group figures and profit contributions which do not fall within the scope of the other segments' responsibilities, such as allocations to provisions for retirees and donations. It also captures measurement mismatches related to the application of IAS 39 (€ –92 million) and portions of the valuation results from own liabilities (€ 85 million). In the year-earlier half, the ring-fence gain from the risk shield (€ 962 million) and restructuring expenses (€ 204 million) were reported here.

Financial Status

WestLB Group's total assets were below their level at the end of 2008, decreasing by € 33.6 billion, or 12%, to € 254.5 billion. This decrease is predominantly attributable to the ongoing systematic reduction in non-customer-related assets as well as lower fair values of derivative financial instruments. In addition, we registered decreases in our ABCP programme given the state of the market and selectively reduced new business in certain foreign locations. Combined with our efforts to ring-fence non-strategic assets off the balance sheet and sell additional participations, we are thus well on the way to meeting the European Commission's conditions and deadline for a reduction in total assets.

The volume of loans and advances as of the end of the second quarter of 2009 had dropped by a total of € 6.3 billion from year's end to € 117.7 billion. Loans and advances to banks decreased by € 2.0 billion to € 9.8 billion, whilst loans and advances to customers decreased by € 4.3 billion to € 107.9 billion.

Receivables under reverse repurchase agreements decreased by € 4.6 billion from the end of 2008 to € 25.4 billion as of June 30, 2009.

The items trading assets and trading liabilities reflect the value of the securities, derivatives and other positions we hold for trading purposes. The volume of trading assets at June 30, 2009 was € 69.1 billion, or € 19.1 billion below the volume at December 31, 2008. The primary reasons for the decrease were lower positive fair values from derivative financial instruments and a drop in money market assets.

Financial assets designated at fair value decreased by € 2.4 billion to € 23.8 billion.

Financial investments, most of which are attributable to the available-for-sale category, edged slightly lower, down € 0.7 billion to € 10.6 billion.

On the refinancing side, liabilities to banks stood at € 34.7 billion and liabilities to customers at € 24.9 billion, which corresponds to decreases of € 0.9 billion and € 4.9 billion, respectively, from the end of 2008.

Certificated liabilities rose by € 2.9 billion to € 38.1 billion. Amid challenging market conditions, we view this increase, which we achieved without drawing on any government guarantees for issues, as a sign of our strong placement power.

Liabilities under repurchase agreements decreased by € 5.5 billion in the first half of 2009 to € 36.0 billion.

Trading liabilities were down by a total of € 16.3 billion to € 51.6 billion, primarily because of lower negative fair values from derivative financial instruments.

Financial liabilities designated at fair value decreased by € 8.3 billion to € 54.1 billion. Whilst the liabilities to banks included here dropped by € 10.1 billion, the liabilities to customers and certificated liabilities climbed by a total of € 1.8 billion in the first half of 2009.

Due to scheduled repayments and currency effects, our subordinated debt receded by € 0.8 billion to € 5.5 billion.

Risk-Weighted Assets and Capital Ratios

Pursuant to the provisions of the Solvency Regulation (SolvV), our risk-weighted assets totalled € 90.2 billion at June 30, 2009, which represents an increase of € 1.7 billion from the amount reported as of December 31, 2008.

The overall capital ratio dropped to 8.6% from 10.1%, and the core capital ratio dropped to 5.7% from 6.4%. These decreases are predominantly the result of capital effects. The capital deduction for allowances for specific risks formed during the year and the shortfall (excess of expected loss over allowances for specific risks) both played a role.

In addition, the core capital decreased because of the sale of Weberbank as well as currency and year-end accounting effects. The volume of supplementary capital decreased on account of subordinated issues which were reaching their maturity or were no longer eligible for inclusion.

The increase in risk-weighted assets in the securitisation business, which was caused by rating drifts, more than offset the slight decrease in risk-weighted assets in the non-securitisation business attributable to currency effects (USD), the reduction in assets and increase in the number of allowances.

Liquidity

WestLB adapted to the turbulence on the money and capital markets in the first half of 2009 thanks to a forward-looking liquidity management.

As our regulatory liquidity ratio proves, we have access to sufficient liquid resources. 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. At WestLB AG, the ratio for the period from January to June 2009 averaged 1.12.

Risk Report

The economic situation remained challenging for many companies in the first half of 2009. Because of global economic interdependence, the economic crisis spread from the U.S. and western industrialised nations also to the emerging markets and eastern European countries. Beyond the support already put in place for banks, numerous governments moved to adopt programmes to save companies impacted by the economic crisis as the recession deepened. The first signs of a bottoming out appeared in several industrialised countries towards the end of the first half of 2009, though there are no indications that these trends will be sustainable. The situation in the financial markets, by contrast, stabilised in the reporting period and many banks benefited accordingly. But despite this change for the better, it is too early to say that the situation in the financial markets has eased.

The financial and economic crisis has caused counterparty and transaction ratings to fall and thus precipitated negative rating migrations, one consequence of which has been an increase in capital requirements. In line with overall economic developments, all sectors, regions and asset classes have been affected. WestLB took early action to ensure its rating systems are Basel II-compliant and made the necessary adjustments to ensure they will fully capture conservative estimates for the next twelve months. In addition, the number of borrowers facing payment difficulties and number of restructuring cases rose in tandem with the economy. Notwithstanding the difficult conditions, we continued our targeted pursuit of new business. These activities satisfied the stricter risk requirements which we set and regularly update as part of our credit risk strategies.

With the amendment to the Financial Markets Stabilisation Act, legislators have defined a clear framework for the ring-fencing of risk-weighted assets off the Bank's balance sheet. We expect this divestiture and reduction of non-strategic activities to alter the structure of our portfolio significantly and have a positive effect on our capital ratios and risk figures. WestLB is making the necessary preparations for the planned separation. Additional information is given in the section "Events Occurring after June 30, 2009" (page 15).

For a thorough description of the organisation of our risk management as well as the methods and processes for using risk tolerance as a benchmark for the risk profile and amount of risk the Bank can absorb and for steering the individual classes of risk at WestLB, pleasure refer to our Annual Report for the year ended December 31, 2008.

Risk Tolerance

As part of the process for monitoring risk tolerance required under MaRisk ("Internal Capital Adequacy Assessment Process", ICAAP), the aggregate risk usage across all relevant risk categories is compared to the available economic capital resources (principally Tier I capital). For this purpose, the risk usage is measured for a horizon of one year and a confidence level of 99.9%. The usage of economic capital resources determined in this way amounted to 95% with respect to the composition of the portfolio at June 30, 2009. Our regulatory capital ratios stood at 5.7% (core capital ratio) and 8.6% (overall capital ratio) as of the end of the second quarter, which puts them above the 4% minimum core capital ratio and 8% minimum overall capital ratio required by supervisors.

The impact of the anticipated increase in defaults in the coming quarters is being analysed in the context of basic and pessimistic stress test scenarios and the results incorporated into proactive, forward-looking capital planning measures. By taking advantage as planned of the opportunities presented by the amendment to the Financial Markets Stabilisation Act, WestLB aims to achieve a significant improvement in its capital ratios, reach its own internal capital adequacy goals and implement the European Commission's conditions with respect to the reduction of the Bank's total assets and risk-weighted assets.

Market Price Risk

The value at risk (VaR) is determined in accordance with the quantitative guidelines of the Solvency Regulation (SolvV) for the internal measurement of market risks approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). These assume a confidence level of 99% as well as a holding period of one trading day and an observation period of 250 trading days. For a detailed description of the methodology we use and the organisation of the Risk Management division, please refer to the Annual Report for the year ended December 31, 2008.

Without the Phoenix portfolio, VaR utilisation for the consolidated trading book and banking book rose throughout the first quarter of 2009 by approximately € 50 million, due to the developments in the financial markets and resulting increase in market volatility. However, total VaR at the reporting date was down further from year's end. The reduction in the interest rate risk with Euro and U.S. Dollar holdings and in the net credit spread risk through WestLB own issues in the second quarter of 2009 only had an insignificant impact on VaR utilisation, since the downgrade in WestLB's rating and that of other assets classes neutralised the risk-mitigating effect.

Much of the total VaR relates to banking book positions and their credit spread risks. Under IFRS, these positions are not typically measured at fair value. As of June 30, 2009, they totalled € 164.2 million. Despite much higher volatility, the VaR in the trading book showed a reduced risk exposure for the first half of 2009 compared with 2008.

	Total Utilisation		**thereof Trading Book**	
Confidence level 99%/ 1-day holding period	**1. 1.–30. 6. 2009 € millions**	**1. 1.–31. 12. 2008 € millions**	**1. 1.–30. 6. 2009 € millions**	**1. 1.–31. 12. 2008 € millions**
Value at risk on reporting date	245	253	14	17
Minimum value at risk	192	105	12	11
Maximum value at risk	258	264	23	35
Average value at risk	230	159	17	20

A change was made in the calculation methodology applied to the Phoenix portfolio in the first quarter of 2009, from a static VaR premium of € 65 million to a dynamic approach based on updated exposure data from the portfolio manager PIMCO. Because of the sharp increase in market volatility coupled with rating downgrades in this segment, its VaR utilisation tripled to € 216 million, but was nearly unchanged in the second quarter of 2009.

Of course, the new measurement methodology no longer recognises the risk-mitigating effect of the risk shield. As a result, the basis for a meaningful comparison of VaR calculations for the Phoenix portfolio has been lost, and starting this year the Phoenix VaR figure will no longer be included in the table on page 13.

The back testing performed in the course of the first half of 2009 revealed no instances where limits had been exceeded.

Counterparty Default Risks

Our credit risk provisioning in 2009 was largely driven by the effects of the ongoing financial and economic crisis and the related rating downgrades. We refer to the Notes for information about the individual components of the impairment charge for credit losses. We took full account of all discernible risks with the risk provisions formed.

Liquidity Risk

Thanks to its system of forward-looking liquidity management, WestLB maintained a satisfactory position in the first half of 2009, despite the overwhelming impact of the financial market crisis on business conditions. The decision made by Standard & Poor's to downgrade ratings in the Landesbank sector has so far had little effect on our liquidity. WestLB's long-term rating was lowered from A- to BBB+. The Bank kept its liquidity reserve stable and achieved a new placement record in unsecured issuance activity thanks to its systematic focus on core customers (€ 10.4 billion in unsecured notes with a term of more than one year versus € 8.3 billion for all of 2008).

The Bank creates liquidity stress tests daily which incorporate both idiosyncratic and market-specific parameters. The assumptions underlying the scenarios are validated through back testing.

As our regulatory liquidity ratio under the German Liquidity Regulation (LiqV) proves, WestLB has access to sufficient liquid resources. A bank's liquidity is considered sufficient if this ratio is at least 1.0. At WestLB AG, the ratio for the period from January to June 2009 averaged 1.12.

Effects of the Financial Market Crisis and Additional Reporting

At the behest of supervisors, we are going to publish additional information about selected portfolios beyond that contained in the interim report. This will mark the third time that we have published such information. The Financial Stability Forum (FSF) is facilitating the coordination of this initiative, the goal of which is to analyse the causes of the financial market crisis and introduce improvements, including greater transparency for market participants through broader disclosure requirements for special purpose entities and certain structured credit products. The information will be accessible in a separate FSF report to be published on our website (www.westlb.com/ir) as soon as it is available.

Events Occurring after June 30, 2009

The amendment to the Financial Markets Stabilisation Act (FMStFG) came into force on July 23. It provides German banks and their domestic and foreign subsidiaries with the opportunity to transfer structured securities acquired up to December 31, 2008 to a special purpose entity organised in Germany (SPE model). The law also defines the framework for the creation of workout entities, into which, in addition to structured securities, other non-strategic assets can be transferred.

The Managing Board believes that the federal guidelines for ring-fencing non-strategic assets off the balance sheet represent a flexible and effective way to improve WestLB's risk situation and satisfy the conditions of the European Commission. To this end, the Managing Board has worked closely with the owners, the Financial Markets Stabilisation Agency (SoFFin) and the European Commission and, at the beginning of August 2009, filed an application with SoFFin pursuant to the FMStFG on transferring the risk exposure of a sub-portfolio.

In the course of implementing the agreement reached with the European Commission on streamlining the domestic and foreign branch network and selling participations, we announced the sale of our Hungarian subsidiary, WestLB Hungaria Bank ZRt., on July 8, 2009. On July 15, 2009, we sold our stake in Servicegesellschaft Kreditmanagement GmbH (SGK). SGK specialises in the purchase, restructuring and sale of non-performing commercial real estate loans. In addition, we closed the representative offices in Johannesburg, South Africa, and Peking, China, in July 2009 and have also contacted local regulatory authorities regarding our intention to close the representative office in Houston, USA, effective August 31, 2009. We are seeking to close further locations by the end of the year.

Outlook

Around the globe, the economy continued to plunge in the first six months of this year, but the pace of contraction slowed in the second quarter compared to the first quarter. As an export nation, Germany has been badly hit by the worldwide recession. In addition to wrestling with the uncertainty which still surrounds future developments in the financial markets, the banking sector can expect an increase in defaults in the lending business because of the economic slowdown. Banks must also work to adapt to regulatory changes which require higher capital and liquidity buffers and a sharp reduction in total assets.

WestLB is meeting the challenges of the current market climate by strengthening its customer business, reining in costs and pressing ahead with the efforts launched back in mid-2008 to improve the risk structure. We are also involved in extensive deliberations with our owners about removing non-strategic assets from the balance sheet within the framework defined by lawmakers.

Earnings performance in the second half of 2009 will depend heavily on future market and economic developments, which are impossible to forecast at this time, as well as the concrete steps towards the removal of non-strategic activities from the balance sheet.

Group Statement of Income

	Notes	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008* € millions	Change € millions	%
Interest income		5,102	5,396	– 294	– 5
Interest expense		4,213	4,750	– 537	– 11
Net interest income	(3)	889	646	243	38
Impairment charge for credit losses	(4)	– 368	– 186	– 182	– 98
Net interest income after impairment charge for credit losses		521	460	61	13
Fee and commission income		230	275	– 45	– 16
Fee and commission expense		90	82	8	10
Net fee and commission income	(5)	140	193	– 53	– 27
Net trading result	(6)	249	589	– 340	– 58
Result from financial investments	(7)	– 2	99	– 101	> – 100
Administrative expenses	(8)	573	756	– 183	– 24
Other operating income and expense	(9)	– 33	276	– 309	> – 100
Restructuring expenses		0	204	– 204	– 100
Profit before income tax		**302**	**657****	**– 355**	**– 54**
Current income taxes		– 82	– 116	34	29
Deferred income taxes		4	39	– 35	– 90
Profit after income tax		**224**	**580**	**– 356**	**– 61**
Attributable to:					
– Shareholders of WestLB		224	580	– 356	– 61
– Minority interests		0	0	0	–

* Previous year's figures restated (IAS 8)
** € 962 million thereof attributable to the ring-fence gain from the risk shield

Group Balance Sheet

Assets

	Notes	30. 6. 2009 € millions	31. 12. 2008 € millions	Change € millions	%
Cash and balances with central banks		1,871	2,125	– 254	– 12
Loans and advances to banks	(10)	9,777	11,768	– 1,991	– 17
Loans and advances to customers	(11)	107,935	112,233	– 4,298	– 4
Allowances for losses on loans and advances	(12)	– 1,553	– 1,219	– 334	– 27
Receivables under reverse repo transactions		25,369	29,959	– 4,590	– 15
Trading assets	(13)	69,129	88,222	– 19,093	– 22
Positive fair values from derivative hedging instruments		1,154	1,322	– 168	– 13
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		146	227	– 81	– 36
Financial assets designated at fair value	(14)	23,843	26,226	– 2,383	– 9
Financial investments	(15)	10,595	11,330	– 735	– 6
Property and equipment	(16)	460	480	– 20	– 4
Intangible assets	(17)	159	155	4	3
Current income tax assets		266	286	– 20	– 7
Deferred income tax assets		197	185	12	6
Other assets		672	529	143	27
Assets held for sale	(27)	4,502	4,294	208	5
Total assets		**254,522**	**288,122**	**– 33,600**	**– 12**

Liabilities and Equity

	Notes	30. 6. 2009 € millions	31. 12. 2008 € millions	Change € millions	%
Liabilities to banks	(18)	34,683	35,619	– 936	– 3
Liabilities to customers	(19)	24,855	29,722	– 4,867	– 16
Certificated liabilities	(20)	38,147	35,237	2,910	8
Liabilities under repurchase agreements		36,001	41,455	– 5,454	– 13
Trading liabilities	(21)	51,604	67,945	– 16,341	– 24
Negative fair values from derivative hedging instruments		807	881	– 74	– 8
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		858	746	112	15
Financial liabilities designated at fair value	(22)	54,055	62,325	– 8,270	– 13
Provisions	(23)	1,579	1,629	– 50	– 3
Current income tax liabilities		474	475	– 1	0
Deferred income tax liabilities		0	3	– 3	– 100
Other liabilities		1,591	1,772	– 181	– 10
Liabilities held for sale	(27)	252	156	96	62
Subordinated debt	(24)	5,487	6,336	– 849	– 13
Equity		4,129	3,821	308	8
– Share capital		2,270	2,270	0	0
– Capital reserve		2,031	2,031	0	0
– Silent contributions to capital		469	469	0	0
– Retained earnings		– 98	– 314	216	69
– Foreign currency translation reserve		– 57	– 47	– 10	– 21
– Revaluation reserve		– 481	– 581	100	17
thereof:					
– from assets held for sale		44	0	44	100
– Actuarial gains and losses from defined benefit obligations		– 5	– 7	2	29
Total liabilities and equity		**254,522**	**288,122**	**– 33,600**	**– 12**

Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity

€ millions	Share capital	Capital reserve	Silent contributions to capital	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Actuarial gains and losses from defined benefit obligations	Equity before minority interests	Minority interests	Group equity
Balance at January 1, 2008	2,243	1,861	666	– 204	65	– 134	– 33	4,464	0	4,464
Distribution to shareholders				– 15				– 15		– 15
Other changes in shareholders' equity				40				40		40
Total recognised income and expense for the period				580	– 27	– 4	81	630		630
Balance at June 30, 2008	2,243	1,861	666	401	38	– 138	48	5,119	0	5,119
Balance at January 1, 2009	2,270	2,031	469	– 314	– 47	– 581	– 7	3,821	0	3,821
Distribution to shareholders				– 16				– 16		– 16
Other changes in shareholders' equity				8				8		8
Total recognised income and expense for the period				224	– 10	100*	2	316		316
Balance at June 30, 2009	2,270	2,031	469	– 98	– 57	– 481	– 5	4,129	0	4,129

* includes € 44 million in assets held for sale

Statement of Recognised Income and Expense

The total results of WestLB for the period comprise the income and expenses shown in the statement of income and those directly captured in equity.

	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008 € millions
Profit after income tax	**224**	**580**
Net income recognised directly in equity	**92**	**50**
Change in revaluation reserve	81	– 4
Change in foreign currency translation reserve	– 10	– 27
Actuarial gains and losses from defined benefit obligations	12	116
Tax on items taken directly to or transferred from equity	9	– 35
Total recognised income and expense for the period	**316**	**630**
Attributable to:		
– Shareholders of WestLB	316	630
– Minority interests	0	0

Cash Flow Statement

	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008 € millions
Cash and balances with central banks at the end of the previous period	**2,125**	**2,471**
Cash flow from operating activities	43	– 1,238
Cash flow from investing activities	585	– 221
Cash flow from financing activities	– 807	135
Changes in cash due to changes in scope of consolidation	– 66	– 637
Changes in cash due to changes in exchange rates	– 9	– 46
Cash and balances with central banks at the end of the period	**1,871**	**464**

Additional information about the liquidity management practices of WestLB Group is contained in the Risk Report of the Annual Report 2008.

Notes to the Group Financial Statements

Accounting Policies

1. Basis of Preparation

Based on the "IAS Regulation", we have prepared the interim financial statements in accordance with the International Financial Reporting Standards (IFRS), as well as additional regulations applicable under § 315 a (1) of the German Commercial Code (HGB), which we were required to apply as of the reporting date. The condensed financial statements meet in particular the requirements of IAS 34 (Interim Financial Reporting).

The information contained in these interim financial statements should be read in conjunction with the information contained in the published and certified Group financial statements as of and for the year ended December 31, 2008. We have taken account of all developments up to the Managing Board's preparation of the interim financial statements on August 11, 2009.

We used the same accounting policies to prepare the interim financial statements as were used to prepare the 2008 Group financial statements.

The use of IFRS requires that management make certain estimates and assumptions which can have a not insignificant impact on the statement of income, the recognition and carrying value of assets and liabilities as well as the disclosure of contingent assets and liabilities. Even when our estimates are based on available information, past experience and other criteria, including expectations concerning future events, actual, future results may still vary from our estimates.

The interim report was not reviewed by our external auditors.

2. Scope of Consolidation

WestLB Group specifically includes the following companies and sub-groups:

WestLB Group (companies, directly consolidated)	
WestLB AG, Düsseldorf	
Bank WestLB Vostok (ZAO), Moscow, Russia	
Banque d'Orsay S.A., Paris, France	
Basinghall Finance plc, London, UK	
Clavis Securities plc, London, UK	
Compass Securitisation Limited, Dublin, Ireland	
Compass Securitization LLC, Wilmington/Delaware, USA	
GOD Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
GOH Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
International Leasing Solutions Japan KK, Tokyo, Japan	
readybank ag, Berlin	
WestLB (Italia) Finanziaria S.p.A., Milan, Italy	
WestLB Asset Management (US) LLC, New York, USA	
WestLB Bank Polska S.A., Warsaw, Poland	
WestLB Covered Bond Bank plc, Dublin, Ireland	
WestLB Europa Holding GmbH, Düsseldorf	
WestLB Europe (UK) Holdings Ltd., London, UK	
WestLB Finance Curaçao N.V., Willemstad, Netherlands Antilles	
WestLB Fund Investments Ltd., London, UK	
WestLB Hungaria Bank ZRt., Budapest, Hungary	
WestLB International S.A., Luxembourg, Luxembourg	
WestLB Ireland plc, Dublin, Ireland	
WestLB Mellon Asset Management Holdings Ltd., London, UK	
WestLB New York Capital Investment Ltd., Jersey, Channel Islands	
WestLB Securities Inc., Dover/Delaware, USA	
WestLB Securities Pacific Ltd., Hong Kong, People's Republic of China	
WestLB UK Ltd., London, UK	
West Merchant Bank Ltd., London, UK	
WLB Funding S.A. de C.V., SOFOM, Mexico City, Mexico	
Banco WestLB do Brasil S.A., São Paulo, Brazil	Subgroup with 2 companies
Westdeutsche ImmobilienBank AG, Mainz	Subgroup with 12 companies

WestLB Mellon Asset Management Holdings Ltd. (WMAM), London, U.K., is included in the Group financial statements as a joint venture and is reported at equity.

As planned, WestLB finalised its sale of Weberbank Actiengesellschaft, Berlin, to Mittelbrandenburgische Sparkasse; as a result, Weberbank has been removed from the scope of consolidation effective June 30, 2009.

WestLB Asia Pacific Ltd., Singapore, a specialist in structured finance for southern Asia, was also removed after its operations were discontinued and capital fully repaid.

Segment Reporting

Profit is accounted for and managed within WestLB Group at business unit level on the basis of WestLB's profit centre accounting. The portfolios, results and resources of the specific business units are combined into segments which represent the businesses and areas in which WestLB Group is active.

The segment reporting is prepared in accordance with IFRS 8. The segments are formed on the basis of WestLB Group's internal management practices and reflect the focus and market presence of the business units as well as the functional synergies among organisational units.

The Omega segment was added to the segment reporting in the first quarter. The Omega segment pools all of the results from portfolios which the Bank has identified as non-strategic and therefore plans to wind down. The year-earlier figures have been adjusted to reflect this restructuring. Other adjustments were made on the basis of IAS 8.

Group Segments

Verbund & Real Estate	Corporates & Structured Finance	Capital Markets	Transaction Banking
Verbund Westdeutsche ImmobilienBank AG	Corporates Structured Finance Corporate & Structured Finance Products Asset Management	Equity Markets Debt Markets Research Treasury	Transaction Services readybank ag
Omega	**Corporate Center**	**Other**	
Investment Management/ Portfolio Exit Group	Chairman Risk Management Finance & Controlling Human Resources Information Technology Organisation & Services Operations	Consolidations/ Netting	

The following table depicts the contributions which the individual segments made to the consolidated result for the first half of fiscal years 2008 and 2009. The segment results are derived from internal management data, which can be reconciled with our financial accounting data. As part of internal management, there are internal transactions between the individual segments which serve a variety of purposes, including to pass on funds internally, allocate maturity structure and net interest margin contributions and support risk management. As a result, determining the income each segment generates with external customers could be obtained only at high expense or effort. Any net results from internal transactions are eliminated in the Other segment.

There are no measurement differences to the Group financial statements.

€ millions*	Verbund & Real Estate	Corporates & Structured Finance	Capital Markets	Transaction Banking	Omega	Corporate Center	Other	WestLB Group
Net interest income								
1. 1. – 30. 6. 2009	110	218	473	30	137	– 15	– 64	889
1. 1. – 30. 6. 2008	79	287	287	43	– 32	– 15	– 3	646
Impairment charge for credit losses								
1. 1. – 30. 6. 2009	– 25	– 117	– 5	– 6	– 149	– 9	– 57	– 368
1. 1. – 30. 6. 2008	– 12	– 133	– 30	5	– 72	0	56	– 186
Net fee and commission income								
1. 1. – 30. 6. 2009	26	127	– 41	23	22	– 11	– 6	140
1. 1. – 30. 6. 2008	31	130	3	19	29	– 6	– 13	193
Net trading result								
1. 1. – 30. 6. 2009	11	– 22	146	0	119	0	– 5	249
1. 1. – 30. 6. 2008	7	– 98	34	– 1	– 230	17	860	589
Result from financial investments								
1. 1. – 30. 6. 2009	– 16	20	0	0	– 10	– 3	7	– 2
1. 1. – 30. 6. 2008	0	– 3	– 2	0	– 4	– 1	109	99
Administrative expenses								
1. 1. – 30. 6. 2009	76	60	52	31	30	293	31	573
1. 1. – 30. 6. 2008	81	72	95	46	42	366	54	756
Other operating income and expense								
1. 1. – 30. 6. 2009	– 54	6	– 9	– 2	– 3	10	19	– 33
1. 1. – 30. 6. 2008	– 4	4	4	– 2	166	25	83	276
Restructuring expenses								
1. 1. – 30. 6. 2009	0	0	0	0	0	0	0	0
1. 1. – 30. 6. 2008	0	0	0	0	0	0	204	204
Internal charging								
1. 1. – 30. 6. 2009	– 6	– 99	– 126	– 26	– 27	321	– 37	0
1. 1. – 30. 6. 2008	– 24	– 124	– 152	– 27	– 37	346	18	0
Profit before income tax								
1. 1. – 30. 6. 2009	– 30	73	386	– 12	59	0	– 174	**302**
1. 1. – 30. 6. 2008	– 4	– 9	49	– 9	– 222	0	852**	**657****

* Previous year's figures restated (IAS 8)
** € 962 million thereof attributable to the ring-fence gain from the risk shield

Notes to the Group Statement of Income

3. Net Interest Income

	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008* € millions
Interest income from		
– Loans and advances to banks and customers	2,686	2,743
– Financial assets available for sale	242	374
– Financial assets held to maturity	14	4
Current income from		
– Financial assets available for sale	8	38
– Interests in associates and joint ventures	– 1	3
Net interest and dividend income from		
– Instruments held for trading	795	797
– Instruments designated as at fair value	– 678	– 879
Interest expenses for		
– Liabilities to banks and customers	1,610	1,711
– Certificated liabilities	541	481
– Subordinated debt (excluding designated holdings)	150	205
Net income from hedging relationships	– 41	19
Net income from other transactions	165	– 56
Net interest income	**889**	**646**

* Previous year's figures restated (IAS 8)

The net income from other transactions primarily comprises interest income and interest expense from hedging derivatives which meet the requirements for hedge accounting under IAS 39, and from amortisation entries made in connection with the portfolio hedge accounting. It also captures the interest expense from the measurement of IFRS pension obligations and the interest effect from unwinding.

4. Impairment Charge for Credit Losses

	1. 1. – 30. 6. 2009 € millions	1. 1.–30. 6. 2008 € millions
Allocations		
– to allowance for losses on loans and advances	– 437	– 311
– to provisions for lending operations	– 5	– 29
Write-backs		
– from allowance for losses on loans and advances	64	114
– from provisions for lending operations	7	34
Income from written-off loans and advances	8	13
Direct write-offs of loans and advances	– 5	– 7
Impairment charge for credit losses	**– 368**	**– 186**

An € 88 million portion of the ring-fence gain from the risk shield was attributable to the reversal of allowances on loans and receivables in the year-earlier half.

5. Net Fee and Commission Income

	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008 € millions
Lending and syndicated lending business	144	152
Securities and deposit business	– 28	22
Payment transactions	22	20
Other	2	– 1
Net fee and commission income	**140**	**193**

6. Net Trading Result

	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008* € millions
Result from sale and measurement of trading instruments	106	435
Result from foreign currency translation	107	67
Result from sale and measurement of financial instruments designated at fair value	36	87
Net trading result	**249**	**589**

* Previous year's figures restated (IAS 8)

A € 763 million portion of the ring-fence gain from the risk shield was attributable to results from sales captured in the year-earlier half's net trading result.

7. Result from Financial Investments

	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008 € millions
Result from sale and measurement of available-for-sale assets	1	100
Result from sale of consolidated subsidiaries	4	0
Other result from financial investments	– 7	– 1
Result from financial investments	**– 2**	**99**

A € 111 million portion of the ring-fence gain from the risk shield was attributable to the results from sales captured in the year-earlier half's result from financial investments.

8. Administrative Expenses

	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008 € millions
Personnel expenses	**287**	**408**
– Wages and salaries	230	350
– Compulsory social security contributions	29	27
– Expenses for pensions and other employee benefits	28	31
Other administrative expenses	**247**	**315**
Depreciation and amortisation	**39**	**33**
– of property and equipment	21	20
– of software and other intangible assets	18	13
Administrative expenses	**573**	**756**

9. Other Operating Income and Expense

	1. 1. – 30. 6. 2009 € millions	1. 1. – 30. 6. 2008 € millions
Other operating income	61	348
Other operating expense	94	72
Other operating income and expense	**– 33**	**276**

Notes to the Group Balance Sheet

10. Loans and Advances to Banks

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Banks in Germany	3,738	3,384
Banks in other countries	6,039	8,384
Loans and advances to banks	**9,777**	**11,768**

11. Loans and Advances to Customers

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Corporate clients	99,143	102,496
Public-sector clients	5,337	6,195
Private clients	3,455	3,542
Loans and advances to customers	**107,935**	**112,233**

12. Risk Provisions in the Lending Business

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Allowances for losses on loans and advances	**1,553**	**1,219**
– Allowances for specific risks	1,372	1,053
– Allowances for portfolio risks	181	166
Provisions for contingent liabilities	**46**	**51**
– Provisions for specific risks	44	45
– Provisions for portfolio risks	2	6
Risk provisions in the lending business	**1,599**	**1,270**

13. Trading Assets

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Bonds and other interest-bearing securities	11,567	11,261
Shares and other non-interest-bearing securities	1,071	1,137
Positive fair values from derivative financial instruments	51,533	66,956
Other trading assets	4,958	8,868
Trading assets	**69,129**	**88,222**

14. Financial Assets Designated at Fair Value

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Bonds and other interest-bearing securities	15,954	18,484
Shares and other non-interest-bearing securities	126	359
Loans and advances to banks	2,980	3,420
Loans and advances to customers	4,783	3,963
Financial assets designated at fair value	**23,843**	**26,226**

15. Financial Investments

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Financial investments available for sale	9,898	10,310
Financial investments held to maturity	626	944
Interests in companies reported at equity	68	68
Investment property	3	8
Financial investments	**10,595**	**11,330**

16. Property and Equipment

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Land and buildings	368	376
Office equipment	81	93
Other property and equipment	11	11
Property and equipment	**460**	**480**

17. Intangible Assets

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Goodwill	9	9
Software	150	146
Intangible assets	**159**	**155**

18. Liabilities to Banks

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Banks in Germany	27,292	25,736
Banks outside Germany	7,391	9,883
Liabilities to banks	**34,683**	**35,619**

19. Liabilities to Customers

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Corporate clients	22,772	24,729
Public-sector clients	1,775	3,098
Private clients	308	1,895
Liabilities to customers	**24,855**	**29,722**

20. Certificated Liabilities

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Bonds and notes issued	25,187	21,164
Money market instruments	12,960	14,064
Own acceptances and promissory notes outstanding	0	9
Certificated liabilities	**38,147**	**35,237**

21. Trading Liabilities

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Negative fair values from derivative financial instruments	48,621	64,651
Delivery obligations on short sales of securities	1,940	2,601
Other trading liabilities	1,043	693
Trading liabilities	**51,604**	**67,945**

22. Financial Liabilities Designated at Fair Value

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Liabilities to banks	13,404	23,486
Liabilities to customers	22,308	21,787
Certificated liabilities	18,343	17,052
Financial liabilities designated at fair value	**54,055**	**62,325**

23. Provisions

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Provisions for pensions and similar obligations	804	817
Provisions in the lending business	46	51
Provisions for personnel expenses	468	505
Other provisions	261	256
Provisions	**1,579**	**1,629**

24. Subordinated Debt

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Subordinated liabilities	2,885	3,656
Profit participation capital	1,597	1,597
Hybrid capital	869	869
Deferred interest	149	211
Measurement effects (IAS 39)	– 13	3
Subordinated debt	**5,487**	**6,336**

The measurement effects associated with IAS 39 pertain to changes in fair value resulting from the application of micro fair value hedge accounting and the fair value option.

Other Information

25. Derivative Financial Instruments

The breakdown of derivative financial instruments is as follows (nominal values):

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Products based on interest rates	2,271,496	1,968,323
Products based on exchange rates	227,634	255,010
Products based on share prices and other prices	66,979	53,786
Credit derivatives	137,091	139,411
Derivative transactions	**2,703,200**	**2,416,530**

26. Contingent Liabilities and Other Commitments

	June 30, 2009 € millions	Dec. 31, 2008 € millions
Contingent liabilities from guarantees and indemnity agreements	9,153	9,764
Other commitments from irrevocable loan commitments	49,432	65,642

Outstanding purchase commitments to the structured investment vehicle Harrier have been reported under other commitments from irrevocable loan commitments. As part of the risk shield, Phoenix will assume all of the financial instruments acquired under purchase commitments, freeing WestLB entirely from the related economic risks. In return, any fees and commissions earned on these commitments will be passed on to the special purpose vehicle. The liquidity commitment to Greyhawk no longer exists.

27. Assets and Liabilities Held for Sale

As a result of the decision to concentrate on commercial real estate transactions, new residential lending was ceased as of January 1, 2009. WestImmo still intends to sell the retail arm of its operations.

It has now been more than the prescribed period of one year since the decision to sell was reached and since the operations were first reported pursuant to the provisions of IFRS 5. This is largely because of the worsening economic conditions (financial market crisis). In this respect, the delay has been caused by events beyond WestImmo's control. WestImmo has taken account of the change in the underlying conditions by adapting the sales strategy for its retail operations on the basis of the market situation. The relevant items are captured in our segment reporting as part of the Verbund & Real Estate segment.

As part of the strategic realignment of the Bank, preparations were completed in the second quarter of 2009 for the sale of subsidiary WestLB Hungaria Bank ZRt., which is predominantly treated as part of the Capital Markets segment in our segment reporting. WestLB announced the sale of WestLB Hungaria Bank ZRt. on July 8, 2009. The criteria of IFRS 5 for a separate presentation of the company as a disposal group were first met as of June 30, 2009.

In addition to the above, there were unconsolidated participations earmarked for sale which first met the criteria of IFRS 5 as of the reporting date and were treated accordingly in the financial statements. Most of these participations are attributed to the Other segment.

The planned sales chiefly involve loans and advances to customers and banks in the amount of € 4,309 million and liabilities to customers and banks in the amount of € 249 million.

28. Restatements Pursuant to IAS 8

In the wake of the financial market crisis and resulting liquidity squeeze, we decided with respect to refinancing the asset-generating operations of ABCP conduits to purchase that portion of the commercial paper issued in the Compass Programme which could not be placed with third parties rather than to inject liquidity.

As a result, the issuing securitisation vehicles Compass Securitisation Limited, Dublin, Ireland, and Compass Securitization LLC, Wilmington, Delaware, USA, were consolidated for the first time in the Group financial statements as of December 31, 2008, with retroactive effect from October 17, 2007 and December 21, 2007, respectively. The previous year's figures have been restated at the appropriate places in the Notes.

There was no impact on the consolidated result or on equity. The difference in reporting constitutes the primary change. The purchased notes had been reported as trading assets (held-for-trading category). With the consolidation, they are now reported as loans and advances to customers (loans and receivables category).

We have shown the resulting restatement of the first-half figures for 2008 in the following table:

	Published Group Financial Statements 1. 1. – 30. 6. 2008 € millions	**Restatement Pursuant to IAS 8 € millions**	**Restated Group Financial Statements 1. 1. – 30. 6. 2008 € millions**
Interest income	5,305	91	5,396
Interest expense	4,744	6	4,750
Net trading result	674	– 85	589

29. Amendments to IAS 39 and IFRS 7 “Reclassification of Financial Assets”

In conformity with the amendments to IAS 39 and IFRS 7, we reassigned certain trading assets and available-for-sale assets to the loans and receivables category in the second half of 2008. The assets reassigned were ones which, as of their effective date of reclassification, we no longer intended to sell or trade in the short term, but to hold for the foreseeable future. The reclassifications occurred at the respective fair values determined on the reclassification date and, in the case of trading assets reclassified as loans and receivables, increased the profit before income tax in the first half of 2009 by € 171 million. The reclassification of available-for-sale assets as loans and receivables meant that the € 347 million these assets had regained in value were not captured in equity in the first half of 2009.

No reclassifications have so far been made in 2009.

The following table shows the cumulative carrying values and fair values of the reclassified assets:

	Carrying Value as of Reclassification € billions	**Carrying Value June 30, 2009 € billions**	**Fair Value June 30, 2009 € billions**
Trading assets reclassified as loans and receivables	1.6	1.5	0.9
Available-for-sale assets reclassified as loans and receivables	3.9	3.9	3.6
Total	**5.5**	**5.4**	**4.5**

At the time of reclassification, the effective interest rates on the reclassified assets were between 1.3% and 14.4%, with expected obtainable cash flows of € 8.3 billion.

The reclassified financial assets contributed € 80 million to the profit before income tax in the period under review.

30. Group Statement of Income, Quarterly Comparison

	1. 4. – 30. 6. 2009 € millions	1. 1. – 31. 3. 2009 € millions	1. 4. – 30. 6. 2008* € millions	1. 1. – 31. 3. 2008* € millions
Net interest income	495	394	406	240
Impairment charge for credit losses	– 194	– 174	– 129	– 57
Net interest income after impairment charge for credit losses	301	220	277	183
Net fee and commission income	67	73	110	83
Net trading result	37	212	– 144	733
Result from financial investments	– 12	10	– 7	106
Administrative expenses	293	280	393	363
Other operating income and expense	– 48	15	– 3	279
Restructuring expenses	0	0	204	0
Profit before income tax	**52**	**250**	**– 364**	**1,021**
Current income taxes	– 60	– 22	– 81	– 35
Deferred income taxes	20	– 16	– 21	60
Profit after income tax	**12**	**212**	**– 466**	**1,046**
Attributable to:				
– Shareholders of WestLB	12	212	– 466	1,046
– Minority interests	0	0	0	0

* Previous year's figures restated (IAS 8)

31. Members of the Managing Board and Supervisory Board

WestLB Managing Board

Dietrich Voigtländer
Acting Chairman (from May 18, 2009)

Hubert Beckmann
Vice Chairman

Klemens Breuer
(Deputy Member until June 30, 2009,
Member from July 1, 2009)

Thomas Groß

Dr. Hans-Jürgen Niehaus

Werner Taiber

Heinz Hilgert
Chairman (until May 18, 2009)

WestLB 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 (WestImmo)

Dietmar P. Binkowska (from February 18, 2009)
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 and Giro Association of Westphalia-Lippe

Cornelia Hintz
Secretary
ver.di Vereinte Dienstleistungsgewerkschaft

Sigrid Janetzko
Bank Director
WestLB AG Düsseldorf

Dr. Wolfgang Kirsch
Regional Director
Regional Association of Westphalia-Lippe

Christiane Kutil-Bleibaum
Director
WestLB AG Düsseldorf

Dr. Gerhard Langemeyer
Lord Mayor
City of Dortmund

Dr. Helmut Linssen
Finance Minister
State of North Rhine-Westphalia

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

Dr. Siegfried Luther
Former Vice Chairman of the Executive Board
Bertelsmann AG

Manfred Matthewes
Director
WestLB AG Düsseldorf

Heinz-Günter Sander
Director
WestLB AG Düsseldorf

Hans-Georg Vogt
Chairman of the Managing Board
Sparkasse Bielefeld

Harry Voigtsberger
Regional Director
Regional Association of the Rhineland

Alexander Wüerst
Chairman of the Managing Board
Kreissparkasse Köln

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group interim statement of financial condition includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Düsseldorf/Münster, August 11, 2009

The Managing Board
WestLB AG

Dietrich Voigtländer

Hubert Beckmann

Klemens Breuer

Thomas Groß

Dr. Hans-Jürgen Niehaus

Werner Taiber

Financial Calendar

November 12, 2009 Publication of Group Financials September 30, 2009

Subject to changes

Publications

The Interim Report and the Annual Report 2008 are also available in German. In case of doubt the German version shall be binding.

Our annual reports and interim reports as well as company presentations can be inspected and downloaded at www.westlb.com/ir.

Our Press Department and our Investor Relations Department will be pleased to answer your questions concerning the Interim Report and WestLB AG.

Our interim reports are printed on FSC-certified paper.

WestLB AG
Investor Relations
Herzogstraße 15
40217 Düsseldorf
Tel. + 49 211 826-01
Fax + 49 211 826-6121

ir@westlb.de
presse@westlb.de

Disclaimer
Reservation regarding forward-looking statements

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

WestLB AG
Herzogstraße 15
40217 Düsseldorf
www.westlb.com