



New Answers in Banking

Interim Report

March 31, 2007



Key Figures

Financial Data January 1 – March 31, 2007

	1. 1. – 31. 3. 2007	1. 1. – 31. 3. 2006	Change	
			absolute	%
Performance Figures in € millions				
Net interest income	256	242	14	6
Impairment charge for credit losses	34	50	- 16	- 32
Net interest income after impairment charge for credit losses	290	292	- 2	- 1
Net fee and commission income	127	80	47	59
Net trading result	76	106	- 30	- 28
Result from financial investments	28	1	27	> 100
Administrative expenses	418	451	- 33	- 7
Other operating income and expense	31	21	10	48
Profit before income tax	134	49	85	> 100
Income taxes	- 77	- 51	- 26	- 51
Profit after income tax	57	- 2	59	> 100

	1. 1. – 31. 3. 2007	1. 1. – 31. 12. 2006	Change	
			absolute	%
Ratios in %				
Return on equity	7.9	15.8	-	-
Cost/income ratio	80.7	71.6	-	-

	31. 3. 2007	31. 12. 2006	Change	
			absolute	%
Balance Sheet Figures in € billions				
Total assets	288.3	285.3	3.0	1
Equity	6.8	6.8	0.0	0
Bank Regulatory Capital Ratios (BIS)				
Core capital in € billions	7.1	7.2	- 0.1	- 1
Own funds in € billions	11.2	11.6	- 0.4	- 3
Risk-weighted assets in € billions	98.4	95.9	2.5	3
Core capital ratio in %	7.8	8.1	-	-
Overall ratio in %	11.4	12.1	-	-
Employees				
Number of employees	6,222	6,149	73	1
Full-time employees	5,927	5,862	65	1

Current Ratings	Short Term	Long Term	Public Pfandbrief
Moody's Investors Service	P-1	A1	Aaa
Standard & Poor's	A-2	A-	AAA
Dominion Bond Rating Service	R-1 (middle)	A (high)	(-)

Chairman's Statement

Dear shareholders and clients,

This interim report outlines the course of business during the first three months of 2007, which was characterised on the one hand by operating successes in our customer-driven banking business, and on the other hand by exceptional developments in a specific area of our trading activities. It is the first to be published in accordance with the International Financial Reporting Standards (IFRS), thereby enhancing the international comparability of WestLB's figures.

The published figures make one thing clear: WestLB further increased its operating profitability and its efficiency in the first months of 2007. Important quantities such as net interest income, net fee and commission income and administrative expenses developed satisfactorily. The major operating segments Corporates and Sparkassen, Capital Markets and Asset Liability Management reported substantially higher profits before income tax. Group profit before tax amounted to € 134 million, an increase of € 85 million over the figure for the previous year. Moreover, the Bank employed more people at the end of March 2007 than in 2006.

Group profit in the first quarter would have been appreciably higher if we had not been required to report valuation losses in proprietary trading positions involving ordinary and preferred shares in the final days of March 2007. The strategy pursued by our proprietary trading team of anticipating a convergence of the prices of both share categories suffered a severe setback as a result of unexpected developments on the capital market. The resulting valuation losses were all the more serious in that two senior traders of the Bank had increased the speculative positions again shortly before the end of the quarter – in contravention of Board guidelines and in violation of trading limits.

WestLB responded resolutely to these breaches of the rules and dismissed the traders in question. The Bank called in the public prosecutors and informed BaFin, the German financial regulators, in order to fully clarify the incidents which have occurred. We are unable to comment on the status of the ongoing investigations at the present time.

The valuation losses incurred in the above-mentioned position amounted to approximately € 70 million in the first quarter. In anticipation of the second quarter of 2007, however, we must point out that important information about WestLB's market positions and market strategies in proprietary trading with different corporate shares was deliberately made public in April. This enabled other market participants to position themselves against WestLB with minimal risk to themselves.

In light of the above, the Managing Board decided in April to discontinue proprietary trading with spread positions in ordinary and preferred shares. Substantial parts of our portfolio in this area of business have already been wound up. In view of the publication of our positions, this is being done in generally unfavourable circumstances and is resulting in considerable losses in earnings for the Bank. These losses amounted to € 173 million in April; at the end of May we are unable to estimate the total amount for the year as a whole.

WestLB's operating performance and reserves have to be taken into account when considering the negative impact on profits resulting from our gradual withdrawal from proprietary trading. The stability and future development of the company are therefore not at risk as a result of the occurrences of the past weeks. Accordingly, our entire efforts will be devoted to pressing ahead with the implementation of our business model, a process which we have already successfully set in motion.

We will continue our systematic expansion into fast-growing sales markets. WestLB has, for example, launched a Central and Eastern Europe initiative with Sachsen LB, the aim of which is to provide joint coverage of corporate clients in Russia, Poland, Hungary, Ukraine and the Czech Republic. In addition to the traditional corporate business, the focus will be on capital market and issuing business as well as other areas of investment banking. This initiative strengthens the cooperation agreed between Sachsen LB, Sachsen-Finanzgruppe and WestLB at the end of 2005.

As you can see, WestLB remains on course. It is pressing ahead with its transformation and is strong enough to cope with setbacks. We rely on the confidence and trust placed in us by our shareholders, clients and investors. You have given us considerable support over the past weeks. I would like to thank you personally for this.

Sincerely yours



Dr. Thomas R. Fischer
Chairman of the Managing Board

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Customer Business Further Expanded

Focus on Eastern Europe

WestLB maintained its policy of systematically expanding existing business activities and enlarging its customer base through the addition of further sales markets in the first quarter of 2007. On March 29, 2007, WestLB announced that it was launching a joint Central and Eastern Europe initiative with Sachsen LB. Both partners already have long-standing experience in this countries. WestLB and Sachsen LB intend to provide joint coverage of corporate clients in Eastern Europe, in particular in the large and mid-cap segment. The key markets which will be targeted initially are Russia, Poland, Czech Republic, Hungary and Ukraine. In addition to the traditional corporate business, the two partners will focus on investment banking products, e.g. from capital market and issuing business.

The Eastern Europe initiative will provide added impetus to the cooperation agreed between Sachsen LB, Sachsen-Finanzgruppe and WestLB at the end of 2005. Moreover, the partners will benefit from the attractive growth and earnings prospects in the emerging economies of Eastern Europe.

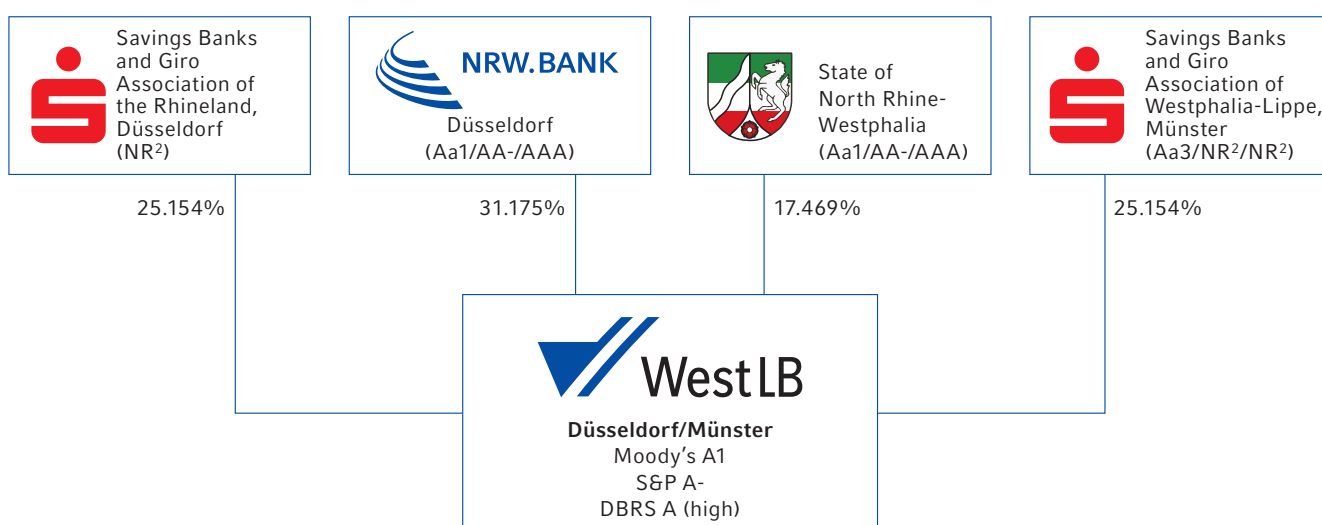
Higher Rating

WestLB was rated by Dominion Bond Rating Service (DBRS), the international rating agency, for the first time in 2006. In January 2007, DBRS raised the long-term rating of WestLB from A (middle) to A (high) and the short-term rating from R-1 (low) to R-1 (middle) in the course of the introduction of a floor rating for the Sparkassen-Finanzgruppe. With this introduction DBRS acknowledges the cohesion and the strength of the joint liability scheme operated by the group. In particular, DBRS emphasised the growing cooperation between the savings banks in North Rhine-Westphalia and WestLB, which is leading to an expansion of WestLB's business with the savings banks and their customers. WestLB continues to be rated A1/P-1 by Moody's and A-/A-2 by Standard & Poor's (S&P).

Improved Capital Structure

With the conversion of the fourth tranche of the silent contribution issued in 2003, WestLB AG's share capital increased by € 33 million on January 11, 2007 and the capital reserve by € 217 million. On February 8, 2007, the shareholder structure of WestLB AG was as follows:

Shareholder Structure¹



¹ The remaining shares (1.048%) are held equally (0.524% each) by the Regional Association of the Rhineland and the Regional Association of Westphalia-Lippe (indirectly via Westfälisch-Lippische Vermögensverwaltungsgesellschaft mbH, Münster).

² not rated

Business Review

Performance

The current year marks the first time our interim reports are being prepared in accordance with IAS 34. For the most part, the income statement includes proportional year-earlier values to compare with the closing values for the current period. These previous-year figures have been adjusted for any material transactions reported on an accrual basis.

WestLB achieved a satisfactory bottom line in the first quarter of 2007. Profit before income tax increased by € 85 million compared with the first quarter of 2006 to reach € 134 million. Despite experiencing setbacks in our proprietary trading business, our operating performance continued to improve. The growth in net fee and commission income was particularly positive because of the planned expansion of our role as a risk intermediary for customers. We reduced our administrative expenses as a result of our Lean Bank programme. Profit after income tax, at € 57 million, was up € 59 million from the year earlier.

We calculate our **return on equity** by dividing our result before income tax by the average equity capital reported on the balance sheet. The return on equity at March 31, 2007 was 7.9%.

The **net interest income** for the first three months of the year stood at € 256 million, which represents a slight improvement compared with the same quarter last year, despite persistently narrow margins in the lending business and flat interest rate curves.

At € 34 million, the net reversal reported under the **impairment charge for credit losses** fell short of the year-earlier quarter's € 50 million net reversal. Identifiable credit risks were adequately addressed as part of our risk management. The figure from the previous year was positively affected by an adjustment to the way we calculate our country risk provisions.

We posted a more than satisfactory increase in our **net fee and commission income**, which rose a considerable 59% to € 127 million. In particular, we generated higher fee and commission income in our securities business as well as in our lending and underwriting businesses, where the expansion of our role as a risk intermediary bore fruit.

The **net trading result** totalled € 76 million, following € 106 million in the first quarter of the previous year. The current-year figure reflects valuation losses of € 70 million in our proprietary trading activities with ordinary and preferred shares (spread positions). Under IAS 39 the corresponding holdings should be carried at their market value as of the reporting date.

We realised earnings contributions of € 28 million from our **financial investments**, mostly from the disposal of available-for-sale assets. We continued to focus on our core lines of business in the first quarter and to sell non-strategic investments. The impairment losses on our available-for-sale assets were lower than in the year-earlier quarter.

We reduced our **administrative expenses** by € 33 million to € 418 million. Personnel expenses, at € 229 million, were € 25 million below the previous-year quarter, in part because of higher non-linear salary components in the previous year. The figure for other administrative expenses reflects € 8 million in savings.

The **cost/income ratio**, which is calculated by dividing our administrative expenses (€ 418 million) by total income from ordinary activities (€ 518 million), was 80.7% for the first quarter.

Segment Results

The front office and Corporate Center units made the following contributions to WestLB Group's results for the first quarter of 2007:

Corporates & Sparkassen

The Corporates & Sparkassen segment covers all activities with corporate clients, public-sector clients, private clients and savings banks which involve the standard lending business, structured finance and payments. The segment's earnings amounted to € 112 million, which corresponds to a significant increase of € 66 million from the year earlier. Net interest income, at € 178 million, was basically on a par with the previous year. In terms of operating performance, the success of our improved customer-driven approach was primarily captured in the segment's net fee and commission

income, which increased by € 19 million to € 105 million given the dynamic growth of the global project finance market and the expansion of our private banking business. The positive change in our impairment charge for credit losses in the Corporates & Sparkassen segment (+€ 17 million), is the result of the low default rates in the current market environment, which meant fewer allocations to provisions, and, in particular, higher reversals of provisions in our real estate lending business in the first quarter. Administrative expenses, at € 102 million, were slightly below the previous year's level.

Capital Markets

We increased the earnings in our Capital Markets segment by € 97 million to € 89 million. Losses on trading positions in ordinary and preferred shares were more than offset by positive developments in our other proprietary trading activities and in our structured capital market product business with customers, as well as by gains on the sale of non-strategic holdings and cost-cutting measures. The nature of our business is such that net interest income and the net trading result can only be interpreted in unison.

Asset Liability Management

The Asset Liability Management segment is responsible for managing the Group's external and internal refinancing and overall liquidity, and for steering the Group's balance sheet and equity structure. We increased our earnings in this segment by € 29 million to € 27 million. Taken together, net interest income and the net trading result rose by € 30 million compared to the first quarter of the previous year. Measurement mismatches for economically secured positions which could not be made up for by hedge accounting or by applying the fair value option had less of an adverse effect. Administrative expenses, at € 7 million, were almost at the level of the previous year.

Corporate Center

The Corporate Center units have sovereign responsibilities and provide services for the Group's front office and sales units. The changes in net interest income are due to lower investment income than in the previous year. We have so far realised savings of € 23 million in the segment's administrative expenses, due, in part, to the measures introduced as part of our Lean Bank initiative. All expenses and income of the Corporate Center were allocated among the remaining divisions as part of the internal netting process.

Other

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

Group Balance Sheet and Financial Status

WestLB Group's **total assets** rose slightly compared to the end of the previous year to reach € 288.3 billion, which represents an increase of € 3.0 billion, or 1%.

We increased our volume of loans and advances by € 1.1 billion to € 84.7 billion. **Loans and advances to banks**, both in and outside Germany, rose by a total of € 3.7 billion to € 20.7 billion, whilst **loans and advances to customers** decreased by € 2.6 billion to € 64.0 billion. Taking into account the decline in contingent liabilities by € 2.8 billion to € 12.0 billion, the **credit volume under IFRS** (which is made up of financial instruments that qualify as loans and receivables as well as contingent liabilities in the lending business) fell by € 1.6 billion to € 96.7 billion.

On the refinancing side, **liabilities to banks** stood at € 45.0 billion, while **liabilities to customers** stood at € 30.2 billion. The decreases of € 9.5 billion and € 16.8 billion, respectively, are primarily the result of money market transactions which became due. We reported the corresponding new transactions under **financial liabilities designated at fair value**. Altogether, the financial liabilities designated at fair value increased by € 21.8 billion to € 63.5 billion.

Certificated liabilities rose by € 0.8 billion to € 42.4 billion. Of particular note is the public Pfandbrief with a total volume of € 1.0 billion, which we issued in two tranches in the first quarter of 2007. The issue has a term of two years and received an Aaa rating from Moody's and an AAA rating from S&P.

Upon entry of the capital increase from the conversion of the fourth tranche of silent contributions to capital in the Commercial Registers of Düsseldorf and Münster in the first quarter of 2007, our share capital rose by € 33 million and our capital reserve by € 217 million. In addition, we used € 136 million from retained earnings to complete the reinstatement of the silent contribution to capital issued in 2003. Group equity, at € 6.8 billion, was largely unchanged.

Risk-Weighted Assets and Capital Ratios (BIS)

WestLB Group's **risk-weighted assets** totalled € 98.4 billion at March 31, 2007, which corresponds to an increase of € 2.5 billion compared with year-end 2006.

Own funds decreased by € 0.4 billion in the same period, largely because certain supplementary capital components were no longer eligible for inclusion.

The **overall ratio** dropped to 11.4% from 12.1%, and the core capital ratio dropped to 7.8% from 8.1%. Core capital fell by € 0.1 billion, mainly because of the required deduction of half of investments in credit institutions, financial services institutions and financial enterprises since the beginning of the year in connection with the transposition of Basel II into German law. Because the deduction was previously made in full from total core and supplementary capital, the new legal requirement resulted only in a shift within the capital components.

Liquidity

In regulatory terms, a bank's liquidity is evaluated using the **Principle II liquidity ratio**, which sets the cash available within a given month in relation to the payment obligations which may be called in during the same period. A bank's liquidity is considered sufficient if this ratio is at least 1.0. At WestLB AG, the ratio for the period from January to March 2007 averaged 1.25.

Events after March 31, 2007 and Outlook

At the end of March 2007, sharp price movements following the announcement of a takeover bid as well as the breach of internal trading limits led to valuation losses from proprietary trading in spread positions with ordinary and preferred shares. Based on the share prices as of March 31, 2007, these losses totalled € 70 million. They are reflected in the profit for the first quarter.

Information about these trading positions and the trading strategy was made public at the beginning of April 2007. Immediately thereafter, as the price volatility of these positions continued to escalate, we decided to step up the implementation of exit strategies. By the end of April many of the positions had been closed, and the losses realised in this month reached € 173 million. Pursuant to IAS 39 we will first recognise these losses in the financial statements prepared at the end of the second quarter of 2007.

Measures aimed at reducing the positions and our risk have likewise been initiated for the remaining positions. These measures will have a further adverse effect on the bottom line for the year. The exact magnitude of the impact will depend on the actual implementation of the measures introduced as well as on future market developments. Thus, we are not able to provide a reliable estimate of the expenses at this time. However, from today's perspective, we expect to report a positive Group profit before tax for the year as a whole despite the overall burden resulting from these positions.

Group Statement of Income

	Notes	1. 1. – 31. 3. 2007 € millions	1. 1. – 31. 3. 2006 € millions	Change	
				€ millions	%
Interest income		1,197	1,245	- 48	- 4
Interest expense		941	1,003	- 62	- 6
Net interest income	(3)	256	242	14	6
Impairment charge for credit losses	(4)	34	50	- 16	- 32
Net interest income after impairment charge for credit losses		290	292	- 2	- 1
Fee and commission income		177	138	39	28
Fee and commission expense		50	58	- 8	- 14
Net fee and commission income	(5)	127	80	47	59
Net trading result	(6)	76	106	- 30	- 28
Result from financial investments	(7)	28	1	27	> 100
Administrative expenses	(8)	418	451	- 33	- 7
Other operating income and expense	(9)	31	21	10	48
Profit before income tax		134	49	85	> 100
Income taxes		- 77	- 51	- 26	- 51
Profit after income tax		57	- 2	59	> 100
Attributable to:					
- Shareholders of WestLB		57	- 2	59	> 100
- Minority interests		0	0	0	-

Group Balance Sheet

Assets

	Notes	31. 3. 2007 € millions	31. 12. 2006 € millions	Change € millions	%
Cash and balances with central banks		1,279	1,070	209	20
Loans and advances to banks	(10)	20,743	17,058	3,685	22
Loans and advances to customers	(11)	63,965	66,546	- 2,581	- 4
Allowances for losses on loans and advances	(12)	- 833	- 869	36	4
Trading assets	(13)	148,240	146,090	2,150	1
Positive fair values from derivative hedging instruments		418	702	- 284	- 40
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		- 14	- 12	- 2	- 17
Financial assets designated at fair value	(14)	39,856	40,294	- 438	- 1
Financial investments	(15)	11,243	10,902	341	3
Property and equipment	(16)	478	486	- 8	- 2
Intangible assets	(17)	117	121	- 4	- 3
Income tax assets		1,550	1,490	60	4
Other assets		1,176	1,283	- 107	- 8
Assets held for sale		65	126	- 61	- 48
Total assets		288,283	285,287	2,996	1

Liabilities and Equity

	Notes	31. 3. 2007 € millions	31. 12. 2006 € millions	Change € millions	%
Liabilities to banks	(18)	44,971	54,440	- 9,469	- 17
Liabilities to customers	(19)	30,176	46,956	- 16,780	- 36
Certificated liabilities	(20)	42,354	41,604	750	2
Trading liabilities	(21)	88,493	81,181	7,312	9
Negative fair values from derivative hedging instruments		220	300	- 80	- 27
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		- 436	- 334	- 102	- 31
Financial liabilities designated at fair value	(22)	63,534	41,772	21,762	52
Provisions	(23)	2,092	2,165	- 73	- 3
Income tax liabilities		562	459	103	22
Other liabilities		2,652	2,685	- 33	- 1
Liabilities held for sale		2	1	1	100
Subordinated debt	(24)	6,905	7,302	- 397	- 5
Equity		6,758	6,756	2	0
- Share capital		2,243	2,210	33	1
- Paid-in contribution for agreed capital increase		0	250	- 250	- 100
- Capital reserve		2,822	2,605	217	8
- Silent contributions to capital		719	583	136	23
- Retained earnings		381	539	- 158	- 29
- Foreign currency translation reserve		41	50	- 9	- 18
- Revaluation reserve		694	661	33	5
- Actuarial gains and losses from defined benefit obligations		- 152	- 153	1	1
- Minority interests		10	11	- 1	- 9
Total liabilities and equity		288,283	285,287	2,996	1

Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity

€ millions	Share capital	Paid-in contribution for agreed capital increase	Capital reserve	Silent contributions to capital	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Actuarial gains and losses from defined benefit obligations	Equity before minority interests	Minority interests	Group equity
Balance at January 1, 2006	2,177	250	2,388	492	105	65	634	- 154	5,957	3	5,960
Distribution to shareholders					- 59				- 59		- 59
Capital increase/reduction	33		217						250		250
Allocations for paid-in contribution for agreed capital increase and for silent contributions		250		341					591		591
Withdrawals from paid-in contribution for agreed capital increase and from silent contributions		- 250		- 250					- 500		- 500
Changes in scope of consolidation					7	- 8	- 117		- 118	1	- 117
Other changes in shareholders' equity					- 314				- 314	8	- 306
Total recognised income and expense for the period					800	- 7	144	1	938	- 1	937
Balance at December 31, 2006	2,210	250	2,605	583	539	50	661	- 153	6,745	11	6,756
Balance at January 1, 2007	2,210	250	2,605	583	539	50	661	- 153	6,745	11	6,756
Distribution to shareholders					- 8				- 8		- 8
Capital increase/reduction	33		217						250		250
Allocations for paid-in contribution for agreed capital increase and for silent contributions		0		136					136		136
Withdrawals from paid-in contribution for agreed capital increase and from silent contributions		- 250		0					- 250		- 250
Changes in scope of consolidation					0	0	0	0	0	0	0
Other changes in shareholders' equity					- 207				- 207	- 1	- 208
Total recognised income and expense for the period					57	- 9	33	1	82		82
Balance at March 31, 2007	2,243	0	2,822	719	381	41	694	- 152	6,748	10	6,758

Statement of Recognised Income and Expense

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

	1. 1. – 31. 3. 2007 € millions
Profit after income tax	57
Net income recognised directly in equity	25
Change in revaluation reserve	65
Change in foreign currency translation reserve	- 10
Actuarial gains and losses from defined benefit obligations	1
Tax on items taken directly to or transferred from equity	- 31
Total recognised income and expense for the period	82
Attributable to:	
– Shareholders of WestLB	82
– Minority interests	0

Cash Flow Statement

	1. 1.–31. 3. 2007 € millions
Cash and balances with central banks at the end of the previous period	1,070
Cash flow from operating activities	936
Cash flow from investing activities	– 275
Cash flow from financing activities	– 453
Changes in cash due to changes in scope of consolidation	0
Changes in cash due to changes in exchange rates	1
Cash and balances with central banks at the end of the period	1,279

Notes

Accounting Policies

1. Basis of Preparation

Based on Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 (the “IAS Regulation”), we prepared our interim financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB).

We used the same accounting policies to prepare the interim report at March 31, 2007 as were used to prepare the 2006 Group financial statements. The information contained in these interim financial statements should be read in conjunction with the information contained in the published and certified annual financial statements as of and for the year ended December 31, 2006. We took account of all developments up to and including May 22, 2007.

The current year marks the first time our interim reports are being prepared in accordance with IAS 34. For the most part, the income statement includes proportional year-earlier values to compare with the closing values for the current period. These previous-year figures have been adjusted for any material transactions reported on an accrual basis (e.g. significant divestitures, including any resulting deconsolidation effects and restructuring expenses).

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, actual, future results may still vary.

The interim report was not reviewed by the external auditors.

2. Scope of Consolidation

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

WestLB Group

WestLB AG, Düsseldorf	
Bank WestLB Vostok (ZAO), Moscow, Russia	
Banque d'Orsay S.A., Paris, France	
Basinghall Finance plc, London, UK	
GOD Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
GOH Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
RWS Securities Services Gesellschaft für Wertpapiervermittlung mbH, Düsseldorf	
Weberbank Actiengesellschaft, Berlin	
West Merchant Bank Limited, London, UK	
WestLB (Italia) Finanziaria S.p.A., Milan, Italy	
WestLB Asia Pacific Limited, Singapore, Singapore	
WestLB Bank Polska S.A., Warsaw, Poland	
WestLB Covered Bond Bank plc, Dublin, Ireland	
WestLB Europa Holding GmbH, Düsseldorf	
WestLB Europe (UK) Holdings Ltd., London, UK	
WestLB Finance Curaçao N.V., Willemstad, Netherlands Antilles	
WestLB Finance Netherlands B.V., Amsterdam, Netherlands	
WestLB Fund Investments Limited, London, UK	
WestLB Hungaria Bank ZRt., Budapest, Hungary	
WestLB International S.A., Luxembourg, Luxembourg	
WestLB Ireland plc, Dublin, Ireland	
WestLB Mellon Asset Management Holdings Ltd., London, UK	
WestLB New York Capital Investment Ltd., Jersey, Channel Islands	
WestLB Property Services Limited, London, UK	
WestLB Securities Inc., Dover/Delaware, USA	
WestLB Securities Pacific Ltd., Hong Kong, People's Republic of China	
WestLB UK Limited, London, UK	
Woolgate Investments CV, Dublin, Ireland	
Westdeutsche ImmobilienBank, Mainz	Subgroup with 12 companies
Banco WestLB do Brasil S.A., São Paulo, Brazil	Subgroup with 2 companies

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

Segment Reporting

Profit is planned and managed within WestLB Group at a business unit level on the basis of profit centre accounting. The portfolios, results and resources of the individual business units/profit centres are combined into segments that represent the businesses and areas in which WestLB Group is active.

The segment reporting is prepared in accordance with IAS 14. 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

Corporates & Sparkassen

Sparkassen & Public-Sector Clients
Westdeutsche ImmobilienBank AG (WIB)
Transaction Services
Private Banking
Processes & Infrastructure
Large Caps/Multinational Clients
Mid Caps
Corporate Finance
Global Origination

Capital Markets

Global Markets
Research
Business Management
Investment Management
Asset Management

Asset Liability Management

Group Treasury

Corporate Center

Chairman
Operations
Risk Management
Finance & Controlling
Human Resources
Regional COO/CFO

Other

Consolidations/Netting

The following tables depict the contributions that the individual segments made to the consolidated result in the first quarter of fiscal years 2007 and 2006. The segment results are derived from internal management data, which can be reconciled with our financial accounting data. An internal charging procedure charges services between the segments on the basis of actual cost, consistently with how the associated income and expenses are occasioned. All expenses and income of the Corporate Center were allocated among the remaining divisions as part of internal charging. We calculate the cost/income ratio by setting administrative expenses (plus restructuring expenses, if any) against total income from ordinary business activities.

€ millions	Corporates & Sparkassen	Capital Markets	Asset Liability Management	Corporate Center	Other	WestLB Group
Net interest income						
1. 1.–31. 3. 2007	178	63	16	-2	1	256
1. 1.–31. 3. 2006	175	68	1	2	-4	242
Impairment charge for credit losses						
1. 1.–31. 3. 2007	31	1	0	0	2	34
1. 1.–31. 3. 2006	14	3	0	-3	36	50
Net fee and commission income						
1. 1.–31. 3. 2007	105	24	-3	-8	9	127
1. 1.–31. 3. 2006	86	11	-5	-4	-8	80
Net trading result						
1. 1.–31. 3. 2007	-6	145	45	0	-108	76
1. 1.–31. 3. 2006	-14	111	30	6	-27	106
Result from financial investments						
1. 1.–31. 3. 2007	6	22	0	-1	1	28
1. 1.–31. 3. 2006	0	10	2	-7	-4	1
Administrative expenses						
1. 1.–31. 3. 2007	102	80	7	194	35	418
1. 1.–31. 3. 2006	106	100	8	217	20	451
Other operating income and expense						
1. 1.–31. 3. 2007	6	-1	-7	23	10	31
1. 1.–31. 3. 2006	1	-13	1	23	9	21
Internal charging						
1. 1.–31. 3. 2007	-106	-85	-17	182	26	0
1. 1.–31. 3. 2006	-110	-98	-23	200	31	0
Profit before income tax						
1. 1.–31. 3. 2007	112	89	27	0	-94	134
1. 1.–31. 3. 2006	46	-8	-2	0	13	49
Cost/income ratio (based on total income from ordinary business activities)						
1. 1.–31. 3. 2007	72.0	65.2	47.1			80.7
1. 1.–31. 3. 2006	96.6	61.3	105.9			71.6

Notes to the Group Statement of Income

3. Net Interest Income

	1. 1. – 31. 3. 2007 € millions	1. 1.–31. 3. 2006 € millions
Interest income from		
– Lending and money-market transactions	630	625
– Bonds and other interest-bearing securities	430	407
Current income from		
– Shares and other non-interest-bearing securities	27	13
– Financial participations	13	43
– Interests in associates and joint ventures	2	1
Interest expenses for		
– Uncertificated liabilities	367	434
– Certificated liabilities	348	368
– Subordinated debt	89	91
Net income from hedging relationships	– 23	5
Net income from other transactions	– 19	40
Net interest income	256	242

4. Impairment Charge for Credit Losses

	1. 1. – 31. 3. 2007 € millions	1. 1.–31. 3. 2006 € millions
Allocations		
– to allowance for losses on loans and advances	– 22	– 40
– to provisions for lending operations	– 3	– 3
Write-backs		
– from allowance for losses on loans and advances	45	81
– from provisions for lending operations	12	10
Income from written-off loans and advances	3	4
Direct write-offs of loans and advances	– 1	– 2
Impairment charge for credit losses	34	50

5. Net Fee and Commission Income

	1. 1. – 31. 3. 2007 € millions	1. 1.–31. 3. 2006 € millions
Lending and syndicated lending business	99	65
Securities and deposit business	24	9
Payment transactions	4	5
Foreign trade	0	1
Net fee and commission income	127	80

6. Net Trading Result

	1. 1. – 31. 3. 2007 € millions	1. 1.–31. 3. 2006 € millions
Interest and dividends on trading instruments	112	456
Result from sales and measurement of trading instruments	28	– 248
Result from foreign currency translation	1	34
Result from measurement and sales of financial instruments designated at fair value	– 65	– 136
Net trading result	76	106

The net interest and dividend income on the trading portfolio includes € 529 million (2006: € 472 million) in funding costs.

7. Result from Financial Investments

	1. 1. – 31. 3. 2007 € millions	1. 1.–31. 3. 2006 € millions
Result from sale and measurement of available-for-sale assets	28	4
Result from sale and measurement of held-to-maturity assets	0	0
Result from sale and measurement of interests in associates	0	– 2
Other result from financial investments	0	– 1
Result from financial investments	28	1

8. Administrative Expenses

	1. 1. – 31. 3. 2007 € millions	1. 1.–31. 3. 2006 € millions
Personnel expenses	229	254
– Wages and salaries	196	219
– Compulsory social security contributions	14	21
– Expenses for pensions and other employee benefits	19	14
Other administrative expenses	175	177
Depreciation and amortisation	14	20
– of property and equipment	9	11
– of software and other intangible assets	5	9
Administrative expenses	418	451

9. Other Operating Income and Expense

	1. 1. – 31. 3. 2007 € millions	1. 1.–31. 3. 2006 € millions
Other operating income	60	78
Other operating expense	29	57
Other operating income and expense	31	21

Notes to the Group Balance Sheet

10. Loans and Advances to Banks

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Banks in Germany	6,712	5,995
Banks in other countries	14,031	11,063
Loans and advances to banks	20,743	17,058

11. Loans and Advances to Customers

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Corporate clients	51,255	53,550
Public-sector clients	5,975	6,169
Private clients	6,735	6,827
Loans and advances to customers	63,965	66,546

12. Risk Provisions in the Lending Business

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Allowances for losses on loans and advances	833	869
– Allowances for specific risks	753	780
– Allowances for country risks	80	89
Provisions for contingent liabilities	88	96
– Provisions for specific risks	86	94
– Provisions for country risks	2	2
Risk provisions in the lending business	921	965

13. Trading Assets

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Bonds and other interest-bearing securities	27,749	26,095
Shares and other non-interest-bearing securities	6,416	4,763
Positive fair values from derivative financial instruments	30,432	34,891
Other trading assets	83,643	80,341
Trading assets	148,240	146,090

14. Financial Assets Designated at Fair Value

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Bonds and other interest-bearing securities	28,753	30,219
Shares and other non-interest-bearing securities	2,819	2,776
Loans and advances to banks	3,767	3,428
Loans and advances to customers	4,517	3,871
Financial assets designated at fair value	39,856	40,294

15. Financial Investments

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Financial investments available for sale	11,118	10,779
Financial investments held to maturity	19	19
Interests in companies reported at equity	102	100
Investment property	4	4
Financial investments	11,243	10,902

16. Property and Equipment

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Land and buildings	358	361
Office equipment	118	123
Other property and equipment	2	2
Property and equipment	478	486

17. Intangible Assets

	March 31, 2007	Dec. 31, 2006
	€ millions	€ millions
Goodwill	0	0
Software	113	118
Other	4	3
Intangible assets	117	121

18. Liabilities to Banks

	March 31, 2007	Dec. 31, 2006
	€ millions	€ millions
Banks in Germany	18,607	27,493
Banks outside Germany	26,364	26,947
Liabilities to banks	44,971	54,440

19. Liabilities to Customers

	March 31, 2007	Dec. 31, 2006
	€ millions	€ millions
Corporate clients	25,252	37,017
Public-sector clients	2,458	7,387
Private clients	2,466	2,552
Liabilities to customers	30,176	46,956

20. Certificated Liabilities

	March 31, 2007	Dec. 31, 2006
	€ millions	€ millions
Bonds and notes issued	19,185	19,354
Money market instruments	23,154	22,233
Own acceptances and promissory notes outstanding	15	17
Certificated liabilities	42,354	41,604

21. Trading Liabilities

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Negative fair values from derivative financial instruments	31,144	34,661
Delivery obligations on short sales of securities	8,615	8,318
Other trading liabilities	48,734	38,202
Trading liabilities	88,493	81,181

22. Financial Liabilities Designated at Fair Value

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Liabilities to banks	24,093	13,146
Liabilities to customers	20,909	11,612
Certificated liabilities	18,532	17,014
Financial liabilities designated at fair value	63,534	41,772

23. Provisions

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Provisions for pensions and similar obligations	989	984
Provisions in the lending business	88	96
Provisions for personnel expenses	394	402
Restructuring provisions	146	151
Other provisions	475	532
Provisions	2,092	2,165

24. Subordinated Debt

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Subordinated liabilities	3,598	3,891
Profit participation capital	2,323	2,323
Hybrid capital	869	869
Deferred interest	121	243
Measurement effects (IAS 39)	- 6	- 24
Subordinated debt	6,905	7,302

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

Other Information

25. Derivative Financial Instruments

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

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Products based on interest rates	2,289,103	2,287,180
Products based on exchange rates	160,867	161,974
Products based on interest rates and exchange rates	126,028	128,790
Products based on share prices and other prices	87,985	69,226
Credit derivatives	116,531	104,885
Derivative transactions	2,780,514	2,752,055

26. Contingent Liabilities and Other Commitments

	March 31, 2007 € millions	Dec. 31, 2006 € millions
Contingent liabilities	11,988	14,748
– from guarantees and indemnity agreements	11,988	14,748
Other commitments	76,458	83,281
– Irrevocable loan commitments	76,458	83,281

27. Market Price Risks

The value at risk is determined in accordance with the quantitative guidelines of the Solvency Regulation (SolvV) for the internal measurement of market risks approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). These assume a confidence level of 99% as well as a holding period of ten trading days and an observation period of 250 trading days. For a detailed description of the methodology we use and the organisation of the Risk Management division, please refer to pages 24 et seq. of the Financial Report in our Annual Report 2006.

The following table shows changes in market price risks during the reporting period.

Confidence level 99%/ 10-day holding period	Trading Book		Banking Book	
	1. 1.–31. 3. 2007 € millions	1. 1.–31. 12. 2006 € millions	1. 1.–31. 3. 2007 € millions	1. 1.–31. 12. 2006 € millions
Value at risk on reporting date	74.0	64.6	74.9	67.1
Minimum value at risk	58.9	43.4	67.5	60.5
Maximum value at risk	93.8	79.3	83.7	95.7
Average value at risk	68.6	55.0	74.0	77.0

28. Governing Bodies of WestLB

Managing Board

Dr. Thomas R. Fischer, Chairman
Dr. Norbert Emmerich, Vice Chairman
Dr. Matthijs van den Adel
Klaus-Michael Geiger
Dr. Hans-Jürgen Niehaus
Robert M. Stein
Werner Taiber

Supervisory Board

Dr. Rolf Gerlach, Chairman

President
Savings Banks and Giro Association of Westphalia-Lippe

Doris Ludwig, Vice Chairwoman (until May 10, 2007/from May 16, 2007)

Director
WestLB AG Düsseldorf

Raimund Bär (from May 10, 2007)

Chairman of the Staff Council
Westdeutsche ImmobilienBank AG (WIB)

Dr. Karlheinz Bentele

President
Savings Banks and Giro Association of the Rhineland

Bernd Fiegler (until May 10, 2007)

Secretary
ver.di Vereinte Dienstleistungsgewerkschaft

Rolf Finger

Secretary for Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft

Dietmar Fischer (from May 10, 2007)

Director
WestLB AG Düsseldorf

[Cornelia Hintz](#) (from May 10, 2007)

Secretary

ver.di Vereinte Dienstleistungsgewerkschaft

[Frank Kasper](#) (until May 10, 2007)

Bank Officer

WestLB AG Düsseldorf

[Dr. Wolfgang Kirsch](#) (from April 2, 2007)

Regional Director

Regional Association of Westphalia-Lippe

[Dr. Karl-Ludwig Kley](#) (from January 1, 2007)

Chairman of the Executive Board

Merck KGaA

[Joachim Krämer](#)

Senior Managing Director

WestLB AG Düsseldorf

[Thomas Kreyer](#) (until May 10, 2007)

Director

WestLB AG Berlin

[Christiane Kutil-Bleibaum](#)

Director

WestLB AG Düsseldorf

[Dr. Helmut Linssen](#)

Finance Minister

State of North Rhine-Westphalia

[Annette Lipphaus](#) (from May 10, 2007)

Regional Head of Legal Protection

ver.di Vereinte Dienstleistungsgewerkschaft

[Dr. Siegfried Luther](#)

Former Vice Chairman of the Executive Board

Bertelsmann AG

[Manfred Matthewes](#)

Prokurist
WestLB AG Düsseldorf

[Udo Molsberger](#)

Regional Director
Regional Association of the Rhineland

[Dr. Hans-Ulrich Predeick](#) (until March 31, 2007)

Regional Councillor
Regional Association of Westphalia-Lippe

[Heinz-Günter Sander](#)

Prokurist
WestLB AG Düsseldorf

[Gustav Adolf Schröder](#) (until March 31, 2007)

Former Chairman of the Managing Board
Sparkasse KölnBonn

[Christiane Stascheit](#) (until May 10, 2007)

Deputy Director for the Düsseldorf Region
ver.di Vereinte Dienstleistungsgewerkschaft

[Adolf Terfloth](#) (from April 2, 2007)

Chairman of the Managing Board
Sparkasse Düren

[Hans-Georg Vogt](#)

Chairman of the Managing Board
Sparkasse Bielefeld

[Heinz Welter](#)

Chairman of the Managing Board
Sparkasse Neuss

Financial Calendar

August 30, 2007 Interim Report June 30, 2007

December 6, 2007 Interim Report September 30, 2007

Subject to changes

Publications

The Interim Report and the Annual Report 2006 are also available in German.

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.

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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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