

Rating Report

Report Date:
25 August 2010

Previous Report:
6 January 2009



Insight beyond the rating.

WestLB AG

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The Bank

WestLB AG is the main operating bank and parent of WestLB Group, a European commercial bank that serves savings banks, corporates and institutional clients with strong positions in German corporate banking and debt markets.

Recent Research

25 August 2010
DBRS Confirms
WestLB's Long-Term
Debt at A (high), Stable

26 May 2010
DBRS Comments on
WestLB's 1Q10 Results,
Asset Transfer – Rating
Unaffected at A (high),
Stable

25 March 2010
DBRS Comments on
WestLB's 2009 Results –
Senior at A (high),
Stable

13 November 2009
DBRS Comments on
WestLB's Interim
Results – Senior at A
(high), Stable

Rating

| Issuing Entity | Debt | Rating | Trend |
|----------------|------------------------------|--------------|--------|
| WestLB AG | Long-Term Debt & Deposit | A (high) | Stable |
| WestLB AG | Subordinated Long-Term Notes | A | Stable |
| WestLB AG | Short-Term Debt & Deposit | R-1 (middle) | Stable |

Rating Strengths and Challenges

Strengths

- (1) Membership in the joint liability scheme
- (2) Support from federal government, state and savings banks owners, and Sparkassen-Finanzgruppe
- (3) Still solid core franchise with moderate earnings generation ability
- (4) Reduced risk exposures following transfer of non-strategic assets

Challenges

- (1) Uncertainties about future ownership, business model and future support
- (2) Resolving pending EC approval for support
- (3) Restoring profitability to more appropriate levels
- (4) Further strengthening the quality of capital

Rating Rationale

On 25 August, 2010, DBRS confirmed the ratings for WestLB AG (WestLB or the Bank). DBRS rates WestLB at the A (high) / R-1 (middle) floor ratings for all members of the joint liability scheme of Sparkassen-Finanzgruppe. The trend on all ratings is Stable.

The ratings also consider the Bank's ongoing access to various forms of support from the German federal government, the state and savings banks owners, and the Sparkassen-Finanzgruppe. In DBRS's view, this support and WestLB's position as a member of the joint liability scheme allows for significant uplift in the final rating. Indeed, DBRS maintains WestLB's intrinsic rating at BB (low), reflecting the uncertainties as to the future prospects of the Bank and the ultimate level of support available to the Bank, after its European Commission (EC) stipulated change in majority ownership. Further, the intrinsic ratings consider DBRS's concerns as to the timing and form of the pending EC final approval for State-aid, and the risk that any additional requirements imposed may impact the prospects or franchise of the Core Bank. Further, the intrinsic ratings reflect WestLB's reduced earnings generation ability attributed to the narrowed business focus, and the remaining earnings volatility potential. These negatives are somewhat offset by the Core Bank's still solid, albeit evolving franchise, the reduced risk profile, and WestLB's ability to demonstrate a modest level of profitability (Continued on Page 2).

Financial Information

| WestLB Group | 30/06/2010 | 31/12/2009 | 31/12/2008 | 31/12/2007 | 31/12/2006 |
|---|------------|------------|------------|------------|------------|
| EUR Millions | IFRS | IFRS | IFRS | IFRS | IFRS |
| Total Assets (millions) | 251,227 | 242,311 | 288,122 | 287,416 | 285,287 |
| Equity (millions) | 4,233 | 3,733 | 3,821 | 4,464 | 6,756 |
| Net Income (millions) | 67 | -531 | 18 | -1,597 | 799 |
| Risk-Weighted Earning Capacity (%) | 0.78 | 0.96 | 0.67 | -1.29 | 0.89 |
| Post-provision Risk-Weighted Earning Capacity (%) | 0.40 | 0.03 | 0.17 | -1.53 | 1.11 |
| Net Interest Margin (%) | 0.99 | 0.94 | 0.53 | 0.45 | 0.47 |
| Efficiency Ratio (%) | 80.86 | 59.24 | 68.79 | 437.86 | 75.01 |
| Impaired Loans % Gross Loans | n/a | 4.00 | 2.40 | n/a | 1.65 |
| Tier 1 Capital Ratio (%) | 10.10 | 6.40 | 6.40 | 5.60 | 8.10 |

Rating Rationale (Continued from Page 1)

While WestLB has made significant progress in executing on its restructuring plans, the ratings consider the risks and challenges that remain. First and foremost, WestLB's ownership structure will need to change by December 2011, as prescribed by the EC. In DBRS's view, the change in majority ownership may affect WestLB's access to support, however, the Bank's systemic importance and the most recent support from the federal government provides a level of comfort. Further, the change in ownership leads to uncertainty regarding future business prospects and WestLB's continued membership in the joint liability scheme. WestLB sources a sizable amount of funding, liquidity and customer activity from the regional savings banks. Importantly, should the Bank exit the joint liability scheme, existing/outstanding debts will be grandfathered and protected by the joint liability scheme.

On a positive note, DBRS views the Core Bank's franchise as still solid, albeit not without risks as discussed above. The franchise strength is underscored by WestLB's position in German corporate banking, debt capital markets and transaction banking, complimented by the growing business with savings banks. Profitability however, remains modest and a level of volatility remains. The modest level of profitability allows limited flexibility for the Bank to manage through any renewed market-wide disruptions or company-specific event risks. Nonetheless, WestLB returned to profitably in the first quarter 2010. To this end, WestLB recorded EUR 114 million in profit before tax (PBT) for the first half. Importantly, the Core Bank generated a PBT of EUR 304 million for the same period. While DBRS recognises the improving trends in profitability, given the still difficult environment and the resulting muted business activity and elevated funding and credit costs, DBRS expects a level of earnings pressure to persist in the near-term.

DBRS notes the risk reducing benefits gained from the transfer of nominal EUR 77 billion of higher-risk exposures to the unrelated workout entity (EAA) and from the ongoing restructuring. DBRS recognises, however, that WestLB's core activities in corporate banking and capital markets remain exposed to economic and market cycles. Further, the wholesale-funded nature of the funding profile negatively influences the rating. This is somewhat offset by the benefits from the funding relationships with the savings banks. The savings banks have proved to be a stable and dependable source of funding, which has allowed WestLB to navigate through the most current market disruption without explicit guaranteed funding. DBRS is, however, concerned that further change in ownership may alter the relationship with the savings banks, and thereby potentially remove a steady source of funding.

WestLB's capital position has improved with the transfer of the non-strategic assets. The removal of some EUR 30 billion of risk weighted assets (RWA) positively impacted regulatory capital ratios, even though the quantum of equity was largely unchanged from the end of 2009. At June 30, 2010, Core Tier 1 ratio stood at 10.1%. Further, DBRS views the quality of capital, after the EAA transfer, as weak, consisting mainly of silent contribution certificates, with only a small amount of fully loss-absorbing ordinary share capital. DBRS notes that in the recent stress test conducted by the Committee of European Banking Supervisors, WestLB's Tier 1 ratio remains at 8.9% in the most adverse stress scenario, which is well in excess of the benchmark ratio of 6.0%.

The Stable trend on WestLB's ratings considers DBRS's view that WestLB will continue to have access to support, including from the federal government. The trend also reflects the Stable trend on the floor ratings for the members of Sparkassen-Finanzgruppe's joint liability scheme. Given the important role of support in the ratings, indications that WestLB's access to support is eroding could cause downward ratings pressure.

Support Assessment

As discussed, DBRS views WestLB as a systemically important bank, given its strong position in German capital markets and corporate lending. This is reflected in an SA-2 support assessment. The SA-2 leads to a significant ratings uplift from the intrinsic assessment equivalent of BB (low). Consistent with the SA-2, WestLB has received substantial external support, including the recent capital injection from SoFFin.

Rating Considerations Details

Strengths

(1) Membership in the joint liability scheme

The ratings consider the Bank's membership in the joint liability scheme of Sparkassen-Finanzgruppe. As such, DBRS rates WestLB at the A (high) / R-1 (middle) floor ratings for all members of the joint liability scheme. In DBRS's view, WestLB's position as member of the joint liability scheme allows for significant uplift in the final rating of BB (low). The scheme is designed to ensure the solvency and viability of each member; however, DBRS recognises that the joint liability scheme has limitations and does not amount to a legal cross-guarantee.

(2) Support from federal government, state and savings banks owners, and Sparkassen-Finanzgruppe

In DBRS's view, WestLB's access to several sources of support is the main factor underpinning the ratings. The federal government, through SoFFin, has demonstrated strong support by injecting EUR 3 billion of silent contribution capital, by appointing two representatives to WestLB's supervisory board and by playing an active role in organising the EC-mandated ownership change. The state and savings banks owners have also demonstrated their support by providing capital, loss guarantees and funding in recent years. While the owners have strong incentives to continue supporting WestLB, DBRS recognises that their willingness to absorb further large losses may ultimately be limited. That said, the most recent support provided by SoFFin partly mitigates this concern. As discussed above, the required change in majority ownership may alter the likelihood and form of future support.

(3) Overall solid core franchise

WestLB's core franchise remains solid and provides the foundation for future earnings potential. The Bank is a large lender to German corporates and has strong positions in debt capital markets, project finance and customer-related asset-backed securitisation. Moreover the Bank's Verbund business with the savings banks and transaction business are viewed as strengths of the franchise. Further, illustrating solid momentum of the core franchise, despite challenging market conditions, and the ongoing restructuring, WestLB was able to defend its market positions in these key areas and benefited from increasing business with corporate customers in 2009 and 1H10. While DBRS views the core bank franchise as solid, future prospects for the franchise are less than certain given the required change in majority ownership.

(4) Reduced risk exposures following transfer of non-strategic assets

The risk profile of WestLB has improved significantly with the transfer of non-strategic assets to EAA which was completed on 30 April 2010, retroactively to 1 January 2010. The transfer included most of WestLB's impaired loans, higher-risk securities portfolios and non-essential strategic assets. As such, the transaction improved the remaining core bank's asset quality, reduced its exposure to renewed market turmoil, and lowered overall funding needs. The EAA transfer also lowered earnings pressure from legacy assets that caused large losses in 2009. Nonetheless, WestLB's still sizeable capital markets operations and lending to large corporates remain exposed to market volatility and economic cycles.

Challenges

(1) Managing uncertainty about future ownership and pending EC approval for recent support

DBRS views the remaining uncertainty about WestLB's future ownership and about the outstanding final EC approval for recent state aid proceedings as a key challenge. A sale of all or parts of the Bank to private investors could potentially raise concerns about the future access to support, unless this was mitigated by support from a financially strong new owner. On December 22, 2009, the EC provided its provisional approval on the foundation of EAA, the transfer of assets and the related silent participation n and launched an official examination. Uncertainty remains until the final approval is received, as DBRS is concerned that the EC may grant the final approval, but impose additional restrictions on WestLB which may limit future prospects.

(2) Resolving pending EC approval for support

WestLB faces the challenges of further reducing its balance sheet and completing its intense restructuring efforts, whilst keeping the core franchise intact. The restructuring plan agreed with the EC in May 2009 includes a 50% reduction in assets and RWAs between year-end 2007 and 31 March 2011. WestLB has made significant progress towards reaching the asset reduction goals with the EAA transfer. Moreover, WestLB is on plan in regards to the closure of branches and offices. It has achieved its targeted reduction



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in Germany. In addition, by transferring WestLB Covered Bond Bank plc and WestLB Ireland plc to EAA, the Bank is no longer present in Dublin. The offices in Paris, Toronto and Dubai are set to close at the end of 2010. However, the Bank still needs to continue to make headway in the sale of participations in order to reach the EC-imposed target. While DBRS recognises the progress achieved in meeting the EC targets, the still disrupted environment provides significant headwinds, many of which are not in the control of WestLB.

(3) Restoring profitability to more appropriate levels

While DBRS recognises that WestLB has returned to profitability. The modest level of profitability allows limited flexibility for the Bank to manage through any renewed market-wide disruptions or company-specific event risks. DBRS recognises the improving trends in profitability, given the still difficult environment and the resulting muted business activity, elevated funding and credit costs. Therefore, DBRS expects a level of earnings pressure to persist in the near-term.

(4) Strengthening quality of capital

Given increased demands from regulators and evolving regulation, DBRS sees a need for WestLB to further improve the quality of capital. Capital ratios have improved, largely as the result of the reduction of risk-weighted assets owed to the EAA transfer. At 30 June 2010, the Bank recorded a Tier 1 ratio of 10.1%. The quality of capital, however, has been negatively affected by the establishment of EAA. To capitalise EAA, WestLB transferred approximately EUR 3 billion of share capital and reserves; this was replenished with silent contributions from SoFFin. As a result, WestLB's equity consists mainly of silent contributions, with only a small amount of fully loss-absorbing ordinary share capital. DBRS recognises, however, that the quality of capital will benefit if SoFFin exercises its option to convert its silent contribution capital into an equity interest of up to 49.9% in WestLB.

Rating Drivers

Factors with Positive Rating Implications

Given the Bank's challenges, upward ratings migration is unlikely, except for an external event, such as a sale to a financially strong new owner.

Factors with Negative Rating Implications

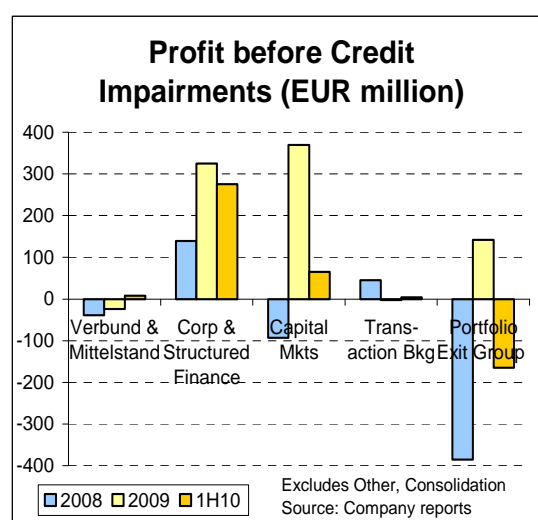
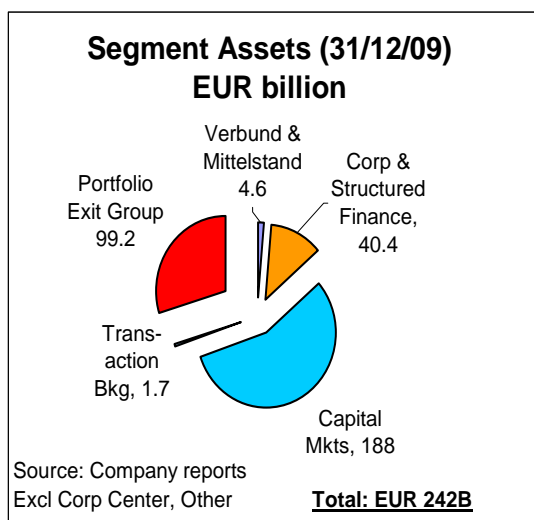
Downward ratings pressure could result from increased uncertainty about WestLB's access to support from the federal government and its existing owners unless this was mitigated by the introduction of a stronger owner.

The sale of the Bank to a lower rated entity, without access to support would be viewed negatively.

Franchise Profile – Description of Operations

WestLB's core franchise remains solid; however, given the uncertainties as to future ownership, DBRS views the franchise as still at risk. The ongoing restructuring has reduced the diversity of the franchise, but has left the Bank with a more focused franchise, one that, over time, is expected to generate stable revenues. This can be illustrated by the momentum in the Core bank's first half 2010 results, which evidenced a sizeable increase in the income generated from the Bank's corporate clients and international project finances businesses, part of which is attributed to wider margins. WestLB retains solid positions in domestic corporate banking, debt capital markets and joint business with savings banks. Further, WestLB's role as a central bank for 119 savings banks in North Rhine Westphalia (NRW) and Brandenburg forms a key part of the franchise.

WestLB is a commercial bank with a broad customer base, including corporates, institutional clients, public-sector entities and, most importantly, the regional savings banks. The Bank operates mainly in Europe, with particular strength in its core region of NRW, Germany's largest state, where WestLB is headquartered. In selected businesses, the Bank continues to serve clients globally.



WestLB is making progress on executing its intense restructuring plan. As required by the EC, as a condition for the approval of State Aid in 2008, WestLB is effecting a 50% reduction in total assets (less derivatives and currency effects) and RWAs between year-end 2007 and 31 March 2011. To date, the Bank has already reached a significant portion of its asset reduction goals by transferring non-strategic, higher-risk activities to EAA and through other disposals. Adjusted for positive fair values from derivative financial instruments, derivative hedging instruments as well as currency fluctuations, total assets decreased to approximately EUR 184 billion at 30 June 2010. The balance sheet, however, needs to decline further to achieve the EC-imposed target of EUR 125 billion for 31 March 2011.

Business segments

WestLB has structured its operations into four core segments, plus non-strategic businesses allocated to the Portfolio Exit Group / Unbundling (PEG) segment.

Verbund & Mittelstand

This core segment includes the standard credit business with savings banks, public sector clients, mid-cap businesses and fund companies. DBRS recognises that WestLB generates much higher revenues from savings banks and public-sector customers than is reflected in the Verbund & Mittelstand segment, as revenues from structured lending, transaction banking and capital markets business with savings banks, public-sector entities and mid-cap businesses are allocated to the respective segments. Earnings reported in the Verbund & Mittelstand segment are small, with profit before taxes at EUR 6 million in 1H10, improving from a loss before tax of EUR 30 million for the full year 2009. DBRS views the growing business with savings banks as strategically important, as it increases the savings banks owners' incentive to support WestLB.

Corporates & Structured Finance

The Corporates & Structured Finance segment reflects standard and structured lending to corporate clients, which represents a key part of the core franchise. WestLB ranks first in German project finance and has strong positions in corporate bonds and private debt placements in Germany, as well as in asset-backed securitisation, where the Bank now focuses on traditional asset classes like auto finance, leasing and trade receivables. The Corporates & Structured Finance segment is a significant earnings contributor with profit before taxes of EUR 228 million in 1H10 and EUR 192 million for the full year 2009. Segment results have benefited from good growth in net interest income, increase in commission income and solid customer business in international project finance and standard corporate lending.

Capital Markets

The Capital Markets business forms a key part of the franchise and comprises WestLB's activities in debt capital markets, equities, treasury and research. Segment profit before taxes was EUR 64 million. Earnings before credit impairments in 2009 amounted to a very strong EUR 370 million, mainly owed to unusually favourable money market conditions which have since normalised. The performance in the Debt Markets business was the primary source of this decrease, with income in the money market business below that achieved in the first half of 2009. The Equity Markets business unit improved its result before taxes compared to the previous year, but performance was impacted by reduced trading volume.

Transaction Banking

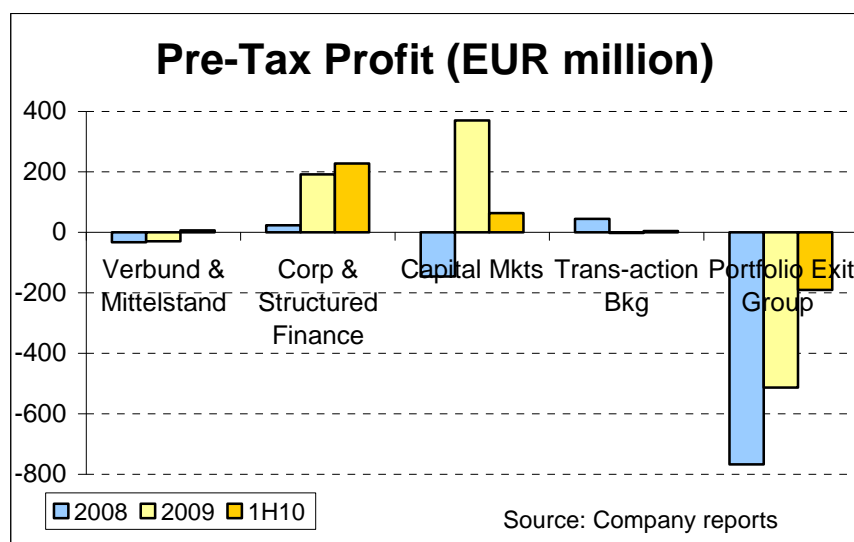
WestLB's relatively small Transaction Banking segment ranks among the leaders in customer cards and payment services in Germany. Within Sparkassen-Finanzgruppe, WestLB is the leading processor of European payment transactions. DBRS recognises the strategic importance of payments services provided to savings banks. Segment profits before taxes were marginal at EUR 4 million in 1H10 after a negative EUR 2 million in 2009, as income is depressed by the low interest rate level.

Portfolio Exit Group / Unbundling (PEG)

The PEG segment includes all portfolios and subsidiaries classified as non-strategic. The PEG segment also captures the results of major participations which the Bank has pledged to sell as part of the EC agreement, such as readybank ag, Westdeutsche ImmobilienBank AG and WestLB International S.A., Luxembourg. Illustrating the higher-risk nature of the non-core businesses, the PEG segment recorded a pre-tax loss after credit impairments of EUR 190 million for 1H10, following a large pre-tax loss of EUR 513 million in 2009. The first half loss was largely driven by EUR 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 deconsolidation effects of EUR 142 million. DBRS notes that the earnings impact from the PEG segment on the overall Bank will decline with the pending asset disposals.

Earnings Profile

The underlying earnings ability of the Core Bank is improving given the reduced risk exposures and the focus on core customer-driven business. Notwithstanding profitability remains modest. For the first six months of 2010, WestLB reported a profit before tax on the Core Bank of EUR 304 million for 1H10, which is an improvement over the break-even result in 2009 (adjusting form the result from PEG). For the entire Group, the six months ending 30 June 2010, WestLB record a profit after tax of EUR 67 million. Both the 1H10 and 2009 results were negatively affected by non-recurring items, such as restructuring charges, valuation losses on government bonds and similar assets, valuation effects on own liabilities and hedge accounting mismatches. While DBRS views the underlying results as acceptable, as they were supported by solid performance in the core Corporates & Structured Finance and Capital Markets segments, given the challenging environment, DBRS expects a level of earnings pressure to prevail in 2010.



WestLB has benefited from strong net interest income generation in recent periods, with net interest income reaching EUR 946 million in 1H1, up from EUR 889 million in 1H09. In the Core Bank, net interest income at EUR 591 million increased slightly over the same period a year ago. Ongoing firm volume and improved interest margins, especially in the corporates business, and a stable interest rate certificate business in the Verbund operations contributed to this improved performance. Also, the Bank benefited from a non-recurring income from tax refund interest of EUR 40 million. The net interest income in 1H10 was partly offset by counter-effects in the trading result, which was a negative EUR 334 million. Under IFRS rules, income from interest rate instruments and derivatives is reported either as net interest income or as trading gains/losses, which links both items closely together.

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WestLB's net interest margin (NIM) is constrained by the Bank's focus on lower-yielding capital markets and large corporate exposures, and by the cost of wholesale funding. In 1H10, NIM was relatively narrow at 0.99% (DBRS-calculated as net interest income to earning assets), although this was increased from 0.85% in 2009 and only 0.54% in 2008.

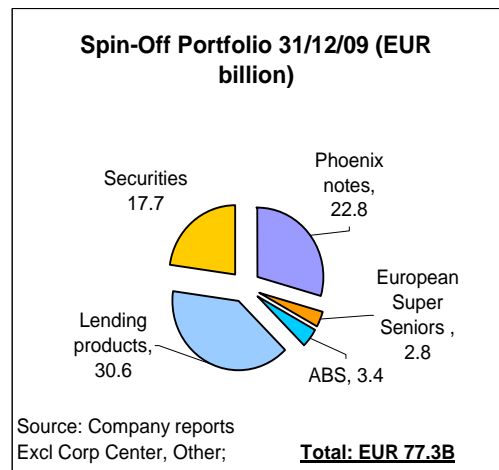
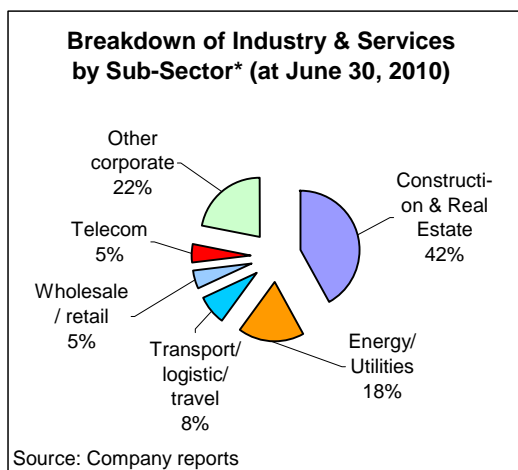
Cost control remains a key driver for WestLB, as ongoing balance sheet reduction efforts make revenue growth challenging. Demonstrating tight expense management, WestLB achieved a slight reduction in operating expenses. This followed an 11% year-on-year reduction in operating expenses for the full year 2009, and a 15% decline in 2008.

Risk Profile

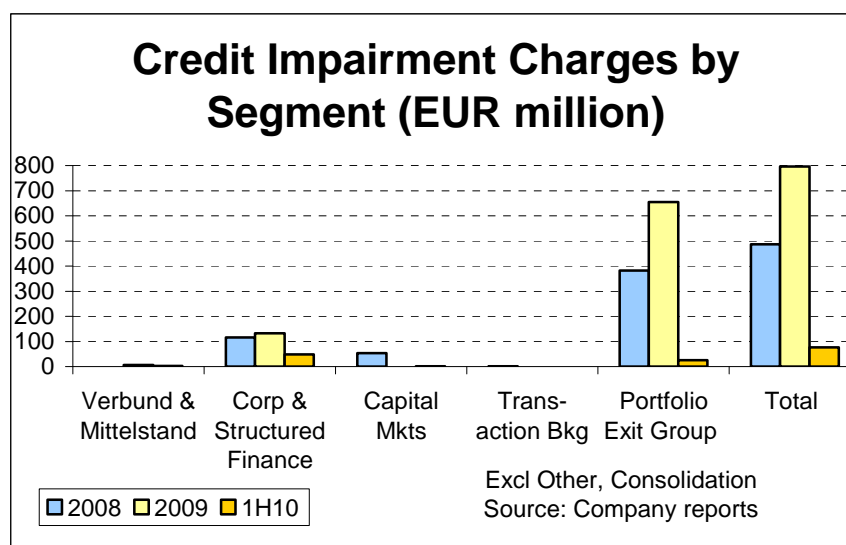
WestLB has made significant progress in reducing its risk profile. The reduced risk exposures of the remaining core bank are also illustrated by the significant reduction in risk-weighted assets. By transferring the portfolio to EAA, WestLB reduced risk-weighted assets by almost EUR 30 billion to EUR 53.4 billion. Risk will also decline through further asset disposals, of note after the pending sale of WestImmo, which has approximately EUR 27 billion of assets at year-end 2009, including almost all of WestLB's CRE exposure.

The remaining core bank's corporate credit exposure, while less diversified, is less focused on cyclical industries such as energy, utilities and waste disposal. Nonetheless, DBRS still views the remaining core bank's risk profile as elevated relative to its modest profitability and large-sized 'lumpy' exposures to large corporates and financial counterparties that are vulnerable to the challenging credit environment.

The impairment charge for credit losses decreased by EUR 231 million to EUR 137 million, with the majority of the decrease attributable to the portfolios transferred to EAA. In this context, EUR 68 million in portfolio allowances was reversed as a result of the transfer. In the Core Bank, impairment charges for credit losses increased to EUR 112 million from EUR 100 million in 2009, reflecting the Bank's conservative view on the direction of the economy and leading to an increase in overall credit loss reserves.



* Represents 38% of EUR 153 billion in total credit exposure, which includes EUR 34 billion of exposure to EAA



Liquidity and Funding

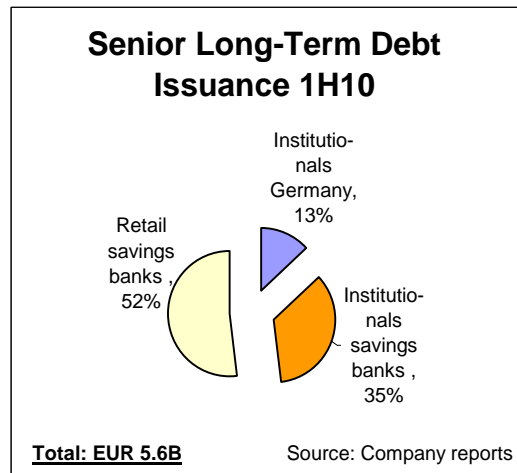
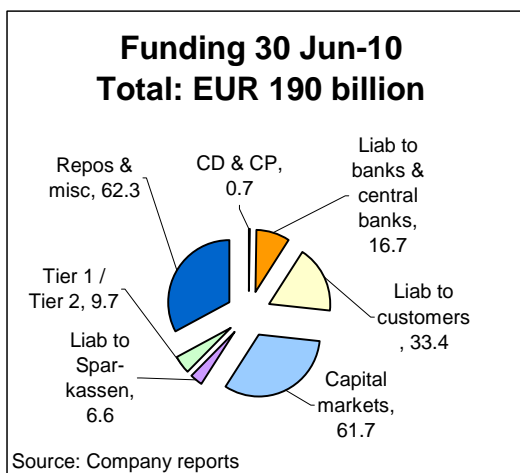
WestLB's liquidity and funding profile is characterised by its dependence on wholesale funding, which is partly mitigated by the stable funding relationships with savings banks.

Since 2005, WestLB has focused its unsecured funding activities on "franchise Sparkassen Customers", as well as German institutions with existing business links to WestLB. Long-term debt is mainly raised through private placements, including tailored issuance of structured notes (certificates) to savings banks and their retail customers. While these private placements are not classified as deposits (and are therefore considered wholesale funding), DBRS views them as more stable than typical short-term wholesale funds.

The funding relationship with savings banks is underpinned by their multiple links with WestLB, including WestLB's central bank function for 119 local savings banks and the savings banks' ownership interest. As discussed above, a change in majority ownership may alter the relationship with the savings banks, which may in turn alter the funding relationship with the banks.

Capital markets funding, which includes debt issued to savings banks, is the largest source of funding for WestLB, at EUR 61.7 billion, or 32% of total funding at 30 June 2010. A large portion of WestLB's securities portfolio is repo-funded, making repos an important funding source at EUR 62.3 billion, or 33% of funding. Liabilities to customers (mainly corporate deposits) accounted for a limited EUR 33.4 billion, or about 18% of funding. Funding from commercial paper and certificates of deposit has dropped in recent years to just EUR 0.7 billion, reflecting WestLB's focus on less market-sensitive funding sources.

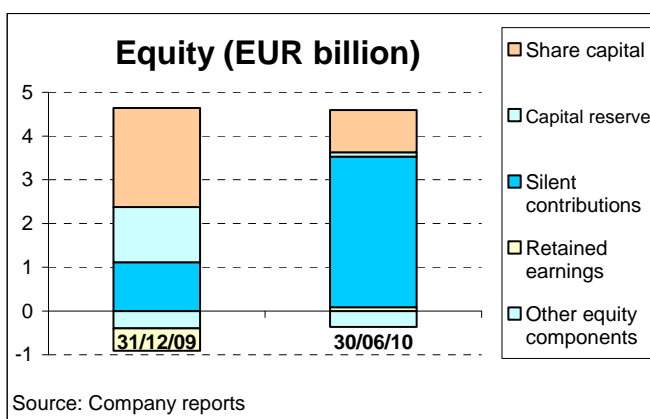
Demonstrating continued funding access in the difficult market conditions, WestLB issued EUR 5.6 billion of the EUR 8 billion funding programme, thus far in 2010. Of this amount, 87% was raised from savings banks and their customers, highlighting the importance of this investor group. Moreover, the Bank issued EUR 20 billion in unsecured long-term debt in 2009, up from EUR 8 billion in 2008. The funding provided by savings banks helped WestLB keep its overall long-term debt stable throughout the recent period of market stress. Importantly, WestLB has been able to fund itself without utilising government debt guarantees.



WestLB funding needs have been reduced with the EAA transfer and its ongoing funding needs will continue to decline as the balance sheet shrinks; however, WestLB is actively funding EAA. At 30 June 2010, there was EUR 20.1 billion in loans and advances to customers and EUR 10.9 billion in trading assets making up the exposure to EAA, against EUR 7 billion in deposits from EAA (liabilities to customers) and EUR 1.9 billion in trading liabilities. WestLB's goal is to scale back the funding of EAA once EAA establishes a capital market presence.

Capital Adequacy

DBRS recognises that WestLB's capital position has improved with the transfer of risk assets to EAA and related support, although the quantum of equity has not changed since year-end 2009. The core capital ratio increased from 8.2% at year-end 2009 (after result for the year of WestLB AG and including the second tranche of SoFFin's silent contribution to capital) to 10.1%, whilst the overall ratio increased from 10.9% to 14.6%. Moreover, DBRS would expect that should the need arise for additional capital, the Bank would likely receive further capital support from SoFFin. Importantly, SoFFin has demonstrated its ongoing support by injecting a total of EUR 3 billion of capital into WestLB between December 2009 and April 2010.



The quality of capital is viewed as weak, consisting mainly of silent contributions from SoFFin with only a limited amount of fully loss-absorbing ordinary share capital. The quality of capital was diluted by the recent EAA transaction, as WestLB transferred approximately EUR 3 billion of equity and other capital to the work-out entity, while receiving EUR 3 billion in silent contributions from SoFFin. At 30 June 2010, WestLB's shareholder equity totalled EUR 4.23 billion, of which EUR 3.4 billion are silent contributions. DBRS recognises that silent contributions have some equity-like features, as they are subject to non-payment and principal write-downs under certain conditions. However, any written-down amounts are to be written back up in subsequent years, reducing the loss-absorption capacity of these instruments. The quality of capital will benefit, if SoFFin exercises its option to convert a portion of its silent contributions into a new class of preferred shares. However, SoFFin's stake in WestLB must not exceed 49.9% after conversion, which may limit the amount of silent contributions that can be converted.



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| WestLB Group | 30/06/2010 | | 31/12/2009 | | 31/12/2008 | | 31/12/2007 | | 31/12/2006 | |
|--|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|--|
| In EUR million | EUR | | EUR | | EUR | | EUR | | EUR | |
| | IFRS | | IFRS | | IFRS | | IFRS | | IFRS | |
| Balance Sheet | | | | | | | | | | |
| Cash and deposits with central banks | 362 | 0.1% | 2,048 | 0.8% | 2,125 | 0.7% | 2,471 | 0.9% | 1,070 | |
| Lending to/deposits with credit institutions | 18,913 | 7.5% | 10,376 | 4.3% | 11,768 | 4.1% | 11,340 | 3.9% | 17,058 | |
| Financial securities | 81,714 | 32.5% | 78,139 | 32.2% | 88,705 | 30.8% | 148,978 | 51.8% | 162,291 | |
| - Trading portfolio | 23,323 | 9.3% | 16,276 | 6.7% | 21,266 | 7.4% | 53,052 | 18.5% | 111,199 | |
| - At fair value | 9,676 | 3.9% | 22,349 | 9.2% | 26,226 | 9.1% | 31,577 | 11.0% | 40,294 | |
| - Available for sale | 4,939 | 2.0% | 8,195 | 3.4% | 10,310 | 3.6% | 21,796 | 7.6% | 10,779 | |
| - Held-to-maturity | 209 | 0.1% | 288 | 0.1% | 944 | 0.3% | 14 | 0.0% | 19 | |
| - Other | 43,567 | 17.3% | 31,031 | 12.8% | 29,959 | 10.4% | 42,539 | 14.8% | 0 | |
| Financial derivatives instruments | 61,388 | 24.4% | 45,990 | 19.0% | 68,505 | 23.8% | 36,812 | 12.8% | 35,593 | |
| - For hedging purposes | 1,896 | 0.8% | 2,321 | 1.0% | 1,549 | 0.5% | 304 | 0.1% | 702 | |
| - Other | 59,492 | 23.7% | 43,669 | 18.0% | 66,956 | 23.2% | 36,508 | 12.7% | 34,891 | |
| Gross lending to customers | 87,612 | 34.9% | 96,897 | 40.0% | 112,233 | 39.0% | 85,598 | 29.9% | 66,546 | |
| - Loan loss provisions | -865 | -0.3% | -1,667 | -0.7% | -1,219 | -0.4% | -1,018 | -0.4% | -869 | |
| Insurance assets | 0 | 0.0% | n/a | - | n/a | - | n/a | - | n/a | |
| Investments in associates/subsidiaries | 52 | 0.0% | 58 | 0.0% | 76 | 0.0% | 97 | 0.0% | 100 | |
| Fixed assets | 446 | 0.2% | 448 | 0.2% | 480 | 0.2% | 508 | 0.2% | 486 | |
| Goodwill and other intangible assets | 151 | 0.1% | 156 | 0.1% | 155 | 0.1% | 145 | 0.1% | 121 | |
| Other assets | 1,454 | 0.6% | 9,866 | 4.1% | 5,294 | 1.8% | 2,185 | 0.8% | 2,891 | |
| Total assets | 251,227 | 100.0% | 242,311 | 100.0% | 288,122 | 100.0% | 287,416 | 100.0% | 285,287 | |
| Total assets (USD) | 306,698 | | 347,285 | | 406,166 | | 423,321 | | 376,656 | |
| Loans and deposits from credit institutions | 27,750 | 11.0% | 36,213 | 14.9% | 35,619 | 12.4% | 27,052 | 9.4% | 54,440 | |
| Deposits from customers | 27,932 | 11.1% | 27,643 | 11.4% | 29,722 | 10.3% | 24,851 | 8.6% | 46,956 | |
| - Demand | 0 | 0.0% | 3,898 | 1.6% | 7,732 | 2.7% | 6,459 | 2.2% | n/a | |
| - Time and savings | 27,932 | 11.1% | 23,745 | 9.8% | 21,990 | 7.6% | 18,392 | 6.4% | 46,956 | |
| Issued debt securities | 71,839 | 28.6% | 68,018 | 28.1% | 76,692 | 26.6% | 98,168 | 34.2% | 41,604 | |
| Financial derivatives instruments | 1,683 | 0.7% | 45,852 | 18.9% | 66,278 | 23.0% | 35,571 | 12.4% | 34,961 | |
| - For hedging purposes | 943 | 0.4% | 1,584 | 0.7% | 1,627 | 0.6% | -2 | 0.0% | 300 | |
| - Other | 740 | 0.3% | 44,268 | 18.3% | 64,651 | 22.4% | 35,573 | 12.4% | 34,661 | |
| Insurance liabilities | 0 | 0.0% | n/a | - | n/a | - | n/a | - | n/a | |
| Other liabilities | 113,262 | 45.1% | 56,293 | 23.2% | 69,654 | 24.2% | 90,469 | 31.5% | 93,268 | |
| Subordinated debt | 3,659 | 1.5% | 3,690 | 1.5% | 5,467 | 1.9% | 5,972 | 2.1% | 6,433 | |
| Hybrid Capital | 869 | 0.3% | 869 | 0.4% | 869 | 0.3% | 869 | 0.3% | 869 | |
| Equity | 4,233 | 1.7% | 3,733 | 1.5% | 3,821 | 1.3% | 4,464 | 1.6% | 6,756 | |
| Total liabilities and equity funds | 251,227 | 100.0% | 242,311 | 100.0% | 288,122 | 100.0% | 287,416 | 100.0% | 285,287 | |
| Income Statement | | | | | | | | | | |
| Interest income | 3,751 | | 9,471 | | 11,031 | | 10,277 | | 5,211 | |
| Interest expenses | -2,805 | | -7,603 | | -9,815 | | -9,168 | | -4,067 | |
| Net interest income and credit commissions | 946 | 64.4% | 1,868 | 92.8% | 1,216 | 58.7% | 1,109 | 289.6% | 1,144 | |
| Net fees and commissions | 128 | 8.7% | 264 | 13.1% | 341 | 16.5% | 410 | 107.0% | 325 | |
| Trading / FX Income | -334 | -22.8% | -71 | -3.5% | 47 | 2.3% | -1,635 | -426.9% | 429 | |
| Net realised results on inv sec (AFS) | -64 | -4.4% | -10 | -0.5% | -19 | -0.9% | 291 | 76.0% | 529 | |
| Net results from other fin instr at fair value | 0 | 0.0% | n/a | - | n/a | - | n/a | - | 0 | |
| Net income from insurance operations | 0 | 0.0% | n/a | - | n/a | - | n/a | - | n/a | |
| Results from ass/subs accounted at equity | 0 | 0.0% | n/a | - | n/a | - | n/a | - | 82 | |
| Other operating income (incl. dividends) | 792 | 54.0% | -39 | -1.9% | 485 | 23.4% | 208 | 54.3% | 708 | |
| Total operating income | 1,468 | 100.0% | 2,012 | 100.0% | 2,070 | 100.0% | 383 | 100.0% | 3,217 | |
| Staff costs | -285 | 24.0% | -598 | 50.2% | -645 | 45.3% | -823 | 49.1% | -1,031 | |
| Other operating costs | -863 | 72.7% | -594 | 49.8% | -706 | 49.6% | -781 | 46.6% | -1,302 | |
| Depreciation/amortisation | -39 | 3.3% | 0 | 0.0% | -73 | 5.1% | -73 | 4.4% | -80 | |
| Total operating expenses | -1,187 | 100.0% | -1,192 | 100.0% | -1,424 | 100.0% | -1,677 | 100.0% | -2,413 | |
| Pre-provision operating income | 281 | | 820 | | 646 | | -1,294 | | 804 | |
| Loan loss provisions | -137 | | -796 | | -479 | | -238 | | 202 | |
| Post-provision operating income | 144 | | 24 | | 167 | | -1,532 | | 1,006 | |
| Impairment on (in) tangible assets | 0 | | 0 | | 0 | | 0 | | 0 | |
| Net gains/losses on (in) tangible assets | 0 | | 0 | | 0 | | 0 | | 0 | |
| Other non-operating items | -30 | | -527 | | -141 | | 34 | | 0 | |
| Pre-tax income | 114 | | -503 | | 26 | | -1,498 | | 1,006 | |
| Taxes | -47 | | -28 | | -8 | | -99 | | -207 | |
| Minority interest | 0 | | 0 | | 0 | | 0 | | 0 | |
| Net income | 67 | | -531 | | 18 | | -1,597 | | 799 | |
| Net income (USD) | 82 | | -761 | | 25 | | -2,352 | | 1,055 | |



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| WestLB Group In EUR million | 30/06/2010 IFRS | 31/12/2009 IFRS | 31/12/2008 IFRS | 31/12/2007 IFRS | 31/12/2006 IFRS |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Off-balance sheet and other items | | | | | |
| Asset under management | n/a | n/a | n/a | n/a | n/a |
| Derivatives (notional amount) | n/a | 2,444,659 | 2,416,530 | 2,585,687 | 2,752,055 |
| BIS Risk-weighted assets (RWA, calculated) | 53,400 | 83,023 | 88,500 | 104,300 | 95,900 |
| No. of employees (end-period) | 9,938 | 4,971 | 5,663 | 6,147 | 5,862 |
| Earnings and Expenses | | | | | |
| Earnings | | | | | |
| Net interest margin [1] | 0.99% | 0.94% | 0.53% | 0.45% | 0.47% |
| Pre-provision earning capacity (total assets basis) [2] | 0.22% | 0.31% | 0.22% | -0.45% | 0.28% |
| Pre-provision earning capacity (risk-weighted basis) [3] | 0.78% | 0.96% | 0.67% | -1.29% | 0.89% |
| Pre-provision earning capacity by employee | 56,551 | 164,957 | 114,074 | -210,509 | 137,155 |
| Post-provision earning capacity (total assets basis) | 0.11% | 0.01% | 0.06% | -0.54% | 0.35% |
| Post-provision earning capacity (risk-weighted basis) | 0.40% | 0.03% | 0.17% | -1.53% | 1.11% |
| Expenses | | | | | |
| Efficiency ratio (operating expenses / operating income) | 80.86% | 59.24% | 68.79% | 437.86% | 75.01% |
| All inclusive costs to revenues [4] | 82.90% | 85.44% | 75.60% | 428.98% | 75.01% |
| Operating expenses by employee | 238,881 | 239,791 | 251,457 | 272,816 | 411,634 |
| Loan loss provision / pre-provision operating income | 48.75% | 97.07% | 74.15% | -18.39% | -25.12% |
| Provision coverage by net interest income | 690.51% | 234.67% | 253.86% | 465.97% | -566.34% |
| Profitability Returns | | | | | |
| Pre-tax return on Tier 1 (excl. hybrids) | 5.03% | -14.99% | 0.60% | n/a | n/a |
| Return on equity | 3.17% | -14.22% | 0.47% | -35.78% | 11.85% |
| Return on average total assets | 0.05% | -0.20% | 0.01% | -0.56% | 0.28% |
| Return on average risk-weighted assets | 0.19% | -0.62% | 0.02% | -1.60% | 0.88% |
| Dividend payout ratio [5] | n/a | n/a | n/a | n/a | n/a |
| Internal capital generation [6] | n/a | n/a | n/a | n/a | n/a |
| Growth | | | | | |
| Loans | -18.83% | -13.66% | 30.66% | 29.08% | 16.03% |
| Deposits | 12.38% | -6.99% | 19.60% | -47.08% | 30.46% |
| Net interest income | 6.41% | 53.62% | 9.65% | -3.06% | -14.05% |
| Fees and commissions | -8.57% | -22.58% | -16.83% | 26.15% | 2.20% |
| Expenses | 77.96% | -16.29% | -15.09% | -30.50% | 11.61% |
| Pre-provision earning capacity | -58.06% | 26.93% | -149.92% | -260.95% | 0.50% |
| Loan-loss provisions | -62.77% | 66.18% | 101.26% | -217.82% | 169.33% |
| Net income | -70.09% | -3050.00% | -101.13% | -299.87% | 13.17% |
| Risks | | | | | |
| RWA% total assets | 21.26% | 34.26% | 30.72% | 36.29% | 33.62% |
| Credit Risks | | | | | |
| Impaired loans % gross loans | n/a | 4.00% | 2.40% | n/a | 1.65% |
| Loan loss provisions % impaired loans | n/a | 43.02% | 45.21% | n/a | 79.00% |
| Impaired loans (net of LLPs) % pre-provision op inc [7] | n/a | 269.27% | 228.70% | n/a | 28.73% |
| Impaired loans (net of LLPs) % equity | n/a | 59.15% | 38.67% | n/a | 3.42% |
| Liquidity and Funding | | | | | |
| Customer deposits % total funding | 21.29% | 20.39% | 20.15% | 15.93% | 31.42% |
| Total wholesale funding % total funding [8] | 78.71% | 79.61% | 79.85% | 84.07% | 68.58% |
| - Interbank % total funding | 21.15% | 26.71% | 24.15% | 17.34% | 36.43% |
| - Debt securities % total funding | 54.76% | 50.17% | 51.99% | 62.91% | 27.84% |
| - Subordinated debt % total funding | 2.79% | 2.72% | 3.71% | 3.83% | 4.30% |
| Liquid assets % total assets | 40.20% | 37.37% | 35.61% | 56.64% | 63.24% |
| Customer deposits % gross loans | 31.88% | 28.53% | 26.48% | 28.93% | 70.56% |
| Capital [11] | | | | | |
| Tier 1 | 10.10% | 6.40% | 6.40% | 5.60% | 8.10% |
| Tier 1 excl. Hybrids | 8.49% | n/a | n/a | 5.60% | 8.10% |
| Total Capital | 14.60% | 9.10% | 10.10% | 8.60% | 12.10% |

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- (1) (Net interest income + dividends)% average interest earning assets.
 - (2) Pre-provision operating income % average total assets.
 - (3) Pre-provision operating income % average total risk-weighted assets.
 - (4) (Operating & non-op. costs) % (op. & non-op. revenues).
 - (5) Paid dividend % net income.
 - (6) (Net income - dividends) % shareholders' equity at t-1.
 - (7) We take into account the stock of LLPs in this ratio.
 - (8) Whole funding excludes corporate deposits.
 - (9) (Short-term wholesale funding - liquid assets) % illiquid assets.
 - (10) (Short-term wholesale funding - liquid assets- loans maturing within 1 year) % illiquid assets.
 - (11) Capital ratios of Interim results exclude profits for the year.
- * Interim information is annualised where needed. Caution must be exercised on annualised ratios due to possible seasonality in the institution's results

Rating Table

| Issuing Entity | Debt | Rating | Trend |
|----------------|------------------------------|--------------|--------|
| WestLB AG | Long-Term Debt & Deposit | A (high) | Stable |
| WestLB AG | Subordinated Long-Term Notes | A | Stable |
| WestLB AG | Short-Term Debt & Deposit | R-1 (middle) | Stable |

Rating History

| Debt | Current | 2009 | 2008 | 2007 | 2006 |
|------------------------------|--------------|--------------|--------------|-----------|-----------|
| Long-Term Debt & Deposit | A (high) | A (high) | A (high) | A | A |
| Subordinated Long-Term Notes | A | A | A | A (low) | A (low) |
| Short-Term Debt & Deposit | R-1 (middle) | R-1 (middle) | R-1 (middle) | R-1 (low) | R-1 (low) |

Note:
All figures are in EUR unless otherwise noted.

This rating did not include issuer participation and is based solely on publicly available information.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

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