

Listing Prospectus
for
**the admission to the
Amtlicher Handel of the Düsseldorf Stock Exchange**

for
**€ 500,000,000
Floating Rate Notes of 2004/2007**

of
**WGZ-Bank
Ireland plc**

Dublin, Ireland

with a Keep-Well Agreement

by

WGZ-Bank

Westdeutsche
Genossenschafts-Zentralbank eG

Düsseldorf, Federal Republic of Germany

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General Information

This Listing Prospectus ("Prospectus") contains particulars for the purpose of giving information with regard to the € 500,000,000 Floating Rate Notes of 2004/2007 (hereinafter also referred to as the "Issue" or the "Notes") of WGZ-Bank Ireland plc (hereinafter also referred to as "WGZ-Bank Ireland", the "Issuer", the "Company" or the "Bank") with a Keep-Well Agreement by WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (hereinafter also referred to as "WGZ-Bank" or the "Parent" and together with its consolidated subsidiaries the "WGZ-Bank Group").

Liability for the content of the Prospectus

The Issuer and the Parent assume liability for this Prospectus in accordance with section 45 of the Börsengesetz (German Stock Exchange Act) and herewith state that, to the best of their knowledge, the information contained in this Prospectus is accurate and that no material facts have been omitted.

Availability of Documents

The documents mentioned in this Listing Prospectus may be inspected during usual business hours on any working day from the date hereof and so long as any of the Notes remain outstanding at the offices of WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Ludwig-Erhard-Allee 20, D-40277 Düsseldorf.

Authorisation

The issuance of the € 500,000,000 Floating Rate Notes of 2004/2007 has been authorised by the resolution of the Board of Directors of the Issuer on 4 March 2004.

Subscription and Sale

The Notes were purchased by Lehman Brothers International (Europe) as sole lead manager and were offered for sale, subject to prior sale, from 15 March 2004 (the "Closing Date"), at the price of 100.00% of the principal amount of € 500,000,000.

Selling Restrictions

(1) The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") and may not be offered, or sold within the United States or to, or for the account or the benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. The Manager has represented that it has offered and sold the Notes, and agreed that it will offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or its affiliates behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Manager has agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Terms used in the above paragraph have the meanings given to them by Regulation S.

In addition, under the U.S. Treas. Reg. § 1.163-5 (c) (2) (i) (C) (the "C Rules"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original

issuance. The Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of such Notes in bearer form, the Manager has represented that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of the Manager or such prospective purchaser is within the United States or its possessions or otherwise involve the Manager's United States office in the offer or sale of such Notes in bearer form. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder, including the C Rules.

(2) The Manager has represented and agreed that:

- (a) it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer or the Parent.

As used herein, "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland.

(3) The activities of WGZ-Bank Ireland to which the certificate under Section 446 of the Taxes Consolidation Act, 1997 of Ireland issued to WGZ-Bank Ireland relates, and in respect of which a lower tax rate applies, do not include the issue of debt obligations to persons resident in Ireland for tax purposes.

The Manager has further represented and agreed that:

- (a) otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Acts, 1963 to 2003, it will not offer or sell, by means of any document, the Notes unless such offer or sale is made to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent);
- (b) it will not make in Ireland an offer of Notes to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland would apply except in accordance with the provisions of those Regulations;
- (c) it has only issued or passed on, and will only issue or pass on, in Ireland, any document received by it in connection with the issue of the Notes to persons who are persons to whom the document may otherwise lawfully be issued or passed on; and
- (d) it will not knowingly offer to sell the Notes to an Irish resident or to persons whose usual place of abode is Ireland and that it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with the Notes.
- (e) to the extent that it operates in Ireland for the purposes of the Investment Intermediaries Act, 1995 of Ireland (the "Investment Intermediaries Act") when providing investment business services (as defined below) and/or investment advice as defined below) in connection with the Notes, it:
 - (i) is a member firm (within the meaning of the Stock Exchange Act, 1995 of Ireland) of Irish Stock Exchange Limited and has, and will comply with, all applicable requirements of the Stock Exchange Act, 1995 of Ireland in connection with the Notes; or
 - (ii) is acting under or within the terms of an authorisation to do so which authorisation has been given by a supervisory authority under sections 10 or 13 of the Investment Intermediaries Act; or
 - (iii) is acting under and within the terms of an authorisation to do so which authorisation has been given by a competent authority (as defined below) of a European Union ("EU") member state for

the purpose of EU Council Directive 93/22/EEC of 10 May 1993 as amended or extended (the "Investment Services Directive"); or

(iv) is a credit institution which provides investment business services or investment advice;

and in the case of (ii) or (iii) above, it will not provide investment business services and/or investment advice in connection with the Notes other than in conformity with the provisions of the Investment Intermediaries Act and any codes of conduct made under section 37.

WGZ-Bank Ireland also agrees to abide by these restrictions (a) to (d) above;

(f) For the purpose of the above paragraphs:

"investment business services" has the meaning attributed to it in the Investment Intermediaries Act;

"investment advice" has the meaning attributed to it in the Investment Intermediaries Act;

"competent authority" means a competent authority in an EU member state for the purposes of the First Banking Co-ordination Directive as amended by the Second Banking Co-ordination Directive or for the purposes of EU Council Directive No. 93/6/EEC of 15 March 1993 or for the purposes of the Investment Services Directive;

"credit institution" means a credit institution within the meaning of Article 1 of the First Banking Co-ordination Directive as amended by the Second Banking Co-ordination Directive, but does not include the institutions referred to in Article 2 (2) of the First Banking Co-ordination Directive as so amended.

To the extent that it provides investment business services and/or investment advice in connection with the Notes, it is deemed not to be operating in Ireland for the purposes of the Investment Intermediaries Act if it has no branch within Ireland and if it has not and will not provide investment business services or investment advice to individuals in Ireland in connection with the Notes (unless such individuals themselves provide investment business services or investment advice on a professional basis) and:

(i) its head or registered office is in a state other than an EU member state; or

(ii) its head or registered office is in an EU member state outside Ireland and it does not provide investment business services in connection with this Agreement and/or the Notes in respect of which it is required to be authorised in the EU member state where its registered or head office is situated for the purposes of the Investment Services Directive; or

(iii) it is authorised in an EU member state other than Ireland under the Investment Services Directive but provides investment business services in connection with this Agreement and/or the Notes of a kind for which authorisation under the Investment Services Directive is not available when it is providing such services.

(4) The Manager has acknowledged that the Notes are subject to and has undertaken to comply with the restrictions provided in the German Sales Prospectus Law (*Verkaufsprospektgesetz*). No Sales Prospectus (*Verkaufsprospekt*) has been published. Therefore, prior to the Listing of the Notes at the Düsseldorf Stock Exchange, the Notes may only be sold at a purchase price of at least € 40,000 (excluding commissions) per investor.

(5) Without prejudice to paragraphs (1) to (4) above no action has been or will be taken by the Issuer that would permit a public offering of the Notes, or possession or distribution of any offering material relating to the Notes, in any jurisdiction where action for that purpose is required. Accordingly, the Manager will observe all applicable laws and regulations in each jurisdiction in or from which it may offer or sell Notes or have in its possession or distribute or publish any offering material relating to the Notes. The Manager will neither offer, sell or deliver, directly or indirectly any Notes or distribute the Prospectus or any offering material in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer, and all offers, sales and deliveries of Notes and distributions of any offering material relating to the Notes by the Manager will be made on the same terms.

Delivery of the Notes

The Notes will be represented by a Global Note without interest Coupons which will be deposited with Clearstream Banking AG, Frankfurt am Main. Definitive Notes will not be issued and the right of delivery of definitive Notes is excluded.

Taxation in Germany

The following general summary of the tax consequences of an investment in the Notes is based upon the laws in force as of the date of this Prospectus. The tax implications can be subject to change due to future law changes, which may come into force with retroactive effect.

Investors resident in Germany

Any payments of interest on the Notes are subject to German personal or corporate income tax (plus 5.5% solidarity surcharge thereon). Such interest is also subject to trade tax if the Notes are held as business asset. Gains from the sale or redemption of the Notes, including gains derived by a secondary or any subsequent investor, are considered as interest and subject to personal or corporate income tax (plus 5.5% solidarity surcharge thereon). In case the Notes are held as business assets, the gains from the sale or redemption are also subject to trade tax.

If the Notes are held in custody with a German credit institution or a German financial services institution (including a German permanent establishment of a foreign credit institution) as disbursing agent (*inländische auszahlende Stelle*) for the Investor, withholding tax on interest (*Zinsabschlag*) at a rate of 30 % (plus 5.5% solidarity surcharge thereon) of the excess of the proceeds from the sale or redemption over the purchase price paid for the Notes will be due, if the Notes were held in custody by such institution since the acquisition of the Notes. If custody has changed since the acquisition of the Notes, withholding tax on interest will be due on an amount equal to 30% of the proceeds from the sale or redemption of the Notes. The withholding tax on interest will be credited against the Investor's final personal or corporate income tax liability. Any excess of the withholding tax on interest over the Investor's final personal or corporate income tax liability is refunded.

Investors not resident in Germany

Investors not resident in Germany will not be taxable in Germany, and no withholding tax on interest is imposed (even if the Notes are held in custody with a German credit institution or financial services institution (including a German permanent establishment of a foreign credit institution)), provided that the Notes are not held as business asset in a German permanent establishment of the Investor.

The information on taxation provided in this section is not intended as tax advice and does not describe all tax implications that may arise from an investment in the Notes. Prospective investors are strongly recommended to consult their own tax advisors as to the tax consequences of an investment in the Notes.

Use of Proceeds

The net proceeds of the issue of the Notes, amounting to approximately € 499.85 million will be mainly used for the general business purposes of the Issuer.

Keep-Well Agreement

The Parent has stated the following in its 2002 Annual Report: „With the exception of political risk and to the extent of its participation share, WGZ-Bank will ensure that WL-Bank Westfälische Landschaft Bodenkreditbank AG, WGZ-Bank Luxembourg S.A., WGZ-Bank Ireland plc and WGZ International Finance N.V. will meet their obligations“. The board of directors (*Vorstand*) of the Parent on 9 March 2004 has resolved the following addendum (the "Addendum") to the foregoing statement: "With respect to any of the Issuer's obligations arising from the Notes the Parent undertakes, with binding effect for the Issuer, the Managers and any noteholder, that the Keep-Well Agreement shall be applied as if the limitation "to the extent of its participation share" were not contained therein and that, consequently, the Parent will always honour its obligations arising from the Keep-Well Agreement irrespective of its participation share." The Keep-Well Agreement and the Addendum is not a guarantee and does not create any direct obligations of the Parent vis-à-vis the Noteholders with respect to the payment of principal and interest on the Notes.

Security Codes

German Security Code: A0A V6Q
ISIN: DE 000 A0A V6Q 1
Common Code: 01866 7185

The German version of these Terms and Conditions of the Notes is the legally binding one. The English Translation is for convenience only.

ANLEIHEBEDINGUNGEN

§ 1

Form und Stückelung der Teilschuldverschreibungen

- (1) Die Anleihe 2004/2007 der WGZ-Bank Ireland plc (die „Emittentin“) im Gesamtnennbetrag von EUR 500.000.000,- (Euro fünfhundert Millionen) und mit variablem Zinssatz ist eingeteilt in 50.000 Inhaber-Teilschuldverschreibungen zu je EUR 10.000,- (die „Teilschuldverschreibungen“).
- (2) Der Gesamtnennbetrag der Teilschuldverschreibungen und die darauf zu zahlenden Zinsen werden in einer Dauer-Inhaber-Sammelschuldverschreibung ohne Zinsscheine (die „Sammelschuldverschreibung“) verbrieft, die bei der Clearstream Banking AG, Frankfurt am Main (die „Clearingstelle“) hinterlegt wird. Es werden weder effektive Stücke von Teilschuldverschreibungen noch Zinsscheine begeben. Der Anspruch auf die Ausgabe von effektiven Stücken von Teilschuldverschreibungen und/oder Zinsscheinen ist ausgeschlossen.
- (3) Die Sammelschuldverschreibung trägt die eigenhändige Unterschrift eines Direktors oder eines ordnungsgemäß bevollmächtigten Angestellten oder sonstigen Vertreters der Emittentin. Die Sammelschuldverschreibung trägt ferner die eigenhändige Kontrollunterschrift eines ordnungsgemäß bevollmächtigten Angestellten oder sonstigen Vertreters von Lehman Brothers International (Europe), London.
- (4) Im Rahmen dieser Anleihebedingungen bezeichnet der Ausdruck „Inhaber von Teilschuldverschreibungen“ den Inhaber eines Miteigentumsanteils oder Rechts an der Sammelschuldverschreibung.

§ 2

Zinsen, Bankgeschäftstag, Zinszeitraum, Zinsfestlegungsstelle

- (1) Die Teilschuldverschreibungen werden ab dem 15. März 2004 (einschließlich) zu einem gemäß Absatz (4) bestimmten variablen Zinssatz verzinst. Vorbehaltlich Absatz (2) sind die Zinsen vierteljährlich nachträglich am 15. März, 15. Juni, 15. September und 15. Dezember eines jeden Jahres fällig (jeweils ein „Zinszahlungstag“). Die Zinsen, die bezüglich eines Zinszeitraums (wie in Absatz (2) definiert) zahlbar sind, werden durch Multiplikation des für den betreffenden Zinszeitraum gemäß Absatz (4) ermittelten Zinssatzes mit dem Nennbetrag der Teilschuldverschreibungen und dem Quotienten aus der tatsächlichen Anzahl von Tagen in dem betreffenden Zinszeitraum und 360 errechnet, wobei das Ergebnis, falls erforderlich, auf die nächste zweite Dezimalstelle gerundet wird (ab EUR 0,005 wird aufgerundet).
- (2) Fällt ein Zinszahlungstag auf einen Tag, der kein Bankgeschäftstag ist, so ist der Zinszahlungstag statt dessen der nächstfolgende Bankgeschäftstag, es sei denn, dieser fällt in den nächsten Kalendermonat; in diesem Fall ist der Zinszahlungstag der letzte Bankgeschäftstag vor demjenigen Tag, an dem die Zinsen sonst fällig gewesen wären. Für die Zwecke dieser Anleihebedingungen bedeutet der Begriff „Bankgeschäftstag“ einen Tag, an dem das Trans-European Automated Real-Time Gross-Settlement Express Transfer System (TARGET-System) Zahlungen abwickelt und die Banken und Devisenmärkte in Düsseldorf geöffnet sind. Der Zeitraum, der an einem Zinszah-

TERMS AND CONDITIONS OF THE NOTES

§ 1

Form and Denomination of the Notes

- (1) The issue by WGZ-Bank Ireland plc (the “Issuer“) of the Floating Rate Notes 2004/2007 in the aggregate principal amount of EUR 500,000,000 (Euro five hundred million) is divided into 50,000 bearer notes in the denomination of EUR 10,000 each (the “Notes“).
- (2) The aggregate principal amount of the Notes and interest to be paid thereon will be represented by a permanent global bearer note without interest coupons (the “Global Note“) to be deposited with Clearstream Banking AG, Frankfurt am Main (the “Clearing Agent“). Definitive Notes and/or interest coupons will not be issued. Any claims to delivery of definitive Notes and/or interest coupons shall be excluded.
- (3) The Global Note shall bear the handwritten signature of a Director or any duly authorized officer or representative of the Issuer and the handwritten control signature of any duly authorized officer or representative of Lehman Brothers International (Europe), London.
- (4) The term “Noteholder“ in these Terms and Conditions of the Notes refers to the holder of a co-ownership participation or right in the Global Note.

§ 2

Interest; Banking Day; Interest Period; Interest Determination Agent

- (1) The Notes shall bear interest from (and including) 15 March 2004, at a floating rate of interest determined in accordance with paragraph (4) below. Subject to paragraph (2) below, interest shall be paid quarterly in arrears on 15 March, 15 June, 15 September and 15 December of each year (each an “Interest Payment Date“). The amount of interest payable in respect of an Interest Period (as defined in paragraph (2) below) shall be calculated by multiplication of the rate of interest which is to be determined for the respective Interest Period pursuant to paragraph (4) with the principal amount of the Notes and the actual number of days in the respective Interest Period divided by 360, rounding the result thereof to the nearest second decimal, if necessary (as of EUR 0.005 being rounded upwards).
- (2) If an Interest Payment Date is not a Banking Day, then the Interest Payment Date shall be postponed to the next day that is a Banking Day unless it would thereby fall into the next calendar month; in this event the Interest Payment Date is the last Banking Day preceding the day on which interest otherwise would have been paid. The expression “Banking Day“ shall for the purposes hereof mean a day on which the Trans-European Automated Real-Time Gross-Settlement Express Transfer System (TARGET-System) settles payments and banks and foreign exchange markets are open in Düsseldorf. The period between any Interest Payment Date (including that date) and the next

- lungstag (einschließlich) beginnt und am nächsten Zinszahlungstag (nicht einschließlich) endet, wird in diesen Anleihebedingungen als „Zinszeitraum“ bezeichnet.
- (3) Die Zinssätze und die Geldbeträge, die bezüglich jedes Zinszeitraums zahlbar sind, werden am zweiten Bankgeschäftstag vor Beginn eines jeden Zinszeitraums (der „Zinsfestlegungstermin“) von der WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (die „Zinsfestlegungsstelle“, welcher Begriff auch jede Nachfolgerin in dieser Eigenschaft erfasst) gemäß Absatz (4) festgelegt.
- (4) Der gemäß Absatz (3) festzulegende Zinssatz entspricht dem 3-Monats-EURIBOR (der „Referenzzinssatz“) zuzüglich 0,15%. Der Referenzzinssatz ist der am jeweiligen Zinsfestlegungstermin um oder gegen 11:00 Uhr vormittags (Brüsseler Zeit) auf der Bildschirmseite EURIBOR01 des Reuters Monitor (oder einer etwaigen Nachfolgersite der vorgenannten Publikationsstelle oder einer Bildschirmseite einer anderen Publikationsstelle) (die „Bildschirmseite“) veröffentlichte, als Jahreszinssatz ausgedrückte Zinssatz für Einlagen in Euro für den betreffenden Zinszeitraum. Falls die Zinsfestlegungsstelle den Referenzzinssatz nicht wie oben beschrieben feststellen kann, weil dieser nicht veröffentlicht wird, oder die Zinsfestlegungsstelle den Referenzzinssatz aus anderen Gründen nicht feststellen kann, so gilt als Referenzzinssatz für den betreffenden Zinszeitraum das von der Zinsfestlegungsstelle ermittelte (sofern erforderlich auf das nächste Eintausendstel eines Prozentpunktes gerundete, wobei ab 0,0005 aufgerundet wird) arithmetische Mittel der Zinssätze, die fünf von der Zinsfestlegungsstelle gemeinsam mit der Emittentin festzulegende Referenzbanken (die „Referenzbanken“) am betreffenden Zinsfestlegungstermin führenden Banken für Einlagen in Euro für den betreffenden Zeitraum nennen. Geben zwei oder mehr Referenzbanken einen Zinssatz an, so wird das arithmetische Mittel wie beschrieben auf der Basis der zur Verfügung gestellten Angaben errechnet. Geben weniger als zwei Referenzbanken einen Zinssatz an, so ermittelt die Zinsfestlegungsstelle den Referenzzinssatz für die betreffende Zinsperiode nach ihrem billigen Ermessen.
- (5) Die Zinsfestlegungsstelle teilt der Hauptzahlstelle (wie in § 4 (1) definiert), falls diese nicht mit der Zinsfestlegungsstelle identisch ist, und der Emittentin unverzüglich den bezüglich des jeweiligen Zinszeitraums festgelegten Zinssatz, den zahlbaren Zinsbetrag und den jeweiligen Zinszahlungstag mit. Die Zinsfestlegungsstelle wird diesen Satz, Betrag und Tag den Inhabern der Teilschuldverschreibungen gemäß § 10 unverzüglich bekannt machen.
- (6) Die von der Zinsfestlegungsstelle vorgenommenen Feststellungen sind, sofern nicht ein offenkundiger Fehler vorliegt, endgültig und für die Emittentin und die Inhaber der Teilschuldverschreibungen bindend. Die Zinsfestlegungsstelle haftet in ihrer Eigenschaft dafür, dass sie für die Emittentin Erklärungen abgibt, nicht abgibt, entgegennimmt oder Handlungen vornimmt oder unterlässt nur, wenn und soweit sie dabei die Sorgfaltspflichten eines ordentlichen Kaufmannes verletzt hat. Sie ist von den Beschränkungen des § 181 BGB oder den in anderen Rechtsordnungen enthaltenen entsprechenden Beschränkungen befreit. Die Zinsfestlegungsstelle ist in dieser Funktion ausschließlich Beauftragte der Emittentin. Zwischen der Zinsfestlegungsstelle und den Inhabern der Teilschuldverschreibungen besteht kein Auftrags- oder Treuhandverhältnis.
- (7) Die Emittentin wird, solange Zinssätze und Zinsbeträge gemäß diesem § 2 zu berechnen sind, sicherstellen, dass immer eine Zinsfestlegungsstelle besteht. Die Emittentin kann die Bestellung der Zinsfestlegungsstelle jederzeit widerrufen. Ein solcher Widerruf oder eine Amtsniederlegung
- Interest Payment Date (excluding that date) is hereinafter referred to as “Interest Period”.
- (3) The rates of interest and the amounts payable in respect of each Interest Period shall be determined on the second Banking Day prior to the commencement of such Interest Period (the “Interest Determination Date”) by WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (the “Interest Determination Agent”, which term shall include any successor in this function), in accordance with paragraph (4) below.
- (4) The rate of interest to be determined in accordance with paragraph (3) will be equal to the 3-months EURIBOR (the “Reference Interest Rate”) plus 0.15%. The Reference Interest Rate is the interest rate expressed as a rate per annum published on page EURIBOR01 of the Reuters Monitor (or any successor page of the aforementioned agency or a screen page of another agency) (the “Screen Page”) on the Interest Determination Date at or about 11:00 a.m. (Brussels time) for deposits in Euro for the relevant Interest Period. If the Interest Determination Agent cannot determine the Reference Interest Rate as aforementioned, because the Screen Page is not published, or if the Interest Determination Agent cannot make such determination for any reason, then the Reference Interest Rate for the respective Interest Period shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, 0.0005 being rounded upwards) determined by the Interest Determination Agent of the interest rates which five reference banks selected by the Interest Determination Agent in conjunction with the Issuer (the “Reference Banks”), quote to prime banks on the relevant Interest Determination Date for deposits in Euro for such Interest Period. Should two or more of the Reference Banks provide the relevant quotation, the arithmetic mean shall be calculated as described above on the basis of the quotations supplied. If less than two Reference Banks provide a quotation, then the Reference Interest Rate for the respective Interest Period shall be determined by the Interest Determination Agent in its reasonable discretion.
- (5) The Interest Determination Agent shall notify the Principal Paying Agent (as defined in § 4(1)), if different from the Interest Determination Agent, and the Issuer without delay of the rate of interest determined with respect to each Interest Period, the amount of interest payable and the relevant Interest Payment Date. The Interest Determination Agent shall without delay notify the Noteholders of such rate, amount and date in accordance with § 10.
- (6) The determinations made by the Interest Determination Agent are, in the absence of manifest error, final and binding for the Issuer and the Noteholders. The Interest Determination Agent shall only be held responsible for giving, or failing to give, a declaration or for acting, or failing to act, on behalf of the Issuer if and insofar as it has failed to act with the due care of a prudent merchant (Sorgfalt eines ordentlichen Kaufmannes). It shall be exempt from the restrictions of § 181 German Civil Code (BGB) or any such restriction contained in the laws of any other jurisdiction. The Interest Determination Agent acting in such capacity, acts only as agent of the Issuer. There is no agency or fiduciary relationship between the Interest Determination Agent on the one hand and the Noteholders on the other hand.
- (7) The Issuer undertakes to ensure that, as long as interest rates and interest amounts are to be calculated in accordance with this § 2, there is always an Interest Determination Agent. The Issuer may revoke the appointment of the Interest Determination Agent at any time, provided that

gung wird jedoch erst wirksam, wenn die Emittentin zuvor eine andere Zinsfestlegungsstelle, die eine Bank von internationalem Ansehen mit einer Niederlassung in der Bundesrepublik Deutschland sein muss, bestellt hat, und die neue Zinsfestlegungsstelle diese Bestellung als Zinsfestlegungsstelle angenommen hat. Jede Bestellung einer neuen Zinsfestlegungsstelle muss sobald wie möglich von der Emittentin (bzw., falls nicht von der Emittentin, von der alten Zinsfestlegungsstelle) den Inhabern der Teilschuldverschreibungen gemäß § 10 bekannt gemacht werden.

- (8) Die Verzinsung der Teilschuldverschreibungen endet mit Ablauf des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Sofern es die Emittentin unterlässt, die Teilschuldverschreibungen bei Fälligkeit in voller Höhe zu tilgen, läuft die Zinsverpflichtung über den Fälligkeitstag hinaus bis zur tatsächlichen Tilgung der Teilschuldverschreibungen weiter. Der Zinssatz wird in diesem Fall in entsprechender Anwendung von § 2 bestimmt.

§ 3

Tilgung der Teilschuldverschreibungen

- (1) Die Teilschuldverschreibungen werden am 15. März 2007 (der „Fälligkeitstag“) zum Nennbetrag zurückgezahlt, soweit sie nicht zuvor gemäß diesen Anleihebedingungen zurückgezahlt oder erworben und entwertet wurden. Ist der Fälligkeitstag kein Bankgeschäftstag, so ist der Fälligkeitstag statt dessen der nächstfolgende Bankgeschäftstag, es sei denn, dieser fällt in den nächsten Kalendermonat; in diesem Fall ist der Fälligkeitstag der letzte Bankgeschäftstag vor demjenigen Tag, an dem die Rückzahlung des Kapitals sonst fällig gewesen wäre.
- (2) Die Emittentin bzw. jede ihrer Tochtergesellschaften sind jederzeit berechtigt, im Markt oder auf andere Weise Teilschuldverschreibungen zu erwerben und diese nach eigenem Ermessen zu halten oder zu veräußern.
- (3) Unbeschadet der in § 9 vorgesehenen Regelung sind die Inhaber von Teilschuldverschreibungen nicht berechtigt, die vorzeitige Rückzahlung der Teilschuldverschreibungen zu verlangen.

§ 4

Zahlungen, Hauptzahlstelle, Zahlstellen

- (1) Die Emittentin verpflichtet sich unwiderruflich, Kapital und Zinsen auf die Teilschuldverschreibungen bei Fälligkeit in Euro zu zahlen. Zahlungen von Kapital und Zinsen an die Inhaber von Teilschuldverschreibungen erfolgen durch die WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (die „Hauptzahlstelle“) – gegen Vorlage der Globalurkunde bei der und im Falle der letzten Zahlung gegen Aushändigung der Globalurkunde an die Hauptzahlstelle – an die Clearingstelle zur Gutschrift auf die entsprechenden Konten der Hinterleger von Teilschuldverschreibungen bei der Clearingstelle.
- (2) Die Hauptzahlstelle und jede Zahlstelle, falls vorhanden, sind von den Beschränkungen des § 181 BGB sowie von ähnlichen Beschränkungen von Gesetzen eines anderen Landes oder in einem anderen Land befreit. Die Hauptzahlstelle und etwaige weitere Zahlstellen haften in ihrer Eigenschaft dafür, dass sie für die Emittentin Erklärungen abgeben, nicht abgeben, entgegennehmen oder Handlungen vornehmen oder unterlassen, nur, wenn und soweit sie dabei die Sorgfaltspflichten eines ordentlichen Kaufmannes verletzt haben. Die Hauptzahlstelle und etwaige weitere Zahlstellen sind in dieser Funktion ausschließlich Beauftragte der Emittentin. Zwischen der Hauptzahlstelle und etwaigen weiteren Zahlstellen einerseits und den Inhabern der Teilschuldverschreibungen andererseits besteht kein Auftrags- oder Treuhandverhältnis.

no such revocation or its resignation shall become effective until the Issuer has appointed another Interest Determination Agent, being a bank of international standing having an office in the Federal Republic of Germany, and such other Interest Determination Agent has accepted and agreed to act as Interest Determination Agent. Any appointment of a new Interest Determination Agent must without delay be notified by the Issuer (or failing the Issuer, the previous Interest Determination Agent) to the Noteholders in accordance with § 10.

- (8) The Notes shall cease to bear interest as of the end of the day which precedes the day on which they become due for redemption. Should the Issuer fail to redeem the Notes when due, interest shall continue to accrue beyond the due date until the actual redemption of the Notes. The rate of interest shall in such case be determined analogously to this § 2.

§ 3

Redemption

- (1) Unless previously redeemed or purchased and cancelled pursuant to these Terms and Conditions of the Notes, the Notes shall be redeemed at par on 15 March 2007 (the “Redemption Date”). If the Redemption Date is not a Banking Day, then the Redemption Date shall be postponed to the next day that is a Banking Day unless it would thereby fall into the next calendar month; in this event the Redemption Date is the last Banking Day preceding the day on which the redemption of capital otherwise would have been paid.
- (2) The Issuer and/or any of its subsidiaries may at any time purchase Notes at any price in the open market or otherwise and may hold or transfer, in its discretion, such purchased Notes.
- (3) Except as provided in § 9, the Noteholders are not entitled to call the Notes for early redemption.

§ 4

Payments; Principal Paying Agent; Paying Agents

- (1) The Issuer irrevocably undertakes to pay, as and when due, principal and interest in Euro. Payments of principal and interest shall be made to the Noteholders by WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (the “Principal Paying Agent”), – against presentation of the Global Note at and in the case of the final payment against delivery of the Global Note to the Principal Paying Agent – to the Clearing Agent to credit the respective amounts to the accounts of the depositors of Notes with the Clearing Agent.
- (2) The Principal Paying Agent and each Paying Agent, if any, shall be exempt from the restrictions of § 181 of the German Civil Code (BGB) and any similar restrictions of the laws of or in any other country. The Principal Paying Agent and each Paying Agent shall be held responsible for giving, failing to give, or accepting a declaration, or for acting or failing to act, only if, and insofar as, it fails to act with the due care of a prudent merchant (Sorgfalt eines ordentlichen Kaufmannes). The Principal Paying Agent and each Paying Agent acting in such capacity act only as agent of the Issuer. There is no agency or fiduciary relationship between the Principal Paying Agent and each Paying Agent on the one hand and the Noteholders on the other hand.

- (3) Sofern ein Ereignis eintritt, das die Hauptzahlstelle nach ihrer Auffassung daran hindert, ihre Aufgabe als Hauptzahlstelle zu erfüllen, kann sie nach Rücksprache mit der Emittentin ihr Amt als Hauptzahlstelle niederlegen. Die Emittentin ist ebenfalls berechtigt, die Bestellung der Hauptzahlstelle zu beenden. Eine solche Amtsniederlegung und eine solche Beendigung der Bestellung werden jedoch erst wirksam, wenn die Emittentin zuvor eine andere Hauptzahlstelle, die eine Bank von internationalem Ansehen mit einer Niederlassung in der Bundesrepublik Deutschland sein muss, bestellt hat, und die neue Hauptzahlstelle diese Bestellung als Hauptzahlstelle angenommen hat und die Bestellung wirksam geworden ist. Mit der Bestellung einer solchen anderen Hauptzahlstelle hat die ihr Amt niederlegende oder zurücktretende Hauptzahlstelle ihre Rechte und Pflichten als Hauptzahlstelle auf ihre Nachfolgerin zu übertragen. Die Emittentin kann nach vorheriger Rücksprache mit der Hauptzahlstelle weitere Zahlstellen bestellen und die Bestellung dieser Zahlstelle(n) widerrufen.
- (4) Jede Bestellung einer anderen Hauptzahlstelle oder weiterer Zahlstelle(n) oder jeder Widerruf einer solchen Bestellung wird von der zurücktretenden Hauptzahlstelle oder (falls die Hauptzahlstelle dies nicht tut) von der Emittentin ohne schuldhaftes Zögern gemäß § 10 bekannt gemacht.

§ 5 Steuern

- (1) Alle Zahlungen von Kapital und Zinsen auf die Teilschuldverschreibungen erfolgen ohne Einbehalt oder Abzug irgendwelcher, oder wegen irgendwelcher, gegenwärtiger oder zukünftiger Steuern, Abgaben, Veranlagungen oder amtlich erhobener Gebühren gleich welcher Art, die von Irland oder namens Irlands, oder irgendeiner in oder von Irland zur Erhebung von Steuern ermächtigten Behörde auferlegt oder erhoben werden, es sei denn, der Einbehalt oder Abzug derartiger, oder aufgrund derartiger, Steuern, Abgaben, Veranlagungen oder amtlich erhobener Gebühren ist gesetzlich vorgeschrieben. In diesem Falle sind von der Emittentin diejenigen zusätzlichen Beträge zu zahlen, die erforderlich sind, um sicherzustellen, dass die Inhaber von Teilschuldverschreibungen nach einem solchen Einbehalt oder Abzug diejenigen Beträge erhalten, die dem Betrag von Kapital bzw. Zinsen entsprechen, die diese auf die Teilschuldverschreibungen ohne einen solchen Einbehalt oder Abzug erhalten würden. Jedoch sind keine solchen zusätzlichen Beträge im Hinblick auf Teilschuldverschreibungen zu zahlen, die durch einen Inhaber oder im Auftrag eines Inhabers vorgelegt werden, der (i) für Zwecke irischer Besteuerung als gebietsansässig in Irland oder als irisches Unternehmen behandelt wird oder (ii) aus sonstigen Gründen derartigen Steuern, Abgaben, Veranlagungen oder amtlich erhobenen Gebühren unterliegt, weil er aus anderen Gründen als der bloßen Tatsache, dass er Inhaber der betreffenden Teilschuldverschreibungen ist oder hierauf Zahlungen von Kapital oder Zinsen erhält, in einer Verbindung zu Irland steht.

Jede Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen gilt auch als Bezugnahme auf etwa nach diesem Absatz (1) zusätzlich zahlbare Beträge.

- (2) Sollte die Emittentin aufgrund einer Änderung des in Irland geltenden Rechts oder von Abkommen mit Irland oder in Folge einer Änderung in der Auslegung oder Anwendung solchen Rechts oder eines solchen Abkommens oder infolge der Rücknahme einer von einer Steuerbehörde in Irland gewährten Befreiung oder Zustimmung mit Wirkung vom oder nach dem 15. März 2004 verpflichtet sein, bei der nächsten in Bezug auf eine Teilschuldverschreibung fälligen Zahlung irgendwelcher der in Absatz (1) vorgesehenen zusätzlichen Beträge zu zahlen, so ist die Emittentin berech-

§ 5 Taxes

- (3) Should any event occur which, in the opinion of the Principal Paying Agent, prevents it from performing its duties as Principal Paying Agent, it may upon consultation with the Issuer resign from its office as Principal Paying Agent. The Issuer shall also be entitled to terminate the appointment of the Principal Paying Agent. Any resignation and termination of appointment shall, however, become effective only as and when the Issuer has appointed another Principal Paying Agent, being a bank of international standing having an office in the Federal Republic of Germany, such other Principal Paying Agent has accepted and agreed to act as Principal Paying Agent and such appointment has entered into force. Upon appointment of such other Principal Paying Agent, the resigning or withdrawing Principal Paying Agent shall transfer all the rights and obligations held or assumed by it in its capacity as Principal Paying Agent to its successor. The Issuer may after prior consultation with the Principal Paying Agent appoint additional Paying Agents and revoke the appointment of such Paying Agent(s).
- (4) Any appointment of another Principal Paying Agent or further Paying Agent(s) or any revocation of any such appointment shall be notified to the Noteholders without undue delay by the Principal Paying Agent or (failing the Principal Paying Agent) by the Issuer in accordance with § 10.

- (1) All payments of principal and interest on the Notes shall be made without withholding or deduction of, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Ireland or any authority therein having power to tax, unless the withholding or deduction of, or on account of, such taxes, duties, assessments or governmental charges is required by law. In such event, the Issuer will pay such additional amounts as may be necessary to ensure that the net amounts receivable by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes in the absence of such withholding or deduction. However, no such additional amounts shall be paid with respect to any Note presented for payment by or on behalf of a Noteholder (i) who is for Irish tax purposes treated as a resident of Ireland or as an Irish corporation or (ii) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of such Noteholder being connected with Ireland other than merely by the holding of such Note or by the receipt of principal or interest in respect thereof.

Any reference in these Terms and Conditions of the Notes to principal or interest shall be deemed also to refer to any additional amounts which may be payable under this paragraph (1).

- (2) If, as a result of any change in the laws of Ireland or in any treaty with Ireland, or as a result of any change in the interpretation or application of any such law or treaty, or as a result of the withdrawal of any exemption or consent granted by a taxing authority in Ireland, effective on or after 15 March 2004, the Issuer is required, on the occasion of the next payment due in respect of any Note, to pay additional amounts as provided in paragraph (1) above, the Issuer shall be entitled, upon not less than 30 and not more than 60 days' prior notice in accordance with § 10,

tigt, die im Umlauf befindlichen Teilschuldverschreibungen insgesamt, jedoch nicht teilweise, zum Nennbetrag zuzüglich aufgelaufener Zinsen durch vorherige Bekanntmachung gemäß § 10 mit einer Frist von mindestens 30 Tagen und höchstens 60 Tagen zur Rückzahlung zu kündigen. Die Rückzahlung gemäß diesem Absatz (2) darf jedoch nicht früher erfolgen als 30 Tage vor dem Tag, an dem eine solche Änderung des Rechts oder Abkommens oder der Auslegung oder Anwendung solchen Rechts oder solcher Abkommen oder der Rücknahme einer Befreiung oder Zustimmung erstmals in Kraft tritt.

§ 6

Rang der Teilschuldverschreibungen und Negativerklärung

- (1) Die Teilschuldverschreibungen stellen direkte, unbedingte, unbesicherte und nicht nachrangige Verpflichtungen der Emittentin dar, die untereinander gleichberechtigt sind, und stehen, vorbehaltlich zwingender gesetzlicher Ausnahmen, in gleichem Rang mit allen anderen gegenwärtigen und zukünftigen, nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin.
- (2) Die Emittentin und jede ihrer Wesentlichen Tochtergesellschaften, falls vorhanden, verpflichten sich, bis zu dem Zeitpunkt, an dem sämtliche Beträge an Kapital und Zinsen und etwaige zusätzliche, nach diesen Anleihebedingungen zahlbare Beträge der Hauptzahlstelle zur Verfügung gestellt sind, keine Pfandrechte, dinglichen Besicherungen oder irgendeine Belastung an ihren gegenwärtigen oder zukünftigen Vermögenswerten zugunsten der Gläubiger einer Kreditverbindlichkeit einzuräumen oder bestehen zu lassen, um (i) eine Zahlungsverpflichtung irgendwelcher fälliger Beträge in Bezug auf eine Kreditverbindlichkeit, (ii) eine Zahlungsverpflichtung aufgrund einer Garantie für eine Kreditverbindlichkeit oder (iii) eine Zahlungsverpflichtung aufgrund jeder Bürgschaft oder Haftungserklärung oder anderen ähnlichen Verpflichtung in Bezug auf eine Kreditverbindlichkeit zu besichern, ohne in jedem derartigen Fall gleichzeitig eine solche Besicherung auf die Inhaber der Teilschuldverschreibungen zu erstrecken oder diesen eine anderweitige Sicherheit einzuräumen, die von der (in § 7 definierten) Sicherheitenverwahrerin nach deren alleinigem Ermessen für gleichwertig gehalten wird (die „Sicherheit“), und werden keinen Dritten veranlassen, zugunsten der Gläubiger einer Kreditverbindlichkeit eine Garantie, Bürgschaft oder Haftungserklärung abzugeben. Der Begriff „Kreditverbindlichkeit“ bezeichnet jede Kreditverbindlichkeit der Emittentin oder einer anderen Person mit einer angegebenen Laufzeit von mehr als einem Jahr von ihrer Entstehung, die durch Schuldverschreibungen oder andere ähnliche Wertpapiere verbrieft ist, welche nach ihren Bedingungen oder nach Wahl der jeweiligen Inhaber in einer nicht-irischen Währung zahlbar sind oder auf Euro lauten und zunächst mit Zustimmung der Emittentin zu mehr als 50% ihres Gesamtnennbetrages außerhalb Irlands verkauft werden. Sämtliche Rechte aus solchen Sicherheiten werden, soweit rechtlich zulässig, ausschließlich von der Sicherheitenverwahrerin oder einem von der Sicherheitenverwahrerin beauftragten Dritten (der „beauftragte Dritte“), der eine Bank oder Wirtschaftsprüfungsgesellschaft von internationalem Rang mit Hauptsitz in der Bundesrepublik Deutschland sein muss, gehalten, verwaltet und verwertet. Eine „Wesentliche Tochtergesellschaft“ ist jede Gesellschaft oder Rechtspersönlichkeit, an der die Emittentin direkt oder indirekt 25% oder mehr der Stimmrechte oder der Anteile hält.

§ 7

Sicherheitenverwahrung

- (1) Die „Sicherheitenverwahrerin“ wird durch die Emittentin nach billigem Ermessen unverzüglich bestellt werden,

to redeem all, but not some only, of the outstanding Notes prior to the maturity at par together with accrued interest. A redemption pursuant to this paragraph (2) may not be made earlier than 30 days before the date on which such change in law or treaty or interpretation or application thereof or such withdrawal of exemption or consent comes into force.

§ 6

Status of the Notes and Negative Pledge

- (1) The Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be statutorily preferred.
- (2) Until such time as all amounts of principal and interest and all other amounts payable in accordance with these Terms and Conditions of the Notes shall have been provided to the Principal Paying Agent, neither the Issuer nor any of its Material Subsidiaries (if any) will create or have outstanding any mortgage, pledge or other charge over any of its present or future assets to secure for the benefit of the holders of any Borrowing Obligations (i) payment of any sum due in respect of any Borrowing Obligations, (ii) payment under any guarantee of any Borrowing Obligations or (iii) payment under any indemnity or other similar obligation relating to Borrowing Obligations, without at the same time having the Noteholders share in such security or such other security as the Fiduciary Agent (as defined in § 7) shall in its absolute discretion deem to be of equal worth to the Noteholders (the “Security”) and neither the Issuer nor any of its Material Subsidiaries shall cause any third party to grant any guarantee or indemnity or enter into any equivalent obligation for the benefit of the holders of any Borrowing Obligations. “Borrowing Obligations” means any borrowing obligation of the Issuer or any other person with a stated maturity of more than one year from the creation thereof which is represented by notes, bonds or other similar securities which are payable either by their terms or at the option of their holder in any currency other than Euro, or denominated in Euro and initially distributed outside Ireland with the consent of the Issuer in an amount exceeding 50% of their aggregate principal amount. The rights arising from any such Security shall, as far as legally possible, be held, administered and enforced exclusively by the Fiduciary Agent or a third party being a bank or accounting firm with international standing having its principal place of business in the Federal Republic of Germany and appointed by the Fiduciary Agent (the “Fiduciary Agent’s Nominee”). A “Material Subsidiary” means any company or entity in which the Issuer directly or indirectly holds 25% or more of the voting rights or shares.

§ 7

Fiduciary Agent

- (1) The “Fiduciary Agent” shall be appointed by the Issuer in its reasonable discretion without delay in the event that a

falls eine Sicherheit zu bestellen ist. Sie muss eine Bank oder Wirtschaftsprüfungsgesellschaft von internationalem Ansehen und mit Hauptsitz in der Bundesrepublik Deutschland sein.

- (2) In Erfüllung ihrer Verpflichtungen gemäß diesen Anleihebedingungen wird die Sicherheitenverwahrerin mit der Sorgfalt eines ordentlichen Kaufmannes handeln.
- (3) Die Sicherheitenverwahrerin ist von den Beschränkungen des § 181 BGB sowie von ähnlichen Beschränkungen von Gesetzen eines anderen Landes oder in einem anderen Land befreit.
- (4) Die Sicherheitenverwahrerin ist berechtigt, den Inhabern von Teilschuldverschreibungen anteilig sämtliche Beträge an Kosten und Auslagen zu belasten, die sie in angemessenem Umfang in Erfüllung ihrer Aufgaben als Sicherheitenverwahrerin gemäß § 6 (2) eingeht und von ihnen einen Vorschuss hierauf zu verlangen. Die Emittentin ist verpflichtet, den Inhabern von Teilschuldverschreibungen solche Auslagen durch die Sicherheitenverwahrerin zu erstatten.
- (5) Sofern ein Ereignis eintritt, das die Sicherheitenverwahrerin nach ihrer Auffassung daran hindert, ihre Aufgabe als Sicherheitenverwahrerin zu erfüllen, kann sie nach Rücksprache mit der Emittentin ihr Amt als Sicherheitenverwahrerin niederlegen. Eine solche Amtsniederlegung wird jedoch erst wirksam, wenn die Emittentin zuvor eine andere Sicherheitenverwahrerin, die eine Bank oder Wirtschaftsprüfungsgesellschaft von internationalem Ansehen mit Hauptsitz in der Bundesrepublik Deutschland sein muss, bestellt hat, und die neue Sicherheitenverwahrerin diese Bestellung als Sicherheitenverwahrerin angenommen hat. Mit der Bestellung einer solchen anderen Sicherheitenverwahrerin hat die ihr Amt niederlegende Sicherheitenverwahrerin ohne schuldhaftes Zögern jede dann von ihr gehaltene Sicherheit auf ihre Nachfolgerin zu übertragen.
- (6) Jede Bestellung einer Sicherheitenverwahrerin oder einer anderen Sicherheitenverwahrerin ist den Inhabern der Teilschuldverschreibungen von der Emittentin gemäß § 10 unverzüglich bekannt zu machen.

§ 8 Patronatserklärung

Die WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (die „Muttersgesellschaft“) hat in ihrem Geschäftsbericht von 2002 die folgende Erklärung abgegeben: „Die WGZ-Bank trägt, abgesehen vom Fall des politischen Risikos, in Höhe ihrer Anteilsquote dafür Sorge, dass die WL-Bank Westfälische Landschaft Bodenkreditbank AG, die WGZ-Bank Luxembourg S. A., die WGZ-Bank Ireland plc und die WGZ International Finance N.V. ihre Verpflichtungen erfüllen können“ (die „Patronatserklärung“). Die Muttersgesellschaft hat sich gegenüber der Emittentin und den Inhabern von Teilschuldverschreibungen im Hinblick auf alle Verpflichtungen der Emittentin aus den Teilschuldverschreibungen verpflichtet, dass die Patronatserklärung so gelten soll, als sei die Einschränkung „in Höhe ihrer Anteilsquote“ darin nicht enthalten und dass demzufolge die Muttersgesellschaft ihren Verpflichtungen aus der Patronatserklärung jederzeit ungeachtet ihrer Anteilsquote nachkommen wird (die „Patronats-Ergänzung“).

§ 9 Gründe zur vorzeitigen Fälligkeit

Jeder Inhaber von Teilschuldverschreibungen ist in den folgenden Fällen berechtigt, durch Mitteilung an die Hauptzahlstelle

Security shall have to be granted and shall be a bank or accounting firm with international standing having its principal place of business in the Federal Republic of Germany.

- (2) In the performance of its duties and obligations under these Terms and Conditions of the Notes, the Fiduciary Agent shall act with the due care of a prudent merchant (Sorgfalt eines ordentlichen Kaufmannes).
- (3) The Fiduciary Agent shall be exempt from the restrictions of § 181 German Civil Code (BGB) and any similar statutory restrictions of the laws of or in any other country.
- (4) The Fiduciary Agent shall be entitled to charge the Noteholders in proportion to their holdings any costs and expenses it may reasonably incur in acting as Fiduciary Agent pursuant to § 6 (2) and to request from them an advance payment. The Issuer shall reimburse the Noteholders for such expenses through the Fiduciary Agent.
- (5) Should any event occur which, in the opinion of the Fiduciary Agent, prevents it from performing its duties as Fiduciary Agent, it may upon consultation with the Issuer resign from its office as Fiduciary Agent, provided that no such resignation shall become effective until the Issuer has appointed another Fiduciary Agent, being a bank or accounting firm with international standing having its principal place of business in the Federal Republic of Germany, and such other Fiduciary Agent has accepted and agreed to act as Fiduciary Agent. Upon the appointment of such other Fiduciary Agent, the resigning Fiduciary Agent shall transfer without undue delay any Security then held by it to its successor.
- (6) Any appointment of a Fiduciary Agent or of another Fiduciary Agent shall be notified to the Noteholders without undue delay by the Issuer in accordance with § 10.

§ 8 Keep-Well Agreement

WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (the “Parent“) has stated the following in its 2002 Annual Report: “With the exception of political risk and to the extent of its participation share, WGZ-Bank will ensure that WL-Bank Westfälische Landschaft Bodenkreditbank AG, WGZ-Bank Luxembourg S. A., WGZ-Bank Ireland plc and WGZ International Finance N.V. will meet their obligations” (the “Keep-Well Agreement“). With respect to any of the Issuer’s obligations arising from the Notes the Parent has undertaken with binding effect for the Issuer and the Noteholders, that the Keep-Well Agreement shall be applied as if the limitation “to the extent of its participation share” were not contained therein and that, consequently, the Parent will always honour its obligations arising from the Keep-Well Agreement irrespective of its participation share (the “Addendum“).

§ 9 Events of Default

Each Noteholder shall be entitled by notice given to the Principal Paying Agent to declare his Notes due and demand

seine Teilschuldverschreibungen fällig zu stellen und deren sofortige Rückzahlung zum Nennbetrag zuzüglich Stückzinsen zu verlangen:

- (a) Die Emittentin versäumt es, Kapital oder Zinsen auf die Teilschuldverschreibungen bei Fälligkeit zu zahlen, und die Zahlung wird nicht innerhalb von 14 Tagen durch die Emittentin nachgeholt; oder
- (b) die Emittentin erfüllt irgendeine ihrer anderen Verpflichtungen aus den Teilschuldverschreibungen nicht, und es erfolgt keine Abhilfe innerhalb von 30 Tagen, nachdem die Emittentin durch einen Inhaber einer Teilschuldverschreibung gemahnt worden ist; oder
- (c) die Rückzahlungsverpflichtung aus einer von der Emittentin oder einer Tochtergesellschaft eingegangenen Kreditverbindlichkeit im Gesamtnennbetrag von noch nicht zurückgezahlem Kapital von mindestens EUR 5.000.000,- (oder den Gegenwert in einer anderen Währung oder anderen Währungen) im Falle der Emittentin oder EUR 1.500.000,- (oder den Gegenwert in einer anderen Währung oder anderen Währungen) im Falle einer Tochtergesellschaft wird wegen Verzugs der Emittentin oder der Tochtergesellschaft vor deren vorgesehenem Fälligkeitszeitpunkt fällig gestellt oder eine solche Verbindlichkeit wird zu dem vorgesehenen Fälligkeitszeitpunkt (oder mit dem Ablauf einer etwaigen ursprünglich vorgesehenen, anwendbaren Nachfrist oder mit dem Ablauf einer vor der ursprünglichen Fälligkeit schriftlich mit dem jeweiligen Gläubiger vereinbarten Nachfristverlängerung, es sei denn, dass sich zum Zeitpunkt der Gewährung derselben die finanzielle Lage oder die Kreditwürdigkeit der Emittentin bzw. der Tochtergesellschaft nachteilig verändert hat) nicht gezahlt; oder
- (d) die Emittentin oder eine Tochtergesellschaft befindet sich mit der Zahlung aus einer Garantie und/oder einer Bürgschaft oder Haftungserklärung, die sie bezüglich einer Verpflichtung oder Kreditverbindlichkeit Dritter im Gesamtnennbetrag von noch nicht zurückgezahlem Kapital von mindestens EUR 5.000.000,- (oder den Gegenwert in einer anderen Währung oder anderen Währungen) im Falle der Emittentin oder EUR 1.500.000,- (oder den Gegenwert in einer anderen Währung oder anderen Währungen) im Falle der Tochtergesellschaft, übernommen hat, in Verzug; oder
- (e) ein zuständiges Gericht trifft oder erlässt einen endgültigen Beschluss oder eine endgültige Anordnung, wonach der Konkurs oder die Zahlungsunfähigkeit der Emittentin festgestellt wird oder wodurch einem Antrag auf Eröffnung eines Konkurs- oder Vergleichsverfahrens nach anwendbarem irischem Recht oder dem anwendbaren Recht einer anderen Jurisdiktion im Hinblick auf die Emittentin stattgegeben wird, oder ein zuständiges Gericht trifft oder erlässt einen endgültigen Beschluss oder eine endgültige Anordnung, wodurch ein Vermögensverwalter, Liquidator, Treuhänder oder Konkurs- oder Vergleichsverwalter für die Emittentin oder für das gesamte Vermögen oder für einen wesentlichen Teil des Vermögens der Emittentin eingesetzt wird oder wonach die Auflösung oder Liquidation der Emittentin beschlossen wird (jedoch nicht im Zusammenhang mit oder in Ausführung einer Unternehmenskonsolidierung, eines Unternehmenszusammenschlusses, einer Fusion, einer Reorganisation oder einer Sanierung, im Zusammenhang mit welcher die Übernahme aller Verbindlichkeiten der Emittentin aus den Teilschuldverschreibungen durch die überlebende Emittentin oder die als Ergebnis der Unternehmenskonsolidierung, des Unternehmenszusammenschlusses, der Fusion, Reorganisation oder Sanierung errichtete Emittentin erfolgt); oder
- (f) ein auf die Auflösung oder Liquidation der Emittentin gerichteter Beschluss wird verabschiedet (jedoch nicht im

immediate redemption thereof at par plus accrued interest in any of the following events:

- (a) the Issuer fails to pay principal or interest in respect of the Notes as and when due and such default is not remedied by the Issuer within 14 days; or
- (b) the Issuer defaults in the performance of any of its other obligations set out in the Notes, as the case may be, and such default is not remedied within 30 days after notice requiring the same to be remedied shall have been given to the Issuer by any of the Noteholders; or
- (c) the obligation to repay any indebtedness for borrowed money contracted by the Issuer or a subsidiary and having an aggregate outstanding principal amount of at least EUR 5,000,000 (or its equivalent in any other currency or currencies), in the case of the Issuer, or EUR 1,500,000 (or its equivalent in any other currency or currencies), in the case of a subsidiary, is accelerated prior to its stated maturity as a result of a default by the Issuer or the subsidiary, as the case may be, or any such indebtedness is not paid at its stated maturity (or by the expiry of any applicable grace period as originally provided, or as extended prior to the stated maturity with the written agreement of the relevant creditor otherwise than in circumstances where there has been an adverse change in the financial position or creditworthiness of the Issuer or the subsidiary, as the case may be); or
- (d) there is default by the Issuer or any subsidiary in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for borrowed money of others having an aggregate outstanding principal amount of at least EUR 5,000,000 (or its equivalent in any other currency or currencies), in the case of the Issuer, or EUR 1,500,000 (or its equivalent in any other currency or currencies), in the case of a subsidiary; or
- (e) a final decree or order is made or issued by a court of competent jurisdiction adjudging the Issuer to be bankrupt or insolvent, or approving a petition seeking with respect to the Issuer a decree of commencement of bankruptcy or reorganization procedure under applicable Irish law or the applicable law of any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or of all or any material part of the property of either of them, or for the winding-up or liquidation of the Issuer (otherwise than in connection with or in pursuance of a consolidation, amalgamation, merger, reorganization or reconstruction upon which the continuing corporation or the corporation formed as a result of such consolidation, amalgamation, merger, reorganization or reconstruction effectively assumes the entire obligations of the Issuer under the Notes); or
- (f) a resolution is passed for the winding-up or liquidation of the Issuer (otherwise than in connection with or in pursu-

Zusammenhang mit oder in Ausführung eines der in (e) genannten Fälle einer Unternehmenskonsolidierung, eines Unternehmenszusammenschlusses, einer Fusion, einer Reorganisation oder einer Sanierung), oder die Emittentin beantragt die Eröffnung eines Konkurs-, Insolvenz-, Vergleichs-, Reorganisations- oder ähnlichen Verfahrens nach anwendbarem irischem Recht oder dem anwendbaren Recht einer anderen Jurisdiktion oder stimmt der Einleitung eines solchen Verfahrens zu oder stimmt ausdrücklich oder stillschweigend der Einsetzung eines Vermögensverwalters, Liquidators, Treuhänders oder Konkurs- oder Vergleichsverwalters für sich selbst oder ihr gesamtes Vermögen oder einen wesentlichen Teil ihres Vermögens zu oder trifft eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger; oder

- (g) die Emittentin stellt ihre Zahlungen ein (im Sinne der irischen Konkursordnung) oder stellt ihren ordentlichen Geschäftsbetrieb ein oder droht dieses durch eine offizielle Handlung ihres Board of Directors an (jedoch nicht im Zusammenhang mit oder in Ausführung von den in (e) genannten Fällen einer Unternehmenskonsolidierung, eines Unternehmenszusammenschlusses, einer Fusion, einer Reorganisation oder einer Sanierung); oder
- (h) die Muttergesellschaft widerruft die Patronatserklärung, oder die Patronats-Ergänzung erweist sich als unwirksam.

Jede Mitteilung, durch die Teilschuldverschreibungen fällig gestellt werden, wird mit Zugang bei der Hauptzahlstelle wirksam. In den in (b), (c) und (d) vorgesehenen Fällen wird eine solche Mitteilung jedoch nur dann wirksam, wenn die Hauptzahlstelle solche Mitteilungen von den Inhabern von mindestens 10% des Nennbetrages der dann im Umlauf befindlichen Teilschuldverschreibungen erhalten hat, es sei denn, dass zu dem Zeitpunkt, zu dem eine solche Mitteilung zugeht, einer der in (a), (e), (f), (g) oder (h) vorgesehenen, die Inhaber von Teilschuldverschreibungen zur Fälligkeitstellung ihrer Teilschuldverschreibungen berechtigenden Fälle eingetreten ist und fort-dauert; in diesem Fall gilt eine solche Mitteilung als auf Grund des zutreffenden letztgenannten Falles erfolgt. Weiterhin erlischt das Recht zur Fälligkeitstellung von Teilschuldverschreibungen und gelten bereits erfolgte Mitteilungen der Fälligkeitstellung als nicht erfolgt, wenn die dazu Anlass gebenden Umstände vor dem Ablauf der unten genannten Frist von 30 Tagen behoben sind. Jede hiernach von einem Inhaber von Teilschuldverschreibungen gegenüber der Emittentin oder der Hauptzahlstelle abzugebende Mitteilung hat schriftlich durch Übergabe oder eingeschriebenen Brief in englischer oder deutscher Sprache zu erfolgen. Fällig gestellte Teilschuldverschreibungen werden jeweils 30 Tage nach Wirksamwerden der betreffenden Mitteilung zur Rückzahlung fällig, soweit sich nicht vorstehend etwas Anderes ergibt.

Für die Zwecke von (c) und (d) wird jede Zahlungsverpflichtung in einer anderen Währung als Euro in Euro mittels des maßgeblichen Wechselkurses im Frankfurter Devisenmarkt umgerechnet, den eine von der Hauptzahlstelle ausgesuchte führende Bank an dem maßgeblichen Tag für eine solche Umrechnung quotiert.

§ 10 Bekanntmachungen

Alle die Teilschuldverschreibungen betreffenden Bekanntmachungen an die Inhaber der Teilschuldverschreibungen werden in einem überregionalen Börsenpflichtblatt der Börse Düsseldorf AG und, sofern und soweit rechtlich erforderlich, im Bundesanzeiger veröffentlicht.

§ 11 Emission von zusätzlichen Teilschuldverschreibungen

Die Emittentin behält sich das Recht vor, von Zeit zu Zeit ohne die Zustimmung der Inhaber der Teilschuldverschreibungen

ance of such consolidation, amalgamation, merger, reorganization or reconstruction as referred to in (e) above), or the Issuer institutes proceedings seeking adjudication of bankruptcy or insolvency or seeking with respect to itself a decree of commencement of composition, commencement of reorganization procedure or similar procedure under applicable Irish law or the applicable law of any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or any material part of its property, or makes a general assignment for the benefit of its creditors; or

- (g) the Issuer stops payment (within the meaning of the bankruptcy law of Ireland) or ceases, or through an official action of its Board of Directors threatens to cease, to carry on business (otherwise than in connection with or in pursuance of such consolidation, amalgamation, merger, reorganization or reconstruction as referred to in (e) above); or
- (h) the Parent revokes the Keep-Well Agreement or the Addendum turns out to be invalid.

Any notice declaring Notes due shall become effective upon receipt of such notice by the Principal Paying Agent; provided, however, that in any of the events specified in (b), (c) and (d) such notice shall become effective when the Principal Paying Agent has received notices declaring Notes due on the ground of the same event from the holders of at least 10% of the principal amount of the Notes then outstanding, unless any of the events specified in (a), (e), (f), (g) or (h) and entitling the Noteholders to declare Notes due has occurred and is continuing at the time such notice is received, in which case such notice shall be deemed to declare the relevant Notes due on the ground of such event, and provided, further, that the right to declare Notes due shall terminate and any notice declaring Notes due shall retroactively be deemed not to have been given, if the situation giving rise to it has been cured prior to the expiration of the 30-day period referred to below. Any notice to be given hereunder by a Noteholder to the Issuer or the Principal Paying Agent shall be given in writing in English or German. Subject as stated above, any Notes declared due shall become due and repayable 30 days after the date on which the relevant notice becomes effective.

For the purposes of (c) and (d), any indebtedness which is in a currency other than Euro shall be translated into Euro at the relevant exchange rate in the Frankfurt foreign exchange market quoted by any leading bank, selected by the Principal Paying Agent, at the relevant day for such translation.

§ 10 Notices

All notices to the Noteholders regarding the Notes shall be published in a mandatory newspaper of nationwide circulation (*überregionales Pflichtblatt*) designated by the Düsseldorf Stock Exchange and, if and to the extent required by law, in the German Federal Gazette (*Bundesanzeiger*).

§ 11 Issue of Additional Notes

The Issuer reserves the right from time to time without the consent of the Noteholders to issue additional notes with

zusätzliche Teilschuldverschreibungen zu denselben Bedingungen zu emittieren. Diese werden mit den Teilschuldverschreibungen zusammengefasst, stellen eine einheitliche Emission mit den Teilschuldverschreibungen dar und erhöhen den Gesamtnennbetrag der Teilschuldverschreibungen. Der Begriff „Teilschuldverschreibung“ umfasst in einem solchen Fall der Erhöhung diese zusätzlich emittierten Teilschuldverschreibungen.

§ 12 Sonstiges

- (1) Die Sammelschuldverschreibung sowie die sich daraus ergebenden Rechte und Pflichten der Inhaber von Teilschuldverschreibungen, der Emittentin, der Hauptzahlstelle, anderer Zahlstellen, der Zinsfestlegungsstelle, der Sicherheitenverwahrerin und eines beauftragten Dritten bestimmen sich in jeder Hinsicht nach dem Recht der Bundesrepublik Deutschland.
- (2) Sollte eine Bestimmung dieser Anleihebedingungen ganz oder teilweise rechtsunwirksam sein oder werden, so bleiben die übrigen Bestimmungen in Kraft. Die unwirksame Bestimmung ist dem Sinn und Zweck dieser Anleihebedingungen entsprechend durch eine rechtswirksame Bestimmung zu ersetzen, die in ihrer wirtschaftlichen Auswirkung derjenigen der unwirksamen Bestimmung so nahe kommt wie rechtlich möglich.
- (3) Erfüllungsort ist Düsseldorf.
- (4) Gerichtsstand ist Düsseldorf. Die Emittentin unterwirft sich hiermit unwiderruflich für alle Rechtsstreitigkeiten aus Rechtsbeziehungen, die durch diese Anleihebedingungen begründet werden, der Gerichtsbarkeit der Bundesrepublik Deutschland. Die Inhaber von Teilschuldverschreibungen und die Sicherheitenverwahrerin sind jedoch berechtigt, ihre Ansprüche gegen die Emittentin auch vor jedem zuständigen Gericht in Irland geltend zu machen. Jede durch die Belegenheit von Vermögensgegenständen der Emittentin in anderen Ländern begründete Zuständigkeit bleibt hierdurch unberührt. Auch vor diesen Gerichten ist das Recht der Bundesrepublik Deutschland anzuwenden.
- (5) Für alle Rechtsstreitigkeiten, die gegen die Emittentin im Zusammenhang mit dieser Anleihe vor einem Gericht in der Bundesrepublik Deutschland eingeleitet werden, hat die Emittentin der WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Düsseldorf, Bundesrepublik Deutschland, Zustellungsvollmacht erteilt. Die Emittentin verpflichtet sich, solange sich Teilschuldverschreibungen im Umlauf befinden, einen Zustellungsbevollmächtigten in der Bundesrepublik Deutschland bestellen zu halten.

Nur die deutsche Fassung dieser Anleihebedingungen ist rechtsverbindlich.

identical terms, so that the same shall be consolidated, form a single issue with and increase the aggregate principal amount of the Notes. The term “Notes” shall in the event of such increase also comprise such additionally issued notes.

§ 12 Miscellaneous

- (1) The Global Note and the rights and duties of the Noteholders, the Issuer, the Principal Paying Agent, other Paying Agents, the Interest Determination Agent and the Fiduciary Agent and any Fiduciary Agent's Nominee shall in all respects be governed by the laws of the Federal Republic of Germany.
- (2) Should any of the provisions hereof be or become invalid in whole or in part, the other provisions shall remain in force. The invalid provision shall, according to the intent and purpose of these Terms and Conditions of the Notes, be replaced by such valid provision which in its economic effect comes as close as legally possible to that of the invalid provision.
- (3) The place of performance shall be Düsseldorf.
- (4) The place of jurisdiction shall be Düsseldorf. The Issuer hereby irrevocably submits to the jurisdiction of the courts of the Federal Republic of Germany, in connection with any actions or proceedings arising from these Terms and Conditions of the Notes. The Noteholders and the Fiduciary Agent shall be entitled, however, to assert their claims against the Issuer also before any court of competent jurisdiction in Ireland. Any place of jurisdiction established by location of assets in any other country or jurisdiction shall not be affected hereby. In any such court the laws of the Federal Republic of Germany shall likewise be applied.
- (5) The Issuer has appointed WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Düsseldorf, Federal Republic of Germany, as agent for service of process for any legal proceedings which may be brought against the Issuer before the courts in the Federal Republic of Germany. As long as any of the Notes remain outstanding, the Issuer shall maintain an agent for service of process in the Federal Republic of Germany.

The German text of these Terms and Conditions of the Notes is the legally binding one.

WGZ-Bank Ireland plc

Incorporation, Name, Registered Office

The Issuer was incorporated under Irish law on 7 December 1995 as a public limited company under the name of WGZ Ireland plc for an indefinite period of time. It commenced business on 18 December 1995. In May 1996, the Issuer received a banking licence from the Central Bank of Ireland (now known as the "Irish Financial Services Regulatory Authority") and changed its name to WGZ-Bank Ireland plc.

The Issuer's registered office is located at International House, 3 Harbourmaster Place, International Financial Services Centre (I.F.S.C.) in Dublin, Ireland.

Objects

The objects of the Issuer include, but are not limited to, carrying on the business of banking in all its aspects, providing financial services (e.g. securities business, risk management, lending business, investment business and real estate business) and carrying on ancillary activities.

Activities

The Issuer operates as a full commercial bank. Its lending business includes the provision of medium- and long-term loans to banks and high quality borrowers in Germany and internationally. The operations of the Company are part of the strategic development of the Parent's German and European lending business particularly in relation to co-operative bank loans, commercial loans, syndicated loans, euro-loans, mortgage finance and public/sovereign loans.

The Issuer's funding requirements are met by the issuance of debt instruments, bonds and other securities in international capital markets, interbank money market borrowing and commercial deposits and similar type borrowing.

Capital

The authorised capital of the Issuer is € 50,000,000 divided into 100,000,000 ordinary registered shares of € 0.50 each. Shares in the amount of € 6,214,497.50 are issued and fully paid. The non-refundable capital contribution is € 146,122,873.66 at December 2003.

Shareholders

The shareholders are as follows:

| | <u>Number of Shares</u> |
|----------------------------------------------------------------|-----------------------------|
| WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG | 12,428,989 |
| Carl O'Sullivan | 1 |
| Klaus Wellner | 1 |
| Alfred Locklair | 1 |
| Karl-Heinz Moll | 1 |
| Ralph Biedinger | 1 |
| Michael Fraedrich | 1 |

Management

The business of the Issuer is managed by the Directors who may exercise all such powers of the Issuer as are not, by the Companies Acts, 1963 to 2003 or by the Articles of Association, required to be exer-

cised by the Issuer in general meeting, subject, nevertheless, to the Articles of Association, to the provisions of the Companies Acts 1963 to 2003 and to such directions, not being inconsistent with the aforesaid Articles or provisions, as may be given by the Issuer in general meeting; but no direction given by the Issuer in general meeting shall invalidate any prior act of the Directors which would have been valid if that direction had not been given. The Directors may exercise all the powers of the Issuer to borrow money, and to mortgage or charge its undertaking, property or any part thereof, and subject to Section 20 of the Companies (Amendment) Act, 1983 to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Issuer or of any third party.

The Board of Directors is composed of the following directors:

| | |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Ralph Biedinger | Managing Director, WGZ-Bank Ireland plc |
| Walter Brazil | Chartered Accountant and Director, AIB International Financial Services Limited, West Block Building, I.F.S.C., Dublin 1, Ireland |
| Michael Fraedrich | Member of the Managing Board, WGZ-Bank, Ludwig-Erhard-Allee 20, 40227 Düsseldorf |
| Karl-Heinz Moll | Member of the Managing Board, WGZ-Bank, Ludwig-Erhard-Allee 20, 40227 Düsseldorf |
| Carl O'Sullivan | Partner, Arthur Cox, Solicitors, Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland |

Mr Moll and Mr Fraedrich are engaged in the business of the Parent on a full-time basis. Mr Brazil and Mr O'Sullivan are engaged in the business of the firms set forth above following their names. Mr Biedinger is engaged in the business of WGZ-Bank Ireland plc on a full-time basis.

Mr Brazil and Mr O'Sullivan are non-executive directors of the Issuer. Mr O'Sullivan is a partner in the firm of Arthur Cox which acts as legal adviser to the Issuer in Ireland and which will receive a fee for advising in connection with the issue of the Notes. This fee is not expected to exceed € 10,000.

There is no share qualification for Directors.

The remuneration of the Directors shall from time to time be determined by the Issuer in general meeting and shall be deemed to accrue from day-to-day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board of Directors or any committee of the Board of Directors or general meetings of the Company or in connection with the business of the Company.

General Meetings

All annual general meetings and general meetings of the Issuer shall be held in Ireland at such time and place as the Directors shall appoint.

The Issuer shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year, and shall specify the meeting as such in the notice calling it. Not more than 15 months shall elapse between the date of one annual general meeting of the Issuer and that of the next.

Fiscal Year and Publications

The fiscal year of the Issuer is the calendar year.

For the period during which the Notes are listed on the Düsseldorf Stock Exchange, the Issuer will make available its audited annual financial statements in English at the office of WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Düsseldorf, as Principal Paying Agent. The Issuer does not publish interim financial statements.

Litigation

The Issuer is not involved in any litigation or arbitration which could have or has had since its incorporation a material impact on its economic situation, nor is it aware that such litigation or arbitration is pending or threatened.

Auditors

The auditors of the Issuer for the financial years 1999 through 2003 were PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, George's Quay, Dublin 2, Ireland.

An unqualified audit report was issued by the auditors in respect of the financial years 1999 through 2002.

WGZ-Bank Ireland plc

Directors and Other Information

Board of Directors

Ralph Biedinger (German)
Walter Brazil
Carl O'Sullivan
Karl-Heinz Moll (German)
Michael Fraedrich
(German, appointed on 1 April 2002)

Solicitors

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Secretary

AIB International Financial Services Limited
West Block Building
IFSC
Dublin 1

Registered Office

International House
3 Harbourmaster Place
IFSC
Dublin 1

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
George's Quay
Dublin 2

Bankers

Allied Irish Banks, plc
Bankcentre
Ballsbridge
Dublin 4

Financial Statements 31 December 2002

The following is an extract from the annual report of the Issuer in respect of the financial year ended 31 December 2002. Any reference to the company shall be taken as referring to the Issuer. This should be read in conjunction with up-to-date information on pages 42 and 43.

Director's Report

The directors present herewith the audited financial statements for the year ended 31 December 2002.

Statement of Directors' Responsibilities

Irish company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Irish Companies Acts, 1963 to 2001 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at International House, 3 Harbourmaster Place, IFSC, Dublin 1. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Principal Activities

The company is engaged in the business of banking and the provision of financial services.

Review of Business and Future Developments

Both the level of business and the period end financial position were satisfactory and the directors expect that the present level of activity will be increased in the future. There were no significant events since the year end.

Parent

The company is a wholly owned subsidiary of WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (WGZ-Bank).

Results for the Year and State of Affairs at 31 December 2002

The profit for the year and the appropriation thereof are set out in the profit and loss account on page 24.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2002.

Directors

The directors of the company at 31 December 2002 were:

Mr R. Biedinger (German)
Mr W. Brazil
Mr K.H. Moll (German)
Mr C. O'Sullivan
Mr M. Fraedrich (German, appointed on 1 April 2002)

Directors' interests in shares

The following directors held an interest in the ordinary shares of € 2,600 each in WGZ-Bank at 31 December 2002:

| | 31 December 2002 Number | 31 December 2001 Number |
|-------------------------------------------------------|-------------------------------|-------------------------------|
| Mr K.H. Moll | 20 | 20 |
| Dr. C.A. Schade (resigned on 31 March 2002) | 0 | 1 |
| Mr M. Fraedrich (appointed on 1 April 2002) | 1 | 0 |

Each of Mr R. Biedinger, Mr K.H. Moll, Mr C. O'Sullivan and Mr M. Fraedrich hold one € share each in the company in trust for WGZ-Bank.

Transactions involving directors

There were no contracts of any significance in relation to the business of the company in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the period ended 31 December 2002.

Health and Safety

It is the policy of the company to ensure the health and welfare of employees by maintaining a safe place and system of work. This policy is based on the requirements of employment legislation including the Safety, Health and Welfare at Work Act, 1989.

Auditors

PricewaterhouseCoopers are willing to continue as auditors in accordance with the provisions of Section 160 (2) of the Companies Act, 1963.

On behalf of the Board

Directors

R. Biedinger
K.H. Moll
C. O'Sullivan
M. Fraedrich
W. Brazil

7 March 2003

Financial Statements 31 December 2002

References to page numbers below are to page numbers in this document and not to the companies annual report and accounts.

Independent Auditors' Report

To the members of WGZ-Bank Ireland plc

We have audited the financial statements on pages 24 to 41.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and, as described on page 20, for preparing the financial statements in accordance with Accounting Standards generally accepted in Ireland.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in Ireland. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act 1990 and for no other purposes. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2001 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001, and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 20 to 21 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 25, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2002 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Dublin

7 March 2003

**Profit and Loss Account
Year ended 31 December 2002**

| | Notes | 2002 EUR '000 | As restated 2001 EUR '000 |
|------------------------------------------------------------------------------------|-------|---------------------|---------------------------------|
| Interest receivable | | | |
| – interest receivable and similar income arising from debt securities | | 52,948 | 48,095 |
| – other interest receivable and similar income | | 66,345 | 78,810 |
| Less: interest payable and similar charges | | <u>(107,112)</u> | <u>(116,500)</u> |
| Net interest income | | 12,181 | 10,405 |
| Fee income | | 169 | 150 |
| Trading losses | | <u>(1,737)</u> | <u>(2,101)</u> |
| Total operating income | | 10,613 | 8,454 |
| Administrative expenses | 2 | <u>(2,402)</u> | <u>(2,516)</u> |
| Depreciation | | (113) | (103) |
| Provisions for bad and doubtful debts | 4 | <u>(2,354)</u> | <u>(1,000)</u> |
| Operating profit/Profit on ordinary activities before tax | 5 | 5,744 | 4,835 |
| Tax on profit on ordinary activities | 7 | <u>(556)</u> | <u>(470)</u> |
| Profit for the year retained | | <u><u>5,188</u></u> | <u><u>4,365</u></u> |

**Statement of Total Recognised Gains and Losses
Year ended 31 December 2002**

| | 2002 EUR '000 | As restated 2001 EUR '000 |
|------------------------------------------------------------------|---------------------|---------------------------------|
| Profit for the year | 5,188 | <u>4,365</u> |
| Prior year adjustment | 516 | |
| Total recognised gains since last annual report | <u><u>5,704</u></u> | |

There is no difference between the profit on ordinary activities before taxation and the retained profits stated above, and their historical cost equivalents.

On behalf of the board

Directors

R. Biedinger
K.H. Moll
C. O'Sullivan
M. Fraedrich
W. Brazil

Balance Sheet
31 December 2002

| | Notes | 2002 EUR '000 | As restated 2001 EUR '000 |
|-------------------------------------------------------------|-------|------------------|---------------------------------|
| Assets | | | |
| Balance at Central Bank | | 11,930 | 8,303 |
| Loans and advances to banks | 8 | 1,269,859 | 1,392,492 |
| Loans and advances to customers | 9 | 105,060 | 125,435 |
| Debt securities and other fixed income securities | 10 | 1,621,168 | 1,101,462 |
| Equity shares | 11 | 5,776 | 9,787 |
| Tangible fixed assets | 12 | 290 | 222 |
| Prepayments and accrued income | 13 | 26,721 | 26,212 |
| Deferred tax asset | 14 | 750 | 516 |
| Other assets | | 57 | 84 |
| Total assets | | <u>3,041,611</u> | <u>2,664,513</u> |
| Liabilities | | | |
| Deposits by banks | 15 | 1,956,995 | 1,668,032 |
| Deposits by customers | 16 | 45,113 | 107,599 |
| Accruals and deferred income | | 21,369 | 20,839 |
| Debt securities in issue | 17 | 899,626 | 755,460 |
| Other liabilities | 18 | 1,341 | 604 |
| | | <u>2,924,444</u> | <u>2,552,534</u> |
| Called up share capital | 20 | 6,214 | 6,214 |
| Capital contribution | 19 | 96,123 | 96,123 |
| Capital conversion reserve fund | | 136 | 136 |
| Profit and loss account | 21 | 14,694 | 9,506 |
| Shareholders' funds – equity interests | 22 | <u>117,167</u> | <u>111,979</u> |
| Total liabilities | | <u>3,041,611</u> | <u>2,664,513</u> |
| Memorandum items | | | |
| Commitments and other off balance sheet items | 24 | <u>1,433,588</u> | <u>1,570,483</u> |

On behalf of the board

Directors

R. Biedinger
K.H. Moll
C. O'Sullivan
M. Fraedrich
W. Brazil

Cash Flow Statement
Year ended 31 December 2002

| | Notes | 2002 EUR '000 | As restated 2001 EUR '000 |
|------------------------------------------------------------------|--------|------------------|---------------------------------|
| Net cash (outflow)/inflow from operating activities | 23(i) | | |
| Net cash inflow from trading activities | | 6,158 | 6,159 |
| Net cash (outflow)/inflow from other operating activities | | (147,557) | 499,719 |
| | | <u>(141,399)</u> | <u>505,878</u> |
| Taxation | | (765) | (245) |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (181) | (197) |
| | | <u>(142,345)</u> | <u>505,436</u> |
| Financing | | | |
| Issue/(redemption) of debt securities | | 143,886 | (504,517) |
| Net cash inflow/(outflow) from financing | | <u>143,886</u> | <u>(504,517)</u> |
| Increase in cash | 23(ii) | <u>1,541</u> | <u>919</u> |
| | | <u>142,345</u> | <u>(505,436)</u> |

Notes to the Financial Statements

1 Accounting policies

The significant accounting policies adopted by the company are as follows:

Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland, Irish statute comprising the Companies Acts, 1963 to 2001, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the British Banking Association SORP's. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Companies Acts, 1963 to 2001 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, and applicable accounting standards and statements of recommended practice.

Provision for bad and doubtful debts

Provisions for bad and doubtful debts are made as considered necessary having regard to both specific and general factors. The general element arises in relation to existing losses, which although not separately identified, are known from experience to be present in any portfolio of advances. Provisions made (less amounts released) during the year are charged against profits. Advances are written down to estimated realisable value when the normal banking relationship with the borrower has ceased. Where the collection of interest is in significant doubt it is credited to a suspense account. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into euro at the appropriate spot or forward rates of exchange ruling at the balance sheet date.

Translation differences arising from the application of year end rates of exchange are recognised in the profit and loss account.

Debt securities

Debt securities held as financial assets are stated in the balance sheet at amortised cost, less provision for any permanent diminution in value. Premiums and discounts on debt securities having a fixed redemption date are amortised to interest income over the period from the date of purchase to redemption.

Debt securities held for trading purposes are included in the balance sheet at market value. Profits and losses on disposal of securities are recognised immediately in the profit and loss account.

Equity shares

Equity shares held for trading purposes are marked to market with full recognition in the profit and loss account of changes in market value.

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Sales and repurchase transactions

Securities which have been sold within an agreement to repurchase continue to be shown on the balance sheet and the sale proceeds recorded as a deposit. Securities acquired in reverse sale and repurchase transactions are not recognised in the balance sheet and the purchase price is treated as a loan. The difference between the sale price and the repurchase price is accrued evenly over the life of the transaction and charged or credited to the profit and loss account as interest payable or receivable.

Income and expense recognition

Interest income and expense are recognised in the profit and loss account on an accruals basis. Fees and commissions received for services provided are recognised when received.

Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis over estimated useful lives as follows:

| | |
|------------------------------------|-----------|
| Computers | 3–4 years |
| Fixtures, fittings and furnishings | 5 years |

Deferred Taxation

Tax deferred or accelerated by timing differences is accounted for to the extent that it is probable that a liability or asset will arise. It is calculated at rates expected to be applicable when the liabilities or assets are expected to crystallise.

Deferred tax assets are recognised in respect of timing differences that have originated but not reversed by the balance sheet date subject to the following:

- Deferred tax assets are recognised to the extent that they are recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be reduced.
- Deferred tax is not recognised on permanent timing differences.

Capital instruments

Issue expenses of capital instruments are deducted from the proceeds of issue, and where appropriate, are amortised to profit and loss accounts so that the finance costs are allocated to accounting periods at a constant rate based on the period to maturity of the instruments.

Derivatives

Transactions are undertaken in derivative financial instruments, "derivatives", which include interest rate swaps and similar instruments, for non-trading purposes. Derivatives classified as non-trading are those entered into for the purpose of matching or eliminating risk from potential movements in interest rates inherent in the company's non-trading assets, liabilities and positions. Non-trading assets, liabilities and positions are those intended for use on a continuing basis in the activities of the company.

A derivative is designated as non-trading where there is an offset between the effects of potential movements in market rates on the derivative and the designated non-trading asset, liability or position being hedged. Non-trading derivatives are reviewed regularly for their effectiveness as hedges. Non-trading derivatives are accounted for on an accruals basis, consistent with the assets, liabilities or positions being hedged. Income and expense on non-trading derivatives are recognised as they accrue over the life of the instruments as an adjustment to "Interest receivable" or "Interest payable".

Where a non-trading derivative no longer represents a hedge because either the underlying non-trading asset, liability or position has been derecognised, or transferred into a trading portfolio, or the effectiveness of the hedge has been undermined, it is restated at fair value and any change in value is taken directly to the profit and loss account and reported within "Other operating income". Thereafter the derivative is classified as trading or redesignated as a hedge of a non-trading item and accounted for accordingly.

In other circumstances, where non-trading derivatives are reclassified as trading or where non-trading derivatives are terminated, any resulting gains and losses are amortised over the remaining life of the hedged asset, liability or position. Unamortised gains and losses are reported within "Other assets" and "Other liabilities" on the balance sheet.

Pensions

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they are incurred.

Changes in presentation of financial information

Financial Reporting Standard 19 – Deferred Taxation has been adopted for the first time in these financial statements. As required by the Standard, deferred taxation has been calculated using the full provision approach rather than the partial provision approach previously employed. This change has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly. If the previous policy had been adopted in the current year, the impact would have been to decrease the profit after tax by EUR'000 235 (2001: EUR'000 100). The impact of adopting the new policy on the year ended 31 December 2002 has been an increase in profit after tax by EUR'000 235 (2001: EUR'000 100). The cumulative effect of this prior year adjustment is an increase in reserves of EUR'000 750.

2 Administrative expenses

| | 2002 EUR '000 | 2001 EUR '000 |
|-----------------------------------------|------------------|------------------|
| Staff costs | | |
| – wages and salaries | 916 | 899 |
| – social security costs | 95 | 89 |
| | <u>1,011</u> | <u>988</u> |
| Other administrative expenses | 1,391 | 1,528 |
| | <u>2,402</u> | <u>2,516</u> |

The average number of people employed during the year was 16 (2001: 14).

3 Pension costs

The company operates a defined contribution staff pension scheme which was introduced on 1 January 1999. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charges represent contributions payable by the company to the fund. The pension cost charges for the scheme for 2002 amounted to EUR 59,203 (2001: EUR 96,313). A defined contribution executive pension scheme was set up on 21 December 2000. Pension cost charges for 2002 in respect of this scheme amounted to EUR 19,046 (2001: EUR 19,568).

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4 Provisions for bad and doubtful debts

| | EUR '000 |
|-----------------------------------|--------------|
| Balance at 31 December 2001 | 5,146 |
| Net charge | 2,354 |
| Balance at 31 December 2002 | <u>7,500</u> |

The provision for loan losses at 31 December 2002 is a general provision and has been netted against debt securities and loans and advances to customers in these financial statements.

5 Operating Profit/Profit on ordinary activities before tax

| | 2002 EUR '000 | 2001 EUR '000 |
|--------------------------------------------|------------------|------------------|
| This is stated after charging/(crediting): | | |
| Auditors' remuneration | <u>33</u> | <u>31</u> |
| Operating lease rental – property | <u>161</u> | <u>101</u> |
| Depreciation | <u>113</u> | <u>103</u> |
| Interest income – listed securities | <u>(52,948)</u> | <u>(48,095)</u> |

6 Emoluments of directors

| | 2002 EUR '000 | 2001 EUR '000 |
|-----------------------------|------------------|------------------|
| Directors' fees | <u>5</u> | <u>5</u> |
| Directors' emoluments | <u>224</u> | <u>210</u> |

7 Tax on profit on ordinary activities

| | 2002 EUR '000 | As restated 2001 EUR '000 |
|------------------------------------------------------|------------------|---------------------------------|
| Current tax: | | |
| Irish corporation tax on profit for the year | <u>791</u> | <u>570</u> |
| Current tax charge for the year | 791 | 570 |
| Deferred tax: | | |
| Origination and reversal of timing differences | <u>(235)</u> | <u>(100)</u> |
| Deferred tax (credit) for the year | <u>(235)</u> | <u>(100)</u> |
| Irish Corporation Tax | <u>556</u> | <u>470</u> |

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The current tax charge for the year is lower than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The differences are explained below:

| | 2002 EUR '000 | As restated 2001 EUR '000 |
|-----------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------|
| Profit on ordinary activities before tax | 5,743 | 4,835 |
| Profit on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 10% (2001: 10%) | 574 | 484 |
| Effects of: | | |
| Expenses not deductible for tax purposes (general loan provisions for bad and doubtful debts) | 235 | 100 |
| Other differences | (18) | (14) |
| Current tax charge for the year | 791 | 570 |

The company has received a licence to operate in the International Financial Services Centre. Under the terms of the licence the company's trading income will be taxed at 10%. Trading income from activities not qualifying for the 10% rate are liable to corporation tax at the standard rate of 16%. Any non-trading income earned by the company will be liable to corporation tax at 25%.

8 Loans and advances to banks

| | 2002 EUR '000 | 2001 EUR '000 |
|-------------------------------------------|------------------|------------------|
| Repayable on demand | 303 | 2,433 |
| Other loans and advances: | | |
| Remaining maturity | | |
| – over 5 years | 336,891 | 442,149 |
| – 5 years or less but over 1 year | 639,889 | 646,111 |
| – 1 year or less but over 3 months | 138,744 | 173,522 |
| – 3 months or less | 154,032 | 128,277 |
| | 1,269,859 | 1,392,492 |
| Including: | | |
| Due from group companies (subordinated) | 10,226 | – |
| Due from group companies (unsubordinated) | 8,014 | 15,054 |

9 Loans and advances to customers

| | 2002 EUR '000 | 2001 EUR '000 |
|------------------------------------|------------------|------------------|
| Remaining maturity: | | |
| – over 5 years | 43,771 | 62,785 |
| – 5 years or less but over 1 year | 57,353 | 59,550 |
| – 1 year or less but over 3 months | 7,686 | 5,673 |
| – 3 months or less | – | – |
| | 108,810 | 128,008 |
| General provision for loan losses | (3,750) | (2,573) |
| | 105,060 | 125,435 |

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10 Debt securities and other fixed income securities

| | 2002 EUR '000 | 2001 EUR '000 |
|----------------------------------------|------------------|------------------|
| Held as financial fixed assets | | |
| Issued by public bodies | 11,063 | 14,204 |
| Issued by other bodies | 1,613,855 | 1,089,831 |
| | <u>1,624,918</u> | <u>1,104,035</u> |
| General provision for losses | (3,750) | (2,573) |
| | <u>1,621,168</u> | <u>1,101,462</u> |
| Analysis of remaining maturity | | |
| Due within one year | 228,154 | 140,455 |
| Due one year and over | 1,396,764 | 963,580 |
| | <u>1,624,918</u> | <u>1,104,035</u> |
| General provision for losses | (3,750) | (2,573) |
| | <u>1,621,168</u> | <u>1,101,462</u> |
| Analysis by listing status | | |
| Listed | 1,624,918 | 1,104,035 |
| Unlisted | – | – |
| | <u>1,624,918</u> | <u>1,104,035</u> |
| General provision for losses | (3,750) | (2,573) |
| | <u>1,621,168</u> | <u>1,101,462</u> |

The market value of the listed securities at the year ended 31 December 2002 was EUR'000 1,631,857 (2001: EUR'000 1,106,291).

| Securities held as financial fixed assets | Cost EUR '000 | Premium/ discount EUR '000 | Book value EUR '000 |
|--------------------------------------------------|------------------|----------------------------------|------------------------|
| Analysis of movement | | | |
| At 31 December 2001 | 1,103,160 | 875 | 1,104,035 |
| Acquisitions | 793,539 | 2,378 | 795,917 |
| Disposals | (254,917) | (667) | (255,584) |
| Amortisation of premium and discount | – | (607) | (607) |
| Exchange translation adjustments | (18,843) | – | (18,843) |
| At 31 December 2002 | <u>1,622,939</u> | <u>1,979</u> | 1,624,918 |
| General provision for loan losses | | | (3,750) |
| | | | <u>1,621,168</u> |

Debt securities includes securities which are subject to sale and repurchase agreements of EUR'000 2,501 (2001: EUR'000 2,501).

11 Equity shares

| | 2002 EUR '000 | 2001 EUR '000 |
|-------------------------------------------------|------------------|------------------|
| Held as trading assets | | |
| Listed on a recognised stock exchange | 5,776 | 9,787 |
| | <u>5,776</u> | <u>9,787</u> |

The market value of the equity shares are EUR'000 5,776 (2001: EUR'000 9,787).

12 Tangible fixed assets

| | Office equipment EUR '000 | Computer equipment EUR '000 | Total EUR '000 |
|-------------------------------------------------|---------------------------------|-----------------------------------|-------------------|
| Cost or valuation at 31 December 2001 | 157 | 391 | 548 |
| Additions | 23 | 158 | 181 |
| Disposals | 0 | (3) | (3) |
| At 31 December 2002 | <u>180</u> | <u>546</u> | <u>726</u> |
| Accumulated depreciation at 31 December 2001 .. | 14 | 312 | 326 |
| Disposals | 0 | (3) | (3) |
| Charge for year | 37 | 76 | 113 |
| At 31 December 2002 | <u>51</u> | <u>385</u> | <u>436</u> |
| Net book value | | | |
| At 31 December 2002 | <u>129</u> | <u>161</u> | <u>290</u> |
| At 31 December 2001 | <u>143</u> | <u>79</u> | <u>222</u> |

13 Prepayments and accrued income

| | 2002 EUR '000 | 2001 EUR '000 |
|---------------------------------------------|------------------|------------------|
| Accrued/purchased interest receivable | 26,448 | 26,138 |
| Sundry debtors | 273 | 74 |
| | <u>26,721</u> | <u>26,212</u> |

14 Deferred tax asset

| | 2002 EUR '000 | As restated 2001 EUR '000 |
|-----------------------------------------------------------|------------------|---------------------------------|
| Deferred taxation assets in the account amount to: | | |
| Deferred tax asset | 750 | 516 |
| Short-term timing differences | – | – |
| | <u>750</u> | <u>516</u> |
| Analysis of movement in deferred taxation | | |
| At 1 January | 516 | 416 |
| Deferred tax credit for the year | 234 | 100 |
| At 31 December | <u>750</u> | <u>516</u> |

15 Deposits by banks

| | 2002 EUR '000 | 2001 EUR '000 |
|-------------------------------------------------------------------------|------------------|------------------|
| Repayable on demand | – | 44 |
| With agreed maturity dates or periods of notice, by remaining maturity: | | |
| – over 5 years | 25,000 | 27,557 |
| – 5 years or less but over 1 year | 66,123 | 203,898 |
| – 1 year or less but over 3 months | 174,790 | 252,140 |
| – 3 months or less but not repayable on demand | 1,691,082 | 1,184,393 |
| | <u>1,956,995</u> | <u>1,668,032</u> |
| Including: | | |
| Due to group companies | <u>230,766</u> | <u>329,225</u> |

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16 Deposits by customers

| | 2002 EUR '000 | 2001 EUR '000 |
|----------------------------------------------------------|------------------|------------------|
| Remaining maturity: | | |
| – over 5 years | 30,000 | 55,109 |
| – 5 years or less but over 1 year | 15,113 | 10,000 |
| – 1 year or less but over 3 months | – | – |
| – 3 months or less but not repayable on demand | – | 42,490 |
| | <u>45,113</u> | <u>107,599</u> |

17 Debt securities in issue

| | 2002 EUR '000 | 2001 EUR '000 |
|-----------------------------------|------------------|------------------|
| Bonds and medium term notes: | | |
| – due within one year | 499,929 | 255,614 |
| – due one year and over | 399,697 | 499,846 |
| | <u>899,626</u> | <u>755,460</u> |

EUR 500,000,000 floating rate notes 2000/2003 were issued at a premium in November 2000 with a maturity of November 2003. The notes pay interest at 3 month EURIBOR plus 12.5 basis points.

EUR 400,000,000 floating rate notes 2002/2004 were issued at a discount in April 2002 with a maturity of April 2004. The notes pay interest at 3 month EURIBOR plus 10 basis points.

Both issues will be redeemed at par.

18 Other liabilities

| | 2002 EUR '000 | 2001 EUR '000 |
|---------------------------|------------------|------------------|
| Taxation | 592 | 567 |
| Other creditors | 727 | 8 |
| Value added tax | 22 | 29 |
| | <u>1,341</u> | <u>604</u> |

19 Capital contribution

| | 2002 EUR '000 | 2001 EUR '000 |
|-----------------------------------------------|------------------|------------------|
| Non-refundable capital contribution | <u>96,123</u> | <u>96,123</u> |

20 Called up share capital

| | 2002 EUR '000 | 2001 EUR '000 |
|-----------------------------------------------------------------|------------------|------------------|
| Authorised | | |
| 100,000,000 ordinary shares of EUR 0.5 each | <u>50,000</u> | <u>50,000</u> |
| Issued | | |
| 12,428,995 fully paid ordinary shares of EUR 0.5 each | <u>6,214</u> | <u>6,214</u> |

21 Profit and loss account

| | As restated 2002 EUR '000 |
|--------------------------------------------------|---------------------------------|
| At 31 December 2001 as previously reported | 8,990 |
| Prior year adjustment – deferred tax | 516 |
| | <u>9,506</u> |
| Retained profit for the year | 5,188 |
| At 31 December 2002 | <u><u>14,694</u></u> |

22 Reconciliation of movement in shareholders' funds

| | 2002 EUR '000 | As restated 2001 EUR '000 |
|------------------------------------------------------------|-----------------------|---------------------------------|
| Opening shareholders' funds – as previously reported | 111,463 | 107,198 |
| Prior year adjustment | (516) | (416) |
| Opening shareholders funds – as restated | 111,979 | 107,614 |
| Profit for the year | 5,188 | 4,365 |
| Closing shareholders' funds | <u><u>117,167</u></u> | <u><u>111,979</u></u> |

23 Cash flow statement

| (i) Reconciliation of profit on ordinary activities before tax to net operating cash flows: | 2002 EUR '000 | 2001 EUR '000 |
|---------------------------------------------------------------------------------------------|-------------------------|-----------------------|
| Profit on ordinary activities before tax | 5,744 | 4,835 |
| (Increase) in prepayments and accrued income | (509) | (881) |
| Increase in accruals and deferred income | 530 | 1,814 |
| Depreciation | 113 | 103 |
| (Profit) on sale of fixed asset | – | (2) |
| Proceeds on sale of fixed assets | – | 4 |
| Amortisation of FRN issues | 280 | 286 |
| Net cash inflow from trading activities | <u>6,158</u> | <u>6,159</u> |
| Net (increase) in debt securities and equity shares | (515,695) | (309,577) |
| Net increase in deposits from banks | 289,007 | 706,083 |
| Net (decrease) in deposits from customers | (62,486) | (5,471) |
| Net decrease in loans and advances to customers/banks | 140,878 | 108,590 |
| Net increase/(decrease) in other liabilities | 712 | (199) |
| Net decrease in other assets | 27 | 293 |
| Net cash (outflow)/inflow from other operating activities | <u>(147,557)</u> | <u>499,719</u> |
| Total net cash (outflow)/inflow from operating activities | <u><u>(141,399)</u></u> | <u><u>505,878</u></u> |

| (ii) | 31 Decem- ber 2002 EUR '000 | 31 Decem- ber 2001 EUR '000 | Change in period EUR '000 |
|------------------------------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Balance at Central Bank | 11,930 | 8,303 | 3,627 |
| Loans and advances to banks – repayable on demand | 303 | 2,433 | (2,130) |
| Deposits by banks – repayable on demand | – | (44) | 44 |
| | <u><u>12,233</u></u> | <u><u>10,692</u></u> | <u><u>1,541</u></u> |

Financial Statements 31 December 2002

24 Off balance sheet risk and other contingent liabilities

| | 2002 | | 2001 | |
|---------------------------------------------|--------------------------------|----------------------------------------|--------------------------------|----------------------------------------|
| | Contract Amount EUR '000 | Risk Weighted Amount EUR '000 | Contract Amount EUR '000 | Risk Weighted Amount EUR '000 |
| Commitments: | | | | |
| Commitments to lend over one year | 51,486 | 6,827 | 53,248 | 10,165 |
| Guarantees issued | 28,159 | 14,805 | 28,795 | 15,400 |
| Interest rate contracts | 1,353,943 | | 1,488,440 | |

The company has entered into contracts for off balance sheet financial instruments for the purposes of hedging its interest rate and gross currency exposures.

25 Segmental analysis

The company's income and assets are entirely attributable to banking activities carried out in Ireland.

26 Directors' and officers' loans

There were no amounts outstanding at 31 December 2002, under transactions, arrangements and agreements made by the company from those who were directors (including connected persons) or officers of the company during the period.

27 Ultimate parent company

The directors regard WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG (WGZ-Bank) which is incorporated in Germany as the ultimate parent company. The largest group into which the results of the company are consolidated is that headed by WGZ-Bank. Copies of the financial statements of WGZ-Bank may be obtained from WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Ludwig-Erhard-Allee 20, 40227 Düsseldorf, Germany.

28 Reporting currency

The reporting currency used in these financial statements is the euro which is denoted by the symbol "EUR".

29 Derivatives and other financial instruments

Risk management

The board of directors of the company is responsible for the determination of the risk management policies of the company as well as for the setting of all risk limits.

The main risks faced by the company are market risk, credit risk and other general risks.

Market risk arises principally from the interest fixing of the company's assets and their related funding resulting from changes in interest rates.

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Daily risk reports are prepared detailing market risk on a mark to market basis, value at risk and discounted cash value methods; all compared to limits where appropriate.

Daily foreign currency exposure reports are also produced.

Credit risk management is an ongoing process involving the close monitoring of the credit quality of all outstanding loans. This includes daily reporting of any credit exceeding limits in addition to regular analyses of the loan portfolio by credit rating. The structure of the credit portfolio, in addition to the granting of any material new credits is discussed regularly by the board of directors.

Interest rate sensitivity gap analysis

Part of the company's return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or if earlier, the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates. The table below summarises these repricing mismatches on the company's non-trading book as at 31 December 2002. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Interest rate repricing

| Year ended 31 December 2002 | Not more than three months | More than three months but not more than six months | More than six months but not more than one year | More than one year but not more than five years | More than five years | Non-interest bearing | Total |
|-------------------------------------------------------------|----------------------------|-----------------------------------------------------|-------------------------------------------------|-------------------------------------------------|----------------------|----------------------|------------------|
| | EUR '000 | EUR '000 | EUR '000 | EUR '000 | EUR '000 | EUR '000 | EUR '000 |
| Assets | | | | | | | |
| Balances at Central Bank | 11,930 | – | – | – | – | – | 11,930 |
| Loans and advances to banks | 213,268 | 70,264 | 87,951 | 576,708 | 321,131 | 537 | 1,269,859 |
| Loans and advances to customers | 63,336 | 45,511 | – | – | – | (3,787) | 105,060 |
| Debt securities and other fixed income securities | 1,171,325 | 55,090 | 29,143 | 311,822 | 57,538 | (3,750) | 1,621,168 |
| Equity shares | – | – | – | – | – | 5,776 | 5,776 |
| Tangible fixed assets | – | – | – | – | – | 290 | 290 |
| Prepayments and accrued income | – | – | – | – | – | 26,721 | 26,721 |
| Deferred tax asset | – | – | – | – | – | 750 | 750 |
| Other assets | – | – | – | – | – | 57 | 57 |
| Total assets | 1,459,859 | 170,865 | 117,094 | 888,530 | 378,669 | 26,594 | 3,041,611 |
| Liabilities | | | | | | | |
| Deposits by banks | 1,793,871 | 118,290 | 6,500 | 38,334 | – | – | 1,956,995 |
| Deposits by customers | 30,000 | 10,000 | – | 5,113 | – | – | 45,113 |
| Accruals and deferred income | – | – | – | – | – | 21,369 | 21,369 |
| Debt securities in issue | 899,626 | – | – | – | – | – | 899,626 |
| Other liabilities | – | – | – | – | – | 1,341 | 1,341 |
| Called up share capital | – | – | – | – | – | 6,214 | 6,214 |
| Capital contribution | – | – | – | – | – | 96,123 | 96,123 |
| Capital conversion reserve fund | – | – | – | – | – | 136 | 136 |
| Profit and loss account | – | – | – | – | – | 14,694 | 14,694 |
| Total liabilities | 2,723,497 | 128,290 | 6,500 | 43,447 | – | 139,877 | 3,041,611 |
| Off balance sheet items ⁽¹⁾ | 1,174,823 | 25,749 | (74,767) | (738,011) | (387,794) | – | – |
| Interest rate sensitivity gap | (88,815) | 68,324 | 35,827 | 107,072 | (9,125) | (113,283) | – |
| Cumulative gap | (88,815) | (20,491) | 15,336 | 122,408 | 113,283 | – | – |

⁽¹⁾ Generally this will reflect notional principal amounts of off balance sheet items.

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| Year ended 31 December 2001 | Not more than three months EUR '000 | More than three months but not more than six months EUR '000 | More than six months but not more than one year EUR '000 | More than one year but not more than five years EUR '000 | More than five years EUR '000 | Non-interest bearing EUR '000 | As restated Total EUR '000 |
|-------------------------------------------------------------|----------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|----------------------------------|----------------------------------|-------------------------------|
| Assets | | | | | | | |
| Balances at Central Bank | 8,303 | - | - | - | - | - | 8,303 |
| Loans and advances to banks | 276,334 | 72,575 | 94,220 | 529,083 | 420,276 | 4 | 1,392,492 |
| Loans and advances to customers | 50,756 | 64,515 | - | - | 12,782 | (2,618) | 125,435 |
| Debt securities and other fixed income securities | 668,720 | 83,940 | 35,087 | 215,820 | 100,467 | (2,572) | 1,101,462 |
| Equity shares | - | - | - | - | - | 9,787 | 9,787 |
| Tangible fixed assets | - | - | - | - | - | 222 | 222 |
| Prepayments and accrued income | - | - | - | - | - | 26,212 | 26,212 |
| Deferred tax asset | - | - | - | - | - | 516 | 516 |
| Other assets | - | - | - | - | - | 84 | 84 |
| Total assets | <u>1,004,113</u> | <u>221,030</u> | <u>129,307</u> | <u>744,903</u> | <u>533,525</u> | <u>31,635</u> | <u>2,664,513</u> |
| Liabilities | | | | | | | |
| Deposits by banks | 1,412,219 | 193,878 | 23,600 | 35,778 | 2,557 | - | 1,668,032 |
| Deposits by customers | 72,490 | 10,000 | - | - | 25,109 | - | 107,599 |
| Accruals and deferred income | - | - | - | - | - | 20,839 | 20,839 |
| Debt securities in issue | 755,460 | - | - | - | - | - | 755,460 |
| Other liabilities | - | - | - | - | - | 604 | 604 |
| Called up share capital | - | - | - | - | - | 6,214 | 6,214 |
| Capital contribution | - | - | - | - | - | 96,123 | 96,123 |
| Capital conversion reserve fund | - | - | - | - | - | 136 | 136 |
| Profit and loss account | - | - | - | - | - | 9,506 | 9,506 |
| Total liabilities | <u>2,240,169</u> | <u>203,878</u> | <u>23,600</u> | <u>35,778</u> | <u>27,666</u> | <u>133,422</u> | <u>2,664,513</u> |
| Off balance sheet items ⁽¹⁾ | 1,118,543 | 28,173 | (78,583) | (591,388) | (476,745) | - | - |
| Interest rate sensitivity gap | <u>(117,513)</u> | <u>45,325</u> | <u>27,124</u> | <u>117,737</u> | <u>29,114</u> | <u>(101,787)</u> | <u>-</u> |
| Cumulative gap | <u>(117,513)</u> | <u>(72,188)</u> | <u>(45,064)</u> | <u>72,673</u> | <u>101,787</u> | <u>-</u> | <u>-</u> |

(1) Generally this will reflect notional principal amounts of off balance sheet items.

A negative interest rate sensitivity gap exists when more liabilities than assets reprice during a given period. Although a negative gap position tends to benefit net interest income in a declining interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rate sensitivity within repricing periods and among currencies.

Currency risk

Net foreign currency monetary assets/(liabilities) in EUR'000

The tables below shows the company's currency exposures in the non-trading book:

| Year ended | GBP | USD | CHF | JPY | DKK | CAD | NOK | Total |
|------------------|------------|------------|-----------------|-----------|-----------|-----------|-----------|-----------------|
| 31 December 2002 | | | | | | | | |
| EUR | <u>205</u> | <u>181</u> | <u>(16,009)</u> | <u>44</u> | <u>52</u> | <u>28</u> | <u>21</u> | <u>(15,478)</u> |
| Year ended | | | | | | | | |
| 31 December 2001 | | | | | | | | |
| EUR | <u>746</u> | <u>637</u> | <u>(12,125)</u> | <u>41</u> | <u>40</u> | <u>6</u> | <u>-</u> | <u>(10,655)</u> |

The amounts shown in the table above take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

Hedging

The company's policy is to hedge the following exposure:

- Interest rate risk – using interest swaps,
- Currency risk – currency swaps and forward foreign currency contracts.

The following table provides examples of certain activities undertaken by the company, the related risk associated with such activities and the types of derivatives used in managing such risks. Such risks may also be managed by using on-balance sheet instruments as part of an integrated approach to risk management.

| Activity | Risk | Type of Hedge |
|---------------------------------------|---------------------------------------------------------------|----------------------------------------------------|
| Fixed rate lending | Sensitivity to increases in interest rates | Pay fixed interest rate swaps |
| Fixed rate funding | Sensitivity to falls in interest rates | Receive fixed interest rate swaps |
| Investment in foreign currency assets | Sensitivity to strengthening of Euro against other currencies | Cross currency swaps. Foreign currency funding. |
| Profits earned in foreign currencies | Sensitivity to strengthening of Euro | Forward foreign exchange contracts |

Non-trading derivatives are measured on an accruals basis, consistent with the assets, liabilities or positions being hedged. The gains and losses on these instruments (arising from changes in fair value) are not recognised in the profit and loss account immediately they arise. Instead, they are either not recognised at all or are recognised and carried forward in the balance sheet; then, when the hedge transaction occurs, the gain or loss is recognised in the profit and loss account at the same time as the hedged item.

The table below summarises, firstly the unrecognised gains and losses on hedges at 31 December 2002 and the movements therein during the year, and secondly, the deferred gains and losses on hedges carried forward in the balance sheet at 31 December 2002, pending their recognition in the profit and loss account.

Unrecognised gains and losses on hedges

| | Gains EUR '000 | Losses EUR '000 | Total net Gains/ (losses) EUR '000 |
|----------------------------------------------------------------------------------------------------------|-------------------|--------------------|---------------------------------------------|
| Unrecognised gains and losses on hedges at 31 December 2001 | 7,647 | (26,353) | (18,706) |
| Of which recognised in the year to 31 December 2002 | (7,827) | 8,507 | 680 |
| Gains and losses arising before 1 January 2002 not recognised in the year to 31 December 2002 | (180) | (17,846) | (18,026) |
| Gains and losses arising in the year to 31 December 2002 that were not recognised in that year | 2,271 | (52,909) | (50,638) |
| Unrecognised gains and losses on hedges at 31 December 2002 | <u>2,091</u> | <u>(70,755)</u> | <u>(68,664)</u> |
| Of which expected to be recognised in the year to 31 December 2003 | <u>1,132</u> | <u>(27,801)</u> | <u>(26,669)</u> |

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Where a non-trading derivative no longer represents a hedge because either the underlying non-trading asset, liability or position has been derecognised, or transferred into a trading portfolio, or the effectiveness of the hedge has been undermined, it is restated at fair value and any resultant gains or losses taken directly to the profit and loss account. Nothing was so recognised in the year to 31 December 2002.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of certain of the company's non-trading financial assets and financial liabilities as at 31 December 2002.

| | 2002 Non-trading Fair value EUR '000 | 2002 Non-trading Book value EUR '000 | 2001 Non-trading Fair value EUR '000 | 2001 Non-trading Book value EUR '000 |
|------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Assets | | | | |
| Debt securities | 1,631,857 | 1,624,918 | 1,106,291 | 1,104,035 |
| Equity shares | 5,776 | 5,776 | 9,787 | 9,787 |
| Derivatives | 2,091 | – | 7,647 | – |
| Liabilities | | | | |
| Debt securities in issue | 889,170 | 889,626 | 755,120 | 755,460 |
| Derivatives | 70,755 | 6,541 | 26,353 | 3,981 |

Market values have been used to determine the fair value of all swaps, forward foreign currency contracts and all listed debt issued and held. The fair values of all other items have been calculated by discounting expected future cash flows at prevailing interest rates.

The table excludes certain financial assets and liabilities which are not listed or publicly traded, or for which a liquid and active market does not exist. Thus it excludes loans and advances to banks and customers and deposits by banks and customers accounts whose book and fair values may differ.

Maturity and counterparty analyses of not replacement cost

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arm's length transaction, calculated at market rates current at the balance sheet date net of accrued interest as at the balance sheet date. Positive fair values arise where gross positive fair values exceed gross negative fair values on a contract by contract basis. This equates to replacement cost. The totals of positive and negative fair values arising on trading derivatives at the balance sheet date have been netted where the bank has a legal right of offset with the relevant counterparty. Total positive fair values after netting equates to net replacement cost.

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At 31 December 2002 the net replacement costs, by residual maturity and counterparty, of the bank's non-trading OTC derivatives were as follows:

Net replacement cost by residual maturity

| | Nominal value EUR '000 | One year or less EUR '000 | Over one year but not more than five years EUR '000 | Over five years EUR '000 | Total EUR '000 |
|---------------------------------------------|------------------------------|---------------------------------|--------------------------------------------------------------------|--------------------------------|-------------------|
| 31 December 2002 | | | | | |
| Interest rate swaps | 60,586 | – | 1,895 | 196 | 2,091 |
| Net replacement cost by counterparty | | | | | |
| Banks and other financial institutions | | | | | |
| – non-group | 60,586 | – | 1,895 | 196 | 2,091 |
| 31 December 2001 | | | | | |
| Interest rate swaps | 389,374 | 75 | 2,294 | 5,278 | 7,647 |
| Net replacement cost by counterparty | | | | | |
| Banks and other financial institutions | | | | | |
| – group | 26,058 | 10 | 242 | 97 | 349 |
| – non-group | 363,316 | 65 | 2,052 | 5,181 | 7,298 |
| | <u>389,374</u> | <u>75</u> | <u>2,294</u> | <u>5,278</u> | <u>7,647</u> |

30 Related party disclosure

Advantage has been taken of the exemption in Financial Reporting Standard No. 8 "Related Party Disclosures", which permits qualifying subsidiaries of an undertaking not to disclose details of transactions between Group entities that are eliminated on consolidation.

31 Approval of financial statements

The financial statements were approved by the board of directors on 7 March 2003.

Developments and Outlook for WGZ-Bank Ireland plc

Financial Statements for the period 1 January 2003 to 31 December 2003 (unaudited)

Balance Sheet **31 December 2003**

| | 2003 EUR '000 | 2002 EUR '000 |
|-------------------------------------------------------------|------------------|------------------|
| Assets | | |
| Balance at Central Bank | 11,847 | 11,930 |
| Loans and advances to banks | 1,188,109 | 1,269,859 |
| Loans and advances to customers | 75,585 | 105,060 |
| Debt securities and other fixed income securities | 2,129,431 | 1,621,168 |
| Equity shares | 6,576 | 5,776 |
| Tangible fixed assets | 180 | 290 |
| Prepayments and accrued income | 28,467 | 26,721 |
| Deferred tax asset | 2,000 | 750 |
| Other assets | 40 | 57 |
| Total assets | 3,442,235 | 3,041,611 |
| Liabilities | | |
| Deposits by banks | 2,300,135 | 1,956,995 |
| Deposits by customers | 50,113 | 45,113 |
| Accruals and deferred income | 20,979 | 21,369 |
| Debt securities in issue | 899,737 | 899,626 |
| Other liabilities | 1,071 | 1,341 |
| | 3,272,035 | 2,924,444 |
| Called up share capital | 6,214 | 6,214 |
| Capital contribution | 146,123 | 96,123 |
| Capital conversion reserve fund | 136 | 136 |
| Profit and loss account | 17,727 | 14,694 |
| Shareholders' funds – equity interests | 170,200 | 117,167 |
| Total liabilities | 3,442,235 | 3,041,611 |
| Memorandum items | | |
| Commitments and other off balance sheet items | 1,621,470 | 1,433,588 |

Profit and Loss Account **Year ended 31 December 2003**

| | 2003 EUR '000 | 2002 EUR '000 |
|--------------------------------------------------------------------------------------|------------------|------------------|
| Interest receivable | | |
| – interest receivable and similar income arising from debt securities | 59,119 | 52,948 |
| – other interest receivable and similar income | 60,773 | 66,345 |
| Less: interest payable and similar charges | (105,473) | (107,112) |
| Net interest income | 14,419 | 12,181 |
| Fee income | 148 | 169 |
| Other income/(losses) | 3,908 | (1,737) |
| Total operating income | 18,475 | 10,613 |
| Administrative expenses | (2,473) | (2,402) |
| Depreciation | (117) | (113) |
| Provisions for bad and doubtful debts | (12,500) | (2,354) |
| Operating profit/Profit on ordinary activities before tax | 3,385 | 5,744 |
| Tax on profit on ordinary activities | 352 | 556 |
| Profit for the year retained | 3,033 | 5,188 |

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented. All of the above profits are in respect of continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profits stated above, and their historical cost equivalents.

Recent Developments and Outlook

The performance for the first two months of 2004 has been very satisfactory and exceeded expectations. The balance sheet of the Company has remained stable at a level just in excess of € 3.4 billion. The main focus of the asset side of the balance sheet continues to be in the structured finance area, especially ABS's and similar type risks while funding has been generated mainly by interbanking business.

The ordinary income of the Company for the first two months of the year is in line with budget but due to positive market conditions the dealing result to date is well above plan. The Company expects continuing positive development of its business for the year 2004.

There has been no material adverse change or any development reasonably likely to involve an adverse change in the condition (financial or otherwise) or general affairs of the Company since 31 December 2002.

WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG

Establishment, domicile and tasks of WGZ-Bank

WGZ-Bank was created in 1970 with the merger of Centraalkasse, Münster (established 1884), Genossenschaftliche Zentralbank Rheinland, Cologne (established 1892) and Zentralkasse westdeutscher Volksbanken, Münster/Cologne (established 1897).

WGZ-Bank is incorporated under German law and is entered under No. 427 of the Register of Co-operatives at the Düsseldorf Local Court. Thus, the members shares are not quoted on the stock exchange.

WGZ-Bank regards its main corporate objective as the promotion and strengthening of the competitiveness and independence of its members.

Capital and reserves

The following table shows capital and reserves as of 31 December 2003*:

| | EUR million |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Balance sheet own funds of WGZ-Bank | |
| Subscribed Capital | 522 |
| Reserves | 672 |
| Funds for general bank risks | 360 |
| Profit-sharing certificates outstanding | 457 |
| Subordinated liabilities | 348 |
| Total balance sheet equity interests | <u>2,359</u> |
| | EUR million |
| Liable equity capital of the group | |
| Core capital | 1,465.6 |
| Supplementary capital and capital deductions (accountable uncalled liabilities of the members, value adjustments, deductions of group participations) | <u>502.3</u> |
| Liable equity capital | 1,967.9 |
| Accountable tier 3 capital | <u>84.0</u> |
| Own funds | <u><u>2,051.9</u></u> |

Corporate bodies

WGZ-Bank's corporate bodies are the Managing Board, the Supervisory Board, the Advisory Board and the General Meeting.

The **Managing Board** conducts the affairs of the WGZ-Bank in its own responsibility in accordance with applicable law, the Articles of Association and the rules of procedure adopted by the Supervisory Board in cooperation with the Managing Board. WGZ-Bank is represented by two members of the Managing Board. According to the Articles of Association the Managing Board consists of a minimum of four members appointed by the Supervisory Board.

The Managing Board is currently composed as follows:

Werner Böhnke, Chairman, Düsseldorf
Michael Fraedrich, Neuss
Karl-Heinz Moll, Cologne
Hans Pfeifer, Odenthal
Thomas Ullrich, Dorsten
Hans-Bernd Wolberg, Münster

* preliminary figures

The **Supervisory Board** supervises the conduct of the WGZ-Bank's affairs. According to the Articles of Association it consists of nine members. Six members are elected by the Annual General Meeting and three members must be elected as staff representatives pursuant to the Works Council Constitution Act (*Betriebsverfassungsgesetz*). Out of the members of the Supervisory Board elected by the Annual General Meeting two members each have to belong to the management of a member-bank with a registered office in Rhineland and Westphalia, respectively. The term of office of the members of the Supervisory Board is four years. Such term starts with the end of the Annual General Meeting in which the member was elected and expires at the end of the Annual General Meeting in respect of the fourth business year after the start of the mandate. The business year in which the member was elected must be included in the calculation.

The Supervisory Board presently consists of the following persons:

Dieter Philipp, Chairman
President Zentralverband des Deutschen Handwerks, Berlin
Gerhard Kötter, Deputy Chairman
Volksbank im Siegerland, Siegen
Wilhelm Brauckmann
Volksbank Baumberge, Billerbeck
Heinz Eckardt
WGZ-Bank, Düsseldorf
Klaus Gläser
Volksbank Oberberg, Wiehl
Ludger Hünteler
WGZ-Bank, Münster
Manfred Jorris
WGZ-Bank, Düsseldorf
Bernhard Kaiser
Volksbank RheinAhrEifel, Bad Neuenahr-Ahrweiler
Franz-Josef Möllers
President Westfälisch-Lippischer Landwirtschaftsverband, Münster

According to the Articles of Association the annual **General Meeting** takes place within six months following the end of the business year at the registered office of WGZ-Bank or at another place to be determined by the Managing Board and the Supervisory Board.

At the General Meeting the members exercise their rights according to § 43 of the Act on Co-operatives (*Genossenschaftsgesetz*) unless otherwise determined by such Act or the Articles of Association. Each member has one vote irrespective of the number of shares held.

The **Advisory Board** gives advice to the Managing Board. It consists of 36 members, who are elected by the General Meeting, and of up to 18 additional members, who are chosen by the Advisory Board, and of the Chairman as well by the Deputy Chairman of the Supervisory Board.

Membership in the protection scheme

WGZ-Bank is a member of the protection scheme (*Sicherheitseinrichtung*) of the Bundesverband der deutschen Volksbanken und Raiffeisenbanken, consisting of Guarantee Fund (*Garantiefonds*) and Guarantee Union (*Garantieverbund*).

Business year and notices

The business year of WGZ-Bank is the calendar year.

Any notices of WGZ-Bank are published in the German Federal Gazette (*Bundesanzeiger*).

Appropriation of the annual surplus

At least 10% of annual net income must be allocated to the legal reserve until such reserve has reached an amount equivalent to 10% of liabilities including contingent liabilities from rediscounted bills of

exchange. In addition, at least 10% of annual net income must be allocated to other revenue reserves, the appropriation of which is determined by the Managing Board together with the Supervisory Board. The remaining annual net income after allocation to reserves or appropriation for other purposes is distributed to the Members pro rata to the amount of their capital holdings as of the end of the preceding year.

In appropriating the annual surplus, capital payments made during the preceding business year are accounted for as of the first day of the calendar month following payment. Income due to Members is paid out subsequent to the deduction of any deficit reducing share payments.

In case of a deficit the Annual General Meeting must decide whether and to what extent the legal reserve is to be used to cover such deficit or to what extent the deficit is to be carried forward. Should additional member capital holdings be required to cover a deficit, such deficit quotas are to be borne by each Member pro rata to their individual shares. The Annual General Meeting has to decide on the point in time for calculating the amount of the shares. The liability per share of EUR 2,600 is limited to the uncalled liability (*Haftsumme*) which is EUR 5,200 per share.

For the annual accounts the provisions of the German Commercial Code (*HGB*) in connection with the Act on Co-operatives (*Genossenschaftsgesetz*) apply.

From 1999 through 2003, WGZ-Bank achieved the following results:

| | I. Proprietors' capital holdings at the end of the year | Net income | Allocation to reserves | Dividend | |
|------|---------------------------------------------------------|------------|------------------------|---------------|---------------------------------|
| | | | | Cash dividend | Gross yield incl. corporate tax |
| | | | | | |
| | EUR '000 | EUR '000 | EUR '000 | | |
| 1999 | 450,060 | 50,259 | 25,565 | 5.95 | 8.5 |
| 2000 | 469,542 | 63,181 | 35,790 | 5.95 | 8.5 |
| 2001 | 497,819 | 64,051 | 35,248 | 6.00 | 6.0 |
| 2002 | 501,587 | 59,964 | 35,000 | 5.00 | 5.0 |
| 2003 | 521,534 | 72,446 | 47,000* | 5.00* | 5.0* |

* depending on the resolution of the General Meeting scheduled 4 June 2004.

Litigation

WGZ-Bank is not involved in any litigation or arbitration which could have or has had in the past two business years a material impact on its economic situation, nor is it aware that such litigation or arbitration is pending or threatened.

Auditors

The annual accounts as well as the consolidated annual accounts for the business years 1998 through 2002 have been audited by Deutscher Genossenschafts- und Raiffeisenverband e.V., Schellingstraße 4, D-10785 Berlin, whose auditors have given their unqualified certificate of audit.

Business activities

Central bank and commercial bank

WGZ-Bank is the central institution of 253 co-operative banks in Rhineland and Westphalia. In one of the most important economic regions of Germany and Europe it complements the services of these banks in national and international business. It supports them by way of providing a comprehensive range of services to enable them to do business in their local markets as competitive universal banks. WGZ-Bank assumes all the tasks and functions, which the individual bank, for reasons of costs and efficiency, cannot carry out independently.

Apart from taking on the classic tasks as central bank for the local co-operative banks, WGZ-Bank also offers a broad spectrum of modern and qualified services and products to large corporate customers, high net value private customers, as well as to institutional clients. The financial services offered by WGZ-Bank are complemented by own special-purpose companies for mortgage lending business, equity capital and real estate finance, by subsidiaries in Luxembourg and Dublin, as well as by participations in special-purpose co-operative institutions.

Securities business

Within the framework of securities trading WGZ-Bank conducts the business of securities and derivatives, also issuing and syndications for the customer groups, member banks, institutional clients, as well as corporate and private customers. In so doing it operates as a trader enjoying a good market position on the one hand, and on the other hand, as a central provider of services to the linked member banks and their customers. WGZ-Bank is a member of all German stock exchanges and is in the position, with the assistance of its foreign business partners, to carry out securities and derivatives transactions on all international stock exchanges.

In addition to executing and settling commission-based and fixed-price transactions, WGZ-Bank also functions as a provider of safe custody and administrative services to its member banks. Moreover, it also supports its member banks by way of comprehensive advisory and research services for their own-deposit management and investment counselling.

The issuing and syndication business has been steadily expanded in recent years, as WGZ-Bank commands a large placing potential through its member banks. In bond issuing, WGZ-Bank regularly acts as lead manager.

Money and foreign exchange trading

WGZ-Bank operates on the domestic and international markets as a central point for the settlement of liquidity amongst the Volksbanken and Raiffeisenbanken and as a partner in foreign exchange transactions. The numerous close connections with money market partners in Germany and in foreign countries ensure that WGZ-Bank is at all times able to make liquid funds available to, or accept them from the Volksbanken, Raiffeisenbanken and the Spar- und Darlehnskassen.

International business

WGZ-Bank acts as a bridge to foreign markets for its member banks. It co-operates with more than 5,000 correspondent banks on all continents, thereby ensuring the speedy and smooth handling of international business transactions. In the interests of efficient cross-border provisions of services to customers, co-operation agreements exist with important banks in Europe.

Money transfers

The handling of payments for the local co-operative banks is a traditional task of WGZ-Bank. In order to structure this clearing function to be as speedy and smooth-running as possible, WGZ-Bank has implemented the most up-to-date techniques and systems for many years now. It also offers its customers the entire range of modern electronic banking products.

Credit business

As the central funding point, WGZ-Bank supports the local co-operative banks at all times with short-term, medium-term and long-term loans. WGZ-Bank is also involved, as a central bank, in the mediation and handling of public sector financial aid.

In joint loans business, any member bank can, together with WGZ-Bank, satisfy customer requirements of all magnitudes. Also for direct customers, WGZ-Bank is an experienced provider of finance.

Whether in the form of a direct or joint loan, WGZ-Bank conducts its loans business with customers in accordance with the principle of subsidiarity, thereby rounding off the range of services offered by the co-operative banking group.

Three-year-summary

The following table shows the key figures of the balance sheet and profit and loss account for the fiscal years 2001 through 2003:

| | 31 December | | | Change | |
|--------------------------------------------------|---------------|----------------|---------------------|----------------|--------------|
| | 2001 | 2002 | 2003 preliminary | EUR million | % |
| Assets | | | | | |
| Claims on | | | | | |
| member banks | 10,076 | 10,482 | 10,259 | - 223 | - 2.1 |
| other banks | 9,406 | 8,147 | 6,668 | -1,479 | - 18.2 |
| customers | 7,566 | 7,937 | 7,256 | - 681 | - 8.6 |
| Securities | 7,315 | 6,239 | 7,512 | 1,273 | 20.4 |
| Investments and holdings in affiliated companies | 1,096 | 1,638 | 1,850 | 212 | 12.9 |
| Other assets | 805 | 991 | 642 | - 349 | - 35.2 |
| Liabilities | | | | | |
| Liabilities to | | | | | |
| member banks | 10,571 | 11,051 | 8,897 | - 2,154 | - 19.5 |
| other banks | 13,394 | 12,144 | 14,161 | 2,017 | 16.6 |
| customers | 4,759 | 4,123 | 3,580 | - 543 | - 13.2 |
| Securitised liabilities | 5,070 | 5,424 | 4,758 | - 666 | - 12.3 |
| Subordinated liabilities | 317 | 353 | 348 | - 5 | - 1.4 |
| Profit-sharing certificates | 482 | 457 | 457 | 0 | 0.0 |
| Fund for general banking risks | 119 | 340 | 360 | 20 | 5.9 |
| Capital | 498 | 502 | 522 | 20 | 4.0 |
| Reserves | 590 | 625 | 672 | 47 | 7.5 |
| Other liabilities | 464 | 415 | 432 | 17 | 4.1 |
| Balance sheet total | 36,264 | 35,434 | 34,187 | - 1,247 | - 3.5 |
| Contingent liabilities | 917 | 896 | 812 | - 84 | - 9.4 |
| Volume of business | 37,181 | 36,330 | 34,999 | - 1,331 | - 3.7 |
| Derivatives – nominal volumes | 86,784 | 102,645 | 92,979 | - 9,666 | - 9.4 |
| Liable capital | 1,754 | 1,862 | 2,287 | 425 | 22.8 |
| Total own funds | 1,754 | 1,862 | 2,287 | 425 | 22.8 |
| Earnings | | | | | |
| Net interest income | 208 | 192 | 186 | - 6 | - 3.1 |
| Net commission income | 60 | 49 | 57 | 8 | 16.3 |
| Net financial result | 36 | 29 | 48 | 19 | 66.5 |
| Other operating income | 5 | 12 | 10 | - 2 | - 16.7 |
| General operating expenses | - 174 | - 184 | - 181 | 3 | 1.6 |
| Operating profit before risk provisions | 135 | 98 | 120 | 22 | 22.4 |
| Other income | 177 | 475 | 116 | - 359 | - 75.6 |
| Risk provisioning | - 64 | - 290 | - 143 | 147 | 50.7 |
| Allocating for fund for general banking risks | - 78 | - 221 | - 20 | 201 | 91.0 |
| Taxes | - 106 | - 2 | 0 | 2 | 100.0 |
| Net profit for the year | 64 | 60 | 73 | 13 | 21.7 |

WGZ-Bank Group Management Report 2002

Besides WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Düsseldorf, the consolidated companies of the WGZ-Bank group include WL-BANK Westfälische Landschaft Bodenkreditbank AG, Münster, WGZ-Bank Luxembourg S.A., Luxembourg, WGZ-Bank Ireland plc, Dublin, and eight further subsidiaries. Compared with the previous year, Wegeno Verwaltungsgesellschaft mbH has become a new member of the consolidated group, because WGZ-Bank has contributed shares in WL-BANK into this company.

WGZ-Bank is the partner of 276 member banks associated with it in the Regional FinanzVerbund. On the basis of its co-operative development mandate, WGZ-Bank as 'Initiativbank' sees itself as a driving force concerning the development of innovative products, services and technologies. Together with the Volksbanken and Raiffeisenbanken as well as directly, WGZ-Bank is engaged in corporate banking operations in the SME segment in the Rhineland and in Westphalia.

The adverse economic setting is also reflected in the overall slight decline in WGZ-Bank's business development in the year 2002. The decisive factor for the reduction of its total assets by

EUR 0.8 bn to EUR 35.4 bn and of its business volume by EUR 0.9 bn to EUR 36.3 bn was basically the restrained development of its business volume in the interbank market. Here, WGZ-Bank recorded a decline in the claims on other banks by EUR 1.3 bn to EUR 8.1 bn and a decrease in the liabilities to other banks by the same amount to EUR 12.1 bn. Business with the member banks showed a gratifying development. The claims on the member banks increased by EUR 0.4 bn to EUR 10.5 bn, while the deposits continued their growth of the previous year, rising by EUR 0.5 bn to EUR 11.1 bn. The volume of the claims on customers also increased slightly by EUR 0.4 bn to EUR 7.9 bn. This increase is to be attributed to the growth in the lending business with states and local governments, while the classic corporate customer business was reduced in connection with the focusing on the upper end of the SME segment and with the declining demand from the small and medium-sized corporate clients. The investments in securities, particularly those in bonds and debentures, were also reduced by EUR 1.1 bn to EUR 6.2 bn. Through the transfer of the holdings in WL-BANK Westfälische Landschaft Bodenkreditbank AG, DZ BANK AG Deutsche Zentral-Genossenschaftsbank and Bausparkasse Schwäbisch Hall AG, the holdings portfolio was increased by EUR

0.5 bn to EUR 1.6 bn – without impact on the indirect stakes. WGZ-Bank's earnings situation in the business year 2002 is characterised by the reduced operating results and extraordinary effects in connection with the realisation of hidden reserves through the transfer of holdings. The net interest income was reduced by EUR 16 m to EUR 192 m and the net commission income by EUR 11 m to EUR 49 m. The administrative expenses increased overall by EUR 10 m to EUR 184 m. The net income from financial operations was down by EUR 7 m to EUR 29 m from the previous year. A very substantial share of the extraordinary income of EUR 478 m from the realisation of hidden reserves in the holdings portfolio was used for the allocation of the hidden reserves according to Section 340f of the German Commercial Code. This was connected with a significant increase in the disclosed risk provisioning expenditure of EUR 290 m. With a further partial amount of EUR 221 m, the realised book gains were used to strengthen the fund for general banking risks, and thus the equity capitalisation. In the financial year 2002, WGZ-Bank achieved an annual net profit of EUR 60 m, which is EUR 4 m lower than in the previous year.

The business development of WL-BANK Westfälische Landschaft Bodenkreditbank AG, the mortgage bank of the Regional FinanzVerbund, was characterised by different developments in the new lendings business of the two main fields of activity. Despite the overall weakness in construction activity, the building loan business was increased significantly. The low-cost, efficient loan processing with the IT system that is

jointly used by WL-BANK and the partner banks was particularly effective here. The growth was largely based on private housing financing. On the other hand, the public sector lending business recorded a decline in new commitments in the business year 2002. The securities portfolio was strongly expanded. The volume of refinancing funds that were raised declined in line with the overall development of new business. As in the previous year, own Pfandbriefe and bonds enjoyed strong demand, which was favoured again by the best possible rating from Standard & Poor's: "AAA" for Hypothekendarlehenpfandbriefe (mortgage bonds) and öffentliche Pfandbriefe (public sector mortgage bonds). The issues included placements of Jumbo bonds again. Total assets increased by EUR 2.8 bn to EUR 19.8 bn, and an equity capital of EUR 203 m was reported. WL-BANK increased its annual net profit from EUR 9 m in the previous year to EUR 10 m.

WGZ-Bank Luxembourg S.A., the special service provider for the foreign exchange funding business of the Regional FinanzVerbund, was able to further expand its business with the co-operative member banks. Its loan portfolio, which is mainly denominated in foreign currencies, was expanded by 7 % to EUR 1.3 bn in the business year 2002. The second area of business, Private Banking for customers of the Regional FinanzVerbund who resort to offers on the capital market in Luxembourg, made a stable contribution to the overall result despite the negative influences from the pressure on the stock markets. In the custodian bank business, the third business area of WGZ-Bank Luxembourg S.A., the volume of the 20 funds managed in Luxem-

bourg declined from EUR 11.4 bn to EUR 10.6 bn due to the persistently adverse situation on the stock markets, but nevertheless the commission income from this business area was slightly increased. Moreover, the activities in the Treasury area were extended to achieve profit contributions from the maturity transformation and from the liquidity control. In this connection, apart from its activities in the interbank market the bank significantly expanded its securities portfolio and raised more refinancing funds by issuing bearer bonds and borrower's note loans. The share capital and reserves amounted to EUR 41 m at the end of the year. The total assets of WGZ-Bank Luxembourg S.A. increased by EUR 0.2 bn to EUR 2.9 bn. As in the previous year, the net profit amounted to EUR 5 m.

WGZ-Bank Ireland plc offers the Volksbanken and Raiffeisenbanken of the Regional Finanz-Verbund refinancing funds and is engaged in the international syndicated loans business. The bank refunds its lending business partly by issuing its own bonds and debentures. At the end of the financial year, the bank's equity amounted to EUR 117 m. Its total assets increased by EUR 0.4 bn to EUR 3.0 bn. The annual net profit rose from EUR 4 m to EUR 5 m, mainly due to an improvement in the net interest income by 16.3% to EUR 12.2 m.

WGZ International Finance N.V. is engaged in issuing operations. The issue volume remained unchanged at a nominal EUR 66 m. The financial year closed with an almost balanced result with total assets of EUR 78 m, which was unchanged compared with the previous year.

WGZ Beteiligungsgesellschaft Westdeutsche Genossenschafts-Beteiligungsgesellschaft mbH offers equity capital for small and medium-sized companies and supports them in increasing their capital base by admitting partners as well as in solving problems of succession. As at reporting date of the financial year 2002, the business activity comprised 14 exposures with a total volume of EUR 34 m. Due to the difficult economic scenario in connection with the requirements demanded in the assumption of equity holdings, the capital commitments were reduced in the business year 2002. Accordingly, total assets decreased from EUR 54 m to EUR 40 m. Because of the risk provisioning for two capital commitments, the operating result was negative at EUR -3 m and was transferred to WGZ-Bank. The equity capital remained unchanged at EUR 2 m.

WGZ Venture-Capital Gesellschaft Westdeutsche Genossenschafts-Venture Capital Gesellschaft mbH directs its commitments to young, innovative companies and furnishes venture capital to them. It focuses mainly on the sectors of biotechnology and genetic engineering, microsystem engineering and electronics. As at reporting date, WGZ Venture-Capital's investment portfolio consisted of 8 commitments with an investment of EUR 9 m. The negative result of EUR -2 m, which resulted mainly from risk provisioning measures concerning two commitments, was transferred to WGZ-Bank. With an unchanged equity of EUR 15 m, total assets remained almost constant at EUR 19 m.

GENO-Beteiligungsgesellschaft mbH & Co. Verwaltungs-KG is the owner of the office building of WGZ-Bank in Düsseldorf; the second construction phase of this building was completed in May 2002. The company's equity capital still amounts to EUR 64 m. The slightly negative result was offset by WGZ-Bank.

In the business year 2002, WGZ-Bank restructured its real estate activities, which had so far been combined in WGZ Immobilien + Treuhand Westdeutsche Genossenschafts-Immobilien- und Treuhand-Gesellschaft mbH & Co. KG. In view of an orientation towards greater strategic selectivity, the business areas property development and project development as well as the preparation of valuation reports, facility management and the mediation of real estate were transferred to WGZ Immobilien + Treuhand GmbH. The projects initiated and marketed before the restructuring remain at WGZ Immobilien + Treuhand Westdeutsche Genossenschafts-Immobilien- und Treuhand-Gesellschaft mbH & Co. KG until they are concluded. With an increase in total assets of EUR 16 m to EUR 120 m, the company reported a slightly negative result, which was transferred to WGZ-Bank.

WGZ Immobilien + Treuhand GmbH, in which WGZ-Bank directly holds 100 %, was consolidated for the first time in WGZ-Bank's consolidated financial statements 2002. Due to the start of operations, the total assets of WGZ Immobilien + Treuhand GmbH amounted to EUR 8 m. The slightly negative operating result was transferred to WGZ-Bank.

Overall, it has to be stressed with regard to the development in the core business of property development in both companies that the investment volume in new development areas and the number of projects at the marketing stage have noticeably increased again compared with the previous year.

The corporate name WGZ Immobilien + Treuhand Westdeutsche Genossenschafts-Immobilien- und Treuhand-Verwaltungsgesellschaft mbH was changed into WGZ Immobilien + Management GmbH. The company is the general partner of WGZ Immobilien + Treuhand GmbH & Co. KG, and since the restructuring it has been concentrating on the administration of its real estate inventory. WGZ Immobilien + Management GmbH's total assets amount to EUR 3 m; the slightly negative annual result was completely transferred to WGZ-Bank as the sole shareholder.

BUSINESS DEVELOPMENT OF THE GROUP

The group's business is driven mainly by WGZ-Bank. WGZ-Bank's share of the group's unconsolidated balance sheet volume is around 57 %. The total assets of the WGZ-Bank group increased by EUR 2.6 bn or 4.5 % to EUR 59.9 bn. The volume of business expanded by EUR 2.5 bn or 4.3 % to EUR 60.7 bn. Growth was mainly based on WL-BANK, whose total assets increased by EUR 2.8 bn or 16.7 % to EUR 19.8 bn. After the significant growth in the previous year, the deposits of the member banks again showed a considerable increase by EUR 0.8 bn or 7.5 % to EUR 11.4 bn. This development clearly reflects the trend of increasing customer deposits

at the member banks because of the lack of attractive investment alternatives in the securities markets and because of the non-consumption that can be observed. Although the momentum in the development lending business was slightly weaker overall, the loans to member banks were increased by EUR 0.3 bn or 2.5 % to EUR 12.2 bn. The growth of the claims on our customers by EUR 1.5 bn or 7.6 % to EUR 21.0 bn is primarily due to the portfolio changes in the lending business with states and local governments. On the other hand, the classic lending business with corporate clients was further reduced. In this development, the strategy of focusing on the upper end of the SME segment has continued, which was started already in the previous year. Moreover, against the background of the economic downward trend, a more risk-oriented approach has found expression in the acquisition of customers. Deposit-taking operations with institutional clients, i.e. investment companies, funds and insurance companies, decreased by EUR 0.9 bn or 8.4 % to EUR 9.4 bn. However, this deviation mainly results from the high portfolio as at reporting date of the previous year with extraordinary high investment volumes of funds payable on demand. In the interbank business, the liabilities to other banks decreased by EUR 0.5 bn or 3.0 % to EUR 17.6 bn as of reporting date. The claims on other banks also declined by EUR 0.7 bn or 5.8 % to EUR 11.8 bn. With regard to the securities portfolios, an increase by EUR 0.9 bn or 7.7 % to EUR 12.3 bn was recorded, which particularly originated from the subsidiaries. The main focus was on investments in fixed-interest loans and bonds. As a consequence of the persistently adverse condi-

tions on the stock markets, investments in shares and variable rate securities were further reduced. The considerable placement muscle of the WGZ-Bank group is reflected in the strong increase of EUR 3.1 bn or 19.8 % to EUR 18.5 bn in securitised liabilities, issued above all by WGZ-Bank and WL-BANK. The Pfandbrief rating "AAA" offers excellent possibilities for WL-BANK to sell the issued öffentliche Pfandbriefe and Hypothekendarlehenpfandbriefe. The investment portfolio significantly increased by EUR 0.4 bn or 47.2 % to EUR 1.1 bn. The main reason for this increase was the contribution of two Verbund investments into holding companies. The indirect stakes were not affected by these contributions.

The earnings situation in the WGZ-Bank group was generally not satisfactory in 2002. On the one hand, it was characterised by extraordinary factors. On the other hand, the operating result deteriorated. This deterioration in performance was typical in relation to the general development of the sector, but its extent was comparatively moderate. The volume reduction in the business with corporate clients is primarily reflected in the EUR 6 m decline in net interest income to EUR 268 m. Net commission income decreased by EUR 13 m to EUR 47 m. This significant decline, which was not unexpected, mainly results from the setback in the on-exchange securities brokerage business, whereas the other result components remained largely constant. Taking into account the administrative expenses, which increased moderately by EUR 12 m to EUR 220 m, the net interest and commission income after administrative expenses declined compared to the previous year by

EUR 31 m to EUR 95 m. Given the development in the money and capital markets in the last year, the comparatively small decrease in the net income from financial operations of EUR 8 m to EUR 32 m is remarkable. Including the balance from other operating income and expenses of EUR 14 m, the group's operating result before risk provisioning amounts to EUR 141 m. This corresponds to a decline of EUR 30 m compared with the previous year.

The extraordinary factors influencing the earnings situation concern the book gains from two Verbund holdings realised by contributions of EUR 293 m, which are included in the extraordinary income. A very substantial part of the disclosed hidden reserves was used to strengthen the hidden reserves according to Section 340f of the German Commercial Code. This explains the significant increase in expenses for risk provisioning to EUR 290 m. It must also be taken into account here that all acute and latent credit risks were fully accounted for by the WGZ-Bank group according to the strict valuation criteria.

Apart from the allocation of hidden reserves according to Section 340f of the German Commercial Code, another EUR 59 m were transferred to the fund for general banking risks according to Section 340g of the German Commercial Code. Thus, the WGZ-Bank group considerably increased its risk provisioning reserve, particularly in view of the difficult general economic conditions.

After deduction of the tax expenditure of EUR 13 m, the net profit of the WGZ-Bank group remained nearly unchanged at EUR 74 m

compared with the previous year.

The liable capital and reserves of the WGZ-Bank group amounted to EUR 2.0 bn. The tier 1 capital component included in this was strengthened to EUR 1.4 bn, particularly by the allocations to the fund for general banking risks and to the revenue reserves as well as the by increased members' capital contributions. Accordingly, the total capital ratio of Principle I for the WGZ-Bank institute group remained at an almost unchanged level of 10.7 % as compared with a year earlier.

RISK MANAGEMENT

The risk management in the group represents a central part of the steering of the WGZ-Bank group's activities. Its aim is to systematise the risk management measures used in the individual companies of the group and to standardise them in a set of regulations for the overall risk management at group level. In accordance with the activities at the level of the individual companies, the set of regulations comprises the following functions:

- Risk identification
- Risk quantification
- Risk management
- Risk control.

In the course of the business year 2002, a multitude of measures was initiated or concluded in cooperation with the subsidiaries, with the target of increasing the overall risk management in the group. For this purpose, a group risk handbook was developed, which puts subject and function of the risk management in concrete form and on top of that describes the methods and procedures

of all group companies with regard to the credit and market price risks.

The overall risk management in the group is differentiated according to the type of risk: credit risk, market price risk (particularly share price risk, interest rate risk and currency risk as well as option risk), liquidity risk, operating risk and other (particularly strategic) risks. In the way the management of the WGZ-Bank group sees itself, those group units in which the risks appear are responsible for the risk management within a system of decentralised responsibility. At the central level within the group, the decentralised units are supported methodically and instrumentally, and their compliance with the group-wide targets is monitored.

For the management of the market price risks, a group-wide stock-taking was carried out, taking the substantial group companies WGZ-Bank, WL-BANK, WGZ-Bank Luxembourg S.A. and WGZ-Bank Ireland plc into account. The risk measurement methods used by the individual institutions were analysed and assessed in view of drawing up a regular group reporting on the market price risks.

In view of the establishment of a group-wide credit risk management, all steering and measurement procedures of WGZ-Bank, WL-BANK, WGZ-Bank Luxembourg S.A. and WGZ-Bank Ireland plc as well as all credit-risk bearing subsidiaries were registered with a uniform system regarding the risks from the classic lending business and regarding the defaulting risks from trading transactions, and were included in the

group risk handbook. Moreover, a Credit Committee was formed, which began its work in the first quarter 2003. Its task is to coordinate the current credit risk management at group level and to push forward the further development of the management methods and procedures.

For the group-wide management of the liquidity risk, a uniform management concept was developed in cooperation with the substantial subsidiaries WGZ-Bank, WL-BANK, WGZ-Bank Luxembourg S.A. and WGZ-Bank Ireland plc.

On the basis of a stock-taking at WGZ-Bank in the past business year, possibilities for the systematic identification of operating risks in the form of employees, technology, procedures and external events were agreed upon with the substantial subsidiaries. Until the adoption of a supervisory framework for the management of the operating risks, the management of the operating risks is exclusively carried out at the level of the individual group companies.

In order to monitor the overall risks at group level, first of all the risk potentials of all group subsidiaries for every type of risk are combined. The assessment of the group risks is carried out with the help of budgets and limits; the latter will be adjustable in the short term. The risk budgets and limits are determined on the basis of the available risk cover assets as a measure for the WGZ-Bank group's capacity to bear risks. The group's Managing Board is kept informed about the results on a quarterly basis.

FUTURE DEVELOPMENT

The future development of the WGZ-Bank group will mainly be determined by the good positioning of the member banks in their markets. Due to WGZ-Bank's tasks as a central bank, the further promotion and support of the member banks has top priority. Apart from WGZ-Bank's services, the range of services offered by the subsidiaries combined under the roof of the WGZ-Bank group is also available for the member banks. The regional Verbund initiative, which is to be implemented step-by-step together with the member banks, is orientated towards a clearer division of labour within the procedures, and shows positive growth and earnings potentials right from the start. Similar expectations are tied to the first cross-sector merger among securities settlement banks from the cooperative and from the public sector.

Overall, the continued weakness of economic activity and the small prospects of a noticeable short-term trend reversal are a signal that the restrained development in the lending business will continue in the current year. In accordance with the development of the previous year, this will be noticeable in a continued decline in the classic corporate clients business. Apart from the general economic conditions, this weakening will be determined by increased risk selection and by the focusing on the upper end of the SME segment and on young, future-oriented growth companies. The extensive range offer of the WGZ-Bank group, e.g. in the field of equity financing or foreign currency funding, opens up promising business opportunities. The continued

low level of interest rates offers good conditions for the growth in the building finance business to continue. We see further advantages, which will be reflected in positive profit contributions, in the IT-supported loan processing.

With regard to the deposits of the member banks, we expect the business volume to remain at the same level as in the previous year. The further development of securitised investments will, on the one hand, be determined by the capital markets parameters. At the moment, these indicate a constant or at best restrained demand for securitised investments on the part of the member banks as well as from institutional and other clients. Even though the political flash points have calmed down, a positive change of the general economic conditions is not in sight at the moment. On the other hand, the excellent "AAA" rating for Hypothekendarlehenbriefe and öffentliche Darlehenbriefe offers good sales opportunities. The continued diversification of the range of services, e.g. in the field of payments, creates additional earnings potentials and reduces the dependence on earnings contributions from stock exchange related services.

In the WGZ-Bank group, the efforts to increase the margins as well as the trading and services results will be intensified in order to compensate, apart from volume-related declines, also for other cost burdens. These activities will be flanked by a higher risk orientation. By concentrating all powers and focusing them on the core businesses, the WGZ-Bank group will take advantage of the existing earnings opportunities and cost reduction potentials.

Düsseldorf, April 22, 2003

The Managing Board



Werner Böhnke

- Chairman -



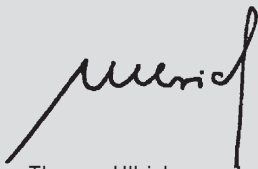
Michael Fraedrich



Karl-Heinz Moll



Hans Pfeifer



Thomas Ullrich

Auditors' Certificate for the Consolidated Financial Statements

We have audited the consolidated financial statements and the accounts of WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Düsseldorf, as well its Management Report for the business year from January 1st 2002 to December 31st 2002. The preparation of these documents in accordance with the German Commercial Code and the supplementary rules contained in the company's statutes is the responsibility of the legal representatives of the cooperative. Our responsibility is to express an opinion based on our audit on these consolidated financial statements and the accounts as well as the consolidated Management Report.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and the auditing standards of the "Institut der Wirtschaftsprüfer" (IDW), according to which the audit is to be planned and conducted in such a way that any misstatements or infringements of generally accepted accounting practice that exert a material influence on the view conveyed of the net worth and financial and earnings position of the Group by the consolidated financial statements and by the consolidated Management Report may be ascertained with reasonable certainty. When planning our audit activities

we took due account of the Group's business activities and its business and legal environment as well of expectations of possible errors. Within the framework of our audit, the efficacy of the Group's internal control system as well as evidence for the information provided by the accounts, the Group's consolidated financial statements and the consolidated Management Report was ascertained primarily on the basis of sample tests. The audit encompasses the assessment of the annual financial statements of the companies included in the consolidated financial statements, of the definition of the scope of consolidation, of the accounting and consolidation principles used and of the significant estimates made by the Managing Board as well as an appraisal of the overall presentation of the consolidated financial statements and of the consolidated Management Report. We are of the opinion that our audit provides an adequate basis for our opinion.

Our audit revealed no objections.

In our opinion, the consolidated financial statements convey a true and fair view of the net worth, financial and earnings situation of the Group in accordance with accepted accounting principles. The Consolidated Management

Report conveys a fitting view of the situation of the Group and of the risks entailed in future developments.

Berlin, May 08, 2003

Deutscher Genossenschafts- und Raiffeisen-
verband e.V.

Spanier

p.p. Berghaus

Wirtschaftsprüfer

Wirtschaftsprüfer

WGZ-Bank Consolidated Annual Financial Statements for 2002



as at 31. 12. 2002

| Assets | | | | |
|----------------------------------------------------------------------------------------------------------|------------|------------|-------------------|---------------|
| | EUR '000 | EUR '000 | EUR '000 | 2001 EUR '000 |
| 1. Cash reserves | | | | |
| a) cash on hand | | 3,267 | | 4,990 |
| b) balances with central banks | | 164,557 | 167,824 | 483,657 |
| including: | | | | |
| with Deutsche Bundesbank | 148,154 | | | 470,472 |
| 2. Debt issued by public-sector borrowers and bills of exchange rediscountable at central banks | | | | |
| a) Treasury bills and Treasury discount notes, as well as similar debt issues by public-sector borrowers | | 493,668 | | – |
| including: | | | | |
| rediscountable at Deutsche Bundesbank | – | | | – |
| b) Bills of exchange | | 47,127 | 540,795 | 77,425 |
| including: | | | | |
| rediscountable at Deutsche Bundesbank | 47,127 | | | 77,425 |
| 3. Claims on banks | | | | |
| a) payable on demand | | 794,728 | | 1,255,157 |
| b) other claims | | 23,256,752 | 24,051,480 | 23,222,963 |
| including: | | | | |
| on member banks | 12,224,927 | | | 11,929,184 |
| mortgage loans | 3,385 | | | 3,191 |
| public-sector loans | 3,270,043 | | | 2,875,507 |
| 4. Claims on customers | | | | |
| | | | 21,028,338 | 19,542,634 |
| including: | | | | |
| mortgage loans | 5,781,481 | | | 5,221,057 |
| public-sector loans | 8,397,052 | | | 6,560,503 |
| secured by mortgages on real estate | 1,515,943 | | | 1,633,946 |
| 5. Bonds and other fixed interest securities | | | | |
| a) money market papers | | | | |
| aa) issued by public-sector issuers | 12,881 | | | 213 |
| including: | | | | |
| eligible as collateral for Deutsche Bundesbank advances | – | | | – |
| ab) issued by other issuers | 15,059 | 27,940 | | 26,352 |
| including: | | | | |
| eligible as collateral for Deutsche Bundesbank advances | – | | | 17,013 |
| b) bonds and notes | | | | |
| ba) issued by public-sector issuers | 3,694,747 | | | 2,910,635 |
| including: | | | | |
| eligible as collateral for Deutsche Bundesbank advances | 3,520,308 | | | 2,712,895 |
| bb) issued by other issuers | 7,534,069 | 11,228,816 | | 7,395,329 |
| including: | | | | |
| eligible as collateral for Deutsche Bundesbank advances | 5,145,044 | | | 5,121,655 |
| c) own bonds and notes | | 596,534 | 11,853,290 | 589,083 |
| nominal amount | 579,027 | | | 500,524 |
| carried forward | | | 57,641,727 | 55,488,438 |

| Liabilities | | | | | |
|---------------------------------------------------------|------------|------------|-------------------|---------------|------------|
| | EUR '000 | EUR '000 | EUR '000 | 2001 EUR '000 | |
| 1. Liabilities to banks | | | | | |
| a) payable on demand | | 6,141,963 | | 5,280,370 | |
| b) with original periods or periods of notice | | 22,901,130 | 29,043,093 | 23,508,820 | 28,789,190 |
| <i>including:</i> | | | | | |
| <i>to member banks</i> | 11,410,377 | | | 10,618,350 | |
| <i>negotiated registered mortgage bonds</i> | 468,079 | | | 520,201 | |
| <i>negotiated registered public-sector bonds</i> | 454,025 | | | 449,926 | |
| 2. Liabilities to customers | | | | | |
| a) saving deposits | | – | | – | |
| b) other liabilities | | | | | |
| ba) payable on demand | 905,790 | | | 1,386,870 | |
| bb) with original periods or periods of notice | 8,456,314 | 9,362,104 | 9,362,104 | 8,830,424 | 10,217,294 |
| <i>including:</i> | | | | | |
| <i>negotiated registered mortgage bonds</i> | 2,203,797 | | | 2,260,121 | |
| <i>negotiated registered public-sector bonds</i> | 2,193,431 | | | 2,046,648 | |
| 3. Securitised liabilities | | | | | |
| a) bonds and notes issued | | 18,508,636 | | 15,445,577 | |
| <i>including:</i> | | | | | |
| <i>mortgage bonds</i> | 2,210,918 | | | 1,424,100 | |
| <i>public-sector bonds</i> | 9,627,823 | | | 7,836,400 | |
| b) other securitised liabilities | | – | 18,508,636 | – | 15,445,577 |
| <i>including:</i> | | | | | |
| <i>money-market papers</i> | – | | | – | |
| <i>own acceptances and promissory notes outstanding</i> | – | | | – | |
| 4. Liabilities on a trust basis | | | 60,343 | | 75,094 |
| <i>including:</i> | | | | | |
| <i>loans at third-party risk</i> | 57,149 | | | 71,899 | |
| 5. Other liabilities | | | 228,820 | | 243,986 |
| 6. Accruals and deferrals | | | 97,021 | | 101,581 |
| 7. Provisions | | | | | |
| a) provisions for pensions and similar commitments | | 73,223 | | 68,605 | |
| b) provisions for taxation | | 30,124 | | 37,094 | |
| c) other provisions | | 101,625 | 204,972 | 87,752 | 193,451 |
| 8. Special reserve item | | | 2,088 | | 5,302 |
| 9. Subordinated liabilities | | | 471,469 | | 420,300 |
| 10. Profit-sharing rights outstanding | | | 508,380 | | 533,945 |
| <i>including:</i> | | | | | |
| <i>maturing in less than two years</i> | 15,339 | | | – | |
| 11. Fund for general banking risks | | | 183,000 | | 124,000 |
| carried forward | | | 58,669,926 | | 56,149,720 |

WGZ-Bank Consolidated Balance Sheet

as at 31. 12. 2002

| Assets | EUR '000 | EUR '000 | EUR '000 | 2001 EUR '000 |
|--------------------------------------------------------|----------|-----------|-------------------|---------------|
| brought forward | | | 57,641,727 | 55,488,438 |
| 6. Shares and other variable rate securities | | | 411,111 | 488,928 |
| 7. Investments and proprietors' capital holding | | | | |
| a) investments in associated companies | | 1,681 | | 497 |
| <i>including:</i> | | | | |
| <i>in banks</i> | – | | | – |
| <i>in financial services companies</i> | – | | | – |
| b) other investments | | 1,109,925 | | 753,953 |
| <i>including:</i> | | | | |
| <i>in banks</i> | 61,241 | | | 521,829 |
| <i>in financial services companies</i> | 522 | | | 1,056 |
| c) proprietors' capital holding at cooperatives | | 1,651 | 1,113,257 | 1,651 |
| <i>including:</i> | | | | |
| <i>at credit cooperatives</i> | 280 | | | 280 |
| <i>in financial services companies</i> | – | | | – |
| 8. Holdings in affiliated companies | | | – | 160 |
| <i>including:</i> | | | | |
| <i>in banks</i> | – | | | – |
| <i>in financial services companies</i> | – | | | – |
| 9. Assets held on a trust basis | | | 60,343 | 75,094 |
| <i>including:</i> | | | | |
| <i>loans held at third-party risk</i> | 57,149 | | | 71,899 |
| 10. Tangible fixed assets | | | 114,477 | 92,729 |
| 11. Other assets | | | 298,989 | 266,406 |
| 12. Accruals and deferrals | | | 265,809 | 182,413 |
| Total assets | | | 59,905,713 | 57,350,269 |

Liabilities

| | EUR '000 | EUR '000 | EUR '000 | 2001 EUR '000 |
|-----------------|----------|----------|-------------------|---------------|
| brought forward | | | 58,669,926 | 56,149,720 |

12. Capital and reserves

| | | | | |
|----------------------------|---------|---------|------------------|-----------|
| a) subscribed capital | | 501,587 | | 497,819 |
| b) revenue reserves | | | | |
| ba) statutory reserves | 312,530 | | | 295,000 |
| bb) other revenue reserves | 330,026 | 642,556 | | 312,608 |
| c) minority interests | | 40,044 | | 44,560 |
| d) consolidated profit | | 51,600 | 1,235,787 | 50,562 |
| | | | | 1,200,549 |

Total liabilities

| | | | | |
|--|--|--|-------------------|-------------------|
| | | | 59,905,713 | <u>57,350,269</u> |
|--|--|--|-------------------|-------------------|

1. Contingent liabilities

| | | | | |
|-------------------------------------------------------------------------------------|---------|---------|---------|---------|
| a) contingent liabilities from rediscounted bills of exchange credited to borrowers | | - | | - |
| b) contingent liabilities from guarantees and indemnity agreements | 799,697 | 799,697 | | 870,636 |
| | | | 870,636 | 870,636 |

2. Other commitments

| | | | | |
|--------------------------------|--|-----------|--|-----------|
| Irrevocable credit commitments | | 2,889,080 | | 3,393,336 |
|--------------------------------|--|-----------|--|-----------|

WGZ-Bank Consolidated Profit and Loss Account

for the period from 1.1. to 31.12.2002

| Expenses | | | | | |
|------------------------------------------------------------------------------------------------------------------------------|----------|----------|------------------|------------------|---------|
| | EUR '000 | EUR '000 | EUR '000 | 2001 EUR '000 | |
| 1. Interest paid | | | 2,282,705 | 2,293,246 | |
| 2. Commissions paid | | | 83,393 | 90,759 | |
| 3. General administrative expenses | | | | | |
| a) personnel expenses | | | | | |
| aa) wages and salaries | 83,238 | | | 81,227 | |
| ab) compulsory social security contributions and expenses for pensions and other employee benefits including: | 23,179 | 106,417 | | 20,416 | 101,643 |
| for pensions | 9,915 | | | 7,477 | |
| b) other administrative expenses | | 98,872 | 205,289 | 94,797 | 196,440 |
| 4. Depreciation and write-downs on intangible and fixed assets | | | 14,530 | 11,269 | |
| 5. Other operating expenses | | | 29,038 | 24,046 | |
| 6. Depreciation and write-downs on claims and certain securities and additions to provisions for possible loan losses | | | 290,000 | 79,201 | |
| 7. Allocations to the fund for general banking risks | | | 59,000 | 80,097 | |
| 8. Depreciation and write-downs on investments, shares in affiliated companies and securities treated as fixed assets | | | 879 | 9,495 | |
| 9. Charges for loss transfer | | | - | - | |
| 10. Taxes on income | | | 12,013 | 116,530 | |
| 11. Other taxes unless otherwise shown under Item 5 above | | | 530 | 530 | |
| 12. Annual net profit | | | 74,246 | 73,725 | |
| Total expenses | | | 3,051,623 | 2,975,338 | |

| Income | EUR '000 | EUR '000 | 2001 EUR '000 | |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------|---------------|-----------|
| 1. Interest income | | | | |
| a) from lending and money market transactions | 2,010,929 | | 2,034,608 | |
| b) from fixed interest securities and Government inscribed debt | 476,171 | 2,487,100 | 485,557 | 2,520,165 |
| 2. Current income | | | | |
| a) from shares and other variable rate securities | 31,694 | | 7,885 | |
| b) from investments and proprietors' capital holding at cooperatives | 30,340 | | 38,088 | |
| c) from holdings in associated companies | 1,009 | | 627 | |
| d) from shares in affiliated companies | – | 63,043 | – | 46,600 |
| 3. Commissions received | | 130,663 | | 151,047 |
| 4. Net income from financial operations | | 32,081 | | 39,996 |
| 5. Income generated by write-ups on investments, holdings in affiliated companies and securities treated as fixed assets | | – | | – |
| 6. Other operating income | | 42,821 | | 28,994 |
| 7. Revenue from the reversal of special reserve items | | 3,215 | | 3,591 |
| 8. Extraordinary income | | 292,700 | | 184,945 |
| Total income | | 3,051,623 | | 2,975,338 |
| 1. Annual net profit | | 74,246 | | 73,725 |
| 2. Profit brought forward from the previous year | | 14,950 | | 14,957 |
| | | 89,196 | | 88,682 |
| 3. Allocations to revenue reserves | | | | |
| a) to statutory reserves | 17,500 | | 17,624 | |
| b) to other revenue reserves | 17,500 | 35,000 | 17,624 | 35,248 |
| 4. Profit attributable to minority interests | | 2,596 | | 2,872 |
| 5. Consolidated profit | | 51,600 | | 50,562 |

WGZ-Bank Notes to the Consolidated Accounts

as at 31. 12. 2002

I. Companies included in the consolidation

WGZ-Bank has prepared its consolidated annual statements in accordance with the German Commercial Code.

Apart from WGZ-Bank, the following companies have been included in the consolidated annual statement of accounts:

| | Holdings in % |
|--------------------------------------------------------------------------------------------------------------------|---------------|
| WL-BANK WESTFÄLISCHE LANDSCHAFT Bodenkreditbank AG, Münster | *1) 85.92 |
| WGZ-Bank Luxembourg S.A., Luxembourg | 78.46 |
| WGZ-Bank Ireland plc, Dublin | 100.00 |
| WGZ International Finance N.V., Amsterdam | 100.00 |
| WGZ Beteiligungsgesellschaft Westdeutsche Genossenschafts-Beteiligungsgesellschaft mbH, Düsseldorf | 100.00 |
| WGZ Venture-Capital Gesellschaft Westdeutsche Genossenschafts-Venture-Capital Gesellschaft mbH, Düsseldorf | 100.00 |
| WGZ Immobilien + Treuhand Westdeutsche Genossenschafts-Immobilien- und Treuhand-Gesellschaft mbH & Co. KG, Münster | 100.00 |
| WGZ Immobilien + Treuhand GmbH, Münster | 100.00 |
| WGZ Immobilien + Management GmbH, Münster | 100.00 |
| GENO-Beteiligungsgesellschaft mbH & Co. Verwaltungs-KG, Düsseldorf | 100.00 |
| Wegeno Verwaltungsgesellschaft mbH, Düsseldorf (regarding WL-BANK) | 100.00 |

*1) directly and indirectly via Wegeno Verwaltungsgesellschaft mbH

II. Principles of consolidation

The capital consolidation was affected using the book value method at the time of the first consolidation of subsidiaries. Amounts due, liabilities, deferred items, contingent liabilities, inter-company results, as well as expenses and income

items between the consolidated companies have been eliminated. A tax deferral has been made, to the extent required, in respect of consolidation measures affecting earnings using the tax rates specific to the countries concerned.

III. Accounting, valuation and currency translation methods

The financial statements of the subsidiaries have been included in accordance with the accounting and valuation regulations applicable to WGZ-Bank. The consolidated balance sheet has been drawn up by accounting for the partial application of the year's results.

Assets valued as fixed assets

Assets that are consistently used for the Bank's operations have been valued in accordance with the regulations applicable to fixed assets.

Tangible assets have been stated at the acquisition cost and, to the extent depreciable, depreciated in accordance with their probable useful economic lives. Depreciable movable tangible assets have been depreciated on a straight-line basis, while buildings have essentially been depreciated on a reducing-balance basis. Simplification arrangements that are permissible for tax purposes, such as the immediate full writing-off of minor assets in the year of purchase, have been applied.

The valuation and the reporting of holdings in associated companies are stated at book value as at the time of the initial application in accordance with the equity method.

The holdings in non-consolidated affiliated companies, the investments and the proprietors' capital holding at cooperatives have been stated at historical cost or any lower attributable value.

Securities stated as fixed assets have been reported at the lower of historical prices or market prices in accordance with the strict lower-of-cost-or-market principle.

Assets valued as current assets

Cash reserves, claims on banks and on customers, other claims and other assets have been stated at historical cost or at nominal value.

For claims on banks and on customers, all foreseeable and apprehensible individual risks, as well as the general risk of possible loan losses, have been adequately provisioned. Adequate provisioning has also been made for country risks. In addition, there exist taxed provisioning reserves according to Section 340 f of the German Commercial Code.

Securities held in the trading portfolio and those included in the liquidity reserves have been stated, with the exception of sub-holdings at the mortgage bank subsidiaries, strictly at historical cost or the lower of market value calculated at the price quoted on the stock exchange. Securities issued by public sector issuers and public sector banks, which are acquired by the mortgage bank subsidiary and which are stated as ordinary cover assets in the cover statement, are reported at their nominal value. The differences between the nominal values and the historical costs are deferred, and are amortised depending on the maturities.

Liabilities

As a rule, liabilities are stated at the amount repayable.

Provisions

Provisions have been made at adequate levels, taking account of all foreseeable or apprehensible risks and uncertain commitments.

Off-balance sheet financial transactions

Off-balance sheet own account trading transactions in listed securities have been stated at the end-of-year prices quoted on individual stock exchanges. Other off-balance sheet own account trading transactions were revalued at net present values computed from current market prices, in the case of interest rate swaps adjusted for the current interest claims and liabilities accounted for by way of deferrals in the trading result.

Off-balance sheet financial transactions carried out to cover the interest rate and market-price risks of the general banking book are subjected together with on-balance sheet financial operations to a revaluation at market prices.

The positive and negative revaluation results of the financial transactions structured into risk-specific books have been stated at the present value of the payment flows according to the respective portfolio. As a further development of accounting in view of the alignment with trading activities and risk control, the settlement of the valuation results of all interest-induced derivative products has been expanded. A positive residual net present value arrived at in this manner has not been accounted for; a negative residual net present value has been accounted for by way of the creations of provisions.

Currency translation

Currency translation and the valuation of foreign exchange transactions are in accordance with Section 340 h of the German Commercial Code. Assets denominated in foreign currency and treated as fixed assets have been translated into euros at the rate of exchange prevailing on the date of purchase. Foreign currency holdings and foreign currency liabilities as well as spot deals not settled, have been translated and stated at the reference rates fixed by the European Central Bank or at the over the counter rate pertaining on balance sheet date, while pending forward exchange contracts not settled have been translated and stated at the forward exchange rate of exchange prevailing on the balance sheet date. The results arrived at by translating the balance-sheet items which have been hedged by pending forward exchange contracts have been neutralised by the creation of a net-value-adjustments item reflected under other assets or liabilities, swap premiums have been deferred pro rata to the relevant period. Pending foreign exchange options have been revalued taking into account premiums carried as assets or liabilities using recognised option price models. Provision has been made for valuation losses from pending forward exchange contracts and forward exchange option contracts, after offsetting against valuation profit; residual valuation profits have not been accounted for. Holdings of foreign notes and coins have been stated at the buying rate of exchange as at balance sheet date.

WGZ-Bank Notes to the Consolidated Financial Statements

as at 31. 12. 2002

IV. Notes to the Balance Sheet – Assets –

| | EUR '000 | 2001 | EUR '000 |
|---------------------------------------------------------|-------------------|------|------------|
| Claims on banks | | | |
| according to residual terms: | | | |
| payable on demand | 794,728 | | 1,255,157 |
| less than three months | 6,804,030 | | 7,559,009 |
| longer than three months up to one year | 2,239,374 | | 1,940,460 |
| longer than one year and up to five years | 6,901,476 | | 6,924,331 |
| longer than five years | 7,311,872 | | 6,799,163 |
| Total | 24,051,480 | | 24,478,120 |
| of which: | | | |
| member banks | 12,224,927 | | 11,929,184 |
| Deutsche Zentral-Genossenschaftsbank | 41,547 | | 1,100,467 |
| companies in which an interest is held | 170,628 | | 154,297 |
| Claims on customers | | | |
| according to residual terms: | | | |
| less than three months | 1,567,075 | | 1,704,320 |
| longer than three months up to one year | 1,603,024 | | 1,605,338 |
| longer than one year and up to five years | 6,023,032 | | 4,823,897 |
| longer than five years | 10,784,550 | | 10,790,873 |
| unspecified maturity | 1,050,657 | | 618,206 |
| Total | 21,028,338 | | 19,542,634 |
| of which: | | | |
| companies in which an interest is held | 74,080 | | 89,567 |
| Bonds and other fixed interest securities | | | |
| listed on the stock exchange | 10,904,409 | | 10,095,637 |
| not listed on the stock exchange | 948,881 | | 805,975 |
| Total | 11,853,290 | | 10,901,612 |
| of which: | | | |
| securities due in the subsequent year | 2,557,899 | | 1,984,269 |
| companies in which an interest is held | 20,086 | | 32,700 |
| securities sold in | | | |
| open market operations | 322,959 | | 306,851 |
| securities sold within the framework of repo agreements | 113,781 | | 334,717 |
| Shares and other variable rate securities | | | |
| listed on the stock exchange | 56,362 | | 98,204 |
| not listed on the stock exchange | 354,749 | | 390,724 |
| marketable on a stock exchange | 411,111 | | 488,928 |
| Investments and capital holding | | | |
| of which: | | | |
| listed on the stock exchange | 2 | | 2 |
| not listed on the stock exchange | 7,789 | | 7,856 |
| marketable on a stock exchange | 7,791 | | 7,858 |

| | EUR '000 | 2001 | EUR '000 |
|-------------------------------------------------------------------------------------|------------------|------|-----------|
| Holdings in affiliated companies | | | |
| of which: | | | |
| listed on the stock exchange | – | | – |
| not listed on the stock exchange | – | | – |
| marketable on a stock exchange | – | | – |
| Assets held on a trust basis | | | |
| claims on banks | 21,940 | | 25,982 |
| claims on customers | 35,209 | | 45,917 |
| participations | 3,194 | | 3,195 |
| Fixed assets: | | | |
| of which: | | | |
| for the Bank's own use | | | |
| land and buildings | 81,329 | | 65,076 |
| for the Bank's own use | | | |
| office furniture and equipment | 32,493 | | 27,110 |
| Other assets | | | |
| cheques, bonds due, interest and dividend coupons and items received for collection | 6,955 | | 5,086 |
| premiums from option purchases | 88,664 | | 109,431 |
| adjustments for currency translations | – | | – |
| tax deferrals in respect of consolidation | | | |
| items having an effect on earnings | 1,654 | | 185 |
| outstanding balances on clearing accounts | 1,337 | | 7,703 |
| Other | 200,379 | | 144,001 |
| Total | 298,989 | | 266,406 |
| Accruals and deferrals | | | |
| of which: | | | |
| premiums on claims | 34,379 | | 225 |
| discount received on liabilities | 16,623 | | 12,493 |
| from the issuing and loans business | | | |
| of the mortgage bank | 195,814 | | 149,433 |
| Subordinated assets | | | |
| included in: | | | |
| other claims on banks | 29,293 | | 17,020 |
| claims on customers | 44,380 | | 45,812 |
| bonds and other fixed interest securities | 2,118 | | 707 |
| shares and other variable rate securities | 44,946 | | 72,490 |
| Assets denominated in foreign currency | | | |
| equivalent of | 3,693,343 | | 3,786,418 |

V. Notes to the Balance Sheet – Liabilities –

| | EUR '000 | 2001 | EUR '000 |
|--------------------------------------------------------------------------------------------------------|-------------------|------|------------|
| Liabilities to banks | | | |
| according to residual terms: | | | |
| payable on demand | 6,141,963 | | 5,280,370 |
| less than three months | 9,139,784 | | 10,625,374 |
| longer than three months up to one year | 2,474,387 | | 2,378,479 |
| longer than one year and up to five years | 4,974,429 | | 4,655,754 |
| longer than five years | 6,312,530 | | 5,849,213 |
| Total | 29,043,093 | | 28,789,190 |
| of which due to: | | | |
| member banks | 11,410,377 | | 10,618,335 |
| Deutsche Zentral-Genossenschaftsbank | 467,918 | | 466,357 |
| companies in which an interest is held | 560,161 | | 539,637 |
| Other liabilities to customers | | | |
| according to residual terms: | | | |
| payable on demand | 905,790 | | 1,386,870 |
| less than three months | 2,119,408 | | 2,168,831 |
| longer than three months up to one year | 613,474 | | 569,919 |
| longer than one year and up to five years | 1,863,146 | | 2,018,497 |
| longer than five years | 3,860,286 | | 4,073,177 |
| Total | 9,362,104 | | 10,217,294 |
| of which due to: | | | |
| affiliated companies | 0 | | 162 |
| companies in which an interest is held | 18,008 | | 16,140 |
| Securitised liabilities | | | |
| a) bonds and notes issued | 18,508,636 | | 15,445,577 |
| b) other securitised liabilities | | | |
| with originally agreed periods of notice of | | | |
| less than three months | – | | – |
| longer than three months and up to one year | – | | – |
| longer than one year and up to five years | – | | – |
| longer than five years | – | | – |
| total | 18,508,636 | | 15,445,577 |
| of which due to: | | | |
| bonds and notes issued due in the subsequent year | 5,001,935 | | 2,325,100 |
| Details on the securitised liabilities due to companies in which an interest is held cannot be stated. | | | |
| Liabilities on a trust basis | | | |
| due to banks | 57,001 | | 64,258 |
| due to customers | 3,342 | | 10,836 |
| Other liabilities | | | |
| premiums from option sales | 116,387 | | 132,786 |
| payment obligations for security purchases | 82 | | 1,308 |
| currency conversion adjustments | 21,137 | | 6,229 |
| outstanding balances on suspense accounts | – | | – |
| interest on profit-sharing rights | 37,385 | | 38,682 |
| other liabilities | 53,829 | | 64,981 |
| Total | 228,820 | | 243,986 |

| | EUR '000 | 2000 | EUR '000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------|-----------|
| Accruals and deferrals | | | |
| of which: | | | |
| discount on claims | 24,927 | | 28,549 |
| from the issuing and loans business of the mortgage bank | 60,911 | | 59,093 |
| Tax provisions | | | |
| of which: deferred tax on revaluation and consolidation measures affecting cash flows | – | | – |
| Special reserve item | 2,088 | | 5,302 |
| The special reserve item was set up according to Section 52 par. 16 of the German Income Tax Act (EStG). | | | |
| Subordinated liabilities | | | |
| of which: | | | |
| companies in which an interest is held | – | | – |
| expenses incurred in the financial year relating to subordinated loans | 28,733 | | 25,941 |
| The individual subordinated loans taken up are each for less than 10 % of the aggregate amount of the subordinated loans. The subordinated creditors' claims will be met only after satisfying all other creditors' claims. Creditors' rights to give notice are excluded. | | | |
| Capital and reserves | | | |
| subscribed capital | | | |
| Proprietors' capital holding of remaining members | 501,584 | | 497,804 |
| proprietors' capital holding of retiring members | 3 | | 15 |
| proprietors' capital holding pertaining to cancelled shares | – | | – |
| Total | 501,587 | | 497,819 |
| statutory reserves | 312,530 | | 295,000 |
| of which: allocation from annual net profit | 17,500 | | 17,624 |
| of which: allocation from net profit of the p.y. | 30 | | – |
| other revenue reserves | 330,026 | | 312,608 |
| of which: allocation from annual net profit | 17,500 | | 17,624 |
| of which: allocation from net profit of the p.y. | 6,178 | | 3,754 |
| minority interests | 40,044 | | 44,560 |
| of which: from earnings | 2,596 | | 2,872 |
| Group profit | 51,600 | | 50,562 |
| of which: profit carried forward | 14,950 | | 14,957 |
| Liabilities denominated in foreign currencies | | | |
| equivalent of | 2,713,731 | | 3,119,488 |

WGZ-Bank Notes to the Consolidated Financial Statements

as at 31. 12. 2002

| | EUR '000 2001 EUR '000 | | EUR '000 2001 EUR '000 | |
|------------------------------------------------------------------------------------------------------------------------|------------------------|-----------|------------------------|-----------|
| Assets pledged as security | | | | |
| Relating to liabilities to banks: | | | | |
| Total ceded claims for liabilities | | | | |
| in respect of earmarked funds | 7,825,545 | 7,335,719 | | |
| Negotiated registered mortgage bonds and negotiated registered public-sector bonds delivered to the lender as security | 7,216 | 8,199 | | |
| for loans from the mortgage bank business | 1,371 | 1,424 | | |
| Other obligations | | | | |
| Irrevocable credit commitments to banks | 778,192 | 878,801 | | |
| | | | | |
| Relating to liabilities to customers: | | | | |
| Total ceded claims for liabilities | | | | |
| in respect of earmarked funds | | | 66 | 223 |
| Negotiated registered mortgage bonds and negotiated registered public-sector bonds delivered to the lender as security | | | 18,918 | 18,918 |
| for loans from the mortgage bank business | | | 24,203 | 49,768 |
| | | | | |
| Irrevocable credit commitments to customers | | | 2,108,151 | 2,514,535 |

VI. Notes on the Profit and Loss Account

Breakdown of certain revenue items according to geographical markets

| | Germany | Other European countries |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------|
| | EUR '000 | EUR '000 |
| Interest income | 2,205,014 | 282,086 |
| Current income from shares, other variable rate securities, investments and proprietors' capital holding and holdings in affiliated companies | 63,043 | – |
| Commissions received | 118,899 | 11,764 |
| Net income from financial operations | 28,432 | 3,649 |
| Other operating income | 42,473 | 349 |

Extraordinary income

The extraordinary income is the result of book gains from the contribution of holdings in Bausparkasse Schwäbisch Hall AG and in DZ BANK AG Deutsche Zentral-Genossenschaftsbank into other companies.

Taxes on income

The tax charge against the result on ordinary activities is EUR 12,013,000. There is no tax charge against the extraordinary result.

VII. Other Financial Commitments

Other Financial Commitments

WGZ-Bank is a member of the protection scheme existing at the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., with a guarantee fund and guarantee Verbund. Within the framework of the guarantee Verbund, WGZ-Bank has assumed a guarantee obligation equal to eight times the basic levy contribution to the guarantee fund.

Other contingent liabilities not shown in the balance sheet are of minor importance for the assessment of the financial situation; they relate to balance setoff agreements, joint liabilities under registered securities, liability obligations under articles of association, as well as uncalled liability obligations concerning shares in cooperatives.

VIII. Off-balance sheet financial transactions

Counterparty structure

| | replacement values* |
|----------------------------------|---------------------|
| | EUR '000 |
| OECD central governments | 3,253 |
| OECD banks | 2,348,127 |
| OECD financial institutions | 13,014 |
| Other companies, private persons | 28,626 |
| Non-OECD central governments | – |
| Non-OECD banks | 315 |
| Non-OECD financial institutions | – |
| Total | 2,393,335 |

* including exchange-traded contracts in customer commission business

The replacement values reflect the maximum settlement risk on balance sheet date. They result from the positive market values per contract excluding netting of any negative market values, excluding collateral and excluding the application of credit risk weightings.

The contracts listed in the following table have mainly been concluded to hedge against fluctuations in interest rates, exchange rates or market prices. In addition, some of the contracts were concluded to hedge interest rate and exchange rate fluctuations resulting from the general banking business. There are no counterparty default risks resulting from option writer positions or from exchange-traded products in own account trading. The replacement values stated for the exchange-traded result from contracts in the commission business with customers. Because of the consolidation of transactions with subsidiaries, individual statements may also be smaller than in the overview for WGZ-Bank.

Product structure and nominal volumes

| | Nominal Amount by Time to Maturity | | | | Replacement |
|--------------------------------------|------------------------------------|-------------------|-------------------|--------------------|------------------|
| | up to 1 year | 1–5 years | over 5 years | total | value |
| | EUR '000 | | | | EUR '000 |
| Interest-related contracts | 27,908,764 | 40,735,251 | 24,533,494 | 93,177,509 | 1,924,134 |
| of which accounted for by: | | | | | |
| OTC products | | | | | |
| FRAs | 2,644,331 | 10,000 | – | 2,654,331 | 992 |
| Interest rate swaps (same currency) | 15,202,729 | 32,444,579 | 22,968,702 | 70,616,010 | 1,805,886 |
| Interest rate options – purchases | 3,212,866 | 3,846,156 | 423,194 | 7,482,216 | 111,787 |
| Interest rate options – sales | 3,348,523 | 3,969,541 | 1,141,598 | 8,459,662 | |
| Other interest rate contracts | 55,048 | 7,000 | – | 62,048 | |
| Exchange-traded products | | | | | |
| Interest rate futures | 3,437,267 | 457,975 | – | 3,895,242 | 3,049 |
| Interest rate options | 8,000 | – | – | 8,000 | 2,420 |
| Currency-related contracts | 17,835,693 | 621,944 | 215,866 | 18,673,503 | 451,310 |
| of which accounted for by: | | | | | |
| OTC products | | | | | |
| Currency futures | 14,611,104 | 406,883 | 1,609 | 15,019,596 | 421,511 |
| Cross-currency swaps | 26,113 | 215,061 | 214,257 | 455,431 | 6,641 |
| Currency options – purchases | 1,783,167 | – | – | 1,783,167 | 23,158 |
| Currency options – sales | 1,415,309 | – | – | 1,415,309 | |
| Other foreign exchange contracts | – | – | – | – | |
| Exchange-traded products | | | | | |
| Currency futures | – | – | – | – | |
| Currency options | – | – | – | – | |
| Share/index-related contracts | 283,327 | 13,790 | 6,648 | 303,765 | 17,891 |
| of which accounted for by: | | | | | |
| OTC products | | | | | |
| Share/index swaps | – | – | – | – | |
| Share/index options – purchases | 3,444 | 3,378 | 3,324 | 10,146 | 7,174 |
| Share/index options – sales | 12,882 | 7,864 | 3,324 | 24,070 | |
| Other share/index contracts | – | – | – | – | |
| Exchange-traded products | | | | | |
| Share/index futures | 153,236 | – | – | 153,236 | 1,284 |
| Share/index options | 113,765 | 2,548 | – | 116,313 | 9,433 |
| Other contracts | – | 20,000 | – | 20,000 | |
| of which accounted for by: | | | | | |
| OTC products | | | | | |
| Credit default swaps | – | 20,000 | – | 20,000 | |
| Exchange-traded products | – | – | – | – | |
| Total of all contracts | 46,027,784 | 41,390,985 | 24,756,008 | 112,174,777 | 2,393,335 |
| of which accounted for by: | | | | | |
| OTC products | 42,315,516 | 40,930,462 | 24,756,008 | 108,001,986 | 2,377,149 |
| Exchange-traded products | 3,712,268 | 460,523 | – | 4,172,791 | 16,186 |

IX. Development of Fixed Assets

| Tangible assets: | Land and buildings | Office fixtures, fittings and equipment |
|-----------------------------------------|---------------------------------|--------------------------------------------------------------------------------|
| | EUR '000 | EUR '000 |
| Acquisition and production cost | 96,724 | 77,489 |
| Additions | 18,577 | 17,695 |
| Write-ups | - | - |
| Transfers | - | - |
| Disposals | 80 | 3,074 |
| Accumulated write-downs | 33,238 | 59,616 |
| Net book value as at balance sheet date | 81,983 | 32,494 |
| Write-downs in financial year | 2,341 | 12,186 |
| Financial assets | Securities held as fixed assets | Investments and proprietors' capital holding, holdings in affiliated companies |
| | EUR '000 | EUR '000 |
| Historical and production cost | 1,497,455 | 765,456 |
| Changes total | 353,051 | 347,801 |
| Net book value as at balance sheet date | 1,850,506 | 1,113,257 |

X. Group Holdings

| Name and location | Holding | Net worth | | Result |
|-------------------------------------------------------------------|---------|----------------------------|----------|----------|
| | | in previous financial year | | |
| | in % | EUR '000 | EUR '000 | EUR '000 |
| DZ Beteiligungsgesellschaft mbH, Frankfurt/M. | *1) | 44.80 | 26 | 0 |
| R+V Versicherung AG, Wiesbaden | *2) *3) | 14.51 | 762,210 | + 36,628 |
| Union Asset Management Holding AG, Frankfurt/M. | *2) *3) | 16.56 | 183,313 | + 37,515 |
| DIFA Deutsche Immobilien Fonds AG, Hamburg | *2) *3) | 5.50 | 41,741 | + 8,564 |
| VR-LEASING AG, Eschborn | *2) *3) | 16.54 | 67,678 | + 7,913 |
| cosba private banking ag, Zurich | *2) *3) | 10.00 | 133,290 | + 10,667 |
| bws bank Bank für Wertpapierservice und -systeme AG, Frankfurt/M. | *2) *3) | 16.77 | 41,298 | + 122 |
| GVA GENO-Vermögens-Anlage-Gesellschaft mbH, Frankfurt/M. | *4) | 33.33 | 5,042 | + 3,550 |

Details on further holdings have not been stated, as they play an insignificant role in conveying a true and fair view of the group's assets, financial position and earnings.

*1) After the contribution of the holdings in DZ BANK AG, the company's capital amounts to EUR 909.4 m as at the end of the year.

*2) Investments in large corporations that exceed 5% of the voting rights

*3) Investments in selected Verbund investments amounting to less than 20% of the capital; the shares in Bausparkasse Schwäbisch Hall AG have been brought into another company as a hidden contribution as at the end of the year.

*4) Associated company

XI. Other Information

Responsible auditors' association

Deutscher Genossenschafts- und Raiffeisenverband e.V., Berlin, Schellingstraße 4

Mandates on the Supervisory Boards of large corporations

WGZ-Bank Managing Board

Werner Böhnke

| | |
|------------------------------------------------------------------|-----------------------------------|
| DZ BANK AG Deutsche Zentral-Genossenschaftsbank AG, Frankfurt/M. | – Member of the Supervisory Board |
| Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall | – Member of the Supervisory Board |

Michael Fraedrich

| | |
|---------------------------------------------|--------------------------------------------|
| DIFA Deutsche Immobilien Fonds AG, Hamburg | – Deputy Chairman of the Supervisory Board |
| VR-LEASING AG, Eschborn | – Deputy Chairman of the Supervisory Board |
| BAG Bankaktiengesellschaft, Hamm | – Member of the Supervisory Board |
| Zentrum Mikroelektronik Dresden AG, Dresden | – Member of the Supervisory Board |

Karl-Heinz Moll

| | |
|-------------------------------------------------------------------|--------------------------------------------|
| Union Asset Management Holding AG, Frankfurt/M. | – Deputy Chairman of the Supervisory Board |
| bws bank Bank für Wertpapierservice und -systeme AG, Frankfurt/M. | – Deputy Chairman of the Supervisory Board |
| R+V Versicherung AG, Wiesbaden | – Member of the Supervisory Board |
| cosba private banking ag, Zürich | – Member of the Administrative Board |

Thomas Ullrich

| | |
|-------------------------------------------------|-----------------------------------|
| Union Investment Privatfonds GmbH, Frankfurt/M. | – Member of the Supervisory Board |
|-------------------------------------------------|-----------------------------------|

WGZ-Bank Employees

Rainer Schon

| | |
|--------------------------------|-----------------------------------|
| L'UDOVA BANKA a.s., Bratislava | – Member of the Supervisory Board |
| Volksbank CZ, a.s., Brno | – Member of the Supervisory Board |

Total emoluments of the Board Members of the Parent Bank

The statement of the total emoluments of the members of the Managing Board for their work in the parent company and in subsidiaries is omitted pursuant to Section 286 paragraph 4 of the German Commercial Code. The Supervisory Board received EUR 115,000 and the Advisory Board EUR 208,000 in compensation and attendance fees. EUR 1,403,000 was paid to retired members of the Managing Board or their surviving dependants; the pension provisions of EUR 15,511,000 for this group of persons cover all commitments.

| Amounts due from Board Members | EUR '000 |
|--------------------------------|----------|
| Supervisory Board | 541 |
| Advisory Board | 3,534 |
| Managing Board | 266 |

Average number of employees

| | female | male | total |
|--------------|--------|------|-------|
| WGZ-Bank | 458 | 753 | 1,211 |
| Subsidiaries | 137 | 177 | 314 |
| | 595 | 930 | 1,525 |

Düsseldorf, April 22, 2003

WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG

Böhnke Fraedrich Moll Pfeifer Ullrich

WGZ-Bank Group's Interim Report 30 June 2003

Although there are first signs indicating a slight recovery of the economic situation, the economic environment has remained very difficult in 2003. The German economy continued to shrink in the second quarter, and the general conditions offer no reason to hope for any change for the better. The negative trend in the business of small and medium-sized companies in the Rhineland and in Westphalia continued, even though the mood seems to be getting at least slightly better. However, there is still no noticeable impetus for growth. Against this background, the WGZ-Bank Group's total assets and business volume after the first six months remained at the 2002 yearend level of EUR 59.9 bn and EUR 60.7 bn, respectively. Within the Group, there was again considerable growth at the mortgage bank subsidiary WL-Bank, which benefited from historically low interest rates and the active arrangement of loans by the Volksbanken and Raiffeisenbanken.

Business with the member banks: At a high level despite seasonal declines

Compared with 31.12.2002, WGZ-Bank's business with its member banks remained within the limits of the usual seasonal fluctuations. The corresponding positions were reduced – although to different degrees – on both sides of the balance sheet. Overall, the Volksbanken and Raiffeisenbanken utilised some of the liquidity that was deposited at their central bank for their respective business needs.

Altogether, claims on member banks decreased by 3.1 % to EUR 11.8 bn; nevertheless, they are above the level of claims after the first half of the previous year. The same applies to the deposits of the member banks, which were reduced by 18 % overall to EUR 9.4 bn. Apart from the seasonal fluctuations, like in the previous year, the sharp decline at mid-year was also due to the extraordinary cash dispositions of the member banks towards the end of the previous year as a result of the unusual buying restraint on the part of consumers. The public-sector loan mediation business, on the other hand, recorded an increase: Altogether, the Volksbanken and Raiffeisenbanken passed on 14,021 applications (+32.8 %) with a volume of EUR 849 m (+11.9 %) to WGZ-Bank – a significant proof that the co-operative Group absolutely fulfils its legal, but also political-economic development mandate. This increase was solely driven by the demand for home loans, while the demand for support programmes for business start-ups declined further.

Increase in customer mortgage loan and public-sector lending business – good issuing business

Overall, the WGZ-Bank Group expanded its customer lending business despite the difficult environment. The growth continues to be driven by the mortgage loan and public-sector lending business of WL-Bank, whereas the "classical" lendings to corporate customers were still rather modest. However, the decline in WGZ-Bank's commercial loans was relatively low at 1.6%. WL-Bank here states an increase of 3.2%. WGZ-Bank's commitment to small and medium-sized companies remains unchanged. In the wake of an even more intensive distribution orientation of its organisation, it will continue to focus on the SMEs. This segment offers market opportunities for the cooperative banking group, even within the framework of the necessary risk orientation.

The WGZ-Bank Group continued its activities in the money market and capital market with the issuance of securitised liabilities. The volume of these liabilities rose by 4.6 % to EUR 19.4 bn. WL-Bank, whose öffentliche Pfandbriefe (public sector mortgage bonds) and Hypothekenpfandbriefe (mortgage bonds) are still rated by S&P with the top rating "AAA", provides the WGZ-Bank Group with a favourable source of refunding that is also attractive for investors.

The securities portfolio increased by 10.1 % to EUR 13.5 bn. The focus was on investments in fixed-income securities, which also clearly dominate the overall portfolio. In the interbank market, the positions of the WGZ-Bank Group basically developed in correspondence with the changes in the business with member banks: Borrowings increased by 5.2 % to EUR 18.6 bn, while claims on other banks declined by 6.1 % to EUR 11.1 bn. As of 30.06.2003, the holdings portfolio remained virtually unchanged at EUR 1.1 bn.

Earnings situation improved

In spite of the continued extremely difficult general conditions, the WGZ-Bank Group succeeded in improving its earnings situation in the first half year 2003. Compared with the same period of the previous year, net interest income increased by 1.5% to EUR 131.9 m. Despite all caution, the development of commission revenues indicates a trend reversal: With an increase of 3.3%, net commission income rose to EUR 23.8 m. Net income from financial transactions increased significantly from EUR 15.4 m to EUR 25.8 m. Above all the parent bank, but also WGZ-Bank Ireland plc contributed to this good result. Administrative costs remained constant compared to the first half year 2002. While personnel costs increased slightly, particularly due to expenses for part-time retirement, the operating expenditure decreased. In May, WGZ-Bank took comprehensive strategic and structural measures in order to further strengthen distribution as well as to streamline the company organisation structure and operations structure. First effects on efficiency are to be expected already for the full year 2003, independent of the accompanying extraordinary expenses. Altogether, the WGZ-Bank Group reported a 20.4% improvement in operating profit before risk provisioning to EUR 79.5 m. The Group's cost-income ratio was 57.6 % at mid-year, down from 62.1 % as at 30.06.2002.

In the wake of the restructuring of R+V Versicherungsgruppe, extraordinary income was generated in particular from this participation. In addition, there was extraordinary income from the contribution of bws-bank and from a pay-out-take-back procedure in respect of VR-Leasing. This income is reported as extraordinary income as at 30.06.2003 for a proportionate period of time in the other result totalling EUR 69.4 m. Like in the previous year, it is planned to use a considerable share of the book gains as a provisioning position for the allocation to hidden reserves according to section 340 f of the German Commercial Code. At mid-year, the actual bad debt requirement, which the WGZ-Bank Group continues to determine according to the strictest standards, is clearly below the amount of EUR 70 m that is reported as the total risk provisioning in this respect. Overall, WGZ-Bank achieved a better result as at 30.06.2003, even after individual and general risk provisioning: Net profit before taxes increased by 13.4% to EUR 78.9 m.

Strengthening of equity capital

The bank's capital and reserves increased by 2.1 % to EUR 2.4 bn at mid-year compared with the year-end 2002. The core capital and the liable capital remained unchanged at EUR 1.4 bn and EUR 1.8 bn, respectively. The Principle I ratio was 10.3%.

WGZ-Bank Group earnings situation as of June 30, 2003

| | 1.1. - 30.6.2002 in EUR m | 1.1. - 30.6.2003 in EUR m | Change in % |
|----------------------------------------------------------------|------------------------------|------------------------------|----------------|
| Net interest income | 130.0 | 131.9 | 1.5 |
| Net commission income | 23.0 | 23.8 | 3.3 |
| Net income from financial transactions | 15.4 | 25.8 | 67.6 |
| Other operating result | 5.5 | 5.9 | 8.0 |
| Administrative expenses | -107.9 | -107.9 | 0.0 |
| Operating profit before risk provisioning | 66.0 | 79.5 | 20.4 |
| Other result* | 148.5 | 69.4 | -53.2 |
| Risk provisioning** | -144.9 | -70.0 | -51.7 |
| Net profit before taxes | 69.6 | 78.9 | 13.4 |

* including extraordinary results from participations (pro rata temporis)

** including allocation of hidden reserves (pro rata temporis)

WGZ-Bank Group balance sheet June 30, 2003

| | 31.12.2002 EUR m | 30.6.2003 EUR m | Change in % |
|-----------------------------------|---------------------|--------------------|----------------|
| Claims on member banks | 12,225 | 11,840 | -3.1 |
| Claims on other banks | 11,827 | 11,102 | -6.1 |
| Claims on customers | 21,028 | 21,319 | 1.4 |
| Securities | 12,264 | 13,499 | 10.1 |
| Holdings | 1,113 | 1,118 | 0.4 |
| Other assets | 1,449 | 1,051 | -27.5 |
| Total assets (Group) | 59,906 | 59,929 | 0.0 |

Liabilities

| | 31.12.2002 EUR m | 30.6.2003 EUR m | Change in % |
|----------------------------------------|---------------------|--------------------|----------------|
| Liabilities to member banks | 11,410 | 9,351 | -18.0 |
| Liabilities to other banks | 17,633 | 18,555 | 5.2 |
| Liabilities to customers | 9,362 | 9,331 | -0.3 |
| Securitised liabilities | 18,509 | 19,369 | 4.6 |
| Capital and reserves | 2,347 | 2,397 | 2.1 |
| Other liabilities | 645 | 926 | 43.6 |
| Total liabilities (Group) | 59,906 | 59,929 | 0.0 |
| Contingent liabilities | 800 | 740 | -7.5 |
| Business volume (Group) | 60,706 | 60,669 | -0.1 |

Recent Developments and Outlook for WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG

In the year 2003, WGZ-Bank performed exceptionally well compared with the sector in a persistently difficult environment for financial services companies. This positive development can be attributed not least to the good market positioning as well as to the positive development of the member banks. Also in the second half year of 2003, the Volksbanken and Raiffeisenbanken in WGZ-Bank's business area were able to assert themselves in a market environment that was characterised by fierce competition.

However, the economic downturn of the past years continues to leave its marks on all market participants, and this also affects the financial services companies. Therefore, no significant growth impetus was noticeable in WGZ-Bank's business development in 2003. Nevertheless, WGZ-Bank single-mindedly followed its strategy of focusing on small to medium-sized corporate customers also in the second half year of 2003, thus laying the foundations for a sound growth in the case of an economic recovery. WGZ-Bank's risk management and earnings control provide the ideal conditions for this.

As well as the member banks, WGZ-Bank used the developments in the capital markets to shift liquid funds into securities investments. Having reduced this position in the previous year, WGZ-Bank expanded it again from a risk and earnings point of view and was thus able to benefit from the positive yield development. The extent of WGZ-Bank's own securitised liabilities was reduced in 2003 through maturities.

WGZ-Bank's earnings situation showed a positive development in 2003. This was, among other things, due to the operating results, which were clearly above the year-earlier figure and above the budget estimate. As an example, the development of net commission income, which was characterised by a recovery in the securities business, an increasing need for asset management services as well as an increase in the demand for payment transaction services, is to be mentioned. WGZ-Bank was able to position itself well, particularly in the latter business area, by means of innovative solutions which are closely orientated to the requirements of the member banks as one of the WGZ-Bank's core target groups. This position as a member and customer-oriented central bank is to be strengthened and further extended in the year 2004. In order to achieve this goal, WGZ-Bank will continue to concentrate on its core competences and increase the focus on its core target groups.

WGZ-Bank's equity capitalisation is comfortable. Its risk situation is not yet satisfactory, but it has improved considerably, particularly because WGZ-Bank increased its already high reserves in 2003 as well.

ISSUER

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To the Issuer

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To the Parent

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PRINCIPAL PAYING AGENT AND CALCULATION AGENT

WGZ-Bank

Westdeutsche Genossenschafts-
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40227 Düsseldorf
Federal Republic of Germany

Aufgrund des vorstehenden Prospekts sind die

€ 500.000.000
Variabel verzinslichen Teilschuldverschreibungen
von 2004/2007

der

WGZ-Bank
Ireland plc

Dublin, Irland

mit einer Patronatserklärung

der

WGZ-Bank

Westdeutsche
Genossenschafts-Zentralbank eG

Düsseldorf, Bundesrepublik Deutschland

– ISIN DE 000 A0A V6Q 1 –

zum Amtlichen Handel an der Börse Düsseldorf zugelassen worden.

Dublin, Düsseldorf, 23. März 2004