Interim Report

June 30, 2012
Portigon AG (formerly WestLB AG until July 2, 2012)

Portigon
Financial Services

Portigon Key Figures

Financial Data January 1 – June 30, 2012

	1. 1. – 30. 6. 2012	1. 1. – 30. 6. 2011	Change absolute	%
Performance figures in € millions				
Net interest income	343	565	– 222	– 39
Impairment charge for credit losses	– 134	– 55	– 79	> – 100
Net interest income after impairment charge for credit losses	209	510	– 301	– 59
Net fee and commission income	84	120	– 36	– 30
Net trading result	– 182	26	– 208	> – 100
Result from financial investments	– 21	9	– 30	> – 100
Administrative expenses	416	480	– 64	– 13
Other operating expense and income	13	23	– 10	– 43
Restructuring expenses	52	158	– 106	– 67
Profit/loss before income tax	– 365	50	– 415	> – 100
Income taxes	22	– 14	36	> 100
Profit/loss after income tax	– 343	36	– 379	> – 100

	June 30, 2012	Dec. 31, 2011	Change absolute	%
Balance Sheet Figures in € billions				
Total assets	170.8	167.9	2.9	2
Equity	2.4	3.0	– 0.6	– 20
Bank Regulatory Capital Ratios (SolvV)				
Core capital in € billions	4.2	4.3	– 0.1	– 2
Own funds in € billions	6.6	6.7	– 0.1	– 1
Risk-weighted assets in € billions	42.6	48.3	– 5.7	– 12
Core capital ratio in %	10.0	8.8	–	–
Overall ratio in %	15.5	13.8	–	–
Employees				
Number of employees	4,194	4,429	– 235	– 5
Full-time employees	3,963	4,188	– 225	– 5

Current Ratings	Short Term	Long Term	Public Pfandbrief
Moody’s Investors Service	P-2	A3	Aaa
Fitch Ratings	F1+	A+	–

Chairman's Statement

Dear partners and clients,

For more than 43 years WestLB actively helped to shape the economic and banking history of North Rhine-Westphalia and the Federal Republic. This era came to an end on June 30, 2012, when WestLB ceased to write new business as a universal bank. On July 2, 2012 we changed our name to Portigon AG.

With the decision of the European Commission on December 20, 2011, the transformation was settled irrevocably on June 30, 2012. We used the first half of 2012 to make intensive preparations for this fundamental restructuring. Following extremely protracted and difficult negotiations, the management and shareholders of WestLB (Portigon since July 2, 2012), Helaba and EAA, together with the Federal Agency for Financial Market Stabilisation (FMSA), signed a framework agreement on June 30, 2012 within the specified timeframe. This specifies that, as per June 30, 2012, all agreements that are required for the break-up of Portigon have to be formally executed and recorded by August 31, 2012.

The interim report as at June 30, 2012 mirrors the major challenges of the past months. In the period from January to June 2012, Portigon, whose business activities were influenced increasingly by the radical restructuring, reported a result before tax of € – 365 million. Restructuring expenses of € 52 million are included in this figure.

For the employees and Managing Board these changes constitute a very painful process. We are nevertheless looking to the future, focusing our entire efforts on positioning Portigon, the new service provider, in the market with a clear strategic orientation.

An internationally operating provider of portfolio management and other services for the financial services industry, Portigon is building on the banking experience of a former universal bank. Since 2009 we have already been a dependable partner for the EAA and for a transitional period of two years we will additionally support the Verbundbank with our range of services. Acquiring new third-party customers will be a top priority in the months ahead. In this connection we are already engaged in exploratory talks and initial concrete negotiations with various parties.

Portigon´s target clients are wind-down vehicles, financial institutions with internal restructuring units as well as capital investors holding or intending to acquire large credit and/or securities portfolios. Portigon has a presence in Europe, America and Asia and offers its clients comprehensive services for the management of complex portfolios. Portigon stands for stability, established and efficient processes, a well-rehearsed team and a systematic focus on client needs. With a state-of-the-art, globally standardised IT platform, we support all banking processes and offer client-enabled applications as well as high-performance settlement tools.

The finance industry is undergoing fundamental change. Stricter regulatory requirements on capital and liquidity, coupled with more restrained economic growth, mean that financial institutions in developed economies have to reduce their total assets and risk-weighted assets. We believe there is a growing demand in this regard for specialised service providers who can provide active support in dismantling non-strategic portfolios. There are promising opportunities for Portigon to position itself successfully in the market.

Portigon has a strong shareholder, the State of North Rhine-Westphalia. This assessment is shared by Fitch Ratings, which upgraded Portigon´s long-term rating to A+ with stable outlook on July 13, 2012.

On behalf of the employees, the Managing Board would like to thank all clients and business partners for their loyalty and support throughout the years.

We will work hard to take advantage of the strategic opportunities available to Portigon. The Managing Board and our entire team are fully committed to achieving this goal.

Dietrich Voigtländer
Chairman of the Managing Board

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Group Interim Statement of Financial Condition

Economic Setting

The sovereign debt crisis in the euro area continued to dominate events on the financial markets in the first half of 2012. There was some hope in spring for sustainable improvement in the market situation, but it was short-lived and did not recur. Most of Greece's private creditors voluntarily forfeited a large portion of their claims against the country as part of a debt exchange programme. The activation of collective action clauses to compel those who did not qualified as a credit event, triggering the payout of credit default insurance (CDS). While it was feared that such a step would cause a major stir in the market, that proved not to be the case. The haircut taken by private creditors and granting of a second bailout package helped Greece avert the "disorderly" payment default it was facing. The ECB's two three-year long-term refinancing operations (LTRO) also injected some calm into the markets. The allotment of nearly € 1 trillion combined was aimed at ensuring an adequate supply of liquidity for banks, especially those in the peripheral countries, which were finding it exceedingly difficult to get cash on the money market. A substantial portion of the liquidity was used to purchase the respective home countries' government bonds, which noticeably improved capital market conditions for Italy and Spain, in particular.

A decision was taken in late March to expand the scope of the rescue facilities by combining the existing EFSF bailout facility with the future permanent bailout mechanism, the ESM. However, the sovereign debt crisis escalated soon thereafter. Political developments in Greece caused a great deal of uncertainty in the markets. After parliamentary elections in early May left no clear winner, campaigning for the mid-June revote focused largely on the question of whether to continue the country's fiscal consolidation programme. A discontinuation of austerity measures would have prompted outside investors to announce an end to further financial support for the country. Thus, the spectre of insolvency along with a probable exit from the monetary union loomed over Greece again. Given the fear that the disaster would spread to other countries, notably Portugal and Spain, concerns over a complete collapse of the European monetary union grew. As before, Germany's sovereign bonds were a sought-after haven in this climate. At the beginning of June, the yield on ten-year Bunds dipped below 1.13%, thus slipping to its lowest level ever. The euro came under pressure. With the EUR/USD exchange rate falling below 1.23, the common currency was at its weakest against the dollar in two years. Ultimately, Greece decided in favour of staying the course of fiscal consolidation and, thus, remaining in the European monetary union. However, the country's ability to meet the proposed consolidation targets is in serious doubt given the lack of opportunity to push through reforms during the election campaign and the deep recession it continues to suffer.

In addition, the markets' focus shifted back to Spain after its government admitted that the country would not achieve its deficit targets. However, uncertainty surrounding the recapitalisation needs of Spanish banks was the largest source of concern. Spain's administration hesitated at first to apply for aid to shore up its banks, since existing rules stipulated that only a country's government could make such a request, which increases the deficit. In June, Spain did make the aid request for its banks – as did Cyprus as well. Spain was given more time to lower its budget deficit, but the markets remained very sceptical about whether this would actually bite. Yields on the country's bonds have stayed high, hitting close to 7% for ten-year paper at the end of July, which suggests that Spain might very well need a bailout to fund government operations and make payments on its debt. Such a bailout would exhaust all rescue funds, even if the combination of EFSF and ESM reached full capacity in the year ahead. In this kind of scenario, funding conditions would also remain challenging for Italy.

To break the vicious circle of sovereign debt and banking crisis, the European Council resolved at the end of June to allow ailing banks to receive aid from the bailout fund directly in future. A condition of their decision was the creation, which is likely to occur sometime in 2013, of an independent joint supervisory body for Europe's banking sector with the ECB's involvement. It should also be possible going forward for countries to receive aid from the bailout fund without having to implement additional austerity measures, as long as they can show that they have complied with the EU's corresponding specifications. At the end of June, Germany's two legislative chambers agreed to the establishment of the ESM, the permanent European bailout fund, and approved the fiscal pact resolved by European heads of state in January. The fiscal pact, ratified by most EU member states, sets requirements for governments to start reining in debt as of 2013. Notwithstanding the ESM's approval, the permanent euro bailout mechanism will not take effect until autumn, since Germany's Federal Constitutional Court plans to closely review the content of the pertinent bill and the country's president does not wish to sign the bill into law until this review is complete. In all likelihood, the ruling will be delivered on September 12, 2012.

Many of the most recent political decisions will not produce a near-term change for the better in the sovereign debt crisis, which means it is likely to continue to impair the financial markets for the foreseeable future. However, the case of Ireland shows that a country can regain the markets' confidence if it pursues a systematic deficit reduction policy. Risk premiums on Irish government bonds have decreased dramatically and the government in Dublin plans to return to the capital market by no later than the beginning of next year. Until then, the ECB could provide a measure of reassurance. In a speech in late July, ECB president Mario Draghi alluded to the central bank's willingness to do everything necessary to maintain the single currency. He reiterated this position at the ECB's meeting in early August, but did not elaborate on any specific measures. It is believed that the central bank will restart its programme for buying government paper. However, the ESM would have to be in effect first and the affected countries would have to file formal requests for aid.

Across the globe, the economy weakened further in the first half of 2012. For many industrial countries, high government debt and the less robust world trade proved to be the largest drags on economic performance. In many emerging countries, the previous tightening of fiscal and monetary policy continued to have an effect. Oil and food prices, up sharply of late, also had a dampening effect. Nevertheless, the pace of growth in the emerging markets still far outpaces the rate of expansion in the industrial nations. It bodes well for future development that policymakers in many regions recognised the tail-off in growth a good while back and introduced stimulus measures for their economies. The central banks of several countries, including China and Brazil, have already loosened their monetary policy and lowered interest rates. That being the case, the emerging economies are likely to stabilise and even rebound slightly in the second half of the year.

There has been a considerable slowdown in the pace of growth in the United States as well this year. Aside from the ongoing troubles in the country's real estate market, its labour market, which has seen only sluggish recovery, poses another problem for the US economy. Employment gains, and therefore income growth of private households, are too weak to spark faster expansion. What became a steep rise in oil prices in the first half of the year made matters worse by eroding what little increase there had been in incomes. Private consumption picked up, but only because of lower savings on the part of private households. The savings rate dropped as a result to its lowest level since the spring of 2008, putting the brakes on the crucial reduction in personal debt, which remains relatively high. It is unlikely that the savings rate will drop much further in the coming quarters, leaving no expectation for significant impetus from private consumption. Thus, it looks as though economic growth in the United States will remain sluggish, especially given the current lack of scope for economic policy measures. The political stalemate in congress means that there is little room for any fiscal strategy options ahead of the November presidential election. What is more, nearly all opportunities for monetary policy stimulus have been exhausted. The key interest rate is near zero, where it is poised to stay until the end of 2014, according to statements by the Fed. The central bank waited until June to announce that it would push back the end date for its existing maturity extension programme from the end of June until the end of the year. So far the Fed has refrained from purchasing any more government bonds, i.e. from launching a third round of quantitative easing, but it is expected to do so if the economy remains weak. Nevertheless, this would probably add no significant momentum to the nation's economy.

The economic situation is dire in the euro area. The EMU economy has been spared a recession so far – after suffering a decrease in output at the end of 2011, it stagnated at the start of the year. However, this is all due to the robust growth in Germany. By all indications the economy contracted again in the second quarter. In addition to extensive fiscal consolidation measures, the high unemployment in many regions has been a major drag on the economy. The situation is worrisome in the crisis-laden countries of Greece, Portugal and Spain, in particular, but also in Italy. Since the proposed consolidation targets will require additional austerity measures – Spain just unveiled its new austerity package – a turnaround is not in sight. In light of this, gross domestic product is likely to drop sharply on average this year.

The outlook for the German economy is much brighter, even though the European sovereign debt crisis and global economic slowdown have left their mark here as well. Growth was actually quite strong at the beginning of the year, but the economy lost momentum again in spring. This indicates that the impetus from outside the country has subsided and that German companies are investing much more cautiously in the current climate. This contrasts with the momentum provided by Germany's highly competitive production base and from its ability to partake in the growth of the emerging economies. The extensive modernisation and restructuring measures taken previously not only raised the country's international competitive profile; together with the labour market reforms taken as part of the Agenda 2010, they also led to a sizeable boost in employment. Employment has risen to its highest level since the Federal Republic was formed, while the jobless figure is at its lowest level since the early nineties. Moreover, the deficit reduction pressure is much less pronounced in Germany than elsewhere because of the country's relatively stable public budget situation. A rebound in construction spending, long a drag on the economy, has also helped. Germany's gross domestic product will probably average growth of 1% for the year. Of course, this forecast should not give companies, investors and politicians reason to be complacent. Another dramatic escalation in Europe's sovereign debt crisis and concomitant collapse of the monetary union would have serious adverse consequences on the export-driven German economy. The debt crisis being what it is, it is entirely possible that bailouts exceeding the current scope of committed funds will become necessary and/or that common bonds, Eurobonds, will be introduced in the foreseeable future. Either scenario would more than likely push the yields on German Bunds much higher, since Germany's liability risk would increase.

The ECB loosened its monetary policy further given the difficulties facing many banks and the bleak economic prospects. After supplying banks with around € 1 trillion in additional liquidity through the two LTROs, the first in December 2011 and the other in February 2012, the central bank then cut interest rates in early July. The principal refinancing rate stands at 0.75%, its lowest level since the ECB was formed. The deposit rate was lowered to 0% to make deposits with the central bank less attractive, but with the grave uncertainty that is characteristic of the current climate, the interbank market is not likely to pick up steam in the near future. Many banks in the euro area, especially those along its periphery, will continue to depend on the central bank for refinancing. In this respect, the ECB is expected to continue offering unlimited liquidity under its existing tender operations for the time being. What is not clear at present is when it will signal an end to its unusually expansive monetary policy. With the risk of inflation low and likely to remain so for the foreseeable future, there appears to be little reason to hurry.

Developments in the Banking Sector

The capital markets business got off to a promising start to the year, but the further escalation of the debt crisis in the EU's periphery changed that. Conditions were particularly bad in the second quarter. Greece's haircut calmed the markets for only a brief period of time, as their focus soon shifted to the far larger economies of Spain, where the weakness of several banks' balance sheets came to light, and Italy. The customer business dropped again sharply in the second quarter, with strong risk aversion once more taking hold. Additionally, the periods of high market volatility were accompanied by earnings pressure, especially in the derivatives business.

The fixed income business improved quite considerably compared to the second half of 2011 given the decent first quarter. In many cases, however, it could not compete with the first half of 2011. Sales in most areas were well below the previous year given the caution exhibited by customers, and the pressure on margins continued.

The equity business followed a similar trend. After a significant upturn in stock prices until the end of March, developments over the remainder of the period proved disappointing. Stock prices fell sharply again in April and May, dashing hopes for a recovery in the underwriting business. Instead, issuance activity ground almost to a complete halt in Europe. Even the long-planned IPO of Evonik was cancelled.

Competition in the lending business for customers with higher credit quality is still fierce. Margins remained squeezed as a result. On top of that, there was no increase in volumes to offset this effect in Germany because the country's companies are well funded. Interest margins are down largely because of the situation on the refinancing side of the business. Unsecured bank bonds are effectively unplaceable, and the competition for retail deposits remains stiff. Preparations for the stricter liquidity requirements are also having a negative effect on the interest margin. A degree of relief was provided by the ECB's generous liquidity operations.

The other side to this story is that most banks also feel pressure to deploy their equity sparingly. Basel III is looming large on the horizon, and it seems as though the market is forcing swift compliance with the new capital requirements. The long transitional periods to full implementation appear, in effect, to be defunct.

Risk provisioning requirements in the German lending business have remained very low because of the positive economic developments in Germany, with widespread reversal of loss allowances which are no longer needed. The current situation is good, but economic indicators have worsened as the debt crisis in the EU's peripheral countries intensifies.

Without a recovery in the capital markets business, banks are trying to cut costs further. The unveiling of additional cost-saving programmes to supplement measures that were either already announced or already in place was a common occurrence. At the same time, the stricter regulatory requirements continue to make themselves felt in investments in systems and personnel.

Structural Changes in the Portigon Group

The first half of 2012 continued to be dominated by the transformation process of Portigon AG (operating under the name of WestLB AG until July 2, 2012).

At the end of June 2012, the managing boards of Portigon, Helaba and EAA reached an agreement with Portigon's owners and the FMSA concerning the economic consequences of, and a timetable for, Portigon's restructuring. The agreed package of measure represents a further step towards full implementation of the decision taken by the European Commission on December 20, 2011. The corresponding framework agreement was signed by the parties on June 30, 2012. Once Portigon presents its closing balance sheet as at June 30, 2012, it will be possible to formally record the agreements required for the break-up of Portigon. This is due for completion by August 31, 2012.

Upon entry of the transaction in the commercial register, Portigon's Verbund business, with total assets of approximately € 40 billion, will be transferred as a so-called Verbundbank to a limited partnership acquisition vehicle owned by Helaba. The closing balance sheet will be dated June 30, 2012, and the acquisition will take retroactive effect from July 1, 2012. On the basis of the existing agreements, the transfer of beneficial ownership occurred as of July 1, 2012. This means that Helaba became the beneficial owner of the Verbundbank's results as of that date, with the exception of the business with custodial accounts and payment transactions, which is due for transfer on September 17, 2012. The official transfer of the Verbundbank (minus the noted exceptions) will occur on September 1, 2012. The technical transfer, entry in the commercial register, and passing of the payment transactions and custodial banking business is scheduled for September 17, 2012.

The holdings and risks of the remaining Portigon portfolio will pass to EAA, also with retroactive effect. In keeping with the principle of simultaneity, the refilling of EAA will occur upon the formal recording of all of the agreements necessary for the break-up of Portigon as of the retroactive effective dates established in the cornerstone agreement of June 23, 2011 and on the basis of agreed transfer paths. The retroactive effective date is January 1, 2012 for the banking book and July 1, 2012 for the trading book and new business written in the first half of 2012.

In compliance with the European Commission's decision of December 2011, Portigon ceased to write any new business outside of the Verbundbank on June 30, 2012. To this end, the Managing Board took early action and resolved in the first half of 2012 to discontinue new business in Equity Markets and Research as well as the Corporates, Corporate & Structured Finance Products, Business Management & Business Development and Active Credit Portfolio Management units by June 30, 2012 at the latest. It also formulated the related restructuring plans at that time. Additionally, the Managing Board and staff council agreed on a package of measures for implementing the restructuring in a socially responsible manner.

As part of the European Commission's decision, Portigon was allowed to continue selling its equity stakes in other companies until June 30, 2012. In the first half of 2012, the Bank focused on selling non-core business segments. The Brazilian subsidiary Banco WestLB do Brasil S.A. was sold to Mizuho Corporate Bank, Ltd., pending regulatory approval.

Portigon's Russian subsidiary, Bank WestLB Vostok (ZAO), is due to be sold to Igor Kim. The parties signed a share purchase and transfer agreement on June 30, 2012, which is subject to regulatory approval. The transaction is due to close in the fourth quarter of 2012.

On June 29, 2012, Deutsche Leasing signed an agreement to acquire Universal Factoring GmbH. That transaction has already closed.

Furthermore, Portigon sold its US and UK Subscription Commitment Facilities (SCF) portfolio, which was part of its structured finance business, to financial services provider Wells Fargo Bank (Wells Fargo), NA, in June 2012. The transaction comprises the sale of approximately US$ 6 billion in commitments and approximately US$ 3 billion in loans outstanding as well as the related technical infrastructure. In addition, Wells Fargo signed an agreement with Portigon on the provision of services during the transitional period.

In June 2012, readybank ag sold the remainder of its consumer credit assets to HOIST Kredit Aktiebolag, which is based in Stockholm, Sweden. Also in June, we sold our 50% stake in the joint venture known as WestLB Mellon Asset Management Holdings Ltd. to our joint venture partner, The Bank of New York Mellon Corporation.

The Managing Board worked diligently in the period under preview to bring the future business model of Portigon into sharper focus. Portigon entered into a strategic partnership with Hewlett-Packard in March 2012, which centres on the joint acquisition of third-party business in Germany and worldwide. Going forward, the two partners will offer services geared towards managing complex portfolios for national and international customers from the financial sector.

Klemens Breuer, the Managing Board member with responsibility for the Capital Markets business, left the Bank as of January 30, 2012. Werner Taiber, the Managing Board member with divisional responsibility for Corporates & Structured Finance, assumed the Capital Markets duties of Klemens Breuer in addition to his existing areas of responsibility.

On April 20, 2012, the Labour Court of Düsseldorf appointed Horst Breuer as an employee representative to the Supervisory Board. He succeeds Rolf Finger, who left the Supervisory Board on the same date.

The two North Rhine-Westphalian savings banks associations ceased to be part of the shareholder structure of Portigon at the end of the day on June 30, 2012.

Business Review

Performance

The Bank's performance in the six months ended June 30, 2012 was shaped by the demands of the transformation it has been required to undergo in implementation of the conditions set by the European Commission. Net interest income and net fee and commission income dropped sharply compared to the prior-year period because of the gradual phase-out of new business. Restructuring expenses were also necessary in the first half of 2012. The predominant drag on the net trading result were measurement effects relating to the application of IAS 39. Collectively, the adverse effects produced a result before income tax of € – 365 million (previous year: € 50 million).

Group income dropped by a significant € 506 million to € 237 million in the period under review.

The impairment charge for credit losses came to € 134 million, following € 55 million the year before. The € 79 million increase in net allocations is mainly attributable to the international financing business.

We continued to reduce our administrative expenses, which were down € 64 million, or 13%, to € 416 million. Restructuring expenses of € 52 million were incurred as a result of the transformation conditions.

Factoring in the positive income taxes of € 22 million, we are reporting a Group loss of € 343 million (previous year: Group profit of € 36 million).

Portigon Group Statement of Income from January 1 to June 30, 2012

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions	Change € millions	%
Net interest income	343	565	– 222	– 39
Impairment charge for credit losses	– 134	– 55	– 79	> – 100
Net interest income after impairment charge for credit losses	209	510	– 301	– 59
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Other operating expense and income	13	23	– 10	– 43
Restructuring expenses	52	158	– 106	– 67
Profit/loss before income tax	– 365	50	– 415	> – 100
Current income taxes	– 3	3	– 6	> – 100
Deferred income taxes	25	– 17	42	> 100
Profit/loss after income tax	– 343	36	– 379	> – 100
Attributable to:				
– Shareholders of Portigon	– 343	36	– 379	> – 100
– Non-controlling interests	0	0	0	–

Net Interest Income

Net interest income reached € 343 million, following € 565 million in the previous year. The decrease is attributable to the gradual phase-out of new business.

Impairment Charge for Credit Losses

The impairment charge for credit losses rose to € 134 million, compared with € 55 million the year before. The increase by € 79 million is mainly attributable to the international financing business. We took due account of all discernible risks.

Net Fee and Commission Income

Net fee and commission income fell by € 36 million to € 84 million compared to the same period a year ago. The decrease is largely attributable to lower volumes in lending and underwriting business caused by the gradual phase-out of new business.

Net Trading Result

The net trading result came to € – 182 million, following € 26 million in the previous year.

Assets for which we apply the fair value option gained € 18 million in value upon remeasurement in the first half 2012 (previous year: € 2 million). We recorded negative effects of € 74 million (previous year: positive effects of € 167 million) from market-induced credit spread changes with own liabilities for which we apply the fair value option. Measurement mismatches, which despite having positions that are economically hedged are unavoidable because of the application of IAS 39, had a negative effect of € 130 million on the net trading result (previous year: € 155 million). Overall, the measurement effects mentioned added up to € – 186 million (previous year: € 14 million). In addition, market value burdens increased during the period under review as a result of litigation in connection with derivatives business with municipal clients.

Result from Financial Investments

The € – 21 million result from financial investments (previous year: € 9 million) is predominantly attributable to the sale of government bonds held by our subsidiary WestImmo. Gains realised on the sale of long-term equity investments had a positive effect.

Administrative Expenses

Administrative expenses decreased by a further 13% to € 416 million in the first six months of the current fiscal year.

Personnel expenses receded by € 47 million, or 19%, to € 204 million, mainly because of ongoing headcount reductions. Between December 31, 2011 and the end of June 2012, the number of full-time employees dropped by 225 to 3,963.

Other administrative expenses fell by € 10 million, or 5%, to € 180 million against the same period in 2011.

Other Operating Expense and Income

The net figure for other operating expense and income stood at € 13 million, compared with € 23 million for the same period a year ago.

Restructuring Expenses

The € 52 million in restructuring expenses (previous year: € 158 million) predominantly captures the project expenses incurred in the first half of 2012 in connection with implementing the conditions set by the European Commission.

Segment Results

The individual units made the following contributions to Portigon Group's result before taxes for the first half of 2012:

Verbund & Mittelstand

Formed on the basis of product stewardship, the Verbund & Mittelstand segment pools the credit business with SMEs, the savings banks and their customers, and public-sector clients. Organisationally, the sales units for the Verbund business are also assigned to this segment. However, these units' costs and the related income from the Verbund business are reported in the Capital Markets, Corporates & Structured Finance or Transaction Banking segments, depending on the nature of the sale made.

The first-half result before taxes in this segment was up € 6 million from a year earlier to € 5 million. This increase was predominantly attributable to a much lower impairment charge for credit losses compared to the previous year.

As already explained, this result only partially reflects the segment's sales performance.

Corporates & Structured Finance

The Corporates & Structured Finance segment captures all of the results from standard, corporate finance and structured lending to national and international corporate clients as well as the business with financial institutions.

Due to the requirement to phase out new business by June 30, 2012, this segment's income dropped by 18% to € 301 million.

The € 109 million impairment charge for credit losses (previous year: € 32 million) was driven, in large part, by two substantial commitments in the international (project) finance business.

Because of headcount reductions, administrative expenses stood at € 52 million, a drop of € 20 million on the previous year.

Despite the challenging conditions, we achieved a pre-tax profit of € 59 million in this segment in the first half of 2012, against € 176 million the year before.

Capital Markets

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

The segment's pre-tax earnings came to € – 95 million, which corresponds to a decrease of € 109 million from the year earlier.

Here, too, the EU decision on the discontinuation of business activities led to a sharp drop in earnings from customer operations.

Debt Markets was the only unit to make an appreciable contribution to the segment's income. The Debt Markets unit pools all of the primary and secondary market activities in interest rate, currency, money market and credit products. The business with non-structured interest rate products did well in the period under review despite the difficult climate. We placed our products with Verbund and institutional clients, in particular. The other product units fell short of the previous year's figures. The higher market value losses incurred during the report period as a result of litigation in connection with derivatives business with municipal clients had a negative effect.

The result in the Equity Markets unit was down year on year. Our capacity to build on the previous year's positive trend was limited by challenging market conditions in the customer business and the phase-out of new business in the second quarter of 2012.

Expenses (including internal charging) came to € 184 million, which was € 25 million less than in the previous year.

Transaction Banking

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

The transaction volume in the Transaction Services unit was largely unchanged from the previous year. However, the number of regular customers decreased.

Altogether, the segment is reporting a loss before income tax of € 5 million (previous year: profit of € 6 million).

Corporate Center

The Corporate Center units provide services for the front-office and sales units and carry out central management functions in the Group, including IT and services, central staff functions, risk management as well as finance & controlling.

Due to project and consulting expenses, administrative expenses rose € 9 million against the previous year to € 291 million. It is also important to note that all of EAA's reimbursements, which include reimbursements for administrative expenses incurred by the Corporate Center units, are reported in the Other segment for steering purposes.

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

Unbundling

The Unbundling segment captures the results of major long-term equity investments which the Bank pledged to sell as part of the agreement reached with the European Commission in May 2009: predominantly WestImmo and readybank.

The segment's result before taxes, at € 25 million, was above the € – 17 million reported a year earlier. This is mostly due to a reduction in a restructuring provision created for the sale and transfer of subsidiaries in the amount of € 61 million.

WestImmo is reporting a result of € – 19 million on lower income in its net interest result attributable to reduced holdings, a negative trading result caused by volatility in the measurement of currency swaps as well as losses on the sale of government bonds.

Negative effects from the sale of the portfolio produced a result before income tax of € – 14 million at readybank.

Other

This segment captures consolidations, adjustments made for reconciliation to Group figures and profit contributions which do not fall within the scope of the other segments' responsibilities, such as allocations to provisions for retirees. The Portfolio Exit Group (PEG) unit is also captured here. The PEG unit acts as a service provider to EAA and coordinates the provision of services for the Bank as a whole. PEG is treated as a cost centre. The Bank is reimbursed by EAA for its services.

The measurement mismatches relating to the application of IAS 39 (€ – 100 million; previous year: € – 155 million) and measurement results from own liabilities which are not attributable to the Capital Markets segment (€ – 59 million; previous year: € 152 million) are captured here as well. The segment's administrative expenses include reimbursements from EAA for administrative expenses which were reported in other segments, especially in the Corporate Center.

Of the restructuring expenses that we currently expect from the decision taken by the European Commission, the sum of € 113 million has been allocated to this segment. Besides factoring in the measurement mismatches and measurement results from own liabilities already discussed, these expenses were the primary determinant of the segment's pre-tax result of € – 354 million (previous year: € – 128 million).

Financial Status

Portigon Group's total assets rose by € 2.9 billion to € 170.8 billion, an increase of 2% since the end of the previous year. Business with customers decreased as planned. However, EAA's issuance activity, Portigon's purchase of the resulting paper and the deposit business with EAA, all of which are the product of agreements struck by the parties in connection with the upcoming transfers, produced an increase in total assets.

Adjusted for positive market values from derivative financial instruments which are reported as trading assets and from derivative hedging instruments, total assets were approximately € 119 billion at June 30, 2012.

The business with reverse repurchase agreements and repurchase agreements has been scaled back extensively (remaining volume: € 0.8 billion and € 1.0 billion).

On the liabilities side, liabilities to customers decreased from € 24.5 billion to € 21.2 billion. Financial liabilities designated at fair value increased by € 13.0 billion to € 56.3 billion because of the investment of EAA's cash in time deposits.

The statement of comprehensive income was adversely affected by the € 343 million loss for the period as well as the € 261 million increase in actuarial losses from defined benefit obligations attributable to the steep drop in capital market interest rates.

As of June 30, 2012, there was € 23.7 billion in loans and advances to customers and € 2.2 billion in trading assets making up the exposure to EAA, against € 6.7 billion in deposits from EAA (liabilities to customers), € 1.7 billion in trading liabilities and € 28.1 billion in financial liabilities designated at fair value.

Risk-Weighted Assets and Capital Ratios

Pursuant to the provisions of the German Solvency Regulation (SolvV), our risk-weighted assets totalled € 42.6 billion at June 29, 2012 – a decrease of approximately € 5.7 billion from December 31, 2011.

On the whole, credit risks receded by around € 4.2 billion, chiefly on a reduced business volume (€ – 4.6 billion, predominantly with derivatives, repos, securitisations as well as in the Group). Exchange rate movements had the opposite effect (approximately € 0.4 billion).

Market price risks were down by about € 1.6 billion. This was mostly because of a decrease in the incremental risk charge, itself the result of maturities, fewer repurchases of Portigon positions and the sale of bonds issued by the State of North Rhine-Westphalia. Additionally, the total value-at-risk (VaR) and stressed VaR were lower.

Operational risks rose against year-end 2011 by approximately € 0.1 billion.

Core capital was lower, largely because of carrying value and capital adjustments at WIB Real Estate Finance Japan K.K. in the first quarter of 2012, the sale of subordinated enterprises and their deconsolidation for regulatory purposes in the second quarter of 2012, and a higher deduction amount for capital shortfalls. Some of the decrease was offset by lower deduction amounts for unconsolidated participating interests (pursuant to § 10 (6) Sentence 1 No. 1 of the German Banking Act (KWG)) and intangible assets.

Exchange rate fluctuations with subordinated liabilities had an adverse effect on own funds that could not be fully offset by lower deduction amounts for unconsolidated participating interests and intangible assets. Own funds contracted as a result.

The core capital ratio increased from 8.8% to 10.0% compared to December 31, 2011 (the year-end figure having included WestLB AG's result for the year), which is well above the minimum capital ratios as well as the minimum ratio of 7% stipulated in the framework agreements with the FMS and FMSA. The overall ratio increased from 13.8% to 15.5%. The core tier 1 ratio, i.e. excluding the silent contribution to capital from 2005, was 9.0% at the end of the period, compared with 8.0% as of December 31, 2011.

Risk Report

For an explanation of the methodology we use and description of the individual risk types, please refer to the Annual Report 2011.

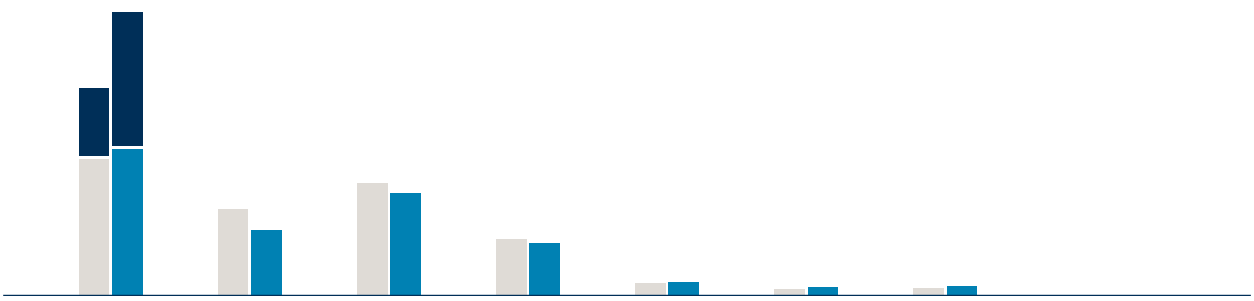
Counterparty Credit Risks

The Bank-wide exposure at default (EaD) increased by € 10 billion, or 9%, to € 124 billion in the first half of 2012, due to pre-funding measures taken by EAA in preparation for the refilling and efforts to close the net liability position at the Verbundbank. Most of the excess liquidity was deposited with the Bundesbank. Adjusted for this effect, the EaD dropped to € 85 billion (– 11%) because of maturities, the selective cancellation of credit lines and the sale of the Subscription Commitment Facilities portfolio to Wells Fargo.

Breakdown by Rating Class (Exposure at Default)
Portigon Group

The following chart illustrates the changes in the breakdown of outstandings by internal rating class:

€ millions



	A0–A4 AAA–AA-	A5–B3 A+–A-	B4–C2 BBB+–BBB-	C3–C5 BB+–BB-	D1–D5 B+–C	E Default (acc. to Basel II)	unrated
EaD Dec. 31, 2011	47,519	20,044	25,824	13,281	3,206	1,829	2,251
EaD June 30, 2012	65,077	15,281	23,518	12,400	3,532	1,881	2,365

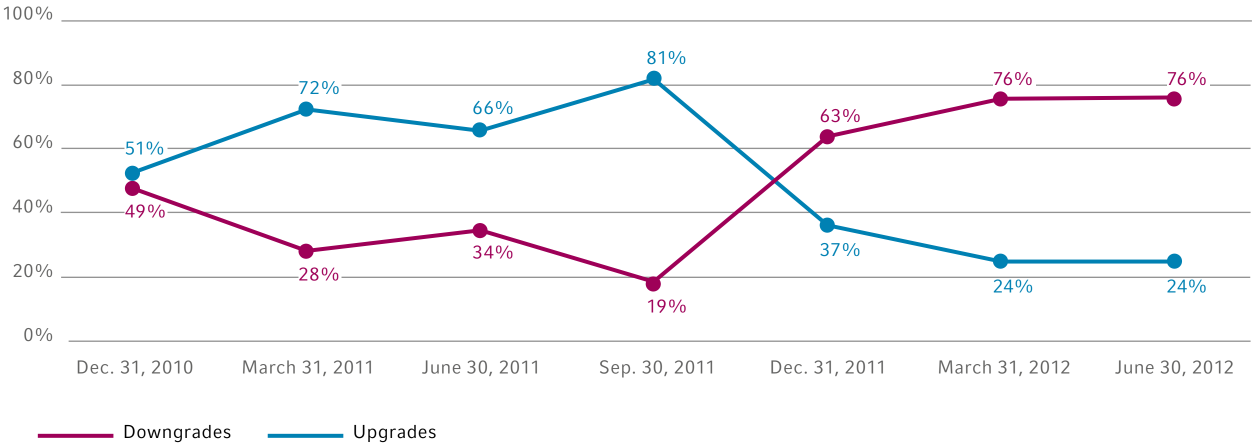
EAA
EaD Dec. 31, 2011 (113,954)
EaD June 30, 2012 (124,054)

A total of 78% of the total rated outstandings were investment grade (A0 to C2) if adjusted for the effect already mentioned (85% if not), which demonstrates the continued high quality of the overall portfolio (15% of the exposure with EAA relates to business guaranteed by EAA). Commitments to customers with sub-investment grade ratings decreased by a further € 0.5 billion, or 3%, with 70% of that volume attributable to customers in the higher rating classes of the sub-investment grade range (C3 to C5).

The EaD-weighted probability of default of the Portigon Group's loan portfolio was largely unchanged at 2.0% (December 31, 2011: 2.1%).

Our lending activities continue to focus on Germany and the other industrialised nations of Europe at 78% of EaD (73% as of December 31, 2011). On an adjusted basis (see above), the relevant share was 69% (December 31, 2011: 68%).

Breakdown of Rating Migration (Based on Exposure at Default)
Portigon Group



The rating migrations in the first half of 2012 were dominated by first-quarter rating downgrades on banks and corporate clients attributable to lowered GDP growth forecasts for 2012. Further downgrades in the second quarter relate to the poorer outlook for macroeconomic trends.

Breakdown of Government and Bank Exposure in the PIIGS Countries (Exposure at Default) Portigon Group

June 30, 2012	Government Exposure			
€ millions	Exposure at Default[1]	Book Value	Fair Value	IFRS Category[2]
Portugal	170	164	164	FVO, LaR, HfT
Italy	718	586	581	LaR, AfS, HfT
Ireland	36	32	32	AfS
Greece	18	10	10	AfS
Spain	764	623	727	LaR, AfS, HfT

Dec. 31, 2011	Government Exposure			
€ millions	Exposure at Default[1]	Book Value	Fair Value	IFRS Category[2]
Portugal	170	156	153	FVO, LaR
Italy	1,104	806	807	AfS, LaR
Ireland	26	28	28	AfS
Greece	74	51	51	AfS
Spain	727	716	686	LaR, AfS, HfT

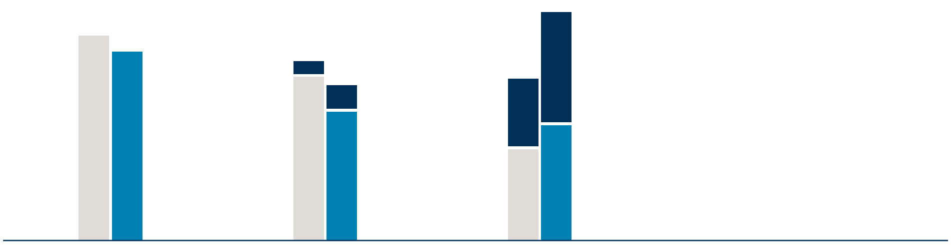
June 30, 2012	Bank Exposure			
€ millions	Exposure at Default[1]	Book Value	Fair Value	IFRS Category[2]
Portugal	2	1	1	HfT
Italy	341	401	401	AfS, LaR, HfT
Ireland	15	10	10	HfT
Greece	–	–	–	–
Spain	61	47	47	HfT, LaR

Dec. 31, 2011	Bank Exposure			
€ millions	Exposure at Default[1]	Book Value	Fair Value	IFRS Category[2]
Portugal	2	–	–	–
Italy	440	403	404	AfS, HfT, LaR
Ireland	15	6	6	HfT
Greece	–	–	–	–
Spain	321	49	49	LaR

1 Also includes derivatives, reverse repurchase agreements, unused lines and guarantees. EaD of individual derivatives may also be negative.
2 Categories listed in descending order by volume.

Breakdown by Sector (Exposure at Default)
Portigon Group

€ millions

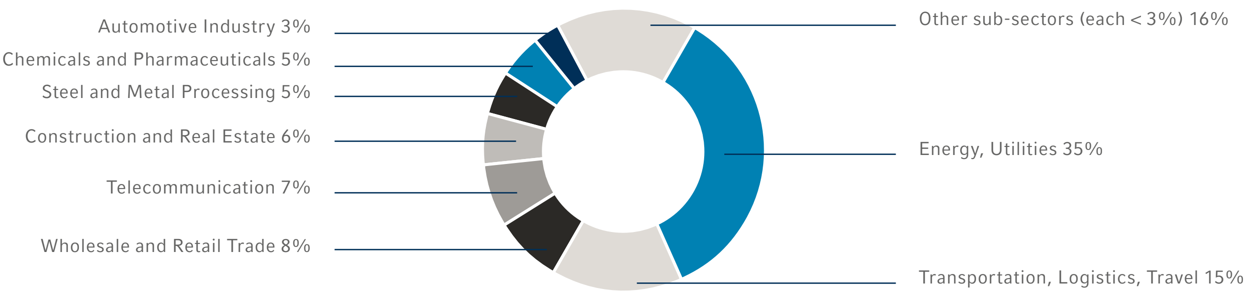


	Industry and Services	Financial Sector (incl. Other)	Public Sector
EaD Dec. 31, 2011	45,053	38,485	30,416
EaD June 30, 2012	41,588	33,315	49,151

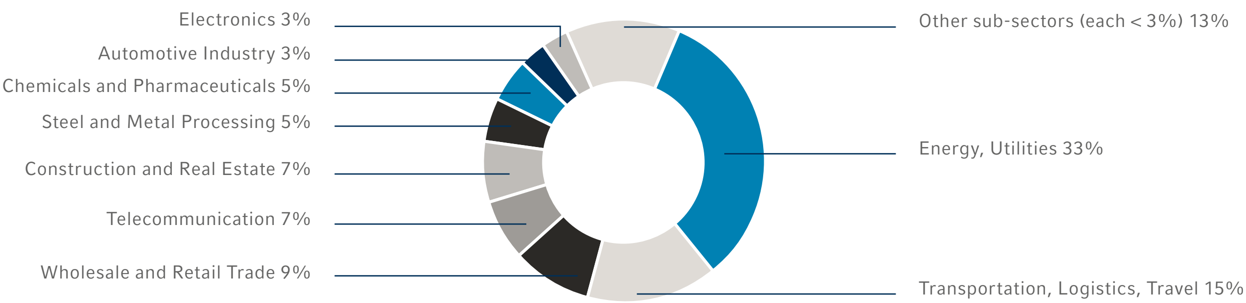
EAA
EaD Dec. 31, 2011 (113,954)
EaD June 30, 2012 (124,054)

Due to the effect discussed earlier, commitments to the public sector accounted for 40% of the portfolio (December 31, 2011: 27%). Commitments to customers in industry and services accounted for 34% of the portfolio (December 31, 2011: 40%). Adjusted for this effect, commitments to customers in industry and services continued to capture the largest share of the portfolio by sector at 49% (December 31, 2011: 47%).

Breakdown of Industry and Services by Sub-Sector
Portigon AG
June 30, 2012



December 31, 2011



Industry and Services is made up of 15 sub-sectors and thus adequately diversified. In addition, WestImmo has an EaD volume of € 14 billion (December 31, 2011: € 15 billion) in the service sector.

Impairment Charge for Credit Losses

We took a € 134 million impairment charge for credit losses in the first half of 2012 versus a net charge of € 55 million in the first six months of the previous year. The € 79 million increase in net allocations reflects the uncertain outlook for macroeconomic developments. We took due account of all discernible risks.

Market Price Risk

The VaR in the trading book decreased by 29% to € 4.6 million in the first half of 2012. This is a reflection of the much improved market risk profile. The range of variation between minimum and maximum VaR also receded sharply in the period under review.

The consolidated total VaR between the trading book and banking book was down roughly 16% to € 76.7 million in the first half of 2012. This was chiefly due to the maturity of our own bonds and notes and the reduction of positions (particularly liquidity reserve holdings).

VaR in the Trading and Banking Books

	Total Utilisation		thereof Trading Book	
Confidence level 99%/ 1-day holding period	**1. 1. – 30. 6. 2012 € millions**	1. 1. – 31. 12. 2011 € millions	**1. 1. – 30. 6. 2012 € millions**	1. 1. – 31. 12. 2011 € millions
Value-at-risk on reporting date	77	91	5	6
Minimum value-at-risk	76	74	3	4
Maximum value-at-risk	94	95	7	12
Average value-at-risk	85	83	5	7

Dirty back testing was introduced at the beginning of the year to coincide with the latest release of the German Solvency Regulation as a way to supplement the established process of clean back testing. It revealed three instances of a VaR breach in the first half of 2012. Dirty back testing is used to compare VaR forecasts to actual P&L values (i.e. changes in market data and positions). The cause of the three breaches can be traced to components of these values which, according to regulatory classification, are not indicative of the predictive ability of the VaR model.

Clean back testing run on the same time series (250 trading days) also indicated three occasions, one each in September, October and November 2011, in which the model failed to predict a loss in excess of VaR. At three, the maximum number of breaches relevant for regulatory purposes that both back testing approaches revealed is within statistical expectations, meaning that no additional capital charge is required.

Liquidity Risk

With due regard for the transformation process, Portigon's liquidity situation was sufficient at all times in the first half of the year. The issuance of own bonds and notes was implemented as planned in the first half. This satisfactory liquidity situation is also borne out by our regulatory liquidity ratio, which is determined pursuant to the German Liquidity Regulation. At Portigon AG, the ratio for the first half of 2012 averaged 1.73, which is well above the minimum value of 1.0.

Legal Risk

Further to the information provided in our Annual Report 2011 (p. 100), it should be noted that a total of 20 lawsuits relating to alleged breaches of duty in quoting USD-LIBOR interest rates are now pending against Portigon before the court in New York. These suits have been consolidated into three parallel class actions. There has been no decision yet on the motion to dismiss. According to a court ruling, none of the suits that have been filed in recent weeks or any new suits to be filed in the near future will be addressed until a decision is reached on this motion to dismiss. (Given the larger scope of the proceedings, such a decision is now expected to take until the autumn of 2012.)

The complaints are not the only measures relating to this matter. The Attorneys General of the states of New York and Florida have launched new investigations into the alleged manipulation of LIBOR by Portigon (as well as seven other BBA Panel banks with operations in the United States). These probes, commenced within the last two and three weeks, respectively, also target the Bank's trading units and cover a period dating back to 2002, although there is no concrete indication of wrongdoing.

Usage of Economic Capital

The usage of economic capital decreased compared to December 31, 2011 from 75% to 71%. The primary reason for this was the decrease in capital held against credit risks (down € 160 million compared to the end of 2011), itself fuelled by impairments – methodological conventions dictate that once an asset is impaired, no additional capital is held against its credit risk – as well as volume reductions and occasional credit quality improvements. Our market price risk declined mostly because of the reduction in business. The sources of risk-taking capacity decreased in the first half of 2012 by € 72 million to € 3,615 million. This was mainly due to lower core capital and a lower balance of unrecognised charges and reserves.

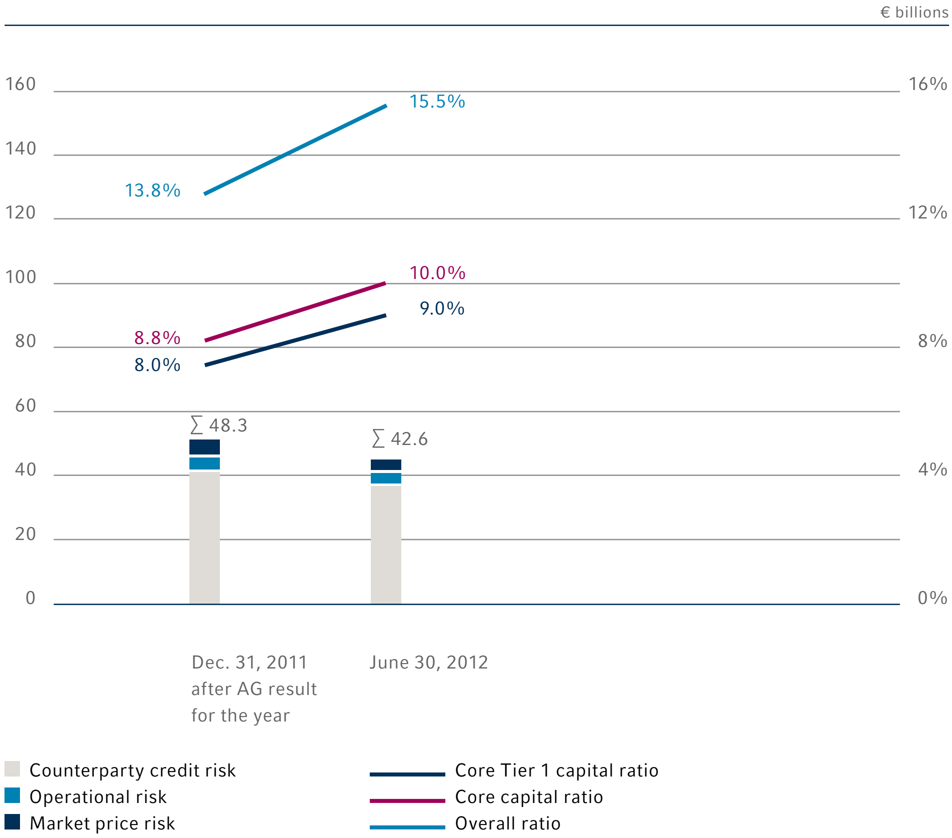
Usage of Economic Capital in the Portigon Group in the Liquidation Approach

€ billions	June 30, 2012	Dec. 31, 2011
Credit risk	1.696	1.856
Market price risk	0.424	0.457
Other risks	0.465	0.460
Economic capital	2.585	2.773
Sources of risk-taking capacity	3.615	3.687
Usage of sources of risk-taking capacity	71%	75%

Even under stress scenarios, Portigon has adequate sources of risk-taking capacity.

Usage of Regulatory Capital

Portigon Group's core capital ratio stood at 10.0% as of June 30, 2012, a significant improvement attributable to the reduction in risk-weighted assets. The core tier 1 ratio and overall ratio also rose, to 9.0% and 15.5%, respectively.



Events Occurring after June 30, 2012

Portigon commenced its business operations as an internationally operating provider of portfolio management and other services on July 1, 2012. Portigon is the same legal entity as the former WestLB AG. The company was also officially renamed Portigon AG upon entry of the corresponding change to the articles and bylaws in the commercial register on July 2, 2012.

Following the withdrawal of the two North Rhine-Westphalian savings banks associations from the shareholders' group, Portigon AG assumed the following shareholder structure effective July 1, 2012:

Land NRW	NRW.BANK	LVR Qualität für Menschen	LWL Für die Menschen. Für Westfalen-Lippe.
67.83%	30.51%	0.83%	0.83%*
Portigon Financial Services			

* Thereof: Westfälisch-Lippische Vermögensverwaltungsgesellschaft mbH: 0.654%.

On the basis of a joint declaration of the State of North Rhine-Westphalia and the German Savings Banks and Giro Association (DSGV), Portigon joined DSGV's security reserve for the Landesbanken and Girozentralen as of July 1, 2012.

On July 13, 2012, Fitch Ratings upgraded its long-term rating for Portigon to A+ with stable outlook and raised its short-term rating for the company to F1+.

Thomas Groß, Chief Financial Officer (CFO) and Chief Risk Officer (CRO), left Portigon as of August 15, 2012. Werner Taiber, the Managing Board member with divisional responsibility for the corporates, structured finance and capital markets businesses, will leave Portigon effective August 31, 2012. Hubert Beckmann, Vice Chairman of the Managing Board, is scheduled to depart the company as of December 31, 2012.

The Supervisory Board appointed Dr. Kai Wilhelm Franzmeyer to the Managing Board of Portigon AG. Dr. Franzmeyer, who is 48, takes up his appointment on August 15, 2012. Dr. Franzmeyer will serve as the new CFO and CRO. He will also assume divisional responsibility on the Managing Board for the Portfolio Exit Group.

Wolfgang Steller, Former State Secretary, was elected to serve as the Chairman of the Supervisory Board of Portigon effective July 1, 2012.

Outlook

We will continue to press ahead with the Bank's restructuring in the second half of 2012. The agreements that are required for the break-up of Portigon are to be formally executed and recorded by August 31, 2012; these include the cooperation agreements specifying the services Portigon will provide to EAA and Helaba. A particular focus will be on positioning the new financial services provider in the market and building third-party business. Initial exploratory talks in this direction will be intensified. Another issue to be addressed is aligning the excess capacities of the former universal bank with the future needs of Portigon in accordance with the transformation plan. This pertains to headcount, in particular. The headcount reductions already started in some areas during the reporting period will be continued in the months ahead.

The transformation process of Portigon is replete with uncertainty and will have negative effects on the Bank's cash flows, financial condition and results of operations. Start-up losses will be incurred in connection with restructuring the Bank into an internationally operating provider of portfolio management and other services and establishing it in the market. We are proceeding on the assumption that Portigon will show losses for fiscal 2012 and 2013 in the mid hundreds of millions.

Portigon will have reduced total assets mainly comprising positions whose risk could be only synthetically transferred to EAA. The volume of risk-weighted assets will be low and reflect mostly operational risks. The initial regulatory capital ratios will be very high.

Group Statement of Income

	Notes	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions	Change € millions	%
Interest income		2,239	2,522	– 283	– 11
Interest expense		1,896	1,957	– 61	– 3
Net interest income	(4)	343	565	– 222	– 39
Impairment charge for credit losses	(5)	– 134	– 55	– 79	> – 100
Net interest income after impairment charge for credit losses		209	510	– 301	– 59
Fee and commission income		121	175	– 54	– 31
Fee and commission expense		37	55	– 18	– 33
Net fee and commission income	(6)	84	120	– 36	– 30
Net trading result	(7)	– 182	26	– 208	> – 100
Result from financial investments	(8)	– 21	9	– 30	> – 100
Administrative expenses	(9)	416	480	– 64	– 13
Other operating expense and income	(10)	13	23	– 10	– 43
Restructuring expenses	(11)	52	158	– 106	– 67
Profit before income tax		– 365	50	– 415	> – 100
Current income taxes		– 3	3	– 6	> – 100
Deferred income taxes		25	– 17	42	> 100
Profit after income tax		– 343	36	– 379	> – 100
Attributable to:					
– Shareholders of Portigon		– 343	36	– 379	> – 100
– Non-controlling interests		0	0	0	–

Statement of Comprehensive Income

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

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Profit after income tax	– 343	36
Net income and expenses recognised directly in equity	– 248	85
Change in revaluation reserve	25	– 6
Change in foreign currency translation reserve	0	– 1
Change in defined benefit obligations	– 261	98
Deferred taxes on items taken directly to or transferred from equity	– 12	– 6
Total recognised income and expense for the period	– 591	121
Attributable to:		
– Shareholders of Portigon	– 591	121
– Non-controlling interests	0	0

Group Balance Sheet

Assets

	Notes	June 30, 2012 € millions	Dec. 31, 2011 € millions	Change € millions	%
Cash and balances with central banks		3,860	3,345	515	15
Loans and advances to banks	(12)	11,613	11,416	197	2
Loans and advances to customers	(13)	81,478	72,861	8,617	12
Allowances for losses on loans and advances	(14)	– 901	– 806	– 95	– 12
Receivables under reverse repurchase agreements		845	12,108	– 11,263	– 93
Trading assets	(15)	62,393	57,083	5,310	9
Positive fair values from derivative hedging instruments		1,153	1,325	– 172	– 13
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		402	322	80	25
Financial assets designated at fair value	(16)	5,378	5,983	– 605	– 10
Financial investments	(17)	2,536	3,261	– 725	– 22
Property and equipment	(18)	361	371	– 10	– 3
Intangible assets	(19)	152	137	15	11
Current tax assets		148	148	0	0
Deferred tax assets		21	44	– 23	– 52
Other assets		519	269	250	93
Assets held for sale	(30)	855	43	812	> 100
Total assets		170,813	167,910	2,903	2

Liabilities and Equity

	Notes	June 30, 2012 € millions	Dec. 31, 2011 € millions	Change € millions	%
Liabilities to banks	(20)	12,228	11,006	1,222	11
Liabilities to customers	(21)	21,247	24,460	– 3,213	– 13
Certificated liabilities	(22)	17,384	19,310	– 1,926	– 10
Liabilities under repurchase agreements		957	4,870	– 3,913	– 80
Trading liabilities	(23)	50,198	52,109	– 1,911	– 4
Negative fair values from derivative hedging instruments		959	968	– 9	– 1
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		789	689	100	15
Financial liabilities designated at fair value	(24)	56,344	43,298	13,046	30
Provisions	(25)	2,271	2,296	– 25	– 1
Current tax liabilities		375	419	– 44	– 11
Deferred tax liabilities		7	44	– 37	– 84
Other liabilities		1,611	1,718	– 107	– 6
Liabilities held for sale	(30)	294	0	294	–
Subordinated debt	(26)	2,781	2,778	3	0
Silent contributions to capital	(31)	1,000	991	9	1
Equity		2,368	2,954	– 586	– 20
– Share capital		967	967	0	0
– Capital reserve		0	0	0	–
– Silent contributions to capital		2,069	2,069	0	0
– Retained earnings		2	340	– 338	– 99
– Foreign currency translation reserve		– 33	– 33	0	0
– Revaluation reserve		– 222	– 238	16	7
– Actuarial gains and losses from defined benefit obligations		– 415	– 151	– 264	> – 100
– Non-controlling interests		0	0	0	–
Total liabilities and equity		170,813	167,910	2,903	2

Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity

€ millions	Share capital	Capital reserve	Silent contributions to capital	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Actuarial gains and losses from defined benefit obligations	Equity before minority interests	Non-controlling interests	Group equity
Balance at January 1, 2011	967	97	3,441	– 105	– 14	– 211	– 68	4,107	0	4,107
Distribution to shareholders	0	0	0	0	0	0	0	0	0	0
Capital increase/ reduction	0	0	0	0	0	0	0	0	0	0
Allocations to silent contributions	0	0	0	0	0	0	0	0	0	0
Withdrawals from silent contributions	0	0	0	0	0	0	0	0	0	0
Transfer effects recognised directly in equity	0	0	0	0	0	0	0	0	0	0
Other changes in shareholders' equity	0	0	0	0	0	0	0	0	0	0
Total recognised income and expense for the period	0	0	0	36	– 1	14	72	121	0	121
Balance at June 30, 2011	967	97	3,441	– 69	– 15	– 197	4	4,228	0	4,228
Balance at January 1, 2012	967	0	2,069	340	– 33	– 238	– 151	2,954	0	2,954
Distribution to shareholders	0	0	0	0	0	0	0	0	0	0
Capital increase/ reduction	0	0	0	0	0	0	0	0	0	0
Allocations to silent contributions	0	0	0	0	0	0	0	0	0	0
Withdrawals from silent contributions	0	0	0	0	0	0	0	0	0	0
Transfer effects recognised directly in equity	0	0	0	0	0	0	0	0	0	0
Other changes in shareholders' equity	0	0	0	5	0	0	0	5	0	5
Total recognised income and expense for the period	0	0	0	– 343	0	16	– 264	– 591	0	– 591
Balance at June 30, 2012	967	0	2,069	2	– 33*	– 222**	– 415	2,368	0	2,368

* Includes € 12 million from assets held for sale.
** Includes € 2 million from assets held for sale.

Cash Flow Statement

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Cash and balances with central banks at the end of the previous period	3,345	2,219
Cash flow from operating activities	– 148	1,487
Cash flow from investing activities	668	782
Cash flow from financing activities	– 5	– 917
Changes in cash due to changes in exchange rates	0	0
Cash and balances with central banks at the end of the period	3,860	3,571

Notes to the Group Financial Statements

Accounting Policies

1. Basis of Preparation

Based on Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 (IAS Regulation), we have prepared the interim financial statements in accordance with the International Financial Reporting Standards (IFRS), as well as additional regulations applicable under § 315a (1) of the German Commercial Code (HGB), which we were required to apply as of the reporting date. The condensed financial statements meet in particular the requirements of IAS 34 (Interim Financial Reporting).

The information contained in these interim financial statements should be read in conjunction with the information contained in the published and certified Group financial statements as of and for the year ended December 31, 2011. We have taken account of all developments up to the Managing Board’s preparation of the interim financial statements on August 28, 2012.

We used the same accounting policies to prepare the interim financial statements as were used to prepare the 2011 Group financial statements.

The use of IFRS requires that management make certain estimates and assumptions which can have a not insignificant impact on the statement of income, the recognition and carrying value of assets and liabilities as well as the disclosure of contingent assets and liabilities. Even when our estimates are based on available information, past experience and other criteria, including expectations concerning future events, actual, future results may still vary from our estimates.

The half-year report was not reviewed by our external auditors.

2. Scope of Consolidation

Portigon Group specifically includes the following companies and subgroups:

Portigon Group (companies, directly consolidated)	
Portigon AG, Düsseldorf	
Bank WestLB Vostok (ZAO), Moscow, Russia	
Compass Securitisation Limited, Dublin, Ireland	
Compass Securitization LLC, Wilmington/Delaware, USA	
GOD Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
GOH Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
readybank ag, Berlin	
Universal Factoring GmbH, Essen	
WestLB Europa Holding GmbH, Düsseldorf	
WestLB Europe (UK) Holdings Ltd., London, UK	
WestLB Finance Curaçao N.V., Willemstad, Netherlands Antilles	
WestLB Mellon Asset Management Holdings Ltd., London, UK	
WestLB Securities Inc., Dover/Delaware, USA	
Portigon UK Ltd., London, UK	
West Merchant Ltd., London, UK	
Banco WestLB do Brasil S.A., São Paulo, Brazil	Subgroup with 2 companies
Westdeutsche ImmobilienBank AG, Mainz	Subgroup with 7 companies

WestLB Mellon Asset Management Holdings Ltd. (WMAM), London, United Kingdom, was sold to our partner in the joint venture, The Bank of New York Mellon Corporation, in June. The criteria for exclusion from the scope of consolidation were not yet met as of the reporting date. Therefore, WMAM will continue to be included in the Group financial statements as a joint venture and reported at equity.

The Brazilian subsidiary Banco WestLB do Brasil S.A. was sold to Mizuho Corporate Bank, Ltd. (contract signed on June 19, 2012). The parties made their agreement subject to the relevant regulatory approval. The subsidiary remained in the scope of consolidation as of the reporting date.

Portigon's Russian subsidiary, Bank WestLB Vostok (ZAO), is due to be sold to Igor Kim. The parties signed a share purchase and transfer agreement on June 30, 2012, which is subject to regulatory approval. The transaction is expected to close in the fourth quarter of 2012. The criteria for the subsidiary's deconsolidation were not yet met as of the reporting date.

On June 29, 2012, Deutsche Leasing signed an agreement to acquire Universal Factoring GmbH. The transaction already closed. It is expected that this subsidiary will be removed from the scope of consolidation in the third quarter of 2012.

The subsidiary WestLB UK Ltd. was officially renamed on July 2, 2012 and will henceforth be known as Portigon UK Ltd. in the group of consolidated companies. Readers are referred to Note 3 for information concerning WestLB AG's change of name to Portigon AG.

3. Transformation

The owners of Portigon AG and the Federal Republic of Germany reached a basic understanding about the restructuring of Portigon in April 2011 that was then formalised in a cornerstone agreement dated June 23, 2011. The Federal Republic of Germany notified the European Commission of the final restructuring plan on June 30, 2011. The European Commission gave final approval to this plan on December 20, 2011.

On the basis of the Commission's decision, the Verbund business with savings banks and public-sector clients as well as the business with medium-sized corporate clients with approximately € 40 billion in total assets and approximately 450 employees is to be spun off from Portigon Group as of July 1, 2012 and transferred as a Verbundbank to Helaba.

There are minutes, initialled on June 18, 2012, of consultations among the parties to the resolution on the cornerstone agreement as well as Helaba and the German Savings Banks and Giro Association in which those involved elaborated on and supplemented the provisions of the cornerstone agreement (consultation minutes). In the "Framework Agreement on Implementing the Cornerstone Agreement and Consultation Paper" recorded on June 30, 2012, the parties documented the progress made on implementing the plan. They reached a binding agreement on the further course of action for implementing the cornerstone agreement and consultation minutes.

The parties struck an additional agreement on how to structure the legal relationships for the transitional period between July 1, 2012 as the effective date of the transfer of beneficial ownership of the Verbundbank portfolio to Helaba and the date of the legal transfer of ownership by way of entry in the commercial register. Helaba will be given an owner-like legal position in the Verbundbank portfolio that affords it beneficial ownership of the profit and loss of the Verbundbank portfolio starting July 1, 2012. The business with custodial accounts and payment transactions is not included at this time, but is due to be transferred on September 17, 2012. The transfer agreements are to be signed by August 31, 2012 at the latest. Entry in the commercial register is scheduled for September 17, 2012.

Any portfolios that are not assigned to the Verbundbank, not acquired by members of the Sparkassen-Finanzgruppe nor sold to third parties by June 30, 2012 will be taken over by EAA under the agreements and the decision of the European Commission. In keeping with the principle of simultaneity, the refilling of EAA will occur upon the formal recording of all of the necessary agreements by no later than August 31, 2012. The cornerstone agreement contemplated a retroactive effective date of January 1, 2012 for the banking book and July 1, 2012 for the trading book and new business written in the first half of 2012.

Portigon continued to write new business within the framework of its applicable business and risk strategy in the period to June 30, 2012. In compliance with the European Commission's decision of December 20, 2011, Portigon ceased to write any new business outside of the Verbundbank as of the end of the day on June 30, 2012. Portigon's business operations, as they existed up to that point, largely ceased.

The renaming of WestLB AG as Portigon AG was entered in the commercial register on July 2, 2012. Portigon will provide portfolio management and other services to the Verbundbank and EAA as well as to new third-party customers whose business it will seek. These services will include, in particular: portfolio steering and management, credit analysis, treasury, finance and controlling, risk controlling, loan administration, IT services and various corporate center functions. As already stipulated in the cornerstone agreement, the service agreement for the Verbundbank will be concluded for an initial period of two years and the existing servicing agreement with EAA, the current term of which ends in 2013, will be extended for an additional three years to 2016.

The Savings Banks and Giro Association of the Rhineland and the Savings Banks Association of Westphalia-Lippe ceased to be shareholders of Portigon as of the end of the day on June 30, 2012 under separate agreements on withdrawal reached with the State of North Rhine-Westphalia in partial implementation of the cornerstone agreement. The corresponding shares were taken over by the State of North Rhine-Westphalia.

Portigon is an affiliated member of the security reserve of the Landesbanken and Girozentralen.

Portigon's target legal structure may consist of several units. The key element is a service company, which with a planned workforce of roughly 1,000 employees will also offer services for portfolios of third parties. The gross revenues from the service business with third parties may not exceed 50% of Portigon's total gross revenues. It is planned to sell the Portigon holding company, including the service company, by December 31, 2016. The restriction on gross revenues will cease to apply upon a change of control. If a sale does not happen by December 31, 2016, the service company will be wound down in stages and its activities discontinued effective December 31, 2017. Portigon is represented in all time zones and has offices in Germany, London, New York and Hong Kong.

The burden of the restructuring will be covered predominantly by existing equity capital that remains with Portigon after the transfer of the Verbundbank, by the additional liability of the State of North Rhine-Westphalia in an amount of € 1 billion, as well as by the ownership responsibility for Portigon assumed by the State of North Rhine-Westphalia. The silent contribution to Portigon's capital made by FMS is to be reduced by € 1 billion by way of partial repayment to FMS, whereas the € 1 billion in additional liability to be assumed by the State of North Rhine-Westphalia is to obtain such rank which is at least necessary to comply with the regulatory requirements governing Portigon and taking into account the partial repayment of the silent contribution of FMS.

When measuring and recognising items in the present set of annual financial statements, we relied on the cornerstone agreement, the decision of the European Commission and the framework agreement to factor in the effects of the various transfers on our assets and liabilities to the extent this was already necessary as of June 30, 2012.

The assets and liabilities to be transferred to the Verbundbank and EAA have not been reported as "held for sale or for distribution to owners" because the requirements for applying IFRS 5 were not met as of June 30, 2012. Likewise, the criteria of IFRIC 17 for recognising a dividend liability were not met as of June 30, 2012.

As a result of the transformation, Portigon should essentially be left only with the assets it needs to perform the functions contemplated in the cornerstone agreement and in the decision of the European Commission. However, the possibility exists that Portigon will continue to report sub-portfolios even after June 30, 2012 because of obstacles, legal or otherwise, in effecting an in rem transfer. This will depend on the final decision on transfer paths. In this case a synthetic transfer of the counterparty and market price risks is planned. This also applies in particular to the substantial derivatives portfolios.

Due to the inevitable headcount reductions the restructuring entails, as well as foreseeable building vacancies, the need for measures to maintain the stability of business operations and other anticipated outflows of resources, we have set aside € 931 million in restructuring provisions. Restructuring expenses of € 52 million were incurred in the first half of 2012.

Segment Reporting

Profit is accounted for and managed within Portigon Group at business unit level on the basis of Portigon's profit centre accounting. The portfolios, results and resources of the specific business units are combined into segments which represent the businesses and areas in which Portigon Group is active.

The segment reporting is prepared in accordance with IFRS 8. The segments are formed on the basis of Portigon Group's internal management practices and reflect the focus and market presence of the business units as well as the functional synergies among organisational units.

Group Segments

Verbund & Mittelstand	Corporates & Structured Finance	Capital Markets	Transaction Banking
Verbund	Corporates Structured Finance Corporate & Structured Finance Products Asset Management	Equity Markets Debt Markets Research Treasury	Transaction Services
Unbundling	**Corporate Center**	**Other**	
readybank ag Westdeutsche ImmobilienBank AG	Chairman Risk Management Finance & Controlling Human Resources Information Technology Organisation & Services Group Operations	Consolidations/ Netting Portfolio Exit Group	

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

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

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

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

The Unbundling segment captures the results of major participations which the Bank has pledged to sell as part of the agreement reached with the European Commission (readybank and WestImmo).

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

The Other segment captures consolidations, adjustments made for reconciliation to the Group result and profit contributions which do not fall within the scope of other segments' responsibilities. The PEG unit, which coordinates the services for EAA in the Portigon Group, is also captured in this segment.

The PEG unit and, above all, the Corporate Center units and Treasury unit provide a comprehensive range of services to EAA, which the latter reimburses.

The following table depicts the contributions which the individual segments made to the consolidated result for the first half of fiscal years 2011 and 2012. The segment results are derived from internal management data, which can be reconciled with our financial accounting data. As part of internal management, there are internal transactions between the individual segments which serve a variety of purposes, including passing on funds internally, allocating maturity structure and net interest margin contributions and supporting risk management. As a result, determining the income each segment generates with external customers could be obtained only at high expense or effort. Any net results from internal transactions are eliminated in the Other segment.

There are no measurement differences to the Group balance sheet.

€ millions	Verbund & Mittelstand	Corporates & Structured Finance	Capital Markets	Transaction Banking	Corporate Center	Unbundling	Other	Portigon Group
Net interest income								
1. 1. – 30. 6. 2012	9	201	103	14	– 10	91	– 65	343
1. 1. – 30. 6. 2011	9	224	170	18	– 21	129	36	565
Impairment charge for credit losses								
1. 1. – 30. 6. 2012	0	– 109	0	0	0	– 23	– 2	– 134
1. 1. – 30. 6. 2011	– 6	– 32	– 7	0	0	– 13	3	– 55
Net fee and commission income								
1. 1. – 30. 6. 2012	4	67	5	17	– 7	2	– 4	84
1. 1. – 30. 6. 2011	4	111	4	19	– 11	– 3	– 4	120
Net trading result								
1. 1. – 30. 6. 2012	0	17	– 21	0	0	– 30	– 148	– 182
1. 1. – 30. 6. 2011	0	4	51	0	0	– 4	– 25	26
Result from financial investments								
1. 1. – 30. 6. 2012	1	9	1	0	4	– 27	– 9	– 21
1. 1. – 30. 6. 2011	0	19	6	0	0	– 28	12	9
Administrative expenses								
1. 1. – 30. 6. 2012	10	52	47	10	291	43	– 37	416
1. 1. – 30. 6. 2011	11	72	60	12	282	58	– 15	480
Other operating expense and income								
1. 1. – 30. 6. 2012	– 1	7	1	– 6	4	1	7	13
1. 1. – 30. 6. 2011	0	8	– 1	1	7	0	8	23
Restructuring expenses								
1. 1. – 30. 6. 2012	0	0	0	0	0	– 61	113	52
1. 1. – 30. 6. 2011	0	0	0	0	0	30	128	158
Internal charging								
1. 1. – 30. 6. 2012	2	– 81	– 137	– 20	300	– 7	– 57	0
1. 1. – 30. 6. 2011	3	– 86	– 149	– 20	307	– 10	– 45	0
Profit before income tax								
1. 1. – 30. 6. 2012	5	59	– 95	– 5	0	25	– 354	– 365
1. 1. – 30. 6. 2011	– 1	176	14	6	0	– 17	– 128	50

Notes to the Group Statement of Income

4. Net Interest Income

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Interest income from		
– Loans and advances to banks and customers	1,166	1,263
– Financial assets available for sale	44	59
– Financial assets held to maturity	0	1
Current income from		
– Financial assets available for sale	3	42
Net interest and dividend income from		
– Instruments held for trading	351	337
– Instruments designated as at fair value	– 493	– 408
Interest expenses for		
– Liabilities to banks and customers	394	473
– Certificated liabilities	272	308
– Subordinated debt (excluding designated holdings)	54	30
Net income from hedging relationships	– 9	8
Net income from other transactions	1	74
Net interest income	343	565

The net income from other transactions primarily comprises interest income and interest expense from hedging derivatives which meet the requirements for hedge accounting under IAS 39, and from amortisation entries made in connection with the portfolio hedge accounting. It also captures the interest expense from the measurement of IFRS pension obligations and the interest effect from unwinding (accrued interest on allowances and provisions for credit risks).

5. Impairment Charge for Credit Losses

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Allocations		
– to allowance for losses on loans and advances	– 152	– 137
– to provisions for lending operations	– 1	0
Write-backs		
– from allowance for losses on loans and advances	39	80
– from provisions for lending operations	5	1
Income from written-off loans and advances	8	17
Direct write-offs of loans and advances	– 33	– 16
Impairment charge for credit losses	– 134	– 55

6. Net Fee and Commission Income

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Lending and syndicated lending business	62	96
Securities and deposit business	– 4	– 8
Payment transactions	24	27
Trust activities	1	1
Other	1	4
Net fee and commission income	84	120

7. Net Trading Result

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Result from sale and measurement of trading instruments	17	– 4
Fee and commission result from trading instruments	– 19	– 37
Result from foreign currency translation/ precious metals transactions	– 1	– 153
Result from sale and measurement of financial instruments designated at fair value	– 179	220
Net trading result	– 182	26

8. Result from Financial Investments

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Result from sale and measurement of available-for-sale assets	– 26	11
Result from sale and measurement of held-to-maturity assets	0	– 2
Result from sale and measurement of interests in associates	5	0
Result from financial investments	– 21	9

9. Administrative Expenses

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Personnel expenses	204	251
– Wages and salaries	156	203
– Compulsory social security contributions	25	24
– Expenses for pensions and other employee benefits	23	24
Other administrative expenses	180	190
Depreciation and amortisation	32	39
– of property and equipment	11	18
– of software and other intangible assets	21	21
Administrative expenses	416	480

10. Other Operating Expense and Income

	1. 1. – 30. 6. 2012 € millions	1. 1. – 30. 6. 2011 € millions
Other operating expense	29	34
Other operating income	42	57
Other operating expense and income	13	23

11. Restructuring Expenses

We recognised a total of € 52 million (previous year: € 158 million) in restructuring expenses in the first half of this year, most of which related to project expenses.

Notes to the Group Balance Sheet

12. Loans and Advances to Banks

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Banks in Germany	3,067	2,911
Banks in other countries	8,546	8,505
Loans and advances to banks	11,613	11,416

13. Loans and Advances to Customers

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Corporate clients	47,196	52,381
Public-sector clients	29,608	15,360
Private clients	4,674	5,120
Loans and advances to customers	81,478	72,861

14. Risk Provisions in the Lending Business

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Allowances for losses on loans and advances	901	806
– Allowances for specific risks	808	688
– Portfolio allowances	93	118
Provisions for contingent liabilities	27	45
– Provisions for specific risks	27	44
– Provisions for portfolio risks	0	1
Risk provisions in the lending business	928	851

15. Trading Assets

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Bonds and other interest-bearing securities	585	2,578
Shares and other non-interest-bearing securities	404	443
Positive fair values from derivative financial instruments	50,629	51,512
Other trading assets	10,775	2,550
Trading assets	62,393	57,083

16. Financial Assets Designated at Fair Value

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Bonds and other interest-bearing securities	1,306	1,636
Shares and other non-interest-bearing securities	50	48
Loans and advances to banks	2,145	2,369
Loans and advances to customers	1,877	1,930
Financial assets designated at fair value	5,378	5,983

17. Financial Investments

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Financial investments available for sale	2,480	3,182
Financial investments held to maturity	0	23
Interests in companies reported at equity	29	28
Investment property	27	28
Financial investments	2,536	3,261

18. Property and Equipment

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Land and buildings	305	313
Office equipment	50	52
Other property and equipment	6	6
Property and equipment	361	371

19. Intangible Assets

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Goodwill	0	0
Software	152	137
Intangible assets	152	137

20. Liabilities to Banks

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Banks in Germany	8,868	7,589
Banks outside Germany	3,360	3,417
Liabilities to banks	12,228	11,006

21. Liabilities to Customers

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Corporate clients	13,403	16,354
Public-sector clients	7,824	8,090
Private clients	20	16
Liabilities to customers	21,247	24,460

22. Certificated Liabilities

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Bonds and notes issued	12,844	14,603
Money market instruments	4,540	4,707
Certificated liabilities	17,384	19,310

23. Trading Liabilities

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Negative fair values from derivative financial instruments	49,093	50,440
Delivery obligations on short sales of securities	495	804
Other trading liabilities	610	865
Trading liabilities	50,198	52,109

24. Financial Liabilities Designated at Fair Value

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Liabilities to banks	4,863	6,305
Liabilities to customers	38,114	22,834
Certificated liabilities	13,367	14,159
Financial liabilities designated at fair value	56,344	43,298

25. Provisions

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Provisions for pensions and similar obligations	957	843
Provisions in the lending business	27	45
Provisions for personnel expenses	264	280
Restructuring provisions	931	938
Other provisions	92	190
Provisions	2,271	2,296

26. Subordinated Debt

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Subordinated liabilities	2,422	2,432
Profit participation capital	257	257
Deferred interest	58	48
Measurement effects (IAS 39)	44	41
Subordinated debt	2,781	2,778

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

27. Silent Contributions to Capital

Regarding the silent contributions to capital reported above the equity line items on the balance sheet, readers are referred to our Annual Report 2011 (Note 60).

Other Information

28. Derivative Financial Instruments

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

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Products based on interest rates	937,389	1,208,255
Products based on exchange rates	170,178	205,721
Products based on share prices and other prices	25,884	28,930
Credit derivatives	18,776	43,140
Derivative transactions	1,152,227	1,486,046

29. Contingent Liabilities and Other Commitments

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Contingent liabilities from guarantees and indemnity agreements	3,653	4,591
Other commitments from irrevocable loan commitments	11,916	15,731

Irrevocable credit commitments involve external credit lines which have not yet been utilised.

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

30. Assets and Liabilities Held for Sale

When our subsidiary readybank ag, which is captured in the Unbundling segment, signed an agreement to sell its operations to S-Kreditpartner GmbH in October 2011, the parties included two option transactions on the shares held in SCHUFA Holding AG in their agreement. Those options have met all of the criteria of IFRS 5 since April 1, 2012.

Mizuho Corporate Bank, Ltd. signed an agreement on June 19, 2012 to acquire our subsidiary WestLB Banco do Brasil, which specialises in project finance for corporate clients and structured finance. The sale is subject to regulatory approval. The business of WestLB Banco do Brasil is predominantly captured in the Corporate & Structured Finance segment and in the Capital Markets segment. The disposal group first fell within the scope of IFRS 5 on the reporting date.

On June 29, 2012, Portigon signed an agreement with Deutsche Sparkassen Leasing AG & Co. KG on the sale and transfer of our subsidiary Universal Factoring GmbH. The sale closed on July 6, 2012. The subsidiary's business is captured in the Corporates & Structured Finance segment. It first met all of the criteria of IFRS 5 on the reporting date.

By contrast, our subsidiaries Bank WestLB Vostok and WestLB Mellon Asset Holdings Ltd. (WMAM) had not yet met the conditions for an application of IFRS 5 as of the reporting date.

With the transactions mentioned previously, the first-time recognition under IFRS 5 rules did not have an effect on the result for the period.

The planned sales encompass the following balance sheet items:

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Loans and advances to banks	135	0
Loans and advances to customers	445	39
Allowances for losses on loans and advances	– 3	– 1
Trading assets	215	0
Financial investments	29	5
– thereof revaluation reserve	2	– 2
Other	34	0
Non-current assets held for sale	855	43

	June 30, 2012 € millions	Dec. 31, 2011 € millions
Liabilities to banks	34	0
Liabilities to customers	16	0
Trading liabilities	117	0
Provisions	80	0
Other	47	0
Non-current liabilities held for sale	294	0

There were no discontinued operations within the meaning of IFRS 5 as of the reporting date.

Readers are referred to the chapter entitled "Structural Changes in the Portigon Group" in the interim statement of financial condition as well as Note 3 for more information.

31. Amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets"

In conformity with the amendments to IAS 39 and IFRS 7, we reassigned certain trading assets and available-for-sale assets to the loans and receivables category in the second half of 2008. The assets reassigned were ones which, as of their effective date of reclassification, we no longer intended to sell or trade in the short term, but to hold for the foreseeable future, due to inactive markets. The reclassifications occurred at the respective fair values determined on the reclassification date and, in the case of available-for-sale assets, increased the equity capital in the reporting period by € 26 million (H1 2011: € 18 million).

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

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

	Carrying Value as of Reclassification	Carrying Value		Fair Value	
	€ billions	**June 30, 2012 € billions**	Dec. 31, 2011 € billions	**June 30, 2012 € billions**	Dec. 31, 2011 € billions
Trading assets reclassified as loans and receivables	1.6	0.0	0.0	0.0	0.0
Available for sale assets reclassified as loans and receivables	3.9	0.9	0.9	0.9	1.0
Total	5.5	0.9	0.9	0.9	1.0

At the time of reclassification, the effective interest rates on the reclassified assets were between 1.3% and 14.4%, with expected obtainable cash flows of € 8.3 billion.

The reclassified available-for-sales assets contributed € 13 million (H1 2011: € 15 million) to the result before income tax in the period under review. The reclassified trading assets did not make any significant contribution to the result before income tax because of the maturity of the reclassified paper (H1 2011: € 1 million).

32. Group Statement of Income, Quarterly Comparison

	1. 4. – 30. 6. 2012 € millions	1. 1. – 31. 3. 2012 € millions	1. 4. – 30. 6. 2011 € millions	1. 1. – 31. 3. 2011 € millions
Net interest income	199	144	298	267
Impairment charge for credit losses	– 115	– 19	– 21	– 34
Net interest income after impairment charge for credit losses	84	125	277	233
Net fee and commission income	49	35	62	58
Net trading result	– 89	– 93	17	9
Result from financial investments	8	– 29	11	– 2
Administrative expenses	219	197	240	240
Other operating expense and income	2	11	8	15
Restructuring expenses	5	47	126	32
Profit before income tax	– 170	– 195	9	41
Current income taxes	8	– 11	– 7	10
Deferred income taxes	– 6	31	– 28	11
Profit after income tax	– 168	– 175	– 26	62
Attributable to:				
– Shareholders of Portigon	– 168	– 175	– 26	62
– Non-controlling interests	0	0	0	0

33. Governing Bodies of Portigon AG

Portigon AG Managing Board

Dietrich Voigtländer
Chairman

Hubert Beckmann
Vice Chairman (until December 31, 2012)

Thomas Groß (until August 14, 2012)

Dr. Kai Wilhelm Franzmeyer (from August 15, 2012)

Werner Taiber (until August 31, 2012)

Klemens Breuer (until January 30, 2012)

Portigon AG Supervisory Board

Wolfgang Steller (from July 1, 2012, formerly a regular member)
Chairman
Former State Secretary
Düsseldorf

Michael Breuer (Chairman until June 30, 2012, regular member from July 1, 2012)
President
Savings Banks and Giro Association of the Rhineland

Doris Ludwig
Vice Chairwoman
Director
Portigon AG Düsseldorf

Raimund Bär
Chairman of the Staff Council
Westdeutsche ImmobilienBank AG

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

Horst Breuer (from April 20, 2012)
Secretary for Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft

Rolf Finger (until April 20, 2012)
Secretary for Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft

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

Volker Goldmann
Chairman of the Managing Board
Sparkasse Bochum

Cornelia Hintz
Secretary
ver.di Vereinte Dienstleistungsgewerkschaft

Sigrid Janetzko
Bank Director
Portigon AG Düsseldorf

Dr. Bruno Kahl
Under Secretary
Federal Finance Ministry

Thomas Kreyer
Director
Portigon AG Düsseldorf

Christiane Kutil-Bleibaum
Director
Portigon AG Düsseldorf

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

Manfred Matthewes
Director
Portigon AG Düsseldorf

Heinz Paus
Mayor
City of Paderborn

Heinz-Günter Sander
Director
Portigon AG Düsseldorf

Uwe Schröder
Assistant Secretary
Federal Finance Ministry

Dr. Norbert Walter-Borjans
Finance Minister
State of North Rhine-Westphalia

Alexander Wüerst
Chairman of the Managing Board
Kreissparkasse Köln

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements of Portigon AG (formerly WestLB AG until July 2, 2012) for the six months ended June 30, 2012, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group interim statement of financial condition includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Düsseldorf, August 28, 2012

The Managing Board
Portigon AG

Dietrich Voigtländer

Hubert Beckmann

Dr. Kai Wilhelm Franzmeyer

Werner Taiber

Publications

The Interim Report and the Annual Report 2011 are also available in German. In case of doubt the German version shall be binding.

Our annual reports and interim reports can be inspected and downloaded at www.portigon.com.

Our Press Department and our Investor Relations Department will be pleased to answer your questions concerning the Interim Report and Portigon AG.

Our interim reports are printed on FSC-certified paper.

Portigon AG
Investor Relations
Herzogstrasse 15
40217 Düsseldorf
Tel. + 49 211 826-01
Fax + 49 211 826-6126

ir@portigon.com
presse@portigon.com

Disclaimer
Reservation regarding forward-looking statements

This interim report contains forward-looking statements on our business and earnings performance, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors which influence our business and to a great extent lie beyond our sphere of influence. Above all, these include the economic situation, the state of the financial markets worldwide and possible loan losses. Actual results and developments may, therefore, diverge considerably from our current assumptions, which, for this reason, are valid only at the time of publication. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.

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Portigon
Financial Services

Portigon AG
(formerly WestLB AG)
Herzogstrasse 15
40217 Düsseldorf
www.portigon.com