Interim Report

September 30, 2010

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Key Figures

Financial Data January 1 – September 30, 2010

	1. 1. – 30. 9. 2010	1. 1. – 30. 9. 2009	Change absolute	%
Performance Figures in € millions				
Net interest income	1,088	1,347	– 259	– 19
Impairment charge for credit losses	– 183	– 582	399	69
Net interest income after impairment charge for credit losses	905	765	140	18
Net fee and commission income	175	204	– 29	– 14
Net trading result	– 375	137	– 512	> – 100
Result from financial investments	– 59	52	– 111	> – 100
Administration expenses	780	863	– 83	– 10
Other operating income and expense	141	– 33	174	> 100
Restructuring expenses	40	0	40	–
Profit/loss before income tax	**– 33**	**262**	**– 295**	**> – 100**
Income taxes	– 20	– 78	58	74
Profit/loss after income tax	**– 53**	**184**	**– 237**	**> – 100**

	30. 9. 2010	31. 12. 2009	Change absolute	%
Balance Sheet Figures in € billions				
Total assets	220.2	242.3	– 22.1	– 9
Equity	4.0	3.7	0.3	8
Bank Regulatory Capital Ratios (SolvV)				
Core capital in € billions	5.4	5.3	0.1	2
Own funds in € billions	7.7	7.6	0.1	1
Risk-weighted assets in € billions	50.3	83.0	– 32.7	– 39
Core capital ratio in %	10.7	6.4	–	–
Overall ratio in %	15.4	9.1	–	–
Employees				
Number of employees	4,993	5,214	– 221	– 4
Full-time employees	4,740	4,971	– 231	– 5

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

Chairman's Statement

Dear partners and clients,

The discussions with the European Commission have again been the main focus of public attention regarding WestLB during the past weeks. On November 5th the European Commission initiated extended proceedings into the terms under which non-essential strategic assets were spun off to the newly-established EAA. In this context we now expect to clarify finally by the spring of 2011 all remaining outstanding issues in a constructive dialogue. The understanding reached on November 15th between representatives of the German government, the owners and the WestLB Managing Board on the one hand, and the European Commission on the other, does, we believe, mark an encouraging first step in this direction. All parties involved are now working together to develop a sustainable concept by February 15, 2011 on the basis of a revised restructuring plan that complies fully with EU aid regulations. The next steps to be taken with regard to our subsidiary Westdeutsche ImmobilienBank will form part of this solution. The offers we received in connection with the non-discriminatory bidding process were unacceptable from an overall business point of view.

In the weeks ahead we will work hard at finding a solution. For some of you, the mid-February deadline may seem short. Clear deadlines do, however, also have advantages. Both economic and political experience has repeatedly shown that working under time pressure does, in fact, make solutions possible. For one thing is certain: You – the clients of this bank who have remained loyal over many years – have a right to clarity. And the Managing Board is confident that this clarity can also be achieved. Irrespective of this process, we will continue along the reliable path we have chosen, concentrating on this bank's core business and therefore on you, our business partners.

We have not deviated from this chosen path in the third quarter. For one thing, this means resolutely pushing ahead the restructuring programme for the Bank that we initiated at an early stage. Thus, in the third quarter we sold our subsidiaries Banque d´Orsay and WestLB International in accordance with EU requirements. In addition, we closed further business locations abroad. We have also made rapid progress in reducing our total assets and risk-weighted assets. Already today our risk-weighted assets amount to € 50 billion, which is below the target specified by the European Commission for March 2011.

Implementing these measures has clearly taken its toll. However, despite the traditionally weak third quarter, we were able to post a pre-tax profit of € 255 million in the core bank. The clear focus on our business is reflected, for example, in leading positions achieved by WestLB in project and trade finance as well as syndicated loans. We also provided numerous innovative financial solutions for institutional clients and our partner savings banks. Our capital ratio has improved further to 10.7%. And the liquidity situation of the Bank is better than it has been for many years.

We are thus well prepared for the challenges ahead of us. We are also on course in strategic terms. Even after the talks on a possible merger were broken off by BayernLB, the Managing Board and owners continue to believe that a consolidation in the public banking sector is inevitable. The path towards a concentration of resources may be a bumpy one, but there is no alternative. This view is shared by the German government. We therefore warmly welcome – without reservations – the recent initiative of the German government for a sustainable realignment of the sector. We will continue to give this project our unwavering support.

As you can see, we remain your reliable partner going forward. Thank you most sincerely for your untiring loyalty and trust.

Sincerely yours

Dietrich Voigtländer
Chairman of the Managing Board

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Group Interim Statement of Financial Condition

Economic Setting

The global economic recovery entered a calmer phase at the beginning of the third quarter of 2010, with weaker growth throughout the world. This trend is no surprise. On the contrary, it was to be expected with the gradual expiration of the extremely robust fiscal stimulus packages in many countries. One cause for concern, however, is the steep deceleration of the U.S. economy, with the former growth engine almost on the brink of another recession. With expansion in the emerging economies of Asia also slowing, the financial markets are focusing more intently on the prospects for growth in the individual regions.

Growth in the USA has slowed considerably since the start of the year. On top of the country's real estate market, which is in a constant state of rebuilding, the U.S. labour market is an additional source of worry. Employment gains have been far lower to date than in previous economic cycles. As tough financing conditions stifle investment and job creation at small and medium-sized businesses, employment growth is not likely to pick up in the near future. But without a drastic improvement, the mood among private households will not brighten much either. Strong impetus in private consumption is unlikely going forward. Compared to earlier upswings, the recovery in this area is poised to be below average. As a result, we expect the fundamental momentum of the U.S. economy to remain subdued into 2011. There is little likelihood that the USA will slip back into recession.

The euro area economy may have picked up steam in the spring, but this was almost exclusively attributable to the strong rebound in Germany. If German economic performance is factored out of the EMU's GDP figures, the recovery actually looked very modest. Some peripheral countries remain in or have returned to recession, in part because of the extensive austerity measures they have adopted in an effort to balance their budgets. Additional austerity packages have already been announced. With the global economy's rate of expansion waning, the pace of growth in the euro area is likely to slow further at the turn of the year.

The German economy is certainly one of the positive surprises this year, having experienced unusually strong growth in the spring and ongoing improvements in the labour market. The recovery has also become broader-based recently, with gains in company investment and consumption in addition to strong exports. The timing of these developments is auspicious, since the stimulus provided by foreign trade has lost some of its intensity and is likely to recede further. A rebound in household incomes, which fell sharply in 2009, and minimal pressure on prices have helped spur private consumption. However, the increasing role of private pension and health insurance suggests that the growth in consumption will remain at a manageable level. There are good chances overall that the recovery will continue, albeit at a far more modest pace in the coming winter months than in the first half of the year. With average annual growth in the gross domestic product expected to reach 3.7% for 2010, the expansion of the German economy may double that of the rest of the euro area.

Inflationary pressure has remained moderate in most industrialised nations. The only component driving consumer prices somewhat higher is an increase in the prices at which crude oil and other commodities are trading. This development has given the major central banks scope for adhering to their expansive monetary policy. The ECB, for example, left its central reference rate at 1% and announced it would extend the full-allocation tenders of its main refinancing operations at least until January 2011. Excess liquidity has declined sharply with the first two one-year tenders and most six-month tenders expiring, and money market rates have risen towards parity with the benchmark rate. Since the threat of inflation is likely to remain reasonably contained, near-term rate hikes by the ECB are not currently in sight.

The EMU debt crisis continues to overshadow developments in the real economy, and was again the dominant topic in the financial markets towards the end of the year. After loan approvals by the euro currency bloc and the IMF prevented a default of Greece, Ireland, another EMU member, also had to be supported. The spreads between Germany's and the other peripheral countries' government bonds have nevertheless not narrowed on a sustainable basis, probably also because there are meanwhile doubts as to whether the EMU core members could afford a possible rescue package, for example, for Spain.

German government bonds were in demand as a safe haven in an environment characterised by weaker economic data and the EMU debt crisis. At just under 2.1%, the yield on 10-year Bunds reached a new all-time low at the end of August. With the slowing of global growth, continued pursuit of an expansive monetary policy and the ongoing threat of a sovereign debt crisis in the EMU, interest rates are likely to remain low for the time being. In contrast to the spring, when international investors lost confidence in the stability of the European Monetary Union (EMU) and the euro fell sharply against the dollar, the common currency has regained ground. At the end of September, the euro traded at approximately 1.36 against the dollar, a level last seen in mid-April of this year.

Developments in the Banking Sector

The capital markets business experienced a deep summer lull in the early part of the third quarter of 2010. The decrease in customer demand in July and August exceeded the typical seasonal downturn at times, as worries about the debt of countries on the EU's periphery continued to dampen sentiment. Nevertheless, there was a strong upturn in business later in the quarter, especially during the second half of September. In the end, September turned out to be the year's third-best month in terms of bond issuance volume. However, the higher level of activity in the last half of the month did not compensate for the weak figures from July and August. The renewed turbulence experienced in September as a result of the debt situation in Ireland and Portugal, in particular, also had an adverse effect on some banks' net trading results.

The level of stock market trading was down, too, in July and August, but stock prices rebounded considerably, especially in September, with numerous companies going to the markets to raise equity. An increase in the amount of activity was also seen in corporate transactions. However, most of the benefits of these transactions will not be reaped until the fourth quarter.

Competition in the lending business for customers with higher credit quality remains fierce. Margins, already squeezed by the lower interest rates, came under pressure because of the rising refinancing costs for banks. In Germany, at least, the positive trend in business volume failed to improve this situation.

On September 12, 2010, central bank governors and banking supervisors reached an agreement on stronger liquidity and capital requirements for banks (Basel III). Under the revised framework, the minimum requirement for core capital after deductions (minimum common equity) will be raised from its current level of 2% to 3.5% (starting January 2013) and then in stages up to 4.5% in 2015. The agreement requires an increase in Tier 1 capital from the current 4% to 6% over the same period. Public-sector capital injections will be grandfathered until the beginning of 2018. The purpose of the new rules is to make banks more resilient in the face of economic stresses. Thus, Basel III serves as a key pillar for the global financial reforms announced in the wake of the financial crisis.

In terms of risk provisioning, it is likely that banks continued to experience easing in the third quarter in light of the multiple signs of improvement in the economy. However, it is still too early to sound the all-clear because of the strained economic situation some EU countries continue to face. In addition, despite the economic recovery in Germany, the risk remains that rating downgrades will negatively impact banks' capitalisation.

Structural Changes in the WestLB Group

At a shareholders' meeting held in April 2010, WestLB's owners signed the agreements on the ring-fencing of the main portfolio of non-essential strategic activities with a nominal volume of approximately € 71 billion. The spin-off into an existing entity pursuant to § 123 (2) No. 1 and § 131 (1) of the German Transformation Act (UmwG) in conjunction with § 8 a (8) of the Financial Market Stabilisation Fund Act (FMStFG) was recorded in the Düsseldorf commercial register on April 30, 2010. The main portfolio was transferred to Erste Abwicklungsanstalt (EAA) with retroactive effect from January 1, 2010. Taking into account the roughly € 6 billion sub-portfolio which was spun off in December 2009, the total volume of the ring-fenced portfolio stands at around € 77 billion. Altogether, four different transfer paths were chosen for the designated positions: spin-off, sub-participation, guarantee and sale. Using a choice of transfer paths allowed the Bank to account for the different laws, regulations and tax considerations of the respective countries and supervisory authorities and also minimised the transfer risk. Regardless of the path chosen, the economic risk of the assets and liabilities transferred passes from WestLB to EAA in full. Additional information about the ring-fencing and its consequences is provided in Note 2.

WestLB continued along its chosen path of realignment and simplification in the third quarter. The Bank announced the sale of its French subsidiary Banque d´Orsay S.A. (BdO) to Oddo & Cie on August 30, 2010. On September 24, 2010, WestLB issued a press release stating that DekaBank Deutsche Girozentrale Luxembourg S.A. will acquire WestLB International S.A., domiciled in Luxembourg, effective January 1, 2011. The end of August 2010 saw the closure of WestLB's representative office in Dubai. WestLB is also preparing for its majority change of ownership within the framework of an open, transparent and non-discriminatory bidding process. An advertisement to this effect was placed in an English-language daily newspaper with nationwide circulation on September 30, 2010. These four achievements represent a fulfillment by the Bank of corresponding conditions set by the European Commission.

Business Review

Performance

The transfer of non-essential strategic portfolios to EAA in the second quarter and weaker customer demand in the third quarter had an effect on the earnings situation as of September 30, 2010. As a result of these factors, we achieved a profit before income tax of € – 33 million in the first nine months of 2010 (9M 2009: € 262 million), with € 255 million of that attributable to the core bank and € – 288 million to the PEG/Unbundling segment. The PEG/Unbundling segment captures the effects of the portfolios transferred to Erste Abwicklungsanstalt effective April 30, 2010, as well as the subsidiaries to be sold according to the conditions set by the European Commission, namely Westdeutsche ImmobilienBank AG (WestImmo), readybank ag, WestLB International Luxembourg and Banque d'Orsay.

Group income dropped by a total of € 737 million to € 970 million in the period under review. This decrease is largely attributable to the transfer effects of € – 303 million reported in the PEG/Unbundling segment, which affect various income items. A chief component of these effects are measurement losses in the PEG/Unbundling segment. The predominant portion of these were incurred in the first four months of 2010 and, under IFRS, have to be reported in the result for the period even though beneficial ownership of the relevant items was transferred to EAA at book values according to the German Commercial Code (HGB) with retroactive effect from January 1, 2010. Offsetting this was the resulting increase in equity. Government bonds and similar assets assigned to the fair value option and available for sale categories accounted for the majority of these losses. In addition, the figures for the PEG/ Unbundling segment are comparable with the prior-year period only to a very limited degree, since in the nine months to the end of the previous September income from interest margins and net fee and commission income, in particular, was still being earned on the items transferred to EAA.

Income attributable to the core bank increased by a total of € 81 million, or 8%, to € 1,066 million. Whilst income in the comparable period a year ago benefited from an exceptionally strong money market business in the first half of 2009, we have posted sizeable increases in income from our business with corporate clients and international project finance thus far in 2010. Some of these gains, however, have been eroded by the steep drop in income from the capital markets business occasioned by the difficult market conditions and very weak customer demand, especially in the third quarter. Effects assigned to the core bank from the application of IAS 39, most notably measurement mismatches and the measurement of own liability and equity positions, amounted to € + 175 million for the reporting period (9M 2009: € – 185 million).

The impairment charge for credit losses receded by € 399 million to € 183 million, with the majority of the decrease attributable to the portfolios transferred to EAA on April 30, 2010. In this context, € 68 million in portfolio allowances was reversed as a result of the transfer.

We succeeded once again in keeping a tight rein on costs in the first nine months of 2010 and reduced our administrative expenses by € 83 million, or 10%, to € 780 million. However, we did incur € 40 million in restructuring expenses.

Taking into account the tax expense of € 20 million, we are reporting a net loss of € 53 million (9M 2009: profit of € 184 million).

WestLB Group Statement of Income from January 1 to September 30, 2010

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions	Change € millions	 %
Net interest income	1,088	1,347	– 259	– 19
Impairment charge for credit losses	– 183	– 582	399	69
Net interest income after impairment charge for credit losses	905	765	140	18
Net fee and commission income	175	204	– 29	– 14
Net trading result	– 375	137	– 512	> – 100
Result from financial investments	– 59	52	– 111	> – 100
Administrative expenses	780	863	– 83	– 10
Other operating income and expense	141	– 33	174	> 100
Restructuring expenses	40	0	40	–
Profit/loss before income tax	**– 33**	**262**	**– 295**	**> – 100**
Current income taxes	– 21	– 52	31	60
Deferred income taxes	1	– 26	27	> 100
Profit/loss after income tax	**– 53**	**184**	**– 237**	**> – 100**
Attributable to:				
– Shareholders of WestLB	– 53	184	– 237	> – 100
– Non-controlling interests	0	0	0	–

The following pro forma statement shows the nine-month results before taxes of the core bank and the PEG/Unbundling segment on a separate basis, taking into account the internal netting process, but excluding consolidation adjustments.

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions	Change € millions	 %
Net interest income	793	894	– 101	– 11
Impairment charge for credit losses	– 171	– 79	– 92	> – 100
Net interest income after impairment charge for credit losses	622	815	– 193	– 24
Net fee and commission income	151	112	39	35
Net trading result	48	– 52	100	> 100
Result from financial investments	31	8	23	> 100
Administration expenses	632	695	– 63	– 9
Other operating income and expense	43	23	20	87
Restructuring expenses	37	0	37	–
Netting with PEG/Unbundling	29	68	– 39	– 57
Profit before income tax Core Bank	**255**	**279**	**– 24**	**– 9**
Net interest income	295	453	– 158	– 35
Impairment charge for credit losses	– 12	– 503	491	98
Net interest income after impairment charge for credit losses	283	– 50	333	> 100
Net fee and commission income	24	92	– 68	– 74
Net trading result	– 423	189	– 612	> – 100
Result from financial investments	– 90	44	– 134	> – 100
Administrative expenses	148	168	– 20	– 12
Other operating income and expense	98	– 56	154	> 100
Restructuring expenses	3	0	3	–
Netting with Core Bank	– 29	– 68	39	57
Profit before income tax PEG/Unbundling	**– 288**	**– 17**	**– 271**	**> – 100**
Income taxes	– 20	– 78	58	74
Profit/loss after income tax	**– 53**	**184**	**– 237**	**> – 100**

Excluding the transfer effects, market-induced credit spread changes with own liabilities placed under the fair value option, measurement mismatches from the application of IAS 39, restructuring expenses, non-recurring income from tax refund interest and the net reversal of provisions from the reported result, WestLB Group had an adjusted profit before income tax of € – 16 million, whilst the core bank had an adjusted pre-tax profit of € 34 million. Information about the process of deriving the transfer effects is provided in Note 2.

Net Interest Income

Net interest income reached € 1,088 million, following € 1,347 million in the first three quarters of 2009. Net interest income in the core bank, at € 793 million, was lower than the € 894 million generated in the same period a year ago. This development is largely explained by the fact that the result for the prior-year period benefited from an exceptionally strong money market business in the Capital Markets segment. By contrast, we posted higher net interest income for the period in the business with corporate clients and project finance due to sustainable selling success. We also received non-recurring income from tax refund interest (€ 58 million).

It is important to note for the year-on-year comparison that the portfolios transferred to EAA on April 30, 2010 made contributions to the net interest income for the full nine months in the previous year.

Depending on our risk steering activities with interest rate instruments and accompanying interest rate derivatives, income components are reported either in net interest income or in the net trading result. Consequently, these two income statement items are closely linked.

Impairment Charge for Credit Losses

Our impairment charge for credit losses for the first nine months of 2010 reflects a net allocation of € 183 million versus a net allocation of € 582 million in the corresponding period of 2009. This € 399 million decrease in net allocations is predominantly attributable to the portfolios transferred to EAA. In addition, € 68 million in portfolio allowances was reversed because of the transfer. The expenses for risk provisioning in the core bank increased by € 92 million to € 171 million. An increased portfolio allowance takes account of the existing uncertainty about the future direction of the economy. We have taken due account of all discernible risks.

Net Fee and Commission Income

Net fee and commission income decreased by € 29 million to € 175 million compared to the first nine months of 2009. The portfolios transferred to the PEG/Unbundling segment lost € 68 million in net fee and commission income. The core bank, by contrast, increased its net fee and commission income by a substantial € 39 million. Positive contributions came from the lending and syndicated lending business as well as payments business. A total of € – 64 million in sales commissions paid in the context of the savings banks' certificate business (9M 2009: € – 65 million) offset some of these gains, an effect also seen in prior periods, but the business itself contributed to higher net interest income and higher income in the net trading result.

Net Trading Result

The net trading result amounted to € – 375 million, following € 137 million in the previous year.

The government bonds and similar assets we hold lost a net € 318 million in value in the first nine months of this year upon remeasurement (9M 2009: gain of € 147 million), with € 326 million of this amount representing transfer effects attributable to the PEG/Unbundling segment. We recorded positive effects of € 33 million (9M 2009: € – 122 million) from market-induced credit spread changes with own liabilities for which we apply the fair value option. A total of € 20 million of this amount related to the transferred portfolios. Measurement mismatches allocated to the core bank, which despite having positions that are economically hedged are unavoidable because of the application of IAS 39, had a positive effect of € 154 million on the net trading result (9M 2009: negative effect of € 78 million). Overall, the measurement effects mentioned added up to € – 131 million (9M 2009: € – 53 million), of which € + 175 million was attributable to the core bank (9M 2009: € – 185 million) and € – 306 million to the PEG/Unbundling segment (9M 2009: € + 132 million).

From an operating standpoint, the contributions which the Debt Markets unit (interest rate products) made to the net trading result in the core bank receded considerably given the extremely favourable conditions in the money markets business in the first nine months of 2009 and weak customer demand in the third quarter of 2010. However, in conjunction with the contributions to net interest income and a strategic focus on the customer business, they were in line with our expectations. The performance of the Equity Markets unit (equity products) lagged behind our expectations given the ongoing difficult market conditions.

Result from Financial Investments

The € – 59 million result from financial investments (9M 2009: € 52 million) reflects the reversal of a revaluation reserve from transferred available-for-sale holdings in the amount of € – 92 million. Despite the back-dating of the transfer to EAA for legal and economic purposes, we were required to recognise the reversal of this revaluation reserve on the statement of income. The result from financial investments would have been lower if not for gains realised on the sale of financial participations. The previous year's positive result was driven by € 54 million in earnings from the sale of a non-strategic participation.

Administrative Expenses

Administrative expenses decreased by 10% to € 780 million in the first nine months of the current fiscal year.

By keeping a tight rein on costs, we once again generated savings in our other administrative expenses, in particular, which decreased by € 62 million, or 16%, to € 318 million.

At € 402 million, personnel expenses were a slight 6% below their level for the first three quarters of the previous year. The number of full-time employees dropped by 231 to 4,740 in the first nine months of this year.

Other Operating Expense and Income

The net figure for other operating expense and income stood at € 141 million, compared with € – 33 million in the same period a year ago. This increase is predominantly attributable to effects from the portfolios transferred to EAA, which are captured in the PEG/Unbundling segment. For example, deconsolidation of the subsidiaries which were transferred resulted in income of € 142 million, but this contrasted, in particular, with measurement losses on transferred government bonds and similar assets which were reflected in the net trading result. The € – 63 million result from the transferred portfolios for the period ended April 30, 2010, which is attributable to EAA, had an offsetting effect. Income from the reversal of provisions, € 16 million of which was accounted for by the PEG/Unbundling segment, was also posted. The dominant impact on other operating expense and income in the prior-year period was the deconsolidation of Weberbank, which reduced the figure by € 57 million.

Restructuring Expenses

The predominant portion of the € 40 million in restructuring expenses for the first three quarters of this year relates to expenses established to satisfy the conditions set by the European Commission.

Segment Results

The front office and Corporate Center units made the following contributions to WestLB Group's result before taxes for the first nine months of 2010:

Verbund & Mittelstand

Formed on the basis of product stewardship, the Verbund & Mittelstand segment pools the credit business with SMEs, the savings banks and their customers, and public-sector clients, and also the business with fund companies. 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 advanced to € 17 million in the period under review, compared with € 4 million the year before. This increase is largely attributable to higher net interest income in the lending business and an improved result from financial investments. As explained above, this result only partially reflects the segment's sales performance.

Corporates & Structured Finance

The Corporates & Structured Finance segment captures all of the results from standard and structured lending to national and international corporate clients as well as the result from the joint venture in asset management.

With a profit before income tax of € 267 million in this segment (9M 2009: € 181 million), we succeeded in continuing the solid performance which we already achieved in the first half of the year.

The corporates business continued to develop favourably both in and outside Germany. All of the segment's operating units contributed to this improvement.

Of particular note were the successful arrangement and placement of syndicated loan transactions, our asset-based finance business with national and international clients, the positive performance executing equity measures for customers, the further cementing of our leading position in international project finance and structured trade finance, as well as our strong position in the standard lending business with German corporate clients.

Net interest income increased by € 61 million to € 356 million. At the same time, net fee and commission income rose € 13 million to € 208 million.

The impairment charge for credit losses increased by € 25 million to € 101 million compared to the year-earlier period. The lower level of net allocations in the previous year, which stood at € 76 million, was attributable to the transfer of non-essential strategic investments to the PEG/Unbundling segment.

The segment's net figure of € 33 million for other operating income and expense (9M 2009: € 1 million) is primarily the result of the reversal of a provision for potential litigation expenses which was no longer needed.

The segment's administrative expenses, at € 102 million, were above the previous year's € 90 million chiefly because of higher personnel expenses

Capital Markets

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

We achieved a profit before income tax of € 62 million in this segment for the period. Whilst this is well below the previous year's result of € 488 million, it is nevertheless in line with our expectations. The course of business in our Debt Markets unit was the primary source of this decrease, with income in the money market and fixed income businesses lagging far behind the exceptionally high income achieved in the comparable period of 2009 because of a lower risk profile, lower market volatility and narrower bid/ask spreads. The market conditions in the first nine months of 2009 were much more favourable in these areas. The business with structured and non-structured interest rate products continued to do well on the whole, i.e. despite weaker customer demand in the third quarter of 2010. Thanks to our portfolio of products which are tailored to the needs of the savings banks and their customers, we defended our excellent market position in the interest rate certificate business, in particular.

The Equity Markets business unit improved its result before taxes compared to the previous year, but its performance for the period is unsatisfactory on the whole, as the volume of customer trading remained low due to the uncertain market climate. In addition, savings banks and third-party banks primarily sell certificates with interest rate components because their customers currently prefer them to certificates with equity components. Notwithstanding this trend, we are optimistic about the future given our success in placing primary market transactions, implementing structured solutions for corporate clients and acquiring new clients.

The segment's net fee and commission income remained well in negative territory at € – 74 million, chiefly because of the sales commissions we pay for the certificate business. This fee and commission expense was more than offset by the corresponding income which was generated, but that income is reported in net interest income and the net trading result.

Compared to the year-earlier period, the expenses of the Capital Markets segment rose by € 40 million. This increase is primarily attributable to higher internal expensing, which mostly pertained to one-time effects (including higher expense for securities settlement and IT services) in the Corporate Center units.

Transaction Banking

The Transaction Banking segment pools the activities in the Transactions Services business. The product portfolio consists of the full range of account maintenance services, settlement services for euro and foreign payment transactions from the savings banks and direct clients, CashManagement (liquidity management), development and marketing of customer loyalty, credit and Verbund card programmes as well as foreign exchange, precious metals and traveller's cheque services.

Despite the financial market crisis, the transaction volume in the Transaction Services business unit remained positive. Overall, customer relationships were stabilised.

Float and demand deposit volume was above the level in the comparable period a year ago. However, net interest income was lower than in the previous year (€ 19 million versus € 21 million), as expected, because of the lower interest rates.

The increase in the impairment charge for credit losses is attributable to a higher portfolio allowance in the card business.

Corporate Center

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

The various cost-cutting and restructuring programmes already introduced in previous years continued to generate savings in the administrative expenses. However, these reductions were eclipsed by the non-recurring effect from the reversal of provisions for one-time payments captured in the previous year's personnel expenses. It is also important to note that EAA's reimbursements, which include reimbursements for administrative expenses incurred by the Corporate Center units, are reported in the Other segment for controlling reasons.

All expenses and income of the Corporate Center units were allocated among the remaining divisions as part of the internal netting process.

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.

The measurement mismatches related to the application of IAS 39 (9M 2010: € + 154 million; 9M 2009: € – 78 million) and measurement results from own liabilities which are not attributable to the Capital Markets and PEG/Unbundling segments (9M 2010: € + 5 million; 9M 2009: € – 40 million) are also captured here. The segment's administrative expenses included € 37 million in reimbursements made by EAA.

Portfolio Exit Group PEG/Unbundling

The Portfolio Exit Group – PEG/Unbundling segment captures the results from portfolios which the Bank identified as non-strategic and spun off into EAA on April 30, 2010, with retroactive effect from January 1, 2010. It also captures the results of major participations which the Bank has pledged to sell as part of the agreement reached with the European Commission: readybank ag, WestImmo, WestLB International Luxembourg and Banque d'Orsay S.A.

Given the numerous transfer effects (Note 2), only a limited comparison with the prior-year period is possible. Under IFRS accounting rules, all earnings components attributable to the portfolios transferred to EAA have to be reported in the statement of income up through April 30, 2010, even though the items were transferred to EAA at book values according to the German Commercial Code (HGB) with retroactive legal and economic effect from January 1, 2010.

As a result, the segment's pre-tax result for the first nine months of 2010, at € – 288 million, was largely driven by the € 418 million in measurement losses on government bonds and similar assets assigned to the fair-value-option and available-for-sale categories. Offsetting the effect of these losses were positive deconsolidation effects of € 142 million. In addition, the result attributable to EAA for the first four months of 2010 because of the retroactive application of the transfer (HGB/Local GAAP) led to an expense of € 63 million. By contrast, portfolio allowances of € 68 million and provisions for litigation risks in the amount of € 16 million were reversed and recognised in income as a direct result of the transfer.

Financial Status

The balance sheet for the first three quarters of 2010 was largely shaped by further implementation of the agreement reached with the European Commission. Without taking into account the equalisation claim, the transfer of the main portfolio of non-essential strategic activities in a nominal volume of approximately € 71 billion on April 30, 2010, with retroactive effect as of January 1, 2010, caused a € 54.8 billion decrease in Group assets and a € 27.6 billion decrease in Group liabilities. The transferred assets and liabilities, as well as related hedge transactions, were derecognised against equity at their IFRS carrying values as of April 30, 2010. The volume of contingent liabilities and other commitments transferred amounted to € 7.6 billion. The following tables break down the Group assets and liabilities transferred to EAA by balance sheet item and show their carrying values as of April 30, 2010:

	€ billions
Loans and advances to banks	1.9
Loans and advances to customers	35.4
Allowances for losses on loans and advances	– 0.9
Trading assets	1.3
Financial assets designated at fair value	12.8
Financial investments	4.2
Other assets	0.1
Total assets	**54.8**

	€ billions
Liabilities to banks	7.8
Liabilities to customers	3.7
Certificated liabilities	10.4
Trading liabilities	3.4
Financial liabilities designated at fair value	2.3
Total liabilities	**27.6**

EAA also guaranteed assets and liabilities (carrying value on September 30, 2010: € 6.1 billion). However, in a transfer by guarantee, the items are not removed from the transferring entity's balance sheet. The transfer and capital reduction reduced the equity reported pursuant to IFRS by € 1.9 billion without any corresponding effect on the income statement.

The difference between the volume of assets transferred and volume of liabilities transferred led to an equalisation claim against EAA of approximately € 19 billion, which was settled in a first step by EAA's issuance of bonds and the recording of loan receivables. As of April 30, 2010, there were also refinancing claims of € 6.2 billion against subsidiaries which were transferred to EAA (more detailed information about the ring-fencing and its consequences is provided in Note 2).

As of September 30, 2010, there was € 17.2 billion in loans and advances to customers, € 4.1 billion in receivables under reverse repurchase agreements and € 2.9 billion in trading assets making up the exposure to EAA, against € 4.0 billion in deposits from EAA (liabilities to customers) and € 2.9 billion in trading liabilities. The goal is to continue to gradually scale back WestLB's refinancing of EAA once EAA begins to establish an active presence of its own on the capital market.

WestLB Group's total assets decreased by € 22.1 billion, or 9%, from year-end to € 220.2 billion.

Adjusted for positive fair values from derivative financial instruments, which are reported as trading assets, as well as from derivative hedging instruments, total assets came to approximately € 154 billion as of the end of September 2010. The condition set by the European Commission for the reduction of total assets required an initial decrease to € 187 billion by March 31, 2010 and has therefore been fulfilled. In addition, we are on track to accomplish the second step of the European Commission's condition within the time frame stipulated (total assets down to € 125 billion by March 31, 2011).

The volume of subordinated debt decreased slightly from year-end, by € 0.2 billion to € 4.4 billion, due to final maturities.

One of the chief items affecting equity, apart from the transfer effects, the silent contribution to capital of the Special Fund Financial Market Stabilisation (SoFFin) and the negative profit after income tax, was a decrease in the actuarial gains and losses from defined benefit obligations by € – 314 million to € – 311 million due to the lower interest rates in the capital market.

Risk-Weighted Assets and Capital Ratios

Pursuant to the provisions of the German Solvency Regulation (SolvV), our risk-weighted assets (RWA) totalled € 50.3 billion at September 30, 2010, which corresponds to a decrease of € 32.7 billion from the volume of risk-weighted assets reported as of December 31, 2009.

The transfers to EAA of a total of € 31.0 billion in risk-weighted assets were the primary reason for this decrease. Additional changes in business volume and modelling led to a further reduction in risk-weighted assets of € 1.6 billion, a figure which reflects offsetting effects. In addition, market price risks fell by € 0.9 billion and operational risks by € 0.1 billion. Currency effects of € 0.8 billion (due predominantly to movement in the value of the U.S. Dollar) had the opposite effect.

The reduction in our total risk-weighted assets to € 50.3 billion was clearly below the target set by the European Commission for March 31, 2010 (€ 78 billion) and already reached the target set for March 31, 2011 (€ 52 billion).

Factoring in WestLB AG's result for the year and the € 1.5 billion silent contribution to capital made by SoFFin, own funds receded by approximately € 1.4 billion from year-end. This decrease is essentially the net effect from the spin-off into EAA. The transfer of € 2.5 billion in capital to EAA reduced own funds, whilst payment of SoFFin's third tranche of € 0.8 billion, additional effects of € 0.3 billion related to changes in the accounting treatment of various subsidiaries and a decrease in the deduction for shortfalls increased own funds.

Taking into account SoFFin's payment of the second tranche of its silent contribution to WestLB's capital in the amount of € 1.5 billion, the core capital ratio increased from 8.2% to 10.7%, whilst the overall ratio increased from 10.9% to 15.4%.

Liquidity

The liquidity situation of WestLB continuously improved in the first three quarters of 2010. One reason was the extensive issuance of bonds. Another was the improvement of the structural liquidity position brought about by the spin-off of non-current assets into EAA. In addition, the Bank's liquidity reserve increased significantly. This satisfactory liquidity situation is borne out by our regulatory liquidity ratio, which is determined pursuant to the German Liquidity Regulation. At WestLB AG, the ratio for the period from January to September 2010 averaged 1.27, which is well above the minimum value of 1.0.

Events Occurring after September 30, 2010

On October 26, 2010, WestLB announced that it had requested the German government – after consultation with the Supervisory Board and in agreement with its owners – to file an application with the European Commission by October 31, 2010 for an extension of the deadline in connection with the sale of WestImmo. Acceptance of the offers received for WestImmo was unjustifiable from an overall business point of view. Therefore, the Managing Board and Supervisory Board decided on the same day that, on the basis of the offers submitted, the sale of WestImmo was not going to be pursued further. The German government agreed to the request and presented the European Commission with the application for an extension on October 28, 2010.

October 28, 2010 was the deadline for submitting expressions of interest in the selling process for WestLB. Well-known strategic investors and financial investors from Germany and abroad have expressed interest in the Bank.

On November 4, 2010, WestLB was informed of the decision by BayernLB's Managing Board to prematurely break off the open-ended talks on a possible merger of the two Landesbanks which had begun on September 20, 2010. Despite this development, the sale of WestLB and other alternatives for a Landesbank consolidation will continue to be pursued.

On November 5, 2010, the European Commission extended its proceedings into the terms of the spin-off of non-essential strategic assets in connection with the formation of EAA. On November 15, 2010, representatives of the German government and the owners, the Managing Board of WestLB and the European Commission came to an understanding that the Bank would be given until February 15, 2011 to prepare a revised restructuring plan which also includes WestImmo. The German government, the government of North Rhine-Westphalia, the European Commission and WestLB intend to work together to find a long-term, viable solution.

On November 11, 2010 a UK court unexpectedly dismissed our claim against another financial services enterprise. We are currently exploring the possibility of additional legal action. Provisions have been formed for the existing risk of approximately € 19 million.

Outlook

The spin-off of non-essential strategic assets and the further focusing have had a lasting impact on WestLB's net assets, financial position and results of operations. The years 2010 and 2011 will be largely shaped by the consequences of implementing the agreement reached with the European Commission. In addition, the continued postponement of a final decision in the aid proceedings makes it difficult to provide an earnings forecast for the current fiscal year. Therefore, a definitive statement on the servicing of our equity capital instruments (profit participation certificates, silent contributions to capital and hybrid instruments), which depends on the results WestLB AG reports on an unconsolidated basis, cannot be made until after preparation of the single-entity financial statements in accordance with the German Commercial Code (HGB) in the spring of 2011. Depending on the contents of the revised restructuring plan and subsequent changes which are expected in the European Commission's conditions, it is possible that a loss will be reported in the HGB annual financial statements of WestLB AG as a result of additional restructuring provisions and book value depreciation, with corresponding effects also on the IFRS Group financial statements at December 31, 2010. In this case, the above mentioned equity capital instruments would participate in the net loss for the year in that there would be no coupon payments and the repayment claims would be reduced.

WestLB will further reduce its total assets in 2010 and 2011. The diminishment and eventual elimination of WestLB's refinancing of EAA will also contribute to a sustainable decrease in total assets, reducing them by an amount in the double-digit billion range over the course of 2011.

In early November 2010 the heads of state of the G20 countries agreed on tougher capital rules for banks (Basel III) on the basis of the proposals submitted by the Group of Governors and Heads of Supervision. The aim is to gradually tighten the regulatory capital requirements by 2018. WestLB has analysed the changes under Basel III, to the extent that they are already available in detailed form, and examined their possible impact on the business model. In the opinion of WestLB, the resulting changes are manageable for the Bank, because it has been preparing for this situation by taking steps over the past months to reduce risks and total assets and strengthen its capital base. The transitional arrangements under Basel III will be applied for the silent contribution of SoFFin, which forms a significant part of the Bank's future core Tier 1 capital. Upon expiry of the transition period, the classification of the silent contribution will largely depend on the utilisation of the conversion right set out in the documentation.

WestLB is meeting the challenges of the difficult market climate by strengthening its customer business and continuing to rein in costs. Parallel to that, the sale of the Bank and other alternatives for consolidation within the Landesbank sector are being pursued further. The results for 2010 as a whole, and the expectations for the coming years, depend largely on the revised restructuring plan.

Group Statement of Income

	Notes	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions	Change € millions	%
Interest income		5,083	7,281	– 2,198	– 30
Interest expense		3,995	5,934	– 1,939	– 33
Net interest income	(4)	1,088	1,347	– 259	– 19
Impairment charge for credit losses	(5)	– 183	– 582	399	69
Net interest income after impairment charge for credit losses		905	765	140	18
Fee and commission income		375	394	– 19	– 5
Fee and commission expense		200	190	10	5
Net fee and commission income	(6)	175	204	– 29	– 14
Net trading result	(7)	– 375	137	– 512	> – 100
Result from financial investments	(8)	– 59	52	– 111	> – 100
Administrative expenses	(9)	780	863	– 83	– 10
Other operating income and expense	(10)	141	– 33	174	> 100
Restructuring expenses		40	0	40	–
Profit before income tax		**– 33**	**262**	**– 295**	**> – 100**
Current income taxes		– 21	– 52	31	60
Deferred income taxes		1	– 26	27	> 100
Profit after income tax		**– 53**	**184**	**– 237**	**> – 100**
Attributable to:					
– Shareholders of WestLB		– 53	184	– 237	> – 100
– Non-controlling interests		0	0	0	–

Statement of Comprehensive Income

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

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions
Profit after income tax	**– 53**	**184**
Net income and expenses recognised directly in equity	**– 188**	**193**
Change in revaluation reserve	148	236
Change in foreign currency translation reserve	35	– 37
Change in defined benefit obligations	– 349	22
Deferred taxes on items taken directly to or transferred from equity	– 22	– 28
Total recognised income and expense for the period	**– 241**	**377**
Attributable to:		
– Shareholders of WestLB	– 241	377
– Non-controlling interests	0	0

Group Balance Sheet

Assets

	Notes	30. 9. 2010 € millions	31. 12. 2009 € millions	Change € millions	%
Cash and balances with central banks		1,652	2,048	– 396	– 19
Loans and advances to banks	(11)	9,847	10,376	– 529	– 5
Loans and advances to customers	(12)	81,673	96,897	– 15,224	– 16
Allowances for losses on loans and advances	(13)	– 836	– 1,667	831	50
Receivables under reverse repurchase agreements		35,019	31,031	3,988	13
Trading assets	(14)	75,380	59,945	15,435	26
Positive fair values from derivative hedging instruments		1,870	2,198	– 328	– 15
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		275	123	152	> 100
Financial assets designated at fair value	(15)	8,616	22,349	– 13,733	– 61
Financial investments	(16)	4,540	8,541	– 4,001	– 47
Property and equipment	(17)	431	448	– 17	– 4
Intangible assets	(18)	147	156	– 9	– 6
Current tax assets		370	334	36	11
Deferred tax assets		180	185	– 5	– 3
Other assets		427	491	– 64	– 13
Assets held for sale	(28)	588	8,856	– 8,268	– 93
Total assets		**220,179**	**242,311**	**– 22,132**	**– 9**

Liabilities and Equity

	Notes	30. 9. 2010 € millions	31. 12. 2009 € millions	Change € millions	%
Liabilities to banks	(19)	15,902	36,213	– 20,311	– 56
Liabilities to customers	(20)	24,623	27,643	– 3,020	– 11
Certificated liabilities	(21)	22,120	31,639	– 9,519	– 30
Liabilities under repurchase agreements		34,768	36,379	– 1,611	– 4
Trading liabilities	(22)	63,849	47,322	16,527	35
Negative fair values from derivative hedging instruments		1,113	867	246	28
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		800	717	83	12
Financial liabilities designated at fair value	(23)	43,781	48,446	– 4,665	– 10
Provisions	(24)	1,968	1,998	– 30	– 2
Current tax liabilities		392	416	– 24	– 6
Deferred tax liabilities		6	2	4	> 100
Other liabilities		1,716	2,082	– 366	– 18
Liabilities held for sale	(28)	751	295	456	> 100
Subordinated debt	(25)	4,406	4,559	– 153	– 3
Equity		3,984	3,733	251	7
– Share capital		967	2,270	– 1,303	– 57
– Capital reserve		97	1,259	– 1,162	– 92
– Silent contributions to capital		3,441	1,113	2,328	> 100
– Retained earnings		63	– 513	576	> 100
– Foreign currency translation reserve		– 44	– 79	35	44
– Revaluation reserve		– 229	– 320	91	28
– Actuarial gains and losses from defined benefit obligations		– 311	3	– 314	> – 100
– Non-controlling interests		0	0	0	–
Total liabilities and equity		**220,179**	**242,311**	**– 22,132**	**– 9**

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	Non-controlling interests	Group equity
Balance at January 1, 2009	2,270	2,031	469	– 314	– 47	– 581	– 7	3,821	0	3,821
Distribution to shareholders	0	0	0	– 24	0	0	0	– 24	0	– 24
Capital increase/ reduction	0	0	0	0	0	0	0	0	0	0
Allocations to silent contributions	0	0	0	0	0	0	0	0	0	0
Withdrawals from silent contributions	0	0	0	0	0	0	0	0	0	0
Other changes in shareholders' equity	0	0	0	– 1	0	0	0	– 1	0	– 1
Total recognised income and expense for the period	0	0	0	184	– 38	214	17	377	0	377
Balance at September 30, 2009	2,270	2,031	469	– 155	– 85	– 367	10	4,173	0	4,173
Balance at January 1, 2010	2,270	1,259	1,113	– 513	– 79	– 320	3	3,733	0	3,733
Distribution to shareholders	0	0	0	0	0	0	0	0	0	0
Capital increase/ reduction	0	0	0	0	0	0	0	0	0	0
Allocations to silent contributions	0	0	2,328	0	0	0	0	2,328	0	2,328
Withdrawals from silent contributions	0	0	0	0	0	0	0	0	0	0
Transfer effects recognised directly in equity	– 1,303	– 1,162	0	583	0	0	0	– 1,882	0	– 1,882
Other changes in shareholders' equity	0	0	0	46	0	0	0	46	0	46
Total recognised income and expense for the period	0	0	0	– 53	35	91	– 314	– 241	0	– 241
Balance at September 30, 2010	967	97	3,441	63	– 44	– 229	– 311	3,984	0	3,984

Cash Flow Statement

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions
Cash and balances with central banks at the end of the previous period	**2,048**	**2,125**
Cash flow from operating activities	– 4,629	– 590
Cash flow from investing activities	4,435	675
Cash flow from financing activities	– 212	– 912
Changes in cash due to changes in scope of consolidation	– 29	– 66
Changes in cash due to changes in exchange rates	39	– 11
Cash and balances with central banks at the end of the period	**1,652**	**1,221**

Additional information about the liquidity management practices of WestLB Group is contained in the Risk Report of the Annual Report 2009.

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, 2009. We have taken account of all developments up to the Managing Board's preparation of the interim financial statements on November 29, 2010.

We used the same accounting policies to prepare the interim financial statements as were used to prepare the 2009 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. Stabilisation Measure

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

The timetable stipulated, as a first step, the transfer to EAA of securities with a total carrying value according to the German Commercial Code (HGB) of approximately € 6.2 billion and liabilities with a total carrying value according to the German Commercial Code (HGB) of approximately € 5.5 billion by way of a spin-off into an existing entity pursuant to § 123 (2) No. 1 and § 131 (1) of the German Transformation Act (UmwG) in conjunction with § 8 a (8) of the German Financial Market Stabilisation Fund Act (FMStFG) with retroactive effect as of January 1, 2009. The spin-off was also recorded in the commercial register on December 23, 2009. In conjunction with this spin-off, EAA received € 672 million in equity capital from WestLB AG. SoFFin, in turn, paid the first tranche of its silent contribution to WestLB's capital in the amount of € 672 million on December 23, 2009. Additional information is provided in the Annual Report 2009.

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

On the basis of the corresponding shareholder resolutions adopted in April 2010, the second step was taken as planned on April 30, 2010, through the transfer of the main portfolio to EAA with retroactive effect as of January 1, 2010. In addition to spin-off, the transfer paths of sub-participation, asset deal and guarantee were used. Overall, far more assets than liabilities were transferred. EAA received additional equity capital of € 2,465 million. The remaining difference (equalisation claim) was settled in a first step by EAA's issuance of bonds and the recording of loan receivables (see the section entitled "Financial Status" in the statement of financial condition). The spin-off into an existing entity pursuant to § 123 (2) No. 1 and § 131 (1) of the UmwG in conjunction with § 8 a (8) of the FMStFG was recorded in the Düsseldorf commercial register on April 30, 2010.

Payment of the third tranche of SoFFin's silent contribution to capital in the amount of € 828 million was also made on April 30, 2010, bringing the total silent participation to € 3 billion. Pursuant to a shareholders' resolution adopted on April 23, 2010, the share capital of WestLB was reduced by € 1,303 million, from € 2,270 million to € 967 million (simplified procedure for capital reduction pursuant to § 145 of the German Transformation Act (UmwG) in conjunction with § 229 et seq. of the German Stock Corporation Act (AktG)). The capital reserve decreased by € 1,162 million to € 97 million.

Taking into account the transfer of the first sub-portfolio on December 23, 2009, equity capital of € 3,137 million has been transferred to EAA. In return, WestLB has received a silent contribution to capital of € 3 billion, which qualifies as equity capital under the German Commercial Code as well as regulatory core capital.

The Managing Board was authorised by the extraordinary shareholders' meeting held on April 23, 2010 to grant the Financial Market Stabilisation Fund (FMS) the option of converting all or part of this silent contribution to capital into shares of WestLB AG. To this end, a new class of shares (Class C) was created, with a preferred dividend of 10%, a preferred stake in any proceeds from the sale of divisions and subsidiaries and senior ranking in the event of liquidation. FMS's stake may not exceed 49.9% of the share capital. The share capital was conditionally raised by € 967 million pursuant to § 7a of the Financial Market Stabilisation Acceleration Act (FMStBG) in conjunction with § 192 et seq. of the German Stock Corporation Act (AktG). The agreement on the granting of the conversion right was signed in April 2010.

In the interim financial statements prepared according to IFRS, the transferred assets and liabilities as well as related hedge transactions were derecognised against equity at their IFRS carrying values as of April 30, 2010. Without taking into account the equalisation claim, this caused a € 54.8 billion decrease in Group assets and a € 27.6 billion decrease in Group liabilities attributable to the transfer. The volume of contingent liabilities and other commitments transferred totalled € 7.6 billion. The conditions for applying IFRIC 17 (Distributions of Non-cash Assets to Owners) were not present, so WestLB did not have to apply this interpretation to the transfer.

The transfer (€ 583 million) and capital reduction (€ – 2,465 million) reduced the equity reported pursuant to IFRS by € 1,882 million without any corresponding effect on the income statement. There was an increase of € 82 million in the transfer effect compared with June 30, 2010 due to the results of the migration testing and settlement of open matters; there were no significant effects on the income statement.

Pursuant to IFRS rules, the changes in the value of instruments designated at fair value had to be shown in WestLB's statement of income until their transfer to EAA on April 30, 2010 was recorded, whilst the contrary effect from the retroactive application of the spin-off, i.e. the contractually agreed transfer of beneficial ownership at book values pursuant to the German Commercial Code (HGB) as of January 1, 2010, was to be reflected in the IFRS equity. Viewed in isolation, therefore, there are paper losses in the statement of income. The measurement result attributable as of April 30, 2010 to the respective holdings, especially the government bonds issued by southern European governments, resulted in charges to earnings of € 163 million in the statement of income. The situation was similar with the revaluation reserve from transferred available-for-sale holdings in the amount of € – 92 million, the reversal of which had to be recognised in the statement of income despite the back-dating of the transfer to EAA for legal and economic purposes.

The result attributable to EAA for the period from January 1 to April 30, 2010 because of the retroactive application of the transfer amounted to € 63 million. Deconsolidation of the companies transferred to EAA, namely WestLB Covered Bond Bank plc, WestLB Ireland plc, WestLB Asset Management (US) LLC, Clavis Securities plc, Basinghall Finance plc and International Leasing Solutions Japan KK, generated deconsolidation income of € 142 million, which contrasted in particular with measurement losses on government bonds held by the Irish subsidiaries that were transferred.

In addition, IFRS portfolio allowances of € 68 million and provisions for litigation risks in the amount of € 16 million were reversed and recognised in income as a result of the transfer.

The table below summarises the transfer effects which were recognised in income:

	€ millions
Result from measurement of financial instruments designated at fair value (1. 1. – 30. 4. 2010)	– 306
– thereof WestLB AG	– 163
– thereof deconsolidated subsidaries	– 143
Realised gain/loss from revaluation reserve of transferred AfS items	– 92
Write-backs from portfolio allowances	68
Earnings transfer to EAA	– 63
Write-backs from provisions for litigation risks	16
Effects from deconsolidation	142
Effects due to spin-off	**– 235**

Transfers by guarantee work differently than the other methods of transfer in that items for which EAA assumes a guarantee remain on WestLB's balance sheet (carrying value at September 30, 2010: € 6.1 billion). WestLB continues to capture the income from these items in its statement of income. That income, however, is reduced by the expenses related to refinancing the items, as well as by the guarantee fees which WestLB pays to EAA for assuming the risk of default on them. For the period up to September 30, 2010, such expenses totalled € 13.6 million.

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

3. Scope of Consolidation

WestLB Group specifically includes the following companies and subgroups:

WestLB Group (companies, directly consolidated)	
WestLB AG, Düsseldorf	
Bank WestLB Vostok (ZAO), Moscow, Russia	
Banque d'Orsay S.A., Paris, France	
Compass Securitisation Limited, Dublin, Ireland	
Compass Securitization LLC, Wilmington/Delaware, USA	
GOD Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
GOH Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
readybank ag, Berlin	
Universal Factoring GmbH, Essen	
WestLB Bank Polska S.A., Warsaw, Poland	
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 International S.A., Luxembourg, Luxembourg	
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 Ltd., London, UK	
Banco WestLB do Brasil S.A., São Paulo, Brazil	Subgroup with 2 companies
Westdeutsche ImmobilienBank AG, Mainz	Subgroup with 9 companies

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

With acquisition of 100% of the voting capital, Universal Factoring GmbH has been consolidated since January 1, 2010. The purpose of the company is to buy and sell receivables. The acquisition was made in order to enhance the existing factoring business.

The companies WestLB Covered Bond Bank plc, WestLB Ireland plc, WestLB Asset Management (US) LLC, Clavis Securities plc, Basinghall Finance plc and International Leasing Solutions Japan KK were removed from the scope of consolidation effective April 30, 2010, in conjunction with the transfer to EAA. Additional information about the transfer to EAA is provided in Note 2.

The Mexican subsidiary WLB Funding S.A. de C.V. was sold as of September 30, 2010 under a share purchase agreement signed the same day and will no longer be included in the scope of consolidation as of that date.

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.

Group Segments

Verbund & Mittelstand	Corporates & Structured Finance	Capital Markets	Transaction Banking
Verbund	Corporates Structured Finance Corporate & Structured Finance Products Asset Management	Equity Markets Debt Markets Research Treasury	Transaction Services
Portfolio Exit Group – PEG/Unbundling	**Corporate Center**	**Other**	
Investment Management/ Portfolio Exit Group readybank ag Westdeutsche ImmobilienBank AG WestLB International S.A. Banque d'Orsay S.A.	Chairman Risk Management Finance & Controlling Human Resources Information Technology Organisation & Services Group Operations	Consolidations/ Netting	

The Verbund & Mittelstand segment combines the business with savings banks, the public sector as well as retail clients and small and medium-sized enterprises in North Rhine-Westphalia. Organisationally, the sales units for the Verbund business are assigned to this segment. However, large portions of the income related to them are reported in the Capital Markets and Transaction Banking segments.

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

All of WestLB's activities in the international capital markets are pooled in the Capital Markets segment. The segment's focus is customer-based trading in Europe. The segment's Treasury business unit is responsible for the Group's capital, funding and liquidity management. The products offered by the Research business unit support our target customers.

The Transaction Banking segment combines our activities in the domestic and international payments business.

The Portfolio Exit Group – PEG/Unbundling segment captures the results from portfolios which the Bank identified as non-strategic and spun off into EAA on April 30, 2010, with retroactive effect from January 1, 2010. It also captures the results of major participations which the Bank has pledged to sell as part of the agreement reached with the European Commission: readybank ag, Westdeutsche ImmobilienBank AG, WestLB International Luxembourg and Banque d'Orsay S.A. The segment has existed in its current form since the end of 2009. The previous year's figures have been adjusted accordingly.

The Corporate Center units provide services for the front-office and sales units and carry out central management functions, the management of which occasions expenses. An internal charging procedure attributes the units' services to the remaining divisions on the basis of actual cost, consistently with how the associated income and expenses are occasioned.

The Other segment captures consolidations, adjustments made for reconciliation to the Group result and profit contributions which do not fall within the scope of other segments' responsibilities.

In order to make a distinction between the segments of the core bank as well as the transfer portfolios of the PEG/Unbundling segment and earnings effects from the transfer to EAA, we added a sub-total column with the heading "Core Bank" to the segment reporting table.

The PEG/Unbundling segment and, above all, the Corporate Center units and Treasury unit provide a comprehensive range of services to EAA. The charges for these services and their settlement are handled via the PEG/Unbundling segment.

The following table depicts the contributions which the individual segments made to the consolidated result for the first three quarters of fiscal years 2009 and 2010. 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 passing on funds internally, allocating maturity structure and net interest margin contributions and supporting 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 balance sheet.

€ millions	Verbund & Mittelstand	Corporates & Structured Finance	Capital Markets	Transaction Banking	Corporate Center	Other	Core Bank	Portfolio Exit Group – PEG/ Unbundling	WestLB Group
Net interest income									
1. 1. – 30. 9. 2010	15	356	450	19	– 28	– 19	793	295	1,088
1. 1. – 30. 9. 2009	14	295	716	21	– 32	– 120	894	453	1,347
Impairment charge for credit losses									
1. 1. – 30. 9. 2010	2	– 101	– 4	– 5	0	– 63	– 171	– 12	– 183
1. 1. – 30. 9. 2009	7	– 76	– 5	0	0	– 5	– 79	– 503	– 582
Net fee and commission income									
1. 1. – 30. 9. 2010	7	208	– 74	30	– 19	– 1	151	24	175
1. 1. – 30. 9. 2009	6	195	– 96	30	– 15	– 8	112	92	204
Net trading result									
1. 1. – 30. 9. 2010	0	5	8	0	0	35	48	– 423	– 375
1. 1. – 30. 9. 2009	0	– 27	164	0	0	– 189	– 52	189	137
Result from financial investments									
1. 1. – 30. 9. 2010	4	3	8	0	– 1	17	31	– 90	– 59
1. 1. – 30. 9. 2009	– 12	13	– 2	0	– 1	10	8	44	52
Administrative expenses									
1. 1. – 30. 9. 2010	15	102	86	16	455	– 42	632	148	780
1. 1. – 30. 9. 2009	14	90	77	15	438	61	695	168	863
Other operating income and expense									
1. 1. – 30. 9. 2010	0	33	– 9	– 3	– 2	24	43	98	141
1. 1. – 30. 9. 2009	0	1	– 12	– 3	9	28	23	– 56	– 33
Restructuring expenses									
1. 1. – 30. 9. 2010	0	0	0	0	0	37	37	3	40
1. 1. – 30. 9. 2009	0	0	0	0	0	0	0	0	0
Internal charging									
1. 1. – 30. 9. 2010	4	– 135	– 231	– 31	505	– 83	29	– 29	0
1. 1. – 30. 9. 2009	3	– 130	– 200	– 36	477	– 46	68	– 68	0
Profit before income tax									
1. 1. – 30. 9. 2010	17	267	62	– 6	0	– 85	255	– 288	**– 33**
1. 1. – 30. 9. 2009	4	181	488	– 3	0	– 391	279	– 17	**262**

Notes to the Group Statement of Income

4. Net Interest Income

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions
Interest income from		
– Loans and advances to banks and customers	2,425	3,771
– Financial assets available for sale	113	262
– Financial assets held to maturity	2	18
Current income from		
– Financial assets available for sale	34	24
– Interests in associates and joint ventures	– 3	– 1
Net interest and dividend income from		
– Instruments held for trading	755	1,082
– Instruments designated as at fair value	– 624	– 898
Interest expenses for		
– Liabilities to banks and customers	1,339	2,169
– Certificated liabilities	449	770
– Subordinated debt (excluding designated holdings)	146	212
Net income from hedging relationships	– 6	– 53
Net income from other transactions	326	293
Net interest income	**1,088**	**1,347**
Net interest income Core Bank	793	894
Net interest income PEG/Unbundling	295	453

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 tax refund interest, the interest expense from the measurement of IFRS pension obligations and the interest effect from unwinding (accrued interest on allowances and provisions for credit risks).

5. Impairment Charge for Credit Losses

	1. 1. – 30. 9. 2010 € millions	1. 1.–30. 9. 2009 € millions
Allocations		
– to allowance for losses on loans and advances	– 325	– 645
– to provisions for lending operations	– 43	– 6
Write-backs		
– from allowance for losses on loans and advances	178	68
– from provisions for lending operations	30	8
Income from written-off loans and advances	9	15
Direct write-offs of loans and advances	– 32	– 22
Impairment charge for credit losses	**– 183**	**– 582**
Impairment charge for credit losses Core Bank	– 171	– 79
Impairment charge for credit losses PEG/Unbundling	– 12	– 503

6. Net Fee and Commission Income

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions
Lending and syndicated lending business	212	243
Securities and deposit business	– 78	– 73
Payment transactions	40	40
Other	1	– 6
Net fee and commission income	**175**	**204**
Net fee and commission income Core Bank	151	112
Net fee and commission income PEG/Unbundling	24	92

7. Net Trading Result

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions
Result from sale and measurement of trading instruments	244	176
Result from foreign currency translation	3	97
Result from sale and measurement of financial instruments designated at fair value	– 622	– 136
Net trading result	**– 375**	**137**
Net trading result Core Bank	48	– 52
Net trading result PEG/Unbundling	– 423	189

8. Result from Financial Investments

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions
Result from sale and measurement of available-for-sale assets	– 56	58
Result from sale and measurement of interests in associates	0	1
Result from the sale of consolidated subsidiaries	0	7
Other result from financial investments	– 3	– 14
Result from financial investments	**– 59**	**52**
Result from financial investments Core Bank	31	8
Result from financial investments PEG/Unbundling	– 90	44

9. Administrative Expenses

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions
Personnel expenses	**402**	**429**
– Wages and salaries	320	346
– Compulsory social security contributions	43	42
– Expenses for pensions and other employee benefits	39	41
Other administrative expenses	**318**	**380**
Depreciation and amortisation	**60**	**54**
– of property and equipment	29	31
– of software and other intangible assets	31	23
Administrative expenses	**780**	**863**
Administrative expenses Core Bank	632	695
Administrative expenses PEG/Unbundling	148	168

10. Other Operating Expense and Income

	1. 1. – 30. 9. 2010 € millions	1. 1. – 30. 9. 2009 € millions
Other operating expense	614	109
Other operating income	755	76
Other operating expense and income	**141**	**– 33**
Other operating expense and income Core Bank	43	23
Other operating expense and income PEG/Unbundling	98	– 56

The income (e.g. interest income) and expenses (e.g. interest expense) attributable to EAA for the period from January 1 to April 30, 2010 because of the retroactive application of the transfer were reported as gross amounts under other operating expense and other operating income, respectively (net effect: € – 63 million).

Notes to the Group Balance Sheet

11. Loans and Advances to Banks

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Banks in Germany	2,835	2,699
Banks in other countries	7,012	7,677
Loans and advances to banks	**9,847**	**10,376**

12. Loans and Advances to Customers

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Corporate clients	53,176	87,885
Public-sector clients	21,912	5,193
Private clients	6,585	3,819
Loans and advances to customers	**81,673**	**96,897**

13. Risk Provisions in the Lending Business

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Allowances for losses on loans and advances	**836**	**1,667**
– Allowances for specific risks	680	1,482
– Portfolio allowances	157	185
Provisions for contingent liabilities	**72**	**63**
– Provisions for specific risks	72	63
– Provisions for portfolio risks	0	0
Risk provisions in the lending business	**908**	**1,730**

14. Trading Assets

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Bonds and other interest-bearing securities	6,809	7,179
Shares and other non-interest-bearing securities	1,195	1,321
Positive fair values from derivative financial instruments	64,317	43,669
Other trading assets	3,059	7,776
Trading assets	**75,380**	**59,945**

15. Financial Assets Designated at Fair Value

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Bonds and other interest-bearing securities	2,906	14,618
Shares and other non-interest-bearing securities	58	64
Loans and advances to banks	2,661	3,192
Loans and advances to customers	2,991	4,475
Financial assets designated at fair value	**8,616**	**22,349**

16. Financial Investments

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Financial investments available for sale	4,317	8,195
Financial investments held to maturity	169	288
Interests in companies reported at equity	52	55
Investment property	2	3
Financial investments	**4,540**	**8,541**

17. Property and Equipment

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Land and buildings	354	365
Office equipment	67	73
Other property and equipment	10	10
Property and equipment	**431**	**448**

18. Intangible Assets

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Goodwill	0	0
Software	147	156
Intangible assets	147	156

19. Liabilities to Banks

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Banks in Germany	12,319	31,309
Banks outside Germany	3,583	4,904
Liabilities to banks	15,902	36,213

20. Liabilities to Customers

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Corporate clients	19,273	25,690
Public-sector clients	5,273	1,731
Private clients	77	222
Liabilities to customers	24,623	27,643

21. Certificated Liabilities

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Bonds and notes issued	18,590	23,600
Money market instruments	3,530	8,039
Certificated liabilities	22,120	31,639

22. Trading Liabilities

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Negative fair values from derivative financial instruments	61,832	44,268
Delivery obligations on short sales of securities	1,267	2,165
Other trading liabilities	750	889
Trading liabilities	63,849	47,322

23. Financial Liabilities Designated at Fair Value

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Liabilities to banks	6,468	8,217
Liabilities to customers	19,795	19,143
Certificated liabilities	17,518	21,086
Financial liabilities designated at fair value	**43,781**	**48,446**

24. Provisions

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Provisions for pensions and similar obligations	937	829
Provisions in the lending business	72	63
Provisions for personnel expenses	328	338
Restructuring provisions	424	528
Other provisions	207	240
Provisions	**1,968**	**1,998**

25. Subordinated Debt

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Subordinated liabilities	2,398	2,633
Profit participation capital	972	982
Hybrid capital	869	869
Deferred interest	160	88
Measurement effects (IAS 39)	7	– 13
Subordinated debt	**4,406**	**4,559**

The decrease in profit participation capital was due to final maturities.

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

26. Derivative Financial Instruments

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

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Products based on interest rates	2,242,761	2,040,949
Products based on exchange rates	283,743	234,242
Products based on share prices and other prices	53,862	54,508
Credit derivatives	65,231	114,960
Derivative transactions	**2,645,597**	**2,444,659**

27. Contingent Liabilities and Other Commitments

	Sept. 30, 2010 € millions	Dec. 31, 2009 € millions
Contingent liabilities from guarantees and indemnity agreements	4,910	8,546
Other commitments from irrevocable loan commitments	16,864	38,526

Irrevocable credit commitments involve external credit lines which have not yet been utilised. The decrease in irrevocable credit commitments is largely attributable to the elimination of liquidity facilities in connection with structured investment vehicles.

The credit risks associated with contingent liabilities and other commitments have been covered by forming sufficiently large provisions.

28. Assets and Liabilities Held for Sale

As part of the strategic repositioning of the Bank, preparations were completed in the first quarter of 2010 for the sale of subsidiary WestLB Bank Polska S.A., which is predominantly treated as part of the Capital Markets segment in our segment reporting. On March 12, 2010, WestLB announced the sale of WestLB Bank Polska S.A. to Abris Capital Partners and IDMSA. The criteria of IFRS 5 for a separate presentation of the company as a disposal group were still met as of the reporting date.

In October 2009, the Managing Board decided to divest the agro-portfolio, consisting of loans and advances made to enterprises active in agriculture, of WestImmo, which is now part of our Portfolio Exit Group – PEG/Unbundling segment. A portion of this portfolio was already sold in the first three quarters of 2010. The remaining items will continue to be reported pursuant to IFRS 5. EPM Assetis GmbH, Frankfurt am Main, a former associated company of WestImmo, was sold under a purchase and transfer agreement dated October 20, 2010. The criteria of IFRS 5 for the separate presentation of the company as a non-current asset held for sale were still met as of September 30, 2010.

Especially because of the poorer economic conditions, WestImmo was unable to sell the retail arm of its operations within the time limit stipulated in IFRS 5. Thus, whilst previously reported pursuant to IFRS 5 and not transferred to EAA, this disposal group had to be reclassified under its original balance sheet item as of June 30, 2010. This does not affect the current result or that of prior reporting periods.

DekaBank Deutsche Girozentrale Luxembourg S.A. will acquire WestLB International S.A., a subsidiary of WestLB AG domiciled in Luxembourg, on January 1, 2011. The share purchase agreement signed by the parties is subject to approval by the relevant authorities. With the sale WestLB will reduce non-essential strategic activities, thereby implementing a corresponding decision of the European Commission. The criteria of IFRS 5 for a separate presentation of the company as a disposal group were first met as of September 30, 2010.

The French subsidiary Banque d´Orsay was also sold. This was agreed by WestLB and the acquiring party (Oddo & Cie) on August 30, 2010 subject to approval by the relevant authorities and governing bodies. The transaction is due to be closed in the fourth quarter of 2010. The criteria for a classification and separate presentation of the company as a disposal group within the meaning of IFRS 5 were not yet met as of September 30, 2010 because of the conditions precedent set in the purchase agreement.

The planned sales which qualified for a separate presentation as of September 30, 2010 chiefly involve loans and advances to banks (€ 182 million), loans and advances to customers (€ 219 million) trading assets (€ 129 million), liabilities to banks (€ 79 million) and liabilities to customers (€ 618 million).

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 because of inactive markets. The reclassifications occurred at the respective fair values determined on the reclassification date and, in the case of available-for-sale assets, increased the equity capital in the reporting period by € 7 million.

No more reclassifications were made after the fourth quarter of 2008.

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

	Carrying Amount as of Reclassification € billions	Carrying Amount September 30, 2010 € billions	Fair Value September 30, 2010 € billions
Trading assets reclassified to loans and receivables	1.6	0.0	0.0
Financial investments available for sale reclassified to loans and receivables	3.9	1.0	1.0
Total	**5.5**	**1.0**	**1.0**

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 € 74 million to the profit before income tax in the period under review.

The decrease in the carrying values was largely the result of repayments as well as the spin-off of financial instruments into EAA.

30. Market Price Risk

The value at risk (VaR) is determined in accordance with the quantitative guidelines of the German Solvency Regulation for the internal measurement of market risks approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). For internal purposes, the Bank determines its VaR for a confidence interval of 99% and a holding period of one day. For regulatory purposes, a holding period of ten days is assumed. In both cases, an observation period of 250 trading days is used.

	Total Utilisation		thereof Trading Book	
Confidence Level 99%/1 Day	**1. 1. – 30. 9. 2010 € millions**	**1. 1. – 31. 12. 2009 € millions**	**1. 1. – 30. 9. 2010 € millions**	**1. 1. – 31. 12. 2009 € millions**
Value at risk on reporting date	77	140	7	9
Minimum value atrisk	77	137	4	9
Maximum value at risk	135	268	13	22
Average value at risk	106	224	7	14

The VaR in the trading book decreased by 22% to € 7 million in the first nine months of 2010, which is a reflection of the further steep drop in the market risk exposure. The range of variation between minimum and maximum VaR also receded sharply in the period under review.

The consolidated total VaR in the trading and banking books deceased in the same period by 44% to € 77 million, mainly due to the transfer of the main portfolio of non-essential strategic activities to EAA at the end of April 2010. Because of the spin-off which occurred at the end of April 2010, the range of variation between maxium and minimum VaR in the period under review is not significant, but has generally decreased since the spin-off. The transfer of the main portfolio to EAA has improved the Bank´s market risk exposure noticeably.

The above-mentioned transfer eliminated nearly all of the risk of rising credit spreads on bonds issued by southern European countries, recently the chief risk driver. Credit spread risk remains the principal market price risk, but is now predominantly shaped by the credit spreads of WestLB's own issues.

The third quarter of 2010 saw only minor changes compared with the previous periods in the first quarter and second quarter. Total VaR decreased from € 88 million (second quarter) to € 77 million (third quarter). The change occurred in the Treasury business unit, mainly due to reduced volatility in the parameters relevant for the valuation of WestLB's own issues.

Without the subsidiaries which have yet to be sold, the consolidated VaR would be approximately a further € 3 million lower as of the reporting date.

The back-testing time series indicated two VaR breaches in the third quarter of 2010, increasing the number of breaches over the entire back-testing time series (250 days) to four.

31. Group Statement of Income, Quarterly Comparison

	1. 7. – 30. 9. 2010 € millions	1. 4. – 30. 6. 2010 € millions	1. 1. – 31. 3. 2010 € millions	1. 7. – 30. 9. 2009 € millions	1. 4. – 30. 6. 2009 € millions	1. 1. – 31. 3. 2009 € millions
Net interest income	142	435	511	458	495	394
Impairment charge for credit losses	– 46	5	– 142	– 214	– 194	– 174
Net interest income after impairment charge for credit losses	96	440	369	244	301	220
Net fee and commission income	47	65	63	64	67	73
Net trading result	– 41	– 204	– 130	– 112	37	212
Result from financial investments	5	– 77	13	54	– 12	10
Administrative expenses	231	279	270	290	293	280
Other operating income and expense	– 13	125	29	0	– 48	15
Restructuring expenses	10	28	2	0	0	0
Profit before income tax	**– 147**	**42**	**72**	**– 40**	**52**	**250**
Current income taxes	– 6	6	– 21	30	– 60	– 22
Deferred income taxes	33	– 20	– 12	– 30	20	– 16
Profit after income tax	**– 120**	**28**	**39**	**– 40**	**12**	**212**
Attributable to:						
– Shareholders of WestLB	– 120	28	39	– 40	12	212
– Non-controlling interests	0	0	0	0	0	0

32. Members of the Managing Board and Supervisory Board

WestLB Managing Board

Dietrich Voigtländer
Chairman

Hubert Beckmann
Vice Chairman

Klemens Breuer

Thomas Groß

Dr. Hans-Jürgen Niehaus

Werner Taiber

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

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

Rolf Finger
Secretary for Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft

Dietmar Fischer
Director
WestLB AG Düsseldorf

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

Volker Goldmann
Chairman of the Managing Board
Sparkasse Bochum

Cornelia Hintz
Secretary
ver.di Vereinte Dienstleistungsgewerkschaft

Sigrid Janetzko
Bank Director
WestLB AG Düsseldorf

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

Christiane Kutil-Bleibaum
Director
WestLB AG Düsseldorf

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

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

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

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

Manfred Matthewes
Director
WestLB AG Düsseldorf

Dr. Annette Messemer (from April 30, 2010)
Frankfurt am Main

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

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

Heinz-Günter Sander
Director
WestLB AG Düsseldorf

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

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

Alexander Wüerst
Chairman of the Managing Board
Kreissparkasse Köln

Publications

The Interim Report and the Annual Report 2009 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.

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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.

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