

Semi-Annual Financial Report 2017

30 June 2017



140 Years – Partner with a Tradition

18.77

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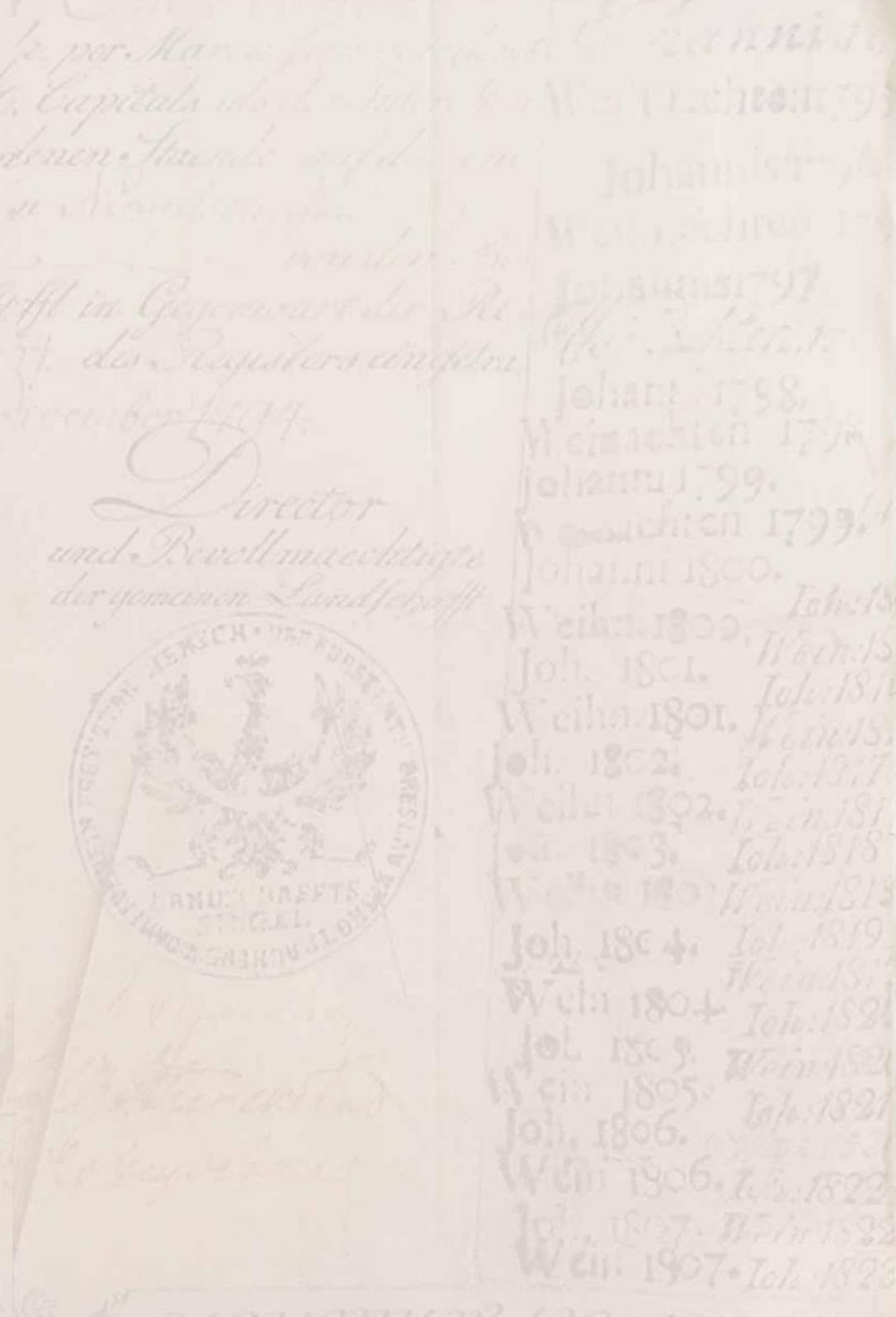
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Foreword by the Management Board

Dear shareholders and business partners,

In July 2017 your bank, WL BANK, turned 140 years old. That is an impressive age for a bank, and we are pleased to be able to say that the "birthday child" is in great shape on the occasion of its anniversary. To us, continuity in change seems to be a good formula for our success story.

By historical coincidence, we are celebrating our anniversary exactly in the same year that we are also preparing a fundamental change: the planned merger with DG HYP into integrated real estate bank DZ HYP. The resulting real estate financier will be beneficial not only to the cooperative financial services group, but also to the housing sector and to our Public Sector Clients.

Therefore, our satisfaction with what has been achieved is tinged with the joyful anticipation of new and bigger goals. But despite this pioneering spirit, we will not forget what lies behind us. Over the past few years, WL BANK has gone through an adjustment process that has turned us into a modern customer bank with a robust business model, streamlined processes and a comprehensive range of services. We would like to express our sincere thanks to everyone who accompanied us in this process: customers, shareholders and business partners.

This semi-annual report will inform you about the current state of your WL BANK. We appreciate your interest and look forward to the second half of 2017!

With best regards,



Frank M. Mühlbauer
(Chairman)



Dr. Carsten Düerkop

Dr. Carsten Düerkop,
Frank M. Mühlbauer
Management Board
of WL BANK
Cash register by
National Cash Register
Company (Dayton, Ohio)
from 1897.



Condensed Management Report as of 30 June 2017

Macroeconomic development in the first half of 2017

In spite of foreign policy risks, the German economy continued its robust expansion course and became substantially stronger in spring 2017. Since the beginning of the year, the improving industrial sentiment in particular has contributed to this growth. Production expanded and corporate investments increased. In addition, the pick-up in economic activity, both in the euro area and in the rest of the world, led to a rise in exports. Primarily, however, the upswing is still attributable to brisk construction activity and the high consumer demand of private households. The positive consumer sentiment was backed up by the favourable situation on the labour market.

The low interest rate policy stimulated the demand for construction investments and, as a result, construction output. By contrast, the growth in construction permits slowed down. From January to May 2017, the number of construction permits for apartments in Germany dropped by 7.6%, or 11,300 permits, compared to the first five months of 2016. However, in view of the significant upward trend in incoming orders in the main construction trade as well as the high order backlog, investments in residential construction are expected to continue to increase significantly.

WL BANK's business development

During the first half of the year, WL BANK's new customer business reached a value of EUR 2,168.9 million, which was roughly the same level as in the record years 2016 and 2015. Of this amount, EUR 1,835.1 million was accounted for by the real estate lending business and EUR 333.8 million by the public sector business. In the same period of the previous year, the customer business amounted to EUR 2,237.2 million (real estate lending business EUR 1,847.5 million, public sector business EUR 389.7 million).

New business brokered by the Volksbanken and Raiffeisenbanken in the real estate lending business amounted to EUR 993.7 million for the first six months of 2017, compared to EUR 1,053.1 million as of 30 June 2016. Thus, the share in new business in real estate financing was 54.1 % (57.0 % as of 30 June 2016).

Direct business with the housing sector and with investors accounted for EUR 841.4 million, compared to EUR 794.4 million at the previous year's balance sheet date. This corresponds to a share of 45.9 % in the total real estate financing business (43.0 % as of 30 June 2016).

The volume of financing of commercial property amounted to EUR 267.4 million (EUR 305.3 million as of 30 June 2016). Thus, the share in new business was 14.6 %, after 16.5 % as of 30 June 2016.

The total volume due for adjustments in the first half of 2017 in the real estate loan business of EUR 341.5 million was extended by EUR 209.2 million (EUR 230.9 million as of 30 June 2016).

The volume of new business in the public sector business (EUR 333.8 million) was accounted for by the brokerage business of the Volksbanken and Raiffeisenbanken in the amount of EUR 195.6 million and by direct business in the amount of EUR 138.2 million. More than 80 % of all transactions resulted from the brokerage activities of the Volksbanken and Raiffeisenbanken. Apart from the volume of new business in the traditional public sector loan business, another EUR 45.5 million was granted in the form of short-term loans during the year.

In the securities and promissory note loan business, the volume of new business amounted to EUR 508.4 million as of 30 June 2017, compared to EUR 463.0 million at the previous year's balance sheet date.

The customer business portfolio (real estate financing and public sector business) amounted to EUR 28,341.3 million as at the balance sheet date of 30 June 2017, compared to EUR 27,481.8 million as of 31 December 2016. While the loan portfolio for real estate financing increased by EUR 938.5 million, or 4.7%, to EUR 21,040.6 million as compared to 31 December 2016, the public sector loan portfolio decreased slightly by EUR 79.1 million to EUR 7,300.7 million (EUR 7,379.8 million as of 31 December 2016).

Securities were mainly used to cover public sector Pfandbriefe. The securities and promissory note loan portfolio decreased by EUR 86.0 million to EUR 7,822.5 million compared to 31 December 2016.

Funding

In the first half of 2017, a total of EUR 3.3 billion (previous year: EUR 3.3 billion) was issued on the capital market. More than half of this amount (EUR 1.7 billion) was raised through mortgage Pfandbriefe, including a new seven-year issue in benchmark format as well as several increases in existing benchmark issues. Public sector Pfandbriefe with a volume of EUR 556 million were primarily issued with longer maturities of over ten years to fund the long-term domestic public sector loan business. Uncovered funding capital was largely raised from DZ BANK, also including the exchange of formerly floating rate registered bonds for fixed income securities.

As part of our market support operations, we repurchased own bonds also in the first half of 2017. Bonds with a volume of EUR 184.3 million were held in the proprietary portfolio as at the half-year reporting date, compared to EUR 129.3 million as of 31 December 2016.

Rating

The top AAA ratings by S&P for our mortgage Pfandbriefe and our public sector Pfandbriefe were confirmed on the basis of the regularly provided data and were assigned a stable outlook. Likewise, WL BANK's AA-/A-1+ rating has remained unchanged, which shows that the Bank's core function for, and its deep integration in, the Volksbanken Raiffeisenbanken cooperative financial network is being appreciated. The rating for "Senior unsecured preferred" liabilities is in line with the Bank's rating at AA-, while it is A+ for "Senior unsecured non-preferred".

Rating agency Fitch also assigned an AA- long-term rating for the cooperative financial network and left its stable outlook unchanged.

Derivatives

In addition to the on-balance-sheet business, WL BANK also carried out derivative transactions. Overall, interest-related transactions to hedge interest rate risks amounted to EUR 28,381 million on the assets side and EUR 26,987 million on the liabilities side as at 30 June 2017.

Financial situation

We permanently met the legal and supervisory own funds requirements. WL BANK announced the application of the waiver rule pursuant to Section 2a (1) of the German Banking Act (Kreditwesengesetz, KWG) (subsidiary waiver) as at 11 December 2013 to the supervisory authority.

The equity capital amounts to EUR 355.1 million. Besides the share capital of EUR 85.4 million, this includes capital reserves of EUR 153.1 million and revenue reserves of EUR 116.6 million.

EUR 35.2 million of the subordinated liabilities were included in the liable equity capital. In addition, the Articles of Association provided a general authorisation to increase the share capital by up to EUR 41.0 million in the period to 6 June 2021.

As of 30 June 2017, the aggregated capital ratio was 9.66% (11.37% as of 31 December 2016), which is above the legally required minimum of 9.25%. With a legally required tier 1 capital ratio of 7.25%, the tier 1 capital ratio was 8.96% as at the half-year reporting date (31 December 2016: 10.26%).

The balance sheet total increased from EUR 37.6 billion as at 31 December 2016 to EUR 38.3 billion. This is mainly due to the further increase in the real estate loan portfolio, which more than offset the declines in other balance sheet items, such as declines from the reduction of the foreign securities portfolio.

Earnings situation

The positive operating development in the real estate lending and public sector business led to a further increase in WL BANK's net interest income. At EUR 93.5 million, net interest income was about 1.7% above the comparative value of the previous year (EUR 91.9 million) and EUR 1.5 million above the target figure of EUR 92.0 million.

At EUR -26.0 million, net commission income was exactly in line with the pro rata budgeted figure and slightly above last year's level (EUR -24.9 million). The majority of commissions are still being paid for brokerage services to the Volksbanken and Raiffeisenbanken of the cooperative financial group.

In total, net interest and net commission income increased by EUR 0.5 million to EUR 67.5 million compared to the same period of the previous year.

The balance of other operating income and expenses amounted to EUR 0.5 million (0.8 million as of 30 June 2016) and was positively impacted by the release of unused provisions for legal disputes in the first six months. In the previous year, other operating income had improved primarily as a result of the law change concerning the prolongation of the average period for the discount rate for pension provisions.

Due to the scheduled increase in the number of employees as well as the already calculated standard and non-standard pay adjustments, personnel costs (EUR -16.4 million) are about EUR 1.3 million higher than in the previous year, but EUR 0.3 million below the pro rata budgeted figure. Other administrative expenses (EUR -35.5 million) rose by around EUR 8.6 million compared to the previous year and are thus around EUR 6.2 million ahead of plan. The increase is primarily due to consulting and project expenses for the merger project of WL BANK and DG HYP and, in addition, to higher consulting and project expenses in the wake of WL BANK's integration into the DZ BANK Group as well as to increasing regulatory requirements. Furthermore, other administrative expenses include expenses in the amount of EUR 12.7 million for the European bank levy. With regard to the payment of the contribution for 2017, as in the previous year, we made use of the 85%/15% regulation, so that apart from the above-mentioned EUR 12.7 million, another EUR 2.3 million of the total amount of EUR 15.0 million was deposited as cash collateral with Deutsche Bundesbank. In total, general administrative expenses including scheduled depreciation (EUR -52.4 million) increased by EUR 10.1 million year-on-year (previous year: EUR -42.3 million).

The cost-income ratio increased to 77.2% (62.5% in the first half of 2016) particularly due to the above-mentioned changes in other administrative expenses. Adjusted for the European bank levy, the cost-income ratio was 58.4%.

The risk result was mainly influenced by the following three effects: the continued low value adjustments in the real estate loan business, the expenses from the repurchase of WL BANK Pfandbriefe and promissory note loans as well as allocations to reserves pursuant to Section 340f of the German Commercial Code (Handelsgesetzbuch, HGB). Reserves pursuant to Section 340f HGB from previous years in the amount of EUR 20.2 million were released and transferred to the fund for general banking risks (reserves pursuant to Section 340g HGB) in the risk result in the first half of 2017.

The net positive effects from the sale of securities valued like fixed assets amounted to EUR 52.5 million. In total, the balance of risk result and financial investments result as well as allocations to the fund for general banking risks amounted to EUR +0.6 million, compared to EUR -12.0 million as of 30 June 2016.

The result from ordinary business activities amounted to EUR 16.1 million as of 30 June 2017, compared to EUR 13.5 million at the previous year's balance sheet date.

Risk management

In 2016, the focus in the further development of the overall bank management system was in particular on the liquidity risk and the interest rate risk as well as on WL BANK's integration into the risk and capital management system of the DZ BANK Group. Projects concerning supervisory issues initiated in the previous years, focusing in particular on management aspects, are being pursued according to plan. In the second quarter of 2016, WL BANK started a project for the implementation of the requirements of BCBS 239 (principles for risk reporting and risk data aggregation). Moreover, as part of a project, WL BANK is already intensively addressing the new Minimum Requirements for Risk Management, which will presumably be published in 2017.

As a consequence of the announcement of the waiver to the supervisory authority in December 2013, the risk-bearing ability does not have to be guaranteed at the individual bank level any longer, but has to be guaranteed at the Group level. Therefore, WL BANK has been integrated in the risk-bearing ability of the DZ BANK Group, which is guaranteed as from 30 June 2017.

Opportunities and risks

On the market side, we expect a stable continuation of the previous business development. We believe that growth will mainly be driven by the brokerage business with the Volksbanken and Raiffeisenbanken, by the business with the institutional housing sector and by the business with investors. We do not expect any loan losses or other defaults in our securities portfolio.

Current developments

Following the merger of the cooperative central banks on 1 August 2016, DZ BANK has focused on reorganising activities in the real estate financing business within the DZ BANK Group. In the reorganisation project, the following targets took centre stage: bundling competencies and thus enhancing the benefit over the primary level, closing any gaps in the range of offers, and generating economic benefits by avoiding redundancies.

As a result of this reorganisation project, WL BANK and DG HYP, in March of this year, were jointly commissioned to examine the possibility of merging their two houses. Another important milestone was the signing of a joint Memorandum of Understanding by 30 June 2017 at the latest. In the Memorandum of Understanding, which was jointly signed by the Management Boards of both companies on 22 June 2017, the guiding principles and road map for a merger of WL BANK and DG HYP into Germany's largest Pfandbrief bank were determined. The new bank will build on WL BANK's and DG HYP's excellent business and competitive positions in the customer business and in the capital market and will use their combined strengths to further expand their market position. In the future, the merged real estate bank will serve the customer segments of Private Customers, Commercial Customers, Housing Sector and Municipalities from a single source and will operate under the new name of DZ HYP. The objective is to largely maintain the current product depth and width on both the assets and liabilities side.

Balance Sheet as of 30 June 2017

Passiva

*Bilanz
Der Landspkass für Pommern, Stettin, Uckermark*

	Im Einzelnen		Im Ganzen		H.
	Effekten Mark	Cassa Mark H.	Effekten Mark	Cassa Mark	
A. Pfandbriefkonto					A. H.
1. Pfandbriefe in fremder Regierung			141700	52865	1. H.
2. Deutsche Pfandbriefe			15200	72263	2. H.
B. Couponfond				50730	3. H.
C. Amortisationsfond				272725	4. H.
D. Verwaltungsfond					5. H.
1. Deutsche Pfandbriefe			9000		6. H.
2. Deutsche Pfandbriefe				22517	
E. Durchlaufendes Konto					B. D.
1. Hypothek für andere Personen				9000	1. H.
2. Abzurückgelegte Zinsen				686830	5% H.
Summa			165900	70798	

Balance Sheet as of 30 June 2017

ASSETS	in EUR	in EUR '000
	30.06.2017	31.12.2016
1. Cash reserves	3,395,994.83	353
a) Cash on hand	60,560.66	37
b) Balances with central banks	3,335,434.17	316
2. Claims on banks	2,123,647,974.12	2,271,377
a) Mortgage loans	4,353,822.86	4,379
b) Public sector loans	321,365,090.35	320,930
c) Other claims	1,797,929,060.91	1,946,068
3. Claims on customers	30,519,787,161.83	29,694,621
a) Mortgage loans	21,036,269,739.90	20,097,687
b) Public sector loans	9,474,491,499.23	9,567,790
c) Other claims	9,025,922.70	29,144
4. Bonds and other fixed-interest securities	5,511,635,976.65	5,528,796
a) Bonds and notes	5,327,326,795.31	5,399,489
b) Bonds issued by the bank	184,309,181.34	129,307
5. Equity investments in affiliated companies	387,512.60	388
6. Trust assets	956,177.33	1,180
7. Intangible assets	733,013.30	836
a) Acquired concessions, industrial property rights and similar rights and assets, as well as licences to such rights and assets	733,013.30	836
8. Tangible fixed assets	17,644,107.35	14,807
9. Other assets	27,146,953.83	31,278
10. Deferred items	90,768,460.74	80,414
a) From issuing and loan business	89,453,435.26	79,755
b) Other	1,315,025.48	659
Total assets	38,296,103,332.58	37,624,050

LIABILITIES	in EUR	in EUR '000
	30.06.2017	31.12.2016
1. Liabilities to banks	8,496,217,869.13	7,527,959
a) Registered mortgage Pfandbriefe issued	1,251,334,117.70	1,238,567
b) Registered public sector Pfandbriefe issued	674,685,898.75	539,229
c) Other liabilities	6,570,197,852.68	5,750,163
2. Liabilities to customers	14,243,343,419.01	14,602,023
a) Registered mortgage Pfandbriefe issued	5,203,290,667.04	5,138,840
b) Registered public sector Pfandbriefe issued	7,199,430,439.01	7,633,544
c) Other liabilities	1,840,622,312.96	1,829,639
3. Securitised liabilities	14,820,440,134.76	14,757,850
a) Bonds and notes issued	14,820,440,134.76	14,757,850
4. Trust liabilities	956,177.33	1,180
5. Other liabilities	26,323,646.84	38,441
6. Deferred items	83,599,186.86	89,458
a) From issuing and loan business	83,577,338.50	89,425
b) Other	21,848.36	33
7. Provisions	53,139,185.84	55,255
a) Pensions and similar commitments	32,733,057.00	31,434
b) Tax provisions	154,934.70	155
c) Other provisions	20,251,194.14	23,666
8. Subordinated liabilities	132,000,000.00	132,000
9. Fund for general banking risks	85,000,000.00	64,800
10. Equity capital	355,083,712.81	355,084
a) Subscribed capital	85,376,000.00	85,376
b) Capital reserves	153,107,712.81	153,108
c) Revenue reserves	116,600,000.00	116,600
d) Profit for the year	0.00	0
Total liabilities	38,296,103,332.58	37,624,050

Liabilities from guarantees and indemnity agreements amounted to EUR 14,073,531.00 as at the balance sheet date compared with EUR 30,414 thousand as of 31 December 2016. Irrevocable credit commitments amounted to EUR 2,395,084,772.78 at mid-year (31.12.2016: EUR 2,435,358 thousand).

Profit and Loss Account as of 30 June 2017

	in EUR		in EUR '000	
	01.01.–30.06.2017		01.01.–30.06.2016	
1. Interest income from	498,258,377.32		536,104	
a) Lending and money market transactions	446,946,619.73		469,830	
b) Fixed-income interest securities and government-inscribed debt	51,311,757.59		66,274	
2. Interest paid	404,800,417.00	93,457,960.32	444,222	91,882
3. Commission income	541,850.82		493	
4. Commissions paid	26,536,886.87	-25,995,036.05	25,392	-24,899
5. Other operating income		1,830,328.48		1,122
6. General administrative expenses		51,858,857.63		41,902
a) Personnel expenses	16,391,137.54		15,079	
b) Other administrative expenses	35,467,720.09		26,823	
7. Depreciation and value adjustments on intangible and tangible fixed assets		586,800.44		424
8. Other operating expenses		1,359,255.73		340
9. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions		31,670,456.16		0
10. Income from write-ups to claims and certain securities as well as from the release of loan loss provisions		0.00		16,436
11. Allocation to the fund for general banking risks		20,200,000.00		42,000
12. Income from write-ups to investments, holdings in affiliated companies and securities treated as fixed assets		52,484,260.55		13,614
13. Result from ordinary business activities		16,102,143.34		13,489
14. Taxes on income and profit	13,863,229.56		11,252	
15. Other taxes not shown under item 8	104,513.78	13,967,743.34	103	11,355
16. Profits transferred under a profit transfer agreement		2,134,400.00		2,134
17. Net profit		0.00		0
18. Profit for the year		0.00		0

Olivia Lasok,
apprentice in her
third year, with a
"Figurematic" from
Marchant Calculating
Machine Co.
This calculator was
manufactured in
Oakland, California,
in 1951.



A young man with glasses, wearing a dark blue suit, white shirt, and dark tie, stands next to a vintage Olympia-Werke balancing calculator. He is smiling and looking towards the camera. The calculator is a light-colored, mechanical device with a roll of yellow paper being processed. The background is a plain, light-colored wall.

Nikolas Wewers,
apprentice in his
third year, with an
electromechanical
balancing calculator by
Olympia-Werke from 1964.
Since the factory in Wil-
helmshaven was closed
in 1991, only the brand
name has remained of
what once used to be the
most important German
manufacturer of office
machines.

Condensed Notes as of 30 June 2017

A. General information

Company: WL BANK AG Westfälische Landschaft Bodenkreditbank
Head office: Münster
Registry court: Local Court Münster (Amtsgericht Münster)
Registry no.: HRB 2868

In accordance with § 37w of the Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the semi-annual financial statements of WL BANK AG Westfälische Landschaft Bodenkreditbank (in short WL BANK) as of 30 June 2017 were prepared according to the accounting rules of the German Commercial Code (Handelsgesetzbuch, HGB) and the specific legal form requirements and sectoral regulations of the German Stock Corporation Act (Aktiengesetz, AktG), the German Banking Act (Kreditwesengesetz, KWG), the German Pfandbrief Act (Pfandbriefgesetz, PfandBG) as well as the German Accounting Directive for Banks and Financial Services Providers (Verordnung über die Rechnungslegung der Kredit- und Finanzdienstleistungsinstitute, RechKredV).

We have used the same accounting and valuation methods as in the annual financial statements as of 31 December 2016. We have not conducted an audit in accordance with §§ 340k and 317 of the German Commercial Code or an examination by the auditor.

B. Notes to the balance sheet

Assets

Claims on banks

Breakdown according to residual terms of validity		
in EUR '000	30.06.2017	31.12.2016
Claims on banks	2,123,648	2,271,377
payable on demand	1,592,693	1,706,978
up to three months	203,630	241,253
more than three months and up to one year	92,444	38,185
more than one year and up to five years	165,654	215,656
longer than five years	69,227	69,305
in EUR '000	30.06.2017	31.12.2016
Claims on affiliated companies included in claims on banks	262,801	252,873

Claims on customers

Breakdown according to residual terms of validity		
in EUR '000	30.06.2017	31.12.2016
Claims on customers	30,519,787	29,694,621
payable on demand	24,585	31,775
up to three months	497,921	480,922
more than three months and up to one year	1,351,094	1,371,906
more than one year and up to five years	6,508,021	6,267,488
longer than five years	22,138,166	21,542,530
in EUR '000	30.06.2017	31.12.2016
Claims on affiliated companies included in claims on customers	8,477	8,327

Claims denominated in foreign currencies

Assets include EUR 111,720 thousand (31.12.2016: EUR 140,250 thousand) in foreign currencies.

Bonds and other fixed-interest securities and equity investments in affiliated companies

in EUR '000	30.06.2017 listed on the stock exchange	30.06.2017 not listed on the stock exchange	31.12.2016 listed on the stock exchange	31.12.2016 not listed on the stock exchange
Bonds and other fixed-interest securities	5,443,713	67,923	5,471,853	56,943
Equity investments in affiliated companies	0	0	0	0

Breakdown according to residual terms of validity

in EUR '000	30.06.2017	31.12.2016
Bonds and other fixed-interest securities	5,511,636	5,528,796
Amounts falling due in the year after the balance sheet date	330,591	302,491

Of the bonds and other fixed-interest securities which have been allocated to the portfolio valued like fixed assets and are clearly identified in the inventory system, a book value of EUR 1,414,363 thousand is not valued with the lower fair value as of the balance sheet date. The fair value of these securities amounts to EUR 1,298,279 thousand.

Unscheduled depreciation has not been carried out, because on the basis of the results available at the time of the preparation of these annual financial statements, we do not expect a permanent decline in value. Hidden losses from fixed-interest securities issued by European countries that have been hit particularly hard by the European sovereign debt crisis (so-called PIGS countries) are more than offset by a surplus of hidden reserves from fixed-interest securities of these countries.

In our securities portfolio – which does not include any securities in connection with securitisation transactions – we do not expect any loan losses or other defaults. We generally intend to keep bonds and other fixed-interest securities which have been allocated to the portfolio valued like fixed assets in the portfolio until their final maturity. At the moment, we see no circumstances that are opposed to our intention to hold the securities.

While registered bonds are immediately derecognised at the time of purchase, our portfolio still included bearer bonds with a volume of EUR 184,309 thousand as of the end of the first half year (31.12.2016: EUR 129,307 thousand) as part of our secondary market support operations.

Other assets

Other assets (EUR 27,147 thousand) include, as major items, the contra entry to the income from positive translation differences of particularly hedged foreign currency and forward transactions in the amount of EUR 14,523 thousand as well as cash deposits with Deutsche Bundesbank in the amount of EUR 8,485 thousand. In accordance with § 12 (5) of the Act for the Establishment of a Restructuring Fund for Credit Institutions (Gesetz zur Errichtung eines Restrukturierungsfonds für Kreditinstitute, RStruktFG), WL BANK has been given permission to pay shares of the stipulated annual contributions for 2015, 2016 and 2017 to the restructuring fund by means of a cash deposit.

in EUR '000	30.06.2017	31.12.2016
Claims on affiliated companies included in other assets	2,648	2,084

Assets pledged as security

Within the framework of open-market transactions with the European Central Bank (EUR 1,100,000 thousand) as well as general collateral pooling transactions with Eurex Clearing AG (EUR 199,992 thousand), securities and loan receivables were pledged or assigned. Furthermore, within the framework of real securities repurchase agreements (repo transactions), securities with a book value of EUR 1,180,291 thousand (31.12.2016: EUR 898,831 thousand) were sold. As security for loans raised from banks, claims under loan agreements amounting to EUR 1,050,933 thousand (31.12.2016: EUR 1,037,416 thousand) were assigned. In addition, cash deposits amounting to EUR 1,589,895 thousand (31.12.2016: EUR 1,701,896 thousand) were provided within the framework of collateral agreements for financial futures.

Liabilities

Liabilities to banks

Breakdown according to residual terms of validity		
in EUR '000	30.06.2017	31.12.2016
Liabilities to banks	8,496,218	7,527,959
payable on demand	419,569	85,484
up to three months	956,637	1,965,419
more than three months and up to one year	1,186,627	1,033,777
more than one year and up to five years	3,596,220	2,355,561
longer than five years	2,337,165	2,087,718
in TEUR		
Liabilities to affiliated companies included in liabilities to banks	2,794,459	2,231,813

Liabilities to customers

Breakdown according to residual terms of validity		
in EUR '000	30.06.2017	31.12.2016
Liabilities to customers	14,243,343	14,602,023
payable on demand	131,562	165,468
up to three months	561,446	564,850
more than three months and up to one year	430,078	403,615
more than one year and up to five years	2,611,229	2,894,279
longer than five years	10,509,028	10,573,811
in EUR '000		
Liabilities to affiliated companies included in liabilities to customers	524,742	451,110

Securitised liabilities

Breakdown according to residual terms of validity		
in EUR '000	30.06.2017	31.12.2016
Securitised liabilities	14,820,440	14,757,850
Amounts falling due in the year after the balance sheet date	1,000,023	1,947,214

Liabilities denominated in foreign currencies

Liabilities include EUR 90,599 thousand (31.12.2016: EUR 105,764 thousand) in foreign currencies.

Other liabilities

Other liabilities (EUR 26,324 thousand) mainly include tax liabilities due to the existing tax compensation agreement with DZ BANK (EUR 14,237 thousand), premiums earned (EUR 4,030 thousand) as well as deferred interest of the subordinated liabilities (EUR 3,046 thousand). In addition, other liabilities include the liability resulting from the profit and loss transfer agreement of the half-year result as of 30 June 2017 (EUR 2,134 thousand).

in EUR '000	30.06.2017	31.12.2016
Liabilities to affiliated companies included in other liabilities	18,385	30,116

Other provisions

in EUR '000	30.06.2017	31.12.2016
Provisions to affiliated companies included in other provisions	205	77

Subordinated liabilities

	Nominal amount in EUR '000	Interest rate in % p. a.	Maturity	Expenses 30.06.2017 in EUR '000
up to 10% of the aggregate amount	42,000	4.00–6.25	from 11.03.2019 to 29.09.2021	1,012
more than 10% of the aggregate amount	90,000	3.874	04.01.2018	1,729
Total	132,000			2,741

According to the terms of the contract, no early repayment obligations may arise for the subordinated liabilities. A conversion into another type of debt or into equity capital is not planned. The expenses 2017 item refers to payments and pro rata interests reported under other liabilities.

in EUR '000	30.06.2017	31.12.2016
Liabilities to affiliated companies included in subordinated liabilities	108,000	108,000

Capital with participation rights

As of 30 June 2017, WL BANK had no participation rights in its portfolio. The Management Board is authorised in the period until 6 June 2021 to issue participation rights of up to EUR 130,000 thousand, on one or several occasions, at usual market terms in accordance with Article 52 (1) CRR.

Subscribed capital and reserves

The share capital is divided into 166,750 registered individual share certificates. The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital on one or several occasions in the period to 6 June 2021 by up to a total of EUR 40,960 thousand against cash contributions by issuing 80,000 new registered individual share certificates.

Contingent liabilities

Contingent liabilities contain guarantees made within the framework of the lending business in the amount of EUR 13,293 thousand (31.12.2016: EUR 29,614 thousand).

Other commitments

The irrevocable credit commitments shown are commitments for:

in EUR '000	30.06.2017	31.12.2016
Mortgage loans	2,348,858	2,400,584
Public sector loans	46,227	34,774
Total	2,395,085	2,435,358

C. Notes to the profit and loss account

Other operating income (EUR 1,830 thousand) mainly includes releases of provisions recognised in the profit and loss account (EUR 1,151 thousand) and rental income (EUR 543 thousand). In addition, other operating income includes income from the currency translation in the amount of EUR 1 thousand.

Other administrative expenses include expenses in the amount of EUR 12,749 thousand for the European bank levy. With regard to the payment of the contribution for 2017, we made use of the 85%/15% regulation, so that apart from the above-mentioned EUR 12,749 thousand, another EUR 2,250 thousand of the total amount of EUR 14,999 thousand was deposited as cash collateral with Deutsche Bundesbank.

Other operating expenses (EUR 1,359 thousand) mainly include expenses from interest added back to provisions (EUR 1,205 thousand). In addition, other operating expenses include expenses from currency translation in the amount of EUR 1 thousand.

In the first half of 2017, the fund for general banking risks (reserves pursuant to Section 340g of the German Commercial Code) was increased by EUR 20,200 thousand. Contingency reserves pursuant to § 340f of the German Commercial Code made in previous years in the same amount were released to the P&L item "Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions".

Due to the tax compensation agreement existing between WL BANK and DZ BANK, taxes on income and profit include WL BANK's corporation tax and trade tax liabilities for the first half of 2017 (EUR 14,237 thousand). In addition, this balance sheet item includes tax expenses on a pro rata basis for compensation payments to minority shareholders in the amount of EUR 77 thousand taxable to WL BANK itself

under the fiscal unity scheme pursuant to § 16 of the German Corporation Tax Act (Körperschaftsteuergesetz, KStG), and, with the opposite effect, tax refunds from previous years in the amount of EUR 451 thousand.

In accordance with the existing profit and loss transfer agreement, the remaining profit for the first half year (EUR 2,134 thousand) is recognised in the balance sheet as other liabilities to DZ BANK. The annual net income of EUR 0.00 corresponds to the profit for the year.

D. Other notes

Notes according to § 28 of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG)

The information to be disclosed quarterly according to § 28 of the German Pfandbrief Act is published on our home page www.wlbank.de.

Forward transactions

At the balance sheet date, there are still unsettled, interest-related and currency-related forward transactions that have been concluded in order to hedge interest rate risks and currency risks. The counterparties are OECD banks. In connection with loan agreements, borrowers as well as a public-law institution that operated as a financial institution at the time the transaction was completed also act as counterparties (positive fair value EUR 103.2 million, negative fair value EUR 42.8 million). The products are exclusively OTC products.

in EUR m	Nominal amount by residual maturity			Total	Fair value	
	≤ 1 year	1-5 years	> 5 years		positive	negative
Interest-related contracts						
Interest rate swaps (same currency)	3,712	17,286	34,026	55,024	1,610.4	2,957.5
Interest rate options – sales	0	0	154	154	0.0	60.0
Currency-related contracts						
Forward exchange contracts	9	0	0	9	0.1	0.0
Cross-currency swaps	0	48	133	181	15.7	17.9
Total	3,721	17,334	34,313	55,368	1,626.2	3,035.4

The counterparty risk was calculated according to the current exposure method. Under the current exposure method, the loan equivalent exposure is the current replacement cost (positive market value), taking into account counterparty netting agreements, plus an add-on amount for potential future increases in exposure. The value thus determined is subject to counterparty weighting according to the rules of the CRR. The weighted counterparty risk before inclusion of netting agreements amounted to EUR 864.3 million at the end of the first half of 2017 (31.12.2016: EUR 962.5 million). Including netting agreements, the counterparty risk has declined by EUR 789.7 million to EUR 74.6 million (31.12.2016: EUR 74.6 million). In addition, a part of the remaining counterparty risk has been secured by cash contributions.

Interest rate swaps are valued according to the discounted cash flow method, using the current interest rate curves at the balance sheet date. Under this method, cash flows are discounted with the market interest rate including adequate consideration of risk and maturity. Structured products are broken down into their component parts. Option price models are used for the valuation of options. They are used on the basis of the generally acknowledged basic assumptions, according to which the value of an option is determined, in particular, by the value of the underlying transaction and its volatility, the agreed basic price, basic interest rate or basic index, the risk-free interest rate at matching maturities and the remaining term of the contract.

Option premiums received with a book value of EUR 4.0 million are included in other liabilities. The pro rata interests from derivative transactions are reported under claims on banks (EUR 177.8 million), claims on customers (EUR 7.4 million), liabilities to banks (EUR 254.4 million) as well as liabilities to customers (EUR 7.2 million). Compensation payments paid (EUR 5.8 million) are shown under deferred items on the assets side. Compensation payments received (EUR 18.0 million) are shown under deferred items on the liabilities side. Adjustment items from the foreign currency valuation of swaps are included in other assets (EUR 14.5 million) as well as in other liabilities (EUR 1.0 million). Furthermore, a liability from the pro rata establishment of a repayment obligation as part of a hedging transaction in the amount of EUR 10.8 million is included in liabilities to banks. Since derivative transactions are used to hedge interest rate risks and exchange rate fluctuations, negative fair values in derivatives are offset by valuation reserves in balance sheet transactions.

Number of employees

In the period under review, the average number of WL BANK's employees amounted to 395, 192 of whom were female and 203 of whom were male. The average number of apprentices amounted to 13.

Executive bodies

Supervisory Board

Hans-Bernd Wolberg (Chairman of the Supervisory Board) – Deputy Chairman of the Management Board of DZ BANK

Dr. Wolfgang Baecker (Deputy Chairman of the Supervisory Board) – Chairman of the Management Board of VR-Bank Westmünsterland eG

Karl-Michael Dommies – Spokesman of the Management Board of Volksbank im Märkischen Kreis eG

Gerd Hüsken – Member of the Management Board of Volksbank Rhein-Lippe eG

Anja Niehues* – Authorised agent of WL BANK

Rainer Peters – Chairman of the Management Board of Volksbank Halle/Westf. eG

Matthias Rammrath* – Authorised agent of WL BANK

Johannes Röring – President of the Westfälisch-Lippischer Landwirtschaftsverband e. V.

Rolf Schönherr* (until 03.01.2017) – Authorised agent of WL BANK

Werner Schulze Esking – Deputy Chairman of the Management Board of Stiftung Westfälische Landschaft

Stefanie Silge* – Authorised agent of WL BANK

Michael Speth – Member of the Management Board of DZ BANK

Frank Thurau* (as from 16.01.2017) – Authorised agent of WL BANK

* Representatives of the employees

Management Board

Frank M. Mühlbauer (Chairman of the Management Board) – Full-time Member of the Board

Dr. Carsten Düerkop – Full-time Member of the Board

Trustees

Michael Führer

Michael Nonhoff, Deputy

Statement of Shareholders' Equity as of 30 June 2017

in EUR '000	Subscribed capital	Capital reserve	Statutory reserve	Other revenue reserve	Profit for the year	Equity capital
as of 01.01.2016	85,376	153,108	700	115,900	0	355,084
Net income 01.01.2016–30.06.2016					0	0
Allocation to/withdrawal from the statutory reserve					0	0
Allocation to/withdrawal from other revenue reserves					0	0
Dividends paid					0	0
as of 30.06.2016	85,376	153,108	700	115,900	0	355,084
as of 01.07.2016	85,376	153,108	700	115,900	0	355,084
Net income 01.07.2016–31.12.2016					0	0
Allocation to/withdrawal from the statutory reserve					0	0
Allocation to/withdrawal from other revenue reserves					0	0
Dividends paid					0	0
as of 31.12.2016	85,376	153,108	700	115,900	0	355,084
as of 01.01.2017	85,376	153,108	700	115,900	0	355,084
Net income 01.01.2017–30.06.2017					0	0
Allocation to/withdrawal from the statutory reserve					0	0
Allocation to/withdrawal from other revenue reserves					0	0
Dividends paid					0	0
as of 30.06.2017	85,376	153,108	700	115,900	0	355,084

Condensed Cash Flow Statement as of 30 June 2017

in EUR '000	01.01.–30.06.2017	01.01.–30.06.2016
Cash funds as of 01.01.	353	269
Cash flow from current business activities	-68,899	12,002
Cash flow from investment activities	98,126	30,625
Cash flow from financing activities	-26,184	-39,320
Cash funds as of 30.06.	3,396	3,576

The cash funds correspond to the cash reserves item, which contains cash on hand and the balances with central banks.

Assurance by the Legal Representatives

“We assure that, to the best of our knowledge and in accordance with the applicable accounting principles for interim reporting, the semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of WL BANK AG Westfälische Landschaft Bodenkreditbank, and that the interim management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company during the rest of the financial year.”

Münster, August 2017

WL BANK AG
Westfälische Landschaft Bodenkreditbank

Frank M. Mühlbauer
(Chairman of the
Management Board)

Dr. Carsten Düerkop

Yasmin Aldag,
apprentice in her third year,
with a “Euklid” calculator
made by Mercedes Büro-
maschinen GmbH. Model 29
from 1934 was the last
manual calculating
machine the company
produced.



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The print version of our 2017 Semi-Annual Financial Report contains all required components according to Section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) as well as additional voluntary information. The latter is not fully identical with the version published in the electronic Federal Gazette (Elektronischer Bundesanzeiger).

We thank Fiducia & GAD IT AG for the provision of historical office machines, and our employees and apprentices for their support at the photo shoots!

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