Single-Entity Accounts 2012

Portigon
Financial Services

Key Figures

Key Figures Year-on-Year Comparison

	1. 1. – 31. 12. 2012	1. 1. – 31. 12. 2011	Change absolute	%
Performance figures in € millions				
Net interest income	169.1	848.4	– 679.3	– 80.1
Net commission income	281.4	279.6	1.8	0.6
Expenses from trading operations	– 39.6	– 211.4	171.8	– 81.3
Other operating expenses/income	157.5	– 18.8	176.3	> 100.0
Personnel expenses	– 425.3	– 410.7	– 14.6	3.6
Other administrative expenses	– 501.4	– 437.6	– 63.8	14.6
Provisions for credit risks	9.4	– 62.8	72.2	> – 100.0
Result of securities and participations	48.1	– 120.6	168.7	> 100.0
Extraordinary result	– 227.8	– 437.9	210.1	48.0
Profit/loss before taxes	– 528.6	– 571.8	43.2	7.6
Taxes on income and revenues	– 41.0	– 47.5	6.5	– 13.7
Profit/loss after taxes	– 569.6	– 619.3	49.7	– 8.0

	Dec. 31, 2012	Dec. 31, 2011	Change absolute	%
Balance sheet figures in € billions				
Total assets	95.9	152.3	– 56.4	– 37.0
Business volume	98.2	172.0	– 73.8	– 42.9
Credit volume	13.0	71.5	– 58.5	– 81.8
Equity capital	3.0	3.9	– 0.9	– 23.1

Bank regulatory capital ratios (SolvV)				
Core capital in € billions	3.0	3.8	– 0.8	– 21.1
Own funds in € billions	4.6	6.1	– 1.5	– 24.6
Risk-weighted assets in € billions	2.0	37.2	– 35.2	– 94.6
Core capital ratio in %	149.1	10.3	–	–
Overall ratio in %	227.8	16.3	–	–

Employees				
Number of employees	2,711	3,773	– 1,062	– 28.1
Full-time equivalent	2,559	3,566	– 1,007	– 28.2

Current ratings	Short term	Long term	Public Pfandbrief
Fitch Ratings	F1+	A+	–

Single-Entity Accounts 2012. Portigon AG, Düsseldorf

Key Figures

Portigon AG Statement of Financial Condition at December 31, 2012 2
Performance at a Glance 2
Economic Setting 3
The Market for Portfolio Service Providers 5
Structural Changes 5
Employees 8
Sustainability and Environmental Management 9
Branches, Subsidiaries and Offices of Portigon AG 9
Accounting Methods and Reporting Standards 9
Statement of Income 10
Balance Sheet and Business Volume 12
Concluding Statement from the Subordinate Status Report 16
Risk Report 17
Events Occurring After the Close of the Fiscal Year 32
Outlook 32

Portigon AG Balance Sheet at December 31, 2012 34

Portigon AG Statement of Income 38

Portigon AG Notes to the Annual Financial Statements at December 31, 2012 40
General Information 40
Notes to the Balance Sheet 52
Notes to the Statement of Income 65
Other Information 68

Auditor's Opinion 84

Responsibility Statement 85

Report of the Supervisory Board 86

Corporate Governance at Portigon AG 92

Contact Addresses

We will be pleased to send you a copy of the Portigon Annual Report for 2012 and the Group Annual Financial Statements. The Annual Report is also available on the Internet at www.portigon.com.

Portigon AG Statement of Financial Condition at December 31, 2012

Performance at a Glance

For Portigon AG (Portigon), 2012 was dominated by the company's further transformation in the wake of the approval decision taken by the European Commission on December 20, 2011. As of the end of June 30, 2012, Portigon ceased to engage in any new banking business unrelated to its servicing platform or transformation and adopted a new business model. As a result, the "Verbundbank" business was transferred to Landesbank Hessen-Thüringen Girozentrale (Helaba), as planned, while the remaining risk positions and any unsold non-strategic business divisions were transferred to Erste Abwicklungsanstalt (EAA).

Helaba took over the "Verbundbank" business from Portigon with total assets of approximately € 40 billion, risk-weighted assets of € 8.3 billion and 417 employees with retroactive economic effect as of July 1, 2012. The custodial banking and payment transactions businesses were legally and economically transferred to Helaba effective September 17, 2012.

EAA took over portfolios with a business volume of approximately € 90 billion from Portigon, with those transfers also becoming legally effective on September 17, 2012. The transfer of the banking book took retroactive economic effect as of January 1, 2012. The trading book and new business recorded in the banking book in the first half of 2012 were transferred with retroactive economic effect as of July 1, 2012.

Because of the legal and tax situation, the transfers to Helaba and EAA were made using various transfer paths, with corresponding effects on the balance sheet. The spin-off and cash sub-participation transfer paths led to a derecognition of the transferred assets and liabilities. By contrast, transfers by guarantee meant that only the inherent risks were transferred, whilst the items themselves remained on Portigon's books. Most of the derivatives were transferred to EAA under a risk transfer agreement. This agreement established a fiduciary relationship, leading to the reporting of positive market values under trust assets and negative market values under trust liabilities. Adjustment items in matching amounts were also created in these line items, which led to higher balance sheet totals.

Total assets came to € 95.9 billion as of December 31, 2012 (previous year: € 152.3 billion). Of that amount, € 73.5 billion is attributable to trust assets and € 12.9 billion is guaranteed by EAA. The remaining amount chiefly relates to the investment of capital and liquidity back-ups.

The retroactive effect of the transfers to Helaba and EAA, the discontinuation of new banking business in the second half of the year and the development of servicing operations affected Portigon's earnings situation, such that there is only very limited comparability between last year's € 616.5 million in income and the previous year's € 777.2 million. In addition, high extraordinary expenses and restructuring expenses of net € 227.8 million (previous year: € 437.9 million) were necessary again. Administrative expenses increased by € 78.4 million year-on-year to € 926.7 million. This is due to substantial legal and consulting expenses related to the transformation as well as to pension expenses, which more than offset the restructuring-related decrease.

Altogether, we are reporting a result before taxes of € – 528.6 million for 2012 (previous year: € – 571.8 million) and a net loss for the year of € 569.6 million (previous year: € 619.3 million). This amount is being partially offset by withdrawals from capital reserves (€ 6.3 million) as well as a loss participation by the holders of silent contributions to capital (€ 460.7 million) and the holders of profit participation rights (€ 30.7 million) pursuant to the respective terms of issue. The remaining amount (€ 71.9 million) is being carried as a retained loss on the balance sheet.

To offset spin-off-related declines in the value of assets (€ 363.7 million) and the loss brought forward from the previous year (€ 98.0 million), the shareholders' meeting of Portigon AG resolved on August 31, 2012 to reduce the share capital by € 468.0 million, from € 966.6 million to € 498.6 million.

Taking into account the net loss for the year, Portigon's core capital ratio is 149.1%, whilst the overall ratio is 227.8%. The remaining volume of risk-weighted assets stands at just € 2.0 billion, after decreasing by € 35.2 billion because of the transfers.

Economic Setting

On the whole, the world economy continued to lose steam in 2012 due to the global financial and economic crisis. Government leaders launched various economic packages and bailout measures in an effort to counteract this development. However, these measures raised sovereign debt levels even further in some cases. The US economy proved relatively robust, but the year was dominated by a lengthy campaign season and thereafter by the uncertainty surrounding the future direction of budget consolidation. Japan's economy was quite robust. The emerging markets, however, were unable to break away completely from the developed economies. In view of the serious problems in the euro area, the United States, Japan and emerging markets had a stabilising effect on the global economy.

The sovereign debt crisis in Europe remained the dominant topic on the financial markets in 2012. Despite various rescue measures arranged by European Union (EU) heads of state, the crisis spread and repeatedly provoked major uncertainty, even a crisis of confidence in the European Monetary Union.

The European Central Bank played a key role in 2012, functioning as a liquidity provider, confidence builder as well as in its intended capacity as a transnational regulatory authority for the European banking sector. The ECB's intervention and, in particular, statements by ECB President Mario Draghi that the euro zone's central bank would provide unlimited support to member states in the event of problems had a significant effect on the financial markets.

The ECB had already offered two three-year refinancing operations in December 2011 and February 2012, under which a total of € 1,000 billion was lent. In addition, it lowered the requirements for eligible collateral, thereby raising central bank liquidity. The broadest measure was introduced on September 6, 2012 with a bailout programme, available as needed, via the European Financial Stability Facility (EFSF) and its successor institution, the European Stability Mechanism (ESM). Provided certain conditions are met, the programme can be used to make unlimited purchases in the short-term segment of the sovereign bond markets. This announcement led to significant stabilization in the financial markets.

Prior to this was the restructuring of Greece's debt. In March 2012, private investors took a haircut of 53.5% on the nominal value of their Greek bonds. Even then, it was easy to see that this would only be the first step in a restructuring process for Greece, with another one to follow. Euro zone finance ministers and the International Monetary Fund (IMF) agreed on new aid for Greece on November 27, 2012. The concessions include longer loan maturities and interest repayment deferral in addition to a programme to buy back bonds from private investors in order to reduce the country's sovereign debt. The Greek haircut exerted considerable pressure on Cyprus's banking sector, causing Cyprus to apply for rescue funds from the IMF, ECB and European Commission in June 2012.

In Spain, the speculative bubble in the country's real estate sector had a severe impact on Spanish savings banks, increasing their write-down and risk provisioning requirements. Banks used up large amounts of their equity capital, and a recapitalisation became necessary. The EU community of states earmarked up to € 100 billion for this purpose. Then in summer 2012 there was a general crisis of confidence that acutely affected Italy and Spain in the form of higher risk premiums on the bond markets.

The Federal Republic of Germany, by contrast, profited from its status as a "safe haven". The rating agencies continued to give Germany's credit quality their highest rating, whilst other countries like France lost their top ratings in autumn 2012.

Overall, German banks benefited from the low interest rates because they translated into substantially lower refinancing costs. Moreover, domestic banks profited from Germany's robust economy and an intact real estate market, which allowed them to at least partially compensate for reduced income in some areas or regions of their business.

The economy of the euro area was heavily affected by the European sovereign debt crisis. Fiscal consolidation measures and austerity measures, at times drastic in some countries, noticeably curtailed growth. Cutbacks in government and public-sector spending, restrained domestic demand in the southern peripheral countries, as well as the generally uncertain outlook for companies, consumers and investors, caused demand to fall. Furthermore, the high price of oil, which is quoted in US dollars, resulted in a loss of purchasing power in the euro area. This also affected the economy of the countries which were not at the centre of the sovereign debt crisis. Overall, the economic trend varied greatly among the individual EU countries, with everything from a slowing of the economy to a recession in major member states (e.g. Spain and Italy). Despite ongoing consolidation efforts, the debt to GDP ratio of some countries remained high or even rose in 2012. Combined with other factors, this prompted rating agency Standard & Poor's to downgrade its credit ratings for France, Spain, Portugal and Cyprus.

The German economy slowed over the course of 2012. Despite the softening of the world economy, exports to non-EU countries rose thanks to a weaker euro, more than offsetting lower exports to the euro area. Germany's GDP expanded by an average of 0.7% in 2012. The development of Germany's labour market was positive, with unemployment numbers remaining low despite the difficult economic climate. One reason for this trend, apart from Germany's competitiveness and export strength, was the ongoing positive impact of the Agenda 2010 plan.

The Market for Portfolio Service Providers

The international banking and financial crisis, which began in the US in 2007, permanently altered the global financial system. Governments, central banks, regulatory authorities and the banks themselves were forced to take swift action to prevent a collapse of the financial industry and the negative consequences this would have had for the real economy. As part of bailout actions, which led to a sovereign debt crisis in many countries of the world, numerous governments decided to monitor their countries' banks more closely than previously. Examples of some of the overarching topics which are being discussed under the rubric of "Basel III" include higher capital and improved liquidity requirements, more rigorous risk management and tighter, internationally coordinated regulation.

Some US and European banks have already disappeared from the market. Others have been forced into mergers or placed under new – often government – ownership. The regulatory authorities have conducted stress tests on a regular basis to gauge just how resilient systemic banks actually are in crisis situations.

Many financial institutions have reviewed their business models in light of these developments. Many have launched cost-cutting programmes. The return to profitable core business, which inevitably entailed the reduction of non-strategic portfolios, went hand in hand with this. According to estimates by the International Monetary Fund, European banks alone hold approximately € 2.5 trillion in non-strategic assets. These assets are to be reduced through the use of internal and external restructuring units.

Wind-down vehicles established for this purpose are playing an important role in the transformation of the banking sector. Working together with professional, specialised portfolio service providers, they help banks quickly and cost-effectively to rid their balance sheets of non-strategic, as well as high-risk, assets, thus freeing up equity capital for the core business and generally improving banks' capitalisation.

Banks holding wind-down portfolios in internal restructuring units also seek the support of external portfolio service providers to whom they can outsource their portfolio processing and administration needs.

Customers of portfolio service providers include, apart from wind-down vehicles and banks with internal restructuring units, institutional investors such as insurance companies or hedge funds looking to build up new asset classes. The persistently low interest rates on the money and capital markets have prompted these investors to search for alternative forms of investment. Many banks' wind-down portfolios offer attractive investment opportunities. Portfolio service providers bring the required infrastructure and expertise to such investors and with that the opportunity to invest in new asset classes.

Structural Changes

The year under review was dominated by the task of implementing the conditions set by the European Commission in its approval decision of December 20, 2011, which ended state aid proceedings that had lasted for several years. As of the end of June 30, 2012, Portigon ceased to engage in any new banking business unrelated to its servicing platform or transformation and adopted a new business model. From now on, the company will serve as an autonomous, internationally operating end-to-end portfolio service provider. Portigon is the same legal entity as the former WestLB AG. The new name and revised corporate purpose became official on July 2, 2012 upon entry of the corresponding amendments to the articles and bylaws in the Commercial Register.

In the first half of 2012, the company laid the foundations for transforming the Group, as described in the final restructuring plan of June 30, 2011 and approved by the European Commission on December 20, 2011. At the end of June 2012, following intense negotiations, the managing boards of Portigon, Landesbank Hessen-Thüringen Girozentrale (Helaba) and Erste Abwicklungsanstalt (EAA) reached an agreement with Portigon's owners and Germany's Financial Market Stabilisation Authority (FMSA) concerning the as yet unresolved economic questions relating to Portigon's restructuring and then set the timetable for implementing this process. They signed the corresponding framework agreement on June 30, 2012.

Once Portigon presented its final balance sheet as at June 30, 2012, all of the agreements required for the restructuring of the Bank were formally recorded in late August 2012.

The spin-off processes for the transfer of the "Verbundbank" business as well as the transfer of risk positions and non-strategic business divisions to EAA became legally effective on September 17, 2012 upon entry in the Commercial Register.

Helaba took over the "Verbundbank" business from Portigon with total assets of approximately € 40 billion, risk-weighted assets of € 8.3 billion and 417 employees with retroactive economic effect as of July 1, 2012. The custodial banking and payment transactions businesses were legally and economically transferred to Helaba effective September 17, 2012.

EAA took over portfolios with a business volume of approximately € 90 billion from Portigon, with those transfers also becoming legally effective on September 17, 2012. The transfer of the banking book took retroactive economic effect as of January 1, 2012. The trading book and new business recorded in the banking book in the first half of 2012 were transferred with retroactive economic effect as of July 1, 2012. The EAA refilling portfolio also includes the stake in Westdeutsche ImmobilienBank AG, which was transferred as a whole to EAA by way of spin-off.

Various transfer paths were used to actually transfer the respective portfolios to Helaba, as well as the risk positions and non-strategic business divisions, including all related agreements and legal relationships, to EAA. Apart from spin-off, the path with which the predominant portion of the respective items was transferred, cash sub-participation was used. In the case of EAA, transfers were also made by way of guarantee and on the basis of a risk transfer agreement. The decisions on transfer paths took into account legal, regulatory and tax obstacles, in particular.

With the transfer path spin-off, assets and liabilities were transferred to EAA or Helaba in rem and economically. The other transfer paths involve only the synthetic transfer of the opportunities and/or risks inherent in the corresponding positions. In the case of the use of the risk transfer agreement as a transfer path, the derivatives held in trust for EAA cannot be derecognised despite the transfer in full of the opportunities and risks inherent in them until settlement of the legal obligations arising from the derivatives, i.e. satisfaction, cancellation or expiration of the obligations. Until settlement or legal release, these derivatives and the corresponding offsetting positions will continue to be reported on Portigon's balance sheet. It is also planned to achieve a legal transfer to EAA of the derivatives portfolio that Portigon is required to keep on its books for now. This portfolio has a nominal volume of approximately € 700 billion and is due to be legally transferred over the next few years, using novation, in particular. In addition, in the wake of the transformation, Portigon will essentially retain only those assets it needs to fulfill its new corporate purpose.

Portigon provides portfolio services to EAA and Helaba. We also plan on seeking engagements and contracts from third parties, including in cooperation with partners.

Portigon AG has a banking licence within the meaning of the German Banking Act (KWG) and is subject in full to the rules and regulations of this act. Pursuant to the decision taken by the European Commission on December 20, 2011, Portigon was required to surrender the now superfluous portions of this licence on or before December 31, 2012. Therefore, within the agreed timeframe prior to the end of the year, Portigon relinquished its licence to conduct the following types of regulated banking business pursuant to § 1 (1) of the German Banking Act (KWG): Pfandbrief business pursuant to No. 1a, discount business pursuant to No. 3, the repurchase of loan claims pursuant to No. 7 and underwriting business pursuant to No. 10. Banking supervisors confirmed receipt of our waiver. Thus, these portions of the licence lapsed as of the end of November 29, 2012.

As part of the European Commission's decision, Portigon was allowed to continue selling businesses until June 30, 2012. The sale of Russian subsidiary Bank WestLB Vostok (ZAO) and of Universal Factoring GmbH was completed in the year under review. The agreements for the sale of subsidiary Banco WestLB do Brasil S.A. were signed in June 2012. The transaction cannot be completed until the responsible authorities give their approval. In addition, the Subscription Commitment Facilities portfolio, which was part of the structured finance business, was sold, as was the 50% stake in the joint venture WestLB Mellon Asset Management Holdings Limited. Furthermore, subsidiary readybank ag sold its remaining retail customer assets in June 2012 and was merged into Portigon in November 2012.

The transformation has led to a spin-off-related net asset reduction of € 363.7 million at Portigon. Additionally, after a reversal of all reserves and the loss participation of the silent contributions to capital and profit participation certificates, Portigon still had a retained loss of € 98.0 million from the net loss of € 619.3 million for 2011. With no more reserves at its disposal, Portigon had to reduce its share capital for purposes of implementing the spin-offs in order to compensate for declines in the value of its assets and to offset other losses and did so pursuant to § 145 et seq. of the German Transformation Act (UmwG) prior to reporting the spin-offs for entry in the Commercial Register. Accordingly, the shareholders' meeting resolved on August 30, 2012 to reduce the share capital of € 966.6 million using the simplified procedure pursuant to § 145 of the German Transformation Act (UmwG) in conjunction with §§ 229 et seq. of the German Stock Corporation Act (AktG) by € 468.0 million to € 498.6 million.

The cornerstone agreement of June 2011, which served as the basis for the European Commission's decision, stipulated the repayment of € 1 billion of the silent contribution to capital made by the Financial Market Stabilisation Fund (FMS) in 2009/2010 (which had an original nominal value of € 3 billion). In return, the State of North Rhine-Westphalia was to inject an additional and, if possible, subordinated sum of € 1 billion into Portigon. The parties agreed that the State of North Rhine-Westphalia would acquire one-third of FMS's silent contribution for the current nominal value of € 893.2 million in a secondary market transaction. As a result, FMS holds a remaining silent contribution to capital in the current nominal amount of € 1,786.3 million.

Both of North Rhine-Westphalia's savings banks associations ceased to be part of the shareholder structure of Portigon as of the end of June 30, 2012. The Regional Associations of Westphalia-Lippe and of the Rhineland ceased to be owners as well, effective September 3, 2012. The State of North Rhine-Westphalia is now the sole owner of Portigon AG, holding 69.5% of the company directly and 30.5% indirectly via NRW.BANK.

The company amended its articles and bylaws in the course of the transformation. The size of the Supervisory Board was reduced from 20 to 12 members, and the audit powers of the State Audit Office (Landesrechnungshof) have been enshrined in the articles and bylaws. These amendments have been in effect since September 6, 2012.

There were various transformation-related changes in the composition of the Supervisory Board during the reporting year. The members in office as of the reporting date are listed in the Notes. Of particular note are the changes in the office of Chairman of the Supervisory Board. Michael Breuer served as Chairman of the Supervisory Board until June 30, 2012. Wolfgang Steller was Chairman from July 1, 2012 to November 30, 2012. Dietmar P. Binkowska has been serving as Chairman of the Supervisory Board since December 1, 2012.

The following changes took place in Portigon's Managing Board: Klemens Breuer, the Managing Board member with responsibility for the capital markets business, left the company as of January 30, 2012. Thomas Groß, Chief Financial Officer (CFO) and Chief Risk Officer (CRO), followed on August 15, 2012. Werner Taiber, the Managing Board member with responsibility for the corporates, structured finance and capital markets businesses, left effective August 31, 2012. Hubert Beckmann, Vice Chairman of the Managing Board, resigned from office as of December 31, 2012.

The Supervisory Board appointed Dr. Kai Wilhelm Franzmeyer to serve as CFO and CRO from August 15, 2012. He has also been serving as Employee Relations Director since September 3, 2012. Stefan Dreesbach was appointed a member of the Managing Board as of October 8, 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+.

Portigon has remained a member of the guarantee fund of the Landesbanken and Girozentralen and achieved the status of an affiliated institution on July 1, 2012.

Employees

For employees, fiscal 2012 was dominated by the transformation of the Portigon Group. The company's restructuring pursuant to the cornerstone agreement began as of July 1, 2012, as soon as it ceased to engage in new banking business. The Managing Board adopted restructuring plans for all of the business units and has since translated them into reconciliations of interests and redundancy schemes, largely in consultation with the staff council. Thus, the Managing Board and staff council have reached mutual agreement on a package of measures for implementing the restructuring in a socially responsible manner. Analogous instruments were developed for the branches outside Germany.

In conjunction with the spin-off of the Verbundbank activities, the "Verbundbank" unit was set up within the Portigon Group in May 2012 and then transferred to Helaba in the period up to September 17, 2012. A total of 417 employees were able to transfer to Helaba.

Portigon AG employed 2,711 people as of December 31, 2012, 2,559 of whom worked on a full-time basis. At the end of 2011, the Group had employed 3,773 people, with 3,566 working on a full-time basis.

Training for the Realignment

The realignment of Portigon into a portfolio service provider has entailed widespread changes to many employees' job requirements. The individual and organisational change processes have been supported by systematic employee and organisational development measures, as well as individualized training conducted both on an in-house basis and externally.

Compensation

In 2012, Portigon continued to align its compensation system with the regulatory requirements and introduced adjustments necessitated by the transformation and new business model. Thus, the compensation system in place meets the standards of international regulators as well as the standards codified in both the Regulation Governing Remuneration at Institutions and the Financial Market Stabilisation Act, which are stricter than the overseas rules.

Sustainability and Environmental Management

Sustainability plays a special role in Portigon's business processes. Certified to ISO 14001, the company's environmental management system has been adapted as part of the transformation process. The regularly scheduled environmental audit conducted in November 2012 confirmed the existing high standards and consistency of the company's environmental data reporting. In addition, external experts examined whether Portigon was a candidate for use of the EU Eco Management and Audit Scheme (EMAS), in order to obtain an integrated validation of the comprehensive environmental data which Portigon maintains on its operations. In their concluding remarks, these experts pointed out that while rating agencies treat ISO 14001 and EMAS validation equally, most do not recognise integrated EMAS data validation. Portigon's Managing Board, therefore, decided in favour of maintaining the ISO 14001 standard. The next recertification by an external auditor is scheduled for 2013.

Branches, Subsidiaries and Offices of Portigon AG

Portigon AG's head office is in Düsseldorf. All other domestic branch offices and business desks were closed by December 31, 2012. In addition, there are no longer any operating subsidiaries which conduct banking business in Germany,

Portigon conducts business in Europe through subsidiaries and branches in Istanbul, London, Madrid and Milan. The subsidiary in Moscow was sold as of November 23, 2012. Outside Europe Portigon maintains subsidiaries and branches in New York, São Paulo, Hong Kong, Singapore, Shanghai, Sydney and Tokyo.

With the transformation of Portigon AG pursuant to the EU's decision of December 20, 2011, future activities will be concentrated in Düsseldorf, London, New York and Hong Kong. The remaining branches in Istanbul, Madrid, Milan, Shanghai, Singapore, Sydney and Tokyo are scheduled to be closed by December 31, 2014 at the latest. The sale of our São Paulo subsidiary is awaiting the approval of local authorities.

Accounting Methods and Reporting Standards

The single-entity annual financial statements of Portigon AG are prepared in accordance with the provisions of the German Commercial Code (HGB), the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV), the relevant provisions of the German Stock Corporation Act (AktG) and the Pfandbrief Act (PfandBG).

Due to the transfer of assets and liabilities to EAA and Helaba, there is limited comparability with the previous year's figures.

Statement of Income

Portigon's earnings performance in 2012 was largely shaped by the transfers made to EAA and the Verbundbank of Helaba. Portfolios allocated to the Verbundbank were transferred with retroactive effect from July 1, 2012. Transfers to EAA took retroactive effect as of January 1, 2012 for business which was already recorded in the banking book on or before December 31, 2011. New banking book business transacted in the first half of 2012 and the trading book were transferred with retroactive effect from July 1, 2012. The recognition of earnings contributions from the transferred portfolios occurred in accordance with the respective retroactive transfer dates. Starting in the second half of 2012, Portigon limited its business activities to the provision of portfolio services in accordance with the conditions set by the European Commission. Therefore, there is very little comparability with the previous year's figures.

Altogether, we are reporting a result before taxes of € – 528.6 million for 2012 (previous year: € – 571.8 million) and a net loss for the year of € 569.6 million (previous year: € 619.3 million). Because of this, silent contributions to capital and profit participation capital cannot be serviced and will participate in the loss pursuant to the terms on which they were issued.

The following presentation of the statement of income is consistent with Portigon's internal steering. Accordingly, when securities which are held in the investment portfolio are written down because of the default risk associated with their issuer, such write-downs are reported as part of the risk provisioning for acute counterparty credit risks.

Portigon AG Statement of Income for the Period January 1 – December 31, 2012

	1. 1. – 31. 12. 2012 € millions	1. 1. – 31. 12. 2011 € millions	Changes € millions	%
Net interest income	169.1	848.4	– 679.3	– 80.1
Net commission income	281.4	279.6	1.8	0.6
Net expenses from trading operations	– 39.6	– 211.4	171.8	– 81.3
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Taxes on income and revenues	– 41.0	– 47.5	6.5	– 13.7
Profit/loss after taxes	– 569.6	– 619.3	49.7	– 8.0
Loss carried forward from the previous year	– 98.0	–	– 98.0	–
Capital reduction through spin-off	– 363.7	–	– 363.7	–
Withdrawals from capital reserves	6.3	96.7	– 90.4	–
Withdrawals from reserves from retained earnings	–	2.5	– 2.5	–
Withdrawals from profit participation capital	30.7	50.2	– 19.5	–
Withdrawals from the silent contributions to capital	460.7	371.9	88.8	–
Income from the capital reduction	468.0	–	468.0	–
Allocations to capital reserves	– 6.3	–	– 6.3	–
Retained loss	– 71.9	– 98.0	26.1	–

Net Interest Income

Net interest income came to € 169.1 million (previous year: € 848.4 million) and consisted mostly of interest income from transactions made in the first half of 2012, which were not retroactively transferred until July 1, 2012, as well as from guaranteed holdings, shares in affiliated companies and the investment of equity capital. This earnings item also reflects

a migration-based loss of € 290.7 million related to the close-out of hedging derivatives. An offsetting item in the same amount was captured in other operating income. The absence of coupon payments on the profit participation capital reduced the interest expense by € 15.9 million.

Net Commission Income

As far as banking services are involved, income from fees for services we provide to our customers are now reported as commission income, rather than other operating income, starting at the end of 2012. No restatement of prior-year figures was required. The income from portfolio services came to € 312.4 million in 2012 (previous year: € 72.9 million reported in other operating income). We generated net commission income of € 79.4 million from business undertaken in the first half of the year. One of the major offsetting items was the € 110.1 million in guarantee fees for synthetically transferred portfolios. Altogether, we generated net commission income of € 281.4 million (previous year: € 279.6 million).

Net Income/Expenses from Trading Operations

We had net expenses from trading operations of € 39.6 million in the first half of 2012. However, this figure must be viewed in close connection with the net interest income, where interest income from trading operations in excess of this amount was reported. Due to the change in our business model and resulting discontinuation of trading activities and reclassification of the trading book positions, the net result from trading operations has not changed since June 30, 2012.

Other Operating Expenses/Income

The net figure for other operating expenses and income came to € 157.5 million (previous year: € – 18.8 million) and predominantly reflects a reimbursement of migration-related losses captured in net interest income from the close-out of hedging derivatives (€ 290.7 million). The chief offsetting item was the interest cost on provisions (€ 134.1 million).

General Administrative Expenses

General administrative expenses increased by € 78.4 million, or 9.2%, to € 926.7 million last year.

Personnel expenses rose slightly by € 14.6 million to € 425.3 million. However, this amount included an increase of € 89.7 million in pension plan expenses. Adjusted for this effect, there was a sharp decrease because of the reduction in the number of employees from an average of 3,881 in 2011 to 3,215 in 2012. The figure for other administrative expenses rose by € 63.8 million to € 501.4 million due to substantial legal and consulting fees incurred in connection with Portigon's transformation of € 133.1 million (previous year: € 33.9 million).

Provisions for Credit Risks

The provisions for credit risks reflect a net reversal in the amount of € 9.4 million largely because certain (general) value adjustments were no longer necessary. As a result of the transfer of positions to EAA and Helaba, which included a transfer of the related credit risk provisions, Portigon is no longer exposed to any appreciable credit risks. In the previous year, net allocations of € 62.8 million were made in the ordinary course of business.

Result of Securities and Participations (including Write-Downs on Securities of the Liquidity Reserve)

We posted net income of € 48.1 million (previous year: net expenses of € 120.6 million) from securities and participations, which can be broken down as follows:

	1. 1. – 31. 12. 2012 € millions	1. 1. – 31. 12. 2011 € millions	Changes € millions	%
Result of securities	56.9	30.0	26.9	89.7
Result of participations	– 8.8	– 150.6	141.8	94.2
Result of securities and participations	48.1	– 120.6	168.7	> 100.0

The result of securities, at € 56.9 million (previous year: € 30.0 million), is attributable to transactions from the first half of 2012, the results of which are captured in Portigon's books. Last year's negative result of participations of € –8.8 million (previous year: € –150.6 million) is primarily attributable to write-downs of € 18.7 million in connection with the liquidation of readybank ag. This contrasts with book gains from the sale of participations as well as dividend income from readybank ag (€ 19.8 million), which is reported in net interest income.

Extraordinary Result

The extraordinary result came to € – 227.8 million (previous year: € – 437.9 million) and comprised € 27.9 million from the reversal of provisions that were no longer needed and expenses of € 255.7 million (previous year: € 437.9 million). At net € 136.5 million, the predominant portion of the extraordinary expenses relate to the increase in provisions for the upcoming restructuring-related headcount reductions, which have been intensified. On a related note, there were additional restructuring expenses from the building vacancies to be expected. The sum of € 31.9 million was expensed for the prorated recognition of the changes BilMoG has introduced to the measurement of pension provisions.

Taxes on Income and Revenues

The tax expense of € 41.0 million (previous year: € 47.5 million) consists mainly of current taxes attributable, in particular, to effects from third-party loss absorption and additions to taxable income.

Net Loss for the Year

Portigon AG is reporting a net loss of € 569.6 million (previous year: € 619.3 million) for fiscal 2012. There will be no coupon payments on the profit participation certificates for 2012 as well as no reinstatement of the expected repayment amounts for profit participation certificates and silent contributions to capital. There will likewise be no coupon payments on the silent contributions to capital.

Balance Sheet and Business Volume

Compared to the previous year, Portigon AG's balance sheet at December 31, 2012 was largely shaped by the extensive transfer of positions and the transformation activities (see the chapter entitled "Structural Changes"). Be that as it may, legal and tax obstacles and the various transfer paths taken because of these obstacles meant that a considerable volume of banking transactions are still being reported on Portigon's balance sheet. However, the credit and market risks associated with these assets and liabilities have been transferred to EAA and Helaba.

Portigon had total assets and total liabilities of € 95.9 billion at December 31, 2012, € 73.5 billion of which was reported in the items trust assets and trust liabilities. This includes, in particular, derivative financial instruments with positive market values of € 34.2 billion and derivative financial instruments with negative market values of € 35.4 billion. These derivatives were transferred to EAA under the risk transfer agreement and are offset by matching claims and obligations. There is also the corresponding cash collateral.

In addition, Portigon has claims on banks in the amount of € 1.4 billion (previous year: € 9.3 billion), claims on customers in the amount of € 9.3 billion (previous year: € 41.3 billion), securities in the amount of € 4.1 billion (previous year: € 18.1 billion) and cash in the amount of € 6.1 billion (previous year: € 3.2 billion). EAA has guaranteed € 12.9 billion of these assets, most notably € 7.3 billion in claims on customers and € 3.7 billion in cash. The unguaranteed positions represent the investment of capital and liquidity back-ups.

The business volume, which includes contingent liabilities and irrevocable credit commitments in addition to the balance sheet items, totalled € 98.2 billion (previous year: € 172.0 billion).

Assets

	Dec. 31, 2012 € billions	Dec. 31, 2011 € billions	Changes € billions	%
Cash/liquid debt issues	6.1	3.2	2.9	90.6
Claims on banks	1.4	9.3	– 7.9	– 84.9
Claims on customers	9.3	41.3	– 32.0	– 77.5
Securities not held for trading	4.1	18.1	– 14.0	– 77.3
Trading portfolio	–	77.7	– 77.7	– 100.0
Equity investments in affiliated and non-affiliated companies	0.6	1.4	– 0.8	– 57.1
Trust assets	73.5	0.5	73.0	> 100.0
Fixed assets/intangible assets	0.1	0.1	–	0.0
Other assets	0.8	0.7	0.1	14.3
Total assets	95.9	152.3	– 56.4	– 37.0

Liabilities

	Dec. 31, 2012 € billions	Dec. 31, 2011 € billions	Changes € billions	%
Liabilities to banks	0.4	12.6	– 12.2	– 96.8
Liabilities to customers	12.8	36.5	– 23.7	– 64.9
Certificated liabilities	0.0	28.0	– 28.0	– 100.0
Trading portfolio	–	64.5	– 64.5	– 100.0
Trust liabilities	73.5	0.5	73.0	> 100.0
Other liabilities	3.8	3.7	0.1	2.7
Subordinated liabilities/Profit participation capital	2.4	2.6	– 0.2	– 7.7
Equity capital	3.0	3.9	– 0.9	– 23.1
Total liabilities	95.9	152.3	– 56.4	– 37.0
Contingent liabilities	0.8	4.1	– 3.3	– 80.5
Other commitments/Credit commitments	1.5	15.6	– 14.1	– 90.4
Business volume	98.2	172.0	– 73.8	– 42.9

Credit Volume

The credit volume on the balance sheet was € 13.0 billion at December 31, 2012 (previous year: € 70.3 billion).

Portigon's volume of claims decreased significantly because of the spin-off of business to the Verbundbank and the refilling of EAA. Claims on banks decreased by € 7.9 billion to € 1.4 billion, whilst claims on customers fell by € 32.0 billion to € 9.3 billion. Of the claims on customers, € 0.5 billion represents deposits with EAA, and € 7.3 billion is guaranteed by EAA.

Credit Volume

	Dec. 31, 2012	Dec. 31, 2011	Changes	
	€ billions	€ billions	€ billions	%
Claims on banks	1.4	9.3	– 7.9	– 84.9
Claims on customers	9.3	41.3	– 32.0	– 77.5
Contingent liabilities	0.8	4.1	– 3.3	– 80.5
Other commitments/Credit commitments	1.5	15.6	– 14.1	– 90.4
Credit volume carried on the balance sheet	13.0	70.3	– 57.3	– 81.5

Securities Not Held for Trading

Portigon is reporting total holdings of bonds and other interest-bearing securities as well as shares and other non-interest-bearing securities in the amount of € 4.1 billion at December 31, 2012 (previous year: € 18.1 billion). Of this amount, € 0.2 billion (previous year: € 2.1 billion) is attributable to money market instruments and € 3.9 billion (previous year: € 15.9 billion) to bonds and notes.

The volume of EAA-issued notes came to € 3.0 billion at December 31, 2012 (previous year: € 9.1 billion), with € 0.9 billion in notes guaranteed by EAA.

Trading Portfolio

Portigon no longer had a trading portfolio as of December 31, 2012. Of those transactions that were previously reported here and were not transferred via spin-off or cash sub-participation to EAA or Helaba, most are covered by the risk transfer agreement and are now reported, together with the corresponding adjustment items, under trust assets or trust liabilities. The remaining positions, guaranteed by EAA, were reclassified into the banking book.

Equity Investments in Affiliated and Non-Affiliated Companies

The carrying value of the equity investments in affiliated and non-affiliated companies came to € 0.6 billion (previous year: € 1.4 billion). Of the € 0.6 billion, a total of € 0.5 billion is attributable to the companies GOD Grundstücksverwaltungsgesellschaft & Co. KG (GOD), GOH Grundstücksverwaltungsgesellschaft & Co. KG (GOH) and Banco WestLB do Brasil S.A.

The two companies GOH and GOD manage Portigon's real estate holdings. In the case of Banco WestLB do Brasil S.A., we are waiting for the responsible authorities to approve the sale.

Customer and Bank Deposits

Liabilities to banks and customers decreased considerably in conjunction with the spin-off of the savings banks business to Helaba and the refilling of EAA.

They totalled € 13.2 billion as of December 31, 2012 (previous year: € 49.1 billion).

Liabilities to customers include € 10.1 billion (previous year: € 25.7 billion) in time deposits, € 7.4 billion of which was deposited by EAA (previous year: € 7.6 billion).

Issuing Business

Nearly all of the certificated liabilities were spun off to Helaba and EAA, and the issuing business was discontinued as of June 30, 2012. Prior to the discontinuation, bonds and notes in the amount € 2.0 billion were issued in the first half of 2012, with the vast majority of those unsecured.

Own Funds

Portigon AG is required to calculate its ratios according to the Basel Capital Accord (Basel II) and the corresponding EU directives, which were implemented by the German Solvency Regulation (SolvV). Under § 10 of the German Banking Act (KWG) and § 2 SolvV, Portigon AG must have adequate capital and reserves to support its operations.

Specifically, own funds must not fall below 8% of the sum of the weighted credit risks, the operational risks and 12.5 times the relevant amount for the market risk positions. Portigon AG exceeded the required capital backing at all times in 2012.

The capital and reserves recognised under SolvV consist of core and supplementary capital and Tier III capital. The breakdown of eligible capital and reserves for Portigon AG at December 31, 2012 was as follows:

	Portigon AG Dec. 31, 2012 € millions SolvV after result for the year	Portigon AG Dec. 31, 2011 € millions SolvV after result for the year
Core capital	3,002.7	3,822.6
Paid-in capital	498.6	966.6
Capital reserves	0.0	0.0
Other reserves	– 71.9	– 98.0
Capital contributions of silent partners	2,607.7	3,068.4
Fund for general bank risks pursuant to § 340 g HGB	0.0	0.0
Intangible assets	– 30.8	– 42.4
Deductions	– 0.9	– 72.0
Supplementary capital	1,578.4	1,980.4
Modified available capital	4,581.1	5,803.0
Tier III capital	617.0	380.6
Unused Tier III capital	– 610.6	– 120.8
Own funds under SolvV	4,587.5	6,062.8

The volume of Portigon AG's own funds receded in 2012 chiefly because of the distribution of the loss reported in the HGB financial statements among the capital components absorbing the loss, as well as amounts charged to capital and reserves in connection with the transformation and spin-off processes.

The profit participation rights and subordinated liabilities of Portigon AG included in the capital and reserves calculated for regulatory purposes satisfy the eligibility requirements under § 10 (5) and (5a) of the German Banking Act (KWG). There can be no early repayment obligation on the subordinated liabilities. In the event the Bank goes bankrupt or is liquidated, profit participation rights and subordinated liabilities will not be repaid until all unsubordinated claims have been satisfied.

The amount of profit participation rights included in the supplementary capital was € 26.1 million.

The amount of subordinated liabilities included in the supplementary capital was € 2,118.9 million. Interest was paid on the subordinated liabilities in accordance with the terms on which they were issued.

The following ratios were determined at December 31, 2012 on the basis of the eligible capital and reserves pursuant to SolvV guidelines and taking into account the bottom line for the year:

Risk-Weighted Assets and Equity Capital Ratios Pursuant to SolvV

	Portigon AG Dec. 31, 2012 € millions SolvV after result for the year	Portigon AG Dec. 31, 2011 € millions SolvV after result for the year
Counterparty credit risks	906	29,850
Operational risks	995	2,851
12.5 x the relevant amount for market risk positions	113	4,547
Total	2,014	37,248
Core capital ratio	149.1	10.3
Overall ratio	227.8	16.3

The sharp reduction in credit, market and operational risks is largely the result of the transfer of portfolios to EAA and the Verbundbank as part of the transformation.

Taking into account the result for the year, the regulatory core capital ratio was 149.1% and the overall ratio was 227.8% as of the end of 2012.

Concluding Statement from the Subordinate Status Report

The State of North Rhine-Westphalia (NRW) holds 69.49% of the shares of Portigon AG directly and 30.51% indirectly via NRW.BANK, which is wholly owned by NRW.

Therefore, Portigon AG's Managing Board makes the following statement pursuant to § 312 (3) of the German Stock Corporation Act (AktG):

"Based on circumstances known to us at the time the company entered into the transactions and undertook or refrained from undertaking the acts discussed in the report on relations with affiliated enterprises, our company received adequate consideration for each such transaction and did not suffer any disadvantage by reason of undertaking or refraining from undertaking such acts."

Risk Report

The transformation of Portigon into a company that specialises in portfolio servicing has also changed the nature, scale and complexity of the risk content of its business activities. Portigon's risk profile has been sharply reduced through the transfer of portfolios to the Verbundbank and EAA.

During the course of the risk audit and revision of the risk strategy it was determined that Portigon's material risks for purposes of the Minimum Requirements for Risk Management (MaRisk) are operational risk and business risk. All other types of risk are considered immaterial.

Furthermore, Portigon has developed a new risk-bearing capacity concept that takes the new business model and supervisory requirements into account.

The consolidation of all risk committees (Asset Liability Committee, Credit Committee, Market Risk Committee, Global Risk Committee and second-tier committees/working groups) into one Portigon Risk Committee (PRC) and pooling of all risk issues ensure that a comprehensive perspective on the subject of risk is taken.

Portigon officially declared its status as a non-trading-book institution as of September 1, 2012, following suspension of the extensive range of banking activities in which it previously engaged and prior consultation with banking supervisors. Because this eliminated the requirement for maintaining an internal model to determine market risk in the trading book, BaFin revoked its approval of Portigon's model, as expected.

The organisation of the following risk report reflects the changed risk structure and corresponding classification of risk types.

The figures presented in this risk report generally refer to the Group as a whole. Any figures referring explicitly to the parent company are clearly identified as such.

Risk Management: Part of the Overall Management System

Organisation of Risk Management

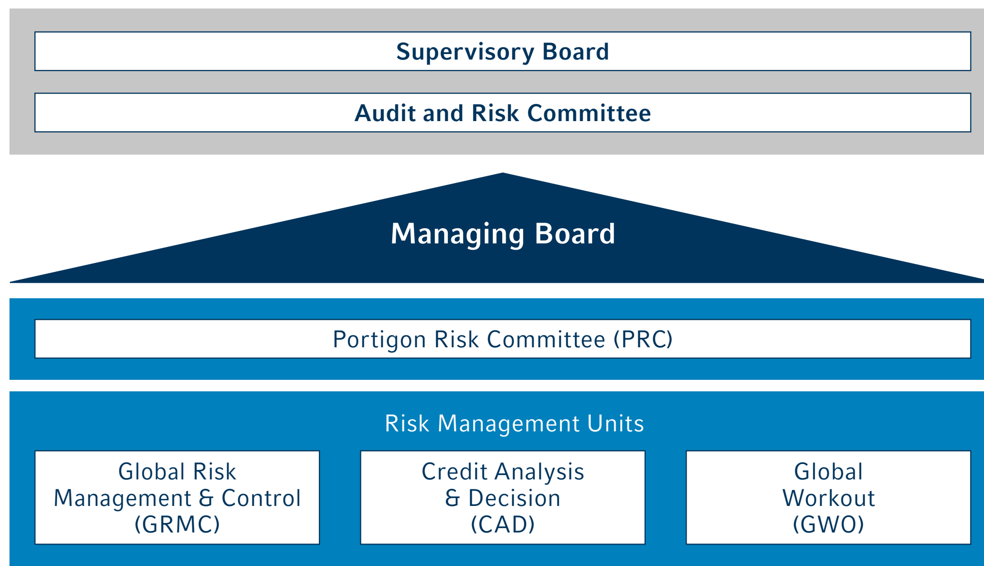
The goal of Portigon's risk management system is to ensure that the risk profile is aligned with the institution's risk-bearing capacity and that all relevant risks are presented transparently and actively steered with foresight. The core processes of risk management are determining, monitoring, analysing, steering and reporting on the Group's risks on an autonomous basis. The risk management processes ensure that the institution has sufficient risk-bearing capacity through the use of an "Internal Capital Adequacy Assessment Process" (ICAAP), as required by Basel II/Pillar 2. The risk-bearing capacity concept was adapted to fit Portigon's new business model.

In compliance with MaRisk, risk management is performed independently of the front office units.

The risk strategy, which is linked to the business strategy, forms the basis for monitoring and steering risk. It sets the principles of risk management, defines the types of risk that are material for purposes of MaRisk, and provides the basis on which to classify the risk types as either material or immaterial to Portigon's operations. What risk types should be monitored and steered on a purely quantitative basis and which ones require a qualitative assessment using specific risk management processes is a matter that is decided in the course of defining the material risks. The risk strategy also describes the core elements of the risk management processes.

The Managing Board determines the business strategy, which is reviewed annually, and the risk strategy as well as the principles of risk policy and risk steering in communication with the audit and risk committee appointed by the Supervisory Board. The PRC, which is in charge of company-wide risk communication and the efficient management of all risk types, supports the Managing Board and Supervisory Board in their efforts to determine the risk-bearing capacity and the general business and risk specifications.

The committees and risk units responsible for risk management are set out below:



The PRC is responsible for integrating risk management into operations pursuant to the business and risk strategies determined by the Managing Board. The Chief Risk Officer (CRO) chairs the PRC. The front office units are represented and can vote in the PRC, but cannot overrule risk management decisions.

The responsibilities of the PRC essentially include:

- Proposing resolutions on the business and risk strategies to the Managing Board
- Making decisions about Portigon AG's risk steering framework and its portfolio services (key rules, methods and risk processes)
- Handling and discussing capital and risk reporting
- Managing balance sheet, liquidity and capital resources, including responsibility for ICAAP
- Steering the risk positions (e.g. operational risk, business risk, low-risk investment of equity; other risk positions that were economically transferred, but which may require formal approval under certain authorisation schemes)

Regular, unbiased reporting on the capital and risk situation ensures close interaction between the Managing Board, PRC, risk management as well as the customer and portfolio servicing units.

The individual units of the risk management division are responsible for the following tasks:

- GRMC: Controlling of all pertinent risks and overall risk steering based on the risk-bearing capacity, internal and regulatory reporting, further development and validation of the internal rating systems, measurement and steering of operational risks, management of reputational risks, monitoring of market price and liquidity risks as well as monitoring of the counterparty and country risks of trading products

- CAD: Independent monitoring of counterparty credit risks, especially credit, issuer and counterparty risks, including rating and approving commitments and complete loan administration

- GWO: Centralised management of loans which carry increased risk or have already defaulted (processing of problem loans and loan modification)

Risk Reporting

In order for a system of risk steering and monitoring to be sustainable, it must identify all risks, maintain transparency about their severity and use the results of risk management to provide meaningful information to decision makers. Risk reporting, therefore, is one of the core tasks of risk management. At regular intervals, the PRC, Managing Board and Audit and Risk Committee receive targeted, unbiased reports about all developments which are significant from the perspective of capital and risks.

The "Risk Situation Report", which is circulated to the PRC each month, provides timely and comprehensive information about Portigon's capital and risk situation in a condensed format. The quarterly report, which meets MaRisk requirements, is submitted to the Managing Board and Audit and Risk Committee in addition.

Portigon publishes additional qualitative and quantitative information in a separate, annual Disclosure Report pursuant to the German Solvency Regulation (SolvV). The Disclosure Report focuses on such topics as adequacy of own funds, the risks taken and the procedures in place to manage these risks, including the computation methods used. It presents the current risk situation on the basis of the guidelines of banking supervisors and is published on Portigon's website.

Operational Risks

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risks, but does not include reputational risks.

Portigon has defined operational risk (OpRisk) as a material risk for MaRisk purposes, to be monitored in conjunction with its risk-bearing capacity.

The material operational risk associated with Portigon's business model is a failure to meet customers' service needs or inability to meet them on time or to the extent required because of problems like faulty processes or system outages. This can result in lost revenue (if service fees are reduced) or produce follow-on legal risks.

Managing Operational Risks

The central Operational Risk Management (ORM) unit, which is part of the GRMC business unit, is in charge of defining the OpRisk management framework as well as related instruments and guidelines. In the process, ORM ensures that operational risk steering activities are consistent throughout the Group, records the operational risks, provides its expert opinion on them and advises the Group's business units. This ensures that the analysis, measurement, steering and monitoring of operational risks meet uniform standards of quality.

The primary responsibility for managing operational risk rests with the business and functional units themselves. The unit heads are supported in their efforts by decentralised Operational Risk Managers, who function as contact points for all of the respective units' employees on matters relating to the steering of operational risks. The decentralised Operational Risk Managers are in close contact with the central ORM unit.

Employee awareness of operational risks is raised through our Group-wide web-based learning programme. In addition, regional OpRisk Forums (America, Asia-Pacific, UK, Continental Europe) provide a platform for the systematic exchange of information about current OpRisk incidents involving Portigon and similar service providers.

ORM cooperates closely with the specialist units at regular workshops, for example on contingency planning, auditing, legal and compliance, insurance, IT and non-IT security issues.

The instruments used for OpRisk management include:

- internal data pooling
- self assessment of the risks in Portigon's processes and applications
- risk indicators
- scenario analyses
- monitoring of the measures introduced by the individual business units to reduce operational risks

Portigon continues to use score cards as an incentive system. The quality of our decentralised operational risk management is periodically measured in various categories and against various criteria.

The ORM unit centrally coordinates the risk analyses on material outsourcings and critical applications (IT systems) required under MaRisk.

Portigon uses the standardised approach pursuant to § 273 of the German Solvency Regulation (SolvV) to determine the regulatory capital charge for its operational risks. The regulatory capital charge as per December 31, 2012 amounted to € 79.6 million. This charge includes a security premium for potential operational risks which could arise as a result of the transformation project that was completed at the end of 2012. Furthermore, the qualitative management of operational risks at Portigon is aligned with the requirements of the Advanced Measurement Approach (AMA).

The OpRisk expected loss determined by ORM represents a further internal steering parameter. The expected loss as per December 31, 2012 amounted to € 11.6 million. The computation of the economic capital charge as well as stress testing for operational risks, which stood at € 26.7 million and € 52.2 million respectively as per December 31, 2012, are based on this expected loss, taking into account an appropriate scaling factor.

Where possible and prudent, insurance policies are taken out to cover the losses that could arise from operational risks. At Group level, Portigon has a global insurance programme in place which has been pooled together into one central insurance portfolio. The insurance the company carries was adapted in line with the new business model to ensure coverage, where appropriate and necessary, for the liability risks associated with acting as a service provider to customers.

The steering of personnel risks and the related operational risks has been very important to Portigon during its transformation process. This includes managing the integration risks related to acquiring and providing services to new clients.

The EAA and Verbundbank migration projects largely proceeded smoothly. For the remainder of the transformation process we will continue to analyse and measure operational risks as we have already done so that we can introduce measures to minimise losses in a timely fashion.

The identification and steering of Portigon's legal risks, which are considered a subset of operational risks, is primarily the responsibility of the Legal and Compliance unit, which works closely with all of the other specialist units. Each unit is responsible for recognising any existing or imminent legal risks in its own operations. Once risks are identified, the required steps are taken to reduce or prevent them to the greatest extent possible. In this way, notice is taken of occurrences which could harm the Group for legal reasons. In addition, suitable preventive countermeasures are introduced.

Action against a Service Provider

At the end of 2010, Portigon terminated substantial portions of a service contract with a particular service provider for cause. The service provider considers the early termination to be unenforceable. Portigon estimates its cost overruns from hiring an alternative service provider to be in the region of € 53 million and is seeking this amount in damages. Efforts to reach an amicable out-of-court settlement failed, prompting Portigon to file a suit against the service provider in 2011. The outcome of the court proceedings will depend in large measure on the results of extensive evidence taking. In this kind of proceedings, the focus will be on the question of whether what Portigon considers to be the service provider's poor performance justified Portigon's early termination of the agreement. Portigon believes that the majority of the evidence will show that it was reasonably within its rights to partially terminate the agreement early and that it is entitled to an appropriate amount of damages. The service provider is denying the claim for damages and has brought a counterclaim seeking fulfilment of the contract and payment of the contractually agreed fees. The claim and counterclaim both relate to the same fact pattern.

LIBOR Actions

Over the course of 2011 and 2012, Portigon AG was named in a total of 33 lawsuits relating to alleged breaches of duty in quoting USD-LIBOR interest rates. The suits were brought before various US courts by a number of different plaintiffs. Initially pending before a number of different courts in the United States, the claims have now been consolidated into class action suits to be heard by the United States District Court Southern District of New York. With the exception of the cost risk, the economic risk associated with these class action lawsuits was transferred to EAA under the spin-off agreement of August 30, 2012. In addition, banking supervisors have introduced audit procedures related to the determination of reference interest rates.

Actions by Municipal Clients

Portigon AG is a defendant in 32 lawsuits brought by municipalities/municipal associations in connection with derivatives business. As of December 31, 2012, Portigon had formed a provision of approximately € 5.4 million to cover the litigation expenses of the suits with a determinable risk. The economic risk (net of the cost risk) associated with these lawsuits was also transferred to EAA under the spin-off agreement of August 30, 2012.

Internal Control and Risk Management System in Relation to the Accounting Process

The goals of an internal control and risk management system (ICS/RMS) as it relates to the accounting process are to ensure compliance with existing accounting standards and regulations and to guarantee the accuracy and reliability of accounting data.

With respect to the accounting process, Portigon has implemented an ICS/RMS which is appropriate to its operations.

The essential policies and procedures of this ICS/RMS

- give reasonable assurance that transactions are fully, promptly and accurately captured and entered into the system as they accrue, in accordance with statutory and other provisions, and thereby ensure that the financial reporting provides a fair and accurate view of the company to the public (integrity and reliability of the accounting system);
- ensure that decision makers and the relevant bodies are regularly and promptly given the accounting information they need in order to steer the company (internal reporting);
- give reasonable assurance that any unauthorised purchase and any unauthorised use or sale of assets which could have a material effect on the accounting is prohibited or detected at an early stage;
- create the basis for an appropriate control and documentation environment (e.g. separation of functions, adherence to predetermined approval and competency levels, adherence to the dual control principle when recording transactions, dispatch of transaction and balance confirmations, orderly recordkeeping);
- ensure that the files and records with information pertaining to accounting entries, in reasonable detail, accurately and fairly provide information about transactions and the usage of assets and that these files and records are properly archived and protected.

The effectiveness of the ICS/RMS in place for the accounting process is monitored on an ongoing basis. The internal audit department routinely audits the existing technical and functional controls, which are also the subject of regular audits by the external auditors.

In addition, the accounting processes are integrated into Portigon's general risk management process for operational risks so that mistakes and misstatements can be avoided to the greatest extent possible or identified at an early stage.

The accounting policies are documented in electronic manuals and made available to all business units worldwide. Annual, quarterly and monthly financial statements are prepared according to a preset schedule, adherence to which is supported and monitored within the system.

New statutory and regulatory requirements are implemented on a timely basis, including in the context of stand-alone projects and sometimes as written directives, depending on their respective scope and significance to Portigon. The relevant business units and management levels, as dictated by the topics, are involved pursuant to the internal project guidelines.

By having accounting staff involved in the PRC, Portigon ensures that developments impacting its strategy or risk exposure are promptly captured in the accounting and financial reporting.

Transactions involving new products and/or significant special purpose entities (SPE) undergo the New Product Approval (NPA) and/or SPE Process, in which the accounting department is involved.

Section 107 (3) Sentence 2 of the German Stock Corporation Act (AktG) clarifies that the tasks which a supervisory board can delegate to its audit committee include monitoring the accounting process, monitoring the effectiveness of the internal control system, risk management system and internal audit system, as well as monitoring the auditing of the financial statements, including, in particular, the impartiality of the auditor, the award of the audit contract and the reasonableness of the auditor's fee.

Business Risks

Business risk refers to the unexpected failure to meet revenue and cost targets.

Portigon treats business risk as a material risk pursuant to MaRisk.

A new process for quantifying the volume of business risk was introduced with the revised risk-bearing capacity concept adopted on November 2, 2012. The volume of business risk is validated at least once a year. Given the stability in cost planning, we use expert estimates to identify scenarios that could cause revenue to decline and approximate the resulting losses. The scenario with the highest loss exposure is used for stress testing.

If insight into the threat of additional adverse budget variances is gained as the year progresses, we introduce an additional scenario or modify the existing scenarios. This allows us to take account of fluctuations in Portigon's new business model, especially effects related to its success or failure in bidding for third-party business.

The business risk is monitored on the basis of a separate limit and is closely interlinked with the budget planning and ongoing controlling.

Counterparty Credit Risks

Counterparty credit risk is defined as the risk of potential losses caused by a business partner´s failing to meet one of its contractual obligations. It includes the classic credit risk (loans, money market transactions and guarantees), as well as issuer risk from securities, counterparty risk from over-the-counter (OTC) derivatives and country risk (the risk that a counterparty cannot service its foreign currency debt because of a government-issued order to stop transfers out of the counterparty's home country or because of difficulties obtaining foreign currency due to a worsening of the economy in the counterparty's home country).

The new service provider business model has led to a sharp reduction in the risk profile. Counterparty credit risk is being treated as an immaterial risk pursuant to MaRisk.

In accordance with the decision taken by the European Commission on December 20, 2011, Portigon holds virtually no risk-weighted assets (RWA) after ceasing to write new business as of June 30, 2012 and transferring its portfolios to EAA and the Verbundbank.[1] The investment of Portigon's own funds is also geared towards producing zero risk-weighted assets.

The main credit risk stems from the assets which were transferred to EAA solely by synthetic means, because EAA could potentially default as guarantor (EAA's rating is equivalent to that of the State of North Rhine-Westphalia).[2] However, this risk has a low probability of occurrence and is therefore insignificant from an economic standpoint.

Managing Counterparty Credit Risks

Counterparty credit risk is determined using company developed, continually validated internal rating procedures that estimate the probability of default, recovery rates and draw rates associated with unused external credit lines. These parameters are incorporated into our regulatory reporting.

Portigon received supervisory approval in 2008 for use of the Advanced Internal Ratings Based Approach (AIRBA) and the Internal Assessment Approach (IAA). Continually validating and improving on the approved methods is a core task of risk management. We carefully analyse the insights gained from observed crises and estimates of potential crises and use them in our ongoing efforts to improve our internal rating systems and enhance our stress tests.

[1] Based on current regulatory specifications. Because neither the Basel III framework nor discussions with supervisors and the units with accounting responsibility are complete, the possibility exists that future specifications will result in a higher volume of risk-weighted assets for credit risk and/or market risk on the positions only synthetically transferred to EAA.

[2] EAA's rating is largely derived from its guarantors' contractual duty to offset losses (State of North Rhine-Westphalia as well as savings banks and regional associations in North Rhine-Westphalia).

The review, evaluation, monitoring, steering and decision-making in respect of counterparty credit risks are based on documented, uniform standards and processes. The core elements are

- Loan approval for Portigon's counterparty credit risks. The main counterparty credit risk stems from the investment of excess liquidity and own funds, which must follow concrete investment guidelines. Each individual loan decision is subject to approval by the responsible level. The approval is based on nuanced analysis and independent risk assessment. The information pertinent to a lending decision is presented in a loan application.

- Ratings, which are an integral component of loan applications and all subsequent loan-related processes. At first, Portigon will continue to use the existing rating methods. Depending on the methods' further use for regulatory purposes, the development of adapted validation methods is planned.

- The Portigon watchlist, which provides for central monitoring of problem loans. The only problem loans remaining on the watchlist are those which were transferred to EAA by guarantee. The risk on these loans is covered either by an existing allowance or EAA's guarantee.

- Continual monitoring: Credit risks are monitored on an ongoing basis at the individual commitment level.

Loans which were transferred to EAA by way of a guarantee (the loans remain on Portigon's balance sheet, but are risk-free for Portigon AG because of guarantees issued by EAA) are officially part of Portigon AG's lending process, in addition to being subject to the separate lending process of EAA.

Key Counterparty Credit Risk Figures

	Dec. 31, 2011	Dec. 31, 2012
Exposure at default in € millions	113,954	26,538
Expected loss in € millions	211	5
Risk density in %	0.18	0.02

The credit risk volume fell sharply compared to the previous year. The exposure at default (EaD) decreased by 77% to € 26.5 billion, while the expected loss (EL) decreased by 98% to € 5 million. The risk density (EL/EaD) dropped from 0.18% to 0.02% as of December 31, 2012.

Of the EaD of € 26.5 billion as of December 31, 2012, the sum of € 17.1 billion was attributable to direct and guaranteed exposure with EAA.

The remaining exposure of € 9.4 billion relates predominantly to the investment of excess liquidity with Deutsche Bundesbank (€ 3.7 billion) and U.S. Federal Reserve (€ 2.3 billion) as well as the deposit of cash or securities as collateral for securities settlement with Eurex Clearing (€ 1.4 billion).

Portigon ceased to conduct any country limit steering once the assets not earmarked for sale were transferred to EAA. The assets of Banco WestLB do Brasil S.A. remaining on Portigon's balance sheet until transaction completion relate to local currency business booked in São Paulo. The foreign currency business was transferred to EAA.

The sovereign and bank exposure in heavily indebted EMU member states such as Portugal, Italy, Ireland, Greece and Spain was transferred in full to EAA. There is still minimal exposure in Spain and Italy because of the minimum reserves Portigon is required to maintain with the central banks there until the branches in Madrid and Milan are closed.

The amounts reported as impairment charges for credit losses encompass the P&L effects on Portigon AG resulting from the evaluation of acute and latent counterparty credit risks:

Result of Risk Provisions – Lending Business

	Allocations to allowances € millions	Reversal of allowances € millions	Net allowances € millions	Other risk expense/income € millions	Risk result € millions
Acute counterparty credit risk	– 11.4	13.9	2.5	– 35.5	– 33.0
Credit rating risk	– 11.4	13.4	2.0	– 0.7	1.3
Country risk	0.0	0.5	0.5	0.0	0.5
Other risk	0.0	0.0	0.0	– 34.8	– 34.8
Latent counterparty credit risk	0.0	42.4	42.4	0.0	42.4
	– 11.4	56.3	44.9	– 35.5	9.4

Additional information is provided in the section entitled "Statement of Income" and in the Notes.

Market Price Risks

Market price risks are the result of uncertainty about price changes and volatility in the financial markets as well as correlations which exist between different markets and products.

There has been a substantial reduction in Portigon's market price risk profile due to the transformation. Market price risk is being treated as an immaterial risk pursuant to MaRisk.

Portigon's market price risks relate almost exclusively to the investment of equity and excess liquidity as well as to funding and hedging activities for the EAA-guaranteed portfolios remaining on the balance sheet. Thus, interest rate risks make up the predominant portion of Portigon's market price risks. To a smaller degree, there are credit spread risks and exchange rate risks.

The largest risk concentration attributable to the transformation relates to the risk of changes in credit spreads on the EAA bonds purchased by Portigon using equity as well as on the junior bonds it has issued. There are no other major risk concentrations.

Managing Market Price Risks

Portigon officially became a non-trading-book institution on September 1, 2012. Because having this status simultaneously eliminates the requirement to maintain an internal model for determining market risk in the trading book, BaFin revoked its approval of Portigon's model. As a result, the following report no longer includes any disclosures about the capital to be held against the value at risk in the trading book in crisis scenarios (stressed VaR) or against the default and migration risk which is incremental to the risk captured in VaR modelling (incremental risk charge, or IRC).

Portigon uses a VaR model with parameter calibration based on the current day to perform daily calculations of the interest rate, equity price and foreign exchange risks (including commodity price risks) in its banking book, as well as the volatility risks associated with each market. For internal steering, the Bank determines its VaR for a confidence interval of 99% and a holding period of one day.

The global limit for immaterial risks, which is determined on the basis of the risk strategy, also includes the market price risks determined using VaR modelling. Thus, it serves as the basis for managing and reporting on market price risks.

Portigon had a post-transformation VaR of € 4.2 million at year-end.

VaR

Confidence level 99% Holding period 1 day	2011 € millions	**2012*** **€ millions**
Year-end*	90.8	4.2
Maximum	95.1	7.2
Minimum	74.1	3.7
Average	82.8	5.2

* since September 2012

Apart from VaR, stress tests are a further tool for monitoring and steering Portigon AG's market price risks. Historical and parametric stress tests are run on a weekly basis in order to simulate the impact of market price risks that are not captured by the VaR models, without regard to the probability of their occurring. The set of scenarios used in the stress testing was adapted in line with Portigon's new portfolio structure and extra scenarios modelling the impact of macroeconomic developments were added. Stress scenarios are reviewed regularly and updated with regard to the latest market conditions and portfolio structures.

Potential losses from the stress scenarios most relevant to Portigon AG decreased over the course of 2012. This sizeable reduction is predominantly attributable to the transformation.

An increase in interest rates by 100 basis points would have produced losses of approximately € 17 million at the end of 2012 (versus approximately € 148 million at the end of 2011).

Scenarios that simulate a change in credit spreads relate mainly to bonds and notes Portigon itself issues as well as to those issued by EAA. A 50% reduction in all credit spreads would have produced losses of approximately € 9 million (versus approximately € 138 million at the end of 2011).

Stress Test Outcomes from Interest Rate Scenarios

Scenario	December 2011 € millions	December 2012 € millions
Interest + 100 basis points	– 148	– 17
Credit spread – 50%	– 138	– 9

One of the stress tests encompasses calculating and monitoring interest rate risks by observing how the shock scenarios defined for Portigon by BaFin change the present value of relevant exposures. The results are reported to BaFin at regular intervals determined by the supervisory authorities. The scenarios are "+ 200 basis points" and "– 200 basis points".

As of the end of 2012, an increase in interest rates by 200 basis points across all currencies would have caused Portigon's interest-bearing exposures to lose € 33 million in value. The threshold at which present value losses of individual institutions become reportable to the supervisory authorities ("outlier criterion"), potentially in the form of an additional ad hoc notice, equals 20% of regulatory own funds. With Portigon's simulated losses amounting to a maximum of 1.4% in the period beginning September 2012, this threshold was never reached, neither at the end of 2012 nor during the year.

The relevant market price risk positions are back tested on an ongoing basis, which means that the potential changes predicted by the VaR model are compared to the actual changes (hypothetical profit & loss) seen in market values from one day to the next. In addition to back testing, the key assumptions underlying the VaR model are validated on a regular basis. We test their capacity to adequately capture the market parameters and composition of the portfolio under evolving market conditions. The results are reported to the PRC.

Liquidity Risks

Liquidity risk represents the risk that present or future payment obligations cannot be met in full or on time, or, in the case of a liquidity bottleneck, the risk that liabilities can be refinanced only at increased market rates (funding risk) or assets liquidated only at a discount to market rates (market liquidity risk).

Liquidity risk is being treated as an immaterial risk pursuant to MaRisk. The possibility exists that Portigon will need additional liquidity in the future since there will be changes in its balance sheet. However, due to Portigon's close cooperation with EAA and the State of North Rhine-Westphalia, it is assumed that a joint solution in keeping with the spirit of the transformation process would be found.

Managing Liquidity Risks

The Treasury business unit is responsible for managing the Group's liquidity. Over and above that, GRMC independently monitors liquidity risks and prepares the regulatory reports on the liquidity position.

Our liquidity management differentiates between operating, tactical and strategic liquidity. The risk strategy sets the reporting instruments and steering goals for these individual time bands. The PRC sets the risk tolerance for the individual steering goals on this basis.

The goal of operating liquidity management is to ensure that daily and short-term liquidity needs of up to one week are met. Daily cash flow projections, the liquidity stress test and projections concerning changes in the liquidity reserve, particularly in instruments eligible for recognition by central banks as collateral, assist in the management of operating liquidity.

Tactical liquidity management helps ensure the availability of sufficient liquidity for up to one year. In order to steer our tactical liquidity, we determine, on a daily basis, the contractual maturity profile of all assets and liabilities having an impact on liquidity and supplement it with information concerning the potential inflows and outflows from the liquidity reserve as well as effects from contingent liabilities and other drains on liquidity. Using the predefined scenario, the liquidity stress test simulates the liquidity-related behaviour of individual components and contributes to the formulation of quantitative targets, i.e. a risk tolerance, for the cumulative liquidity position.

All of the parameters used in the stress test are continually back tested and adapted to changes in market conditions.

The purpose of strategic liquidity management is to ensure that Portigon is capable of satisfying its long-term liquidity requirements. Portigon AG's post-transformation refinancing capacity is guaranteed by its equity and by the liabilities which remained on its balance sheet.

Steps were taken in 2012 to improve Portigon's liquidity management in view of the transformation process. We continued to engage in a regular dialogue with regulatory authorities and central banks in the year under review.

In the case of OTC derivatives transactions, Portigon enters into agreements on the provision of collateral. These agreements may require an increase in the amount of collateral provided should Portigon's rating be downgraded. Compared to other liquidity risks, the liquidity risk posed by the collateral agreements executed is straightforward, since Portigon's derivatives exposure is minimal. The liquidity risk stemming from the derivatives transferred to EAA is covered by a collateral agreement with EAA.

A bank's liquidity is evaluated for regulatory purposes using the liquidity ratio determined pursuant to the German Liquidity Regulation (LiqV), which sets the cash available within a given month in relation to the payment obligations which may be called in during the same period. A bank's liquidity is considered sufficient if this ratio is at least 1.0. For Portigon AG, the ratio averaged 1.84 in the period from January to December 2012, which was an improvement on the previous year's 1.35. Sufficient liquidity was available to the Group at all times in 2012.

Equity Holding Risks

The portfolio of equity holdings changed dramatically as a result of the transformation. Equity holding risks are being treated as immaterial risks pursuant to MaRisk.

The equity holdings portfolio consists of companies that hold and manage Portigon's real estate holdings as well as companies active in the area of human resources and affiliated enterprises which are able to provide assistance with the services Portigon offers. Ongoing equity holding controlling enables us to analyse the current and future risks posed by holdings. This information serves as the basis for managing the equity holdings from a shareholder perspective and within the parameters outlined by the business strategy.

Until the transaction closes, Banco WestLB do Brasil S.A. will be fully incorporated into Portigon's risk and business steering.

Reputational Risks

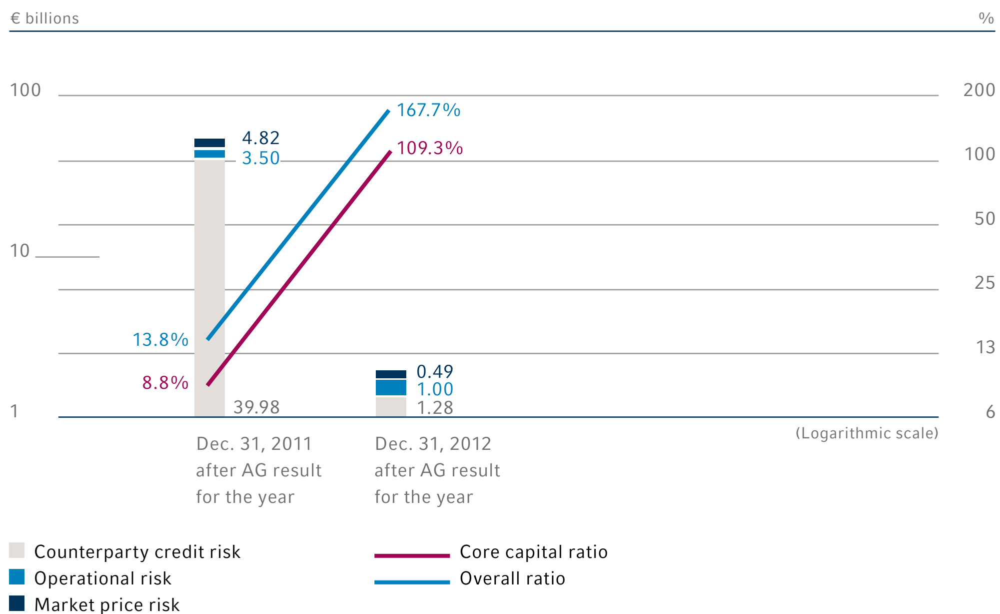
A reputational risk is the risk that Portigon's customers, owners, employees or the interested public will develop a negative perception of its performance, competence, integrity or trustworthiness.

MaRisk does not define reputational risks as operational risks. However, in the case of Portigon, they may very well arise as follow-on risks of operational risks.

Portigon is treating reputational risk as an immaterial risk pursuant to MaRisk.

Capitalisation

Usage of Regulatory Capital in the Portigon Group



Portigon is required to calculate its ratios according to the Basel Capital Accord (Basel II) and the corresponding EU directive, which was implemented by the German Solvency Regulation (SolvV). Under § 10 of the German Banking Act (KWG) and § 2 of the German Solvency Regulation (SolvV), Portigon must have adequate capital and reserves to support its operations. Portigon Group exceeded the required capital backing at all times in 2012.

The regulatory capital ratios of Portigon Group after the AG result for the year were 109.3% (core capital ratio) and 167.7% (overall ratio) at year-end 2012.

Usage of Economic Capital (Risk Tolerance)

Pursuant to Pillar 2 of the Basel II Framework, banks must have a procedure for assessing whether they hold adequate capital relative to their risk profile as well as a strategy for maintaining their equity capital level (ICAAP). MaRisk represent the implementation of the Pillar 2 requirements of Basel II into German supervisory law. In December 2011, Deutsche Bundesbank and BaFin published a paper on the supervisory assessment of banks' internal risk-bearing capacity concepts which gives further clarification on ICAAP requirements.

Portigon developed a new risk-bearing capacity concept that reflects its new business model and the MaRisk requirements. This concept went into effect on September 30, 2012. The primary steering framework is the going-concern approach; the liquidation approach is now regarded only as a supplement to the going-concern approach. The risk-bearing capacity is examined in both approaches over a period of twelve months from the respective reporting date. In both approaches, the starting point for determining the sources of risk-bearing capacity is Portigon AG's tier 1 capital under the German Solvency Regulation, which represents its risk-taking potential. Depending on which approach is used – the going concern or liquidation approach – various amounts are deducted from the risk-taking potential to arrive at the available sources of risk-bearing capacity.

With the going-concern approach, Portigon's sources of risk-bearing capacity are compared to its material risks, i.e. its operational risks and business risks, as well as its market price risk, one of the immaterial risks. The business risks are determined on the basis of scenarios, while the operational risk is represented as a scaled version of the expected loss. The market price risks are quantified through VaR modelling. An internal global capital limit is set for each of the three risk types. The sum of these capital limits may not exceed the sources of risk-bearing capacity. Currently, this sum is far below the permissible value, meaning that the predominant portion of the sources of risk-bearing capacity does not need to be allocated to risks. There is no assumption of diversification potential between the risk types. The limits for each type of risk are monitored on a regular basis. Quarterly reports on limit compliance are submitted to the PRC, which also has decision-making authority over the introduction of any measures.

The liquidation approach applies charges for the same risk types as in the going-concern approach, but also adds a charge for the immaterial counterparty credit risk. Business risks and market price risks are determined the same way as in the going-concern approach, while operational risks and counterparty credit risks are derived from the regulatory capital. The total risk potential is the sum of the individual risks, with no assumption of diversification potential in this approach either. Since the liquidation approach is now regarded only as a supplement to the going-concern approach, there is no monitoring of individual risk limits. Instead, a report on the usage of the sources of risk-bearing capacity is submitted to the PRC on an annual basis.

Stress Testing

With no credit risk and market price risk portfolios to speak of, the macroeconomic environment is no longer as important to Portigon's stress tests as it used to be. Thus, stress scenarios targeting the business model were developed.

We choose the scenario with the highest loss exposure from the business risk process. With respect to operational risks, we scale the expected loss with a higher factor than that used in regular risk-bearing capacity analysis. No stress scenarios are defined for immaterial risks.

The stress tests are run under going-concern assumptions. We do not run any stress tests under liquidation assumptions, since the liquidation approach is now used only to provide a supplementary view of the satisfaction of MaRisk requirements.

The results of stress tests on economic capital usage are presented to the PRC, Managing Board and Audit and Risk Committee on a quarterly basis. The PRC initiates appropriate countermeasures as needed.

In December 2012, our sources of risk-bearing capacity under going-concern assumptions were sufficient to cover the impact of the adverse developments assumed in all of the stress scenarios.

Reverse Stress Testing

Reverse stress testing is limited to the scenario of an EAA default. Were EAA to default, the credit risk and market price risk of the loans and trading products that were guaranteed by EAA, but remained on Portigon's books, would fall back on Portigon. At that point, Portigon would cease to be in compliance with the European Commission's decision that Portigon be limited to holding positions which pose no risk from a regulatory viewpoint. However, the risk of a default by EAA is deemed to be very low, since the only conceivable way it could default would be if either the State of North Rhine-Westphalia or the Federal Republic of Germany defaulted. Moreover, because the State of North Rhine-Westphalia is Portigon's main investor, a default by it would pose a direct risk to Portigon's ability to continue as a going concern. Since this risk cannot be hedged, it does not make economic sense to hedge against the EAA default risk.

However, there is no indication at this time that the operational risk or business risk Portigon faces could produce a loss in the period from December 31, 2012 to December 31, 2013 which would make it impossible for Portigon to continue as a going concern.

Events Occurring After the Close of the Fiscal Year

Portigon's new starting line-up went into effect on January 1, 2013 with the divisions Customer Services, Portfolio Services and Platform Services, as well as the Corporate Center and Restructuring units.

The company stepped up its human resources, legal, regulatory and organisational preparations for the formation of Portigon's planned service company. It also closely examined ways in which to achieve additional cost savings.

On March 26, 2013, NRW.BANK and Portigon signed an agreement concerning the parties' final understanding on how to share the burden of pension expenses for employees of Portigon AG entitled to pension benefits. When assets of Westdeutsche Landesbank Girozentrale (now Portigon) were split off and transferred to Landesbank Nordrhein-Westfalen (now NRW.BANK) back in 2002, the contracts of those employees entitled to a pension in line with civil service law were also transferred (Act on Redefining the Legal Status of Public-Law Banking Institutions in North Rhine-Westphalia of July 2, 2002). The terms of this transfer also provided that Portigon would compensate NRW.BANK for the pension expenses it assumed in connection with the transfer. From Portigon's point of view, this created a liability to NRW.BANK; the actual amounts to be paid were reimbursed on an ongoing basis. Pursuant to the terms of the notice of determination, NRW.BANK and Portigon have now decided that Portigon will make a one-time payment of € 1,347 million in final settlement of NRW.BANK's claims. This amount does not include future service cost. For Portigon, this will result in one-time expenses of approximately € 570 million in 2013 from adjustment of the discount rate to current market conditions as well as from the residual actuarial deficit at December 31, 2012 resulting from initial application of the German Accounting Law Reform Act (BilMoG) to the underlying pension liabilities.

Outlook

The ECB expects the euro area economy to stay in recession in 2013, with projected growth in its gross domestic product (GDP) of between – 0.9% and + 0.3% for the year.

The German Council of Economic Experts is forecasting an expansion of 3.4% in the global economy, which is not much higher than in 2012. In making this projection, it is assuming that the ECB's announcement in September 2012 about unlimited, albeit conditional, intervention in the sovereign bond markets will stave off further uncertainty.

In its annual report for 2012/13, the Council voiced its expectation that the German economy would not decouple from the external environment. For 2013, it expects average GDP growth of 0.8% and inflation of 2.0%, and it believes that the level of employment will remain high. The Council anticipates a 2.2% expansion in total government revenues in 2013 due to above-average wage tax revenues. It also expects general government expenditure to increase by 2.6% and thus faster than nominal GDP. The ratio of government spending to national income would thus increase again, after decreasing in 2011 and 2012. Government interest expenditure is likely to drop further, since funding costs are not expected to rise significantly.

In all likelihood, the euro zone debt crisis will continue to influence, or even aggravate, the functioning of the bond market in 2013. Over time, the measures taken by the ECB and government leaders should begin to bite and facilitate a convergence of bond yields in the euro area. Furthermore, the actions announced by the ECB should prevent yields from returning to levels akin to those at the height of the crisis. Nonetheless, it is unlikely from today's perspective that yields on sovereign debt will go back to their pre-crisis levels for all countries.

Portigon will focus on pressing ahead with the transformation, establishing a strong foothold in the market and winning third-party business in 2013.

Portigon is to be structured as a holding company by the end of 2014 at the latest. The service company, which will have offices in Düsseldorf, New York, London and Hong Kong, will take over the comprehensive range of portfolio services provided to EAA, Helaba and third-party clients, in addition to providing services to the holding company.

It is planned to sell the Group's portfolio services business by December 31, 2016. If a sale of the service company is not possible, it would have to be wound down in 2017.

The establishment and expansion of the service company will go hand in hand with the further downsizing of Portigon AG.

With respect to risk, 2013 will be characterised by a sharper focus on the material risks. As the measurement of the institution's own market price and counterparty credit risk continues to lose importance, operational and business risks will play a far greater role as the transformation into a financial services provider continues. In particular, there will be further refinement of the processes for estimating business risk.

The transformation process of Portigon is replete with uncertainty and will continue to have negative effects on the company's cash flows, financial condition and results of operations. There will be start-up costs associated with restructuring into an internationally operating portfolio service provider for financial services firms and gaining a foothold in the market. We assume that Portigon will end the 2013 fiscal year with a loss of approximately € 1 billion, taking into account the effect from the final settlement of pension obligations (see Events Occurring After the Close of the Fiscal Year). For 2014 we forecast an operating loss in the low hundreds of millions. The occurrence of additional restructuring expenses will depend on the transformation's progress.

Portigon AG Balance Sheet as at December 31, 2012

Assets

	see Notes No.	€	€	31. 12. 2012 €	31. 12. 2011 € thousands
1. Cash					
a) cash on hand			39,378.06		(4,839)
b) balances with central banks			6,131,050,326.07		(3,182,043)
including:				6,131,089,704.13	3,186,882
with Deutsche Bundesbank					
€ 3,736,924,798.30 (2011: € 1,357,946,530.27)					
2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks					
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions			17,757,111.66		(32,934)
including:					
eligible for refinancing with Deutsche Bundesbank					
€ 0.00 (2011: € 0.00)					
b) bills of exchange			0.00		(0)
				17,757,111.66	32,934
3. Claims on banks	4, 9, 18, 36, 42				
a) payable on demand			804,685,542.04		(1,519,036)
b) other			642,338,303.29		(7,745,923)
				1,447,023,845.33	9,264,959
4. Claims on customers	5, 6, 9, 16, 18, 36, 42, 45, 47			9,274,822,959.71	41,290,507
including:					
secured by mortgages					
€ 589,472.99 (2011: € 25,739,743.56)					
loans to public authorities and entities under public law					
€ 6,653,134,061.84 (2011: € 8,545,067,822.01)					
5. Bonds and other interest-bearing securities	7, 9, 14, 18, 19, 36, 43				
a) money market instruments					
aa) of public institutions		145,427,738.53			(110,157)
including:					
eligible as collateral for Deutsche Bundesbank advances					
€ 145,427,738.53 (2011: € 0.00)					
ab) of other issuers		18,654,772.83			(1,978,589)
including:			164,082,511.36		(2,088,746)
eligible as collateral for Deutsche Bundesbank advances					
€ 18,654,772.83 (2011: € 1,302,671,825.00)					
b) bonds and notes					
ba) of public institutions		3,729,522,303.01			(10,745,376)
including:					
eligible as collateral for Deutsche Bundesbank advances					
€ 3,012,824,212.21 (2011: € 9,734,674,763.16)					
bb) of other issuers		191,745,766.99			(5,200,550)
including:			3,921,268,070.00		(15,945,926)
eligible as collateral for					
Deutsche Bundesbank advances				4,085,350,581.36	18,034,672
€ 2,462,753.83 (2011: € 3,875,737,496.33)					
			To be carried forward:	20,956,044,202.19	71,809,954

Liabilities

	see Notes No.	€	€	31. 12. 2012 €	31. 12. 2011 € thousands
1. Liabilities to banks	16, 20, 23, 26				
a) payable on demand			190,837,142.81		(3,447,533)
b) with agreed maturity or					
period of notice			162,218,797.90		(9,106,530)
				353,055,940.71	12,554,063
2. Liabilities to customers	16, 21, 23, 26				
a) deposits					
aa) with agreed period of notice					
of three months		0.00			(0)
ab) with agreed period of notice					
of more than three months		0.00			(0)
			0.00		(0)
b) other liabilities					
ba) payable on demand		3,624,973,132.21			(11,385,251)
bb) with agreed maturity or					
period of notice		9,193,149,364.34			(25,158,609)
			12,818,122,496.55		(36,543,860)
				12,818,122,496.55	36,543,860
3. Certificated liabilities	16, 22, 23, 26, 45				
a) bonds and notes issued by the Bank			11,970,732.40		(23,211,743)
b) other certificated liabilities			0.00		(4,782,266)
including:				11,970,732.40	27,994,009
money market instruments					
€ 0.00 (2011: € 5,266,185.08)					
3a. Trading portfolio	23			0.00	64,494,754
4. Trust liabilities	24			73,545,090,508.99	504,946
including:					
trust loans					
€ 0.00 (2011: € 5,076,920.99)					
5. Other liabilities	23, 25, 44			1,440,533,022.49	1,605,498
6. Deferred items	26, 44			236,128,742.36	62,012
6a. Deferred tax liabilities	17			0.00	311
7. Provisions	27, 35				
a) for pensions and similar					
obligations			569,382,068.08		(563,329)
b) tax reserve			397,180,812.15		(398,697)
c) other			1,095,261,412.66		(1,044,110)
				2,061,824,292.89	2,006,136
8. Subordinated liabilities	28			2,292,950,433.44	2,347,396
9. Profit participation capital	25, 29			72,718,745.71	206,450
including:					
due in less than two years					
€ 46,641,904.43 (2011: € 151,460,039.90)					
			To be carried forward:	92,832,394,915.54	148,319,435

Portigon AG Balance Sheet as at December 31, 2012

Assets

	see Notes No.	€	€	31. 12. 2012 €	31. 12. 2011 € thousands
			Carried forward:	20,956,044,202.19	71,809,954
6. Shares and other non-interest-bearing securities	8, 9, 14, 18, 36, 42			23,133,118.66	99,373
6a. Trading portfolio	9, 18, 44			0.00	77,743,339
7. Equity investments in non-affiliated companies	10, 14, 36, 53			38,623,197.65	105,035
including: banks € 8,375,142.38 (2011: 9,529,906.70)					
financial services institutions € 0.00 (2011: € 2,700.64)					
8. Equity investments in affiliated companies	11, 14, 36, 53			518,707,636.75	1,253,653
including: banks € 186,871,908.62 (2011: € 832,179,431.13)					
financial services institutions € 26,278,384.12 (2011: € 27,778,384.12)					
9. Trust assets	12			73,545,090,508.99	504,946
including: trust loans € 0.00 (2011: € 5,076,920.99)					
10. Intangible assets:	14				
a) licences acquired against payment, industrial property rights and similar rights and assets, as well as licences to such rights and assets			17,075,079.85		(31,959)
				17,075,079.85	31,959
11. Fixed assets	14, 35			38,776,899.69	58,946
12. Other assets	9, 13, 44			351,324,469.74	329,030
13. Deferred items	16, 44			378,086,397.32	319,522
14. Deferred tax assets	17			0.00	710
Total assets	32			95,866,861,510.84	152,256,467

Liabilities

	see Notes No.	€	€	31. 12. 2012 €	31. 12. 2011 € thousands
			Carried forward:	92,832,394,915.54	148,319,435
10. Equity capital	30				
a) subscribed capital					
divided into					
Class A registered shares		498,649,007.45			(621,335)
Class B registered shares		0.00			(345,314)
			498,649,007.45		(966,649)
b) capital reserves			0.00		(0)
c) reserves from retained earnings					
ca) legal reserves		0.00			(0)
cb) other		0.00			(0)
			0.00		(0)
d) typical silent contributions to capital			2,607,721,183.67		(3,068,429)
e) profit/loss			– 71,903,595.82		(– 98,046)
				3,034,466,595.30	3,937,032
Total liabilities	32			95,866,861,510.84	152,256.467
1. Contingent liabilities	40, 41, 43				
a) liabilities from guarantees and indemnity agreements			789,326,026.87		(4,089,641)
				789,326,026.87	4,089,641
2. Other commitments	40				
a) irrevocable credit commitments			1,458,225,037.47		(15,616,030)
				1,458,225,037.47	15,616,030

Portigon AG Statement of Income

for the Period January 1 – December 31, 2012

	see Notes No.	€	€	1. 1.–31. 12. 2012 €	1. 1.–31. 12. 2011 € thousands
1. Interest from	33				
a) lending and money market transactions		1,332,056,495.12			(2,524,568)
b) interest-bearing securities and					
book-entry securities		158,673,623.04			(563,852)
			1,490,730,118.16		(3,088,420)
2. Interest paid	25, 27, 28		1,400,678,836.71		(2,379,068)
				90,051,281.45	709,352
3. Current income from	33				
a) shares and other					
non-interest-bearing securities			3,259,976.67		(14,351)
b) equity investments in					
non-affiliated companies			4,359,084.89		(33,232)
c) equity investments in					
affiliated companies			71,386,395.32		(65,681)
				79,005,456.88	113,264
4. Income from profit pooling,					
profit transfer and partial					
profit transfer agreements	33			0.00	25,737
5. Commission income	33		427,051,977.02		(363,856)
6. Commission paid			145,602,455.04		(84,239)
				281,449,521.98	279,617
7. Net expenses from trading operations	33			– 39,581,880.39	– 211,404
8. Other operating income	33, 35			400,599,356.50	167,922
9. General administrative expenses					
a) personnel expenses					
aa) wages and salaries	46	296,507,168.37			(367,677)
ab) compulsory social security					
contributions and expenses					
for pensions and other					
employee benefits	27, 46	128,784,484.76			(43,056)
including:			425,291,653.13		(410,733)
for pensions					
€ 90,617,441.10 (expense)					
(2011: € 870,708.52 [income])					
b) other administrative expenses			482,396,978.01		(413,095)
				907,688,631.14	823,828
10. Depreciation and value adjustments					
on tangible and intangible assets	14			19,009,001.04	24,493
11. Other operating expenses	27, 35, 46			236,794,757.57	185,055
12. Write-downs and value adjustments					
on loans and certain securities as well as					
allocations to loan loss provisions	27, 36			0.00	40,337
			To be carried forward:	– 351,968,653.33	10,775

for the Period January 1 – December 31, 2012

	see Notes No.	€	€	1. 1.–31. 12. 2012 €	1. 1.–31. 12. 2011 € thousands
			Carried forward:	– 351,968,653.33	10,775
13. Income from revaluation of loans and certain securities as well as from the reversal of loan loss provisions	14, 36			17,707,254.69	0
14. Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	14, 36			41,326,429.01	67,732
15. Expenses from the assumption of losses	36			1,554,925.07	210,785
16. Profit or loss on ordinary activities				– 294,489,894.70	– 132,278
17. Extraordinary income	38		27,917,461.82		(0)
18. Extraordinary expenses	38		255,682,413.31		(437.898)
19. Extraordinary result	38			– 227,764,951.49	– 437,898
20. Taxes on income and revenues	39		– 40,979,500.68		(– 47,502)
including: Income tax charge from changes in the recognition of deferred taxes € 399,580.72 (2011: € 55,231,451.57)					
21. Other taxes not shown under other operating expenses			– 6,374,188.57		(– 1,622)
				– 47,353,689.25	– 49,124
22. Net loss for the year				– 569,608,535.44	– 619,300
23. Loss carried forward from the previous year				98,046,335.36	0
24. Capital reduction through spin-off				363,728,369.16	0
25. Withdrawals from capital reserves				6,271,630.84	96,665
26. Withdrawals from other reserves from retained earnings				0.00	2,493
27. Withdrawals from profit participation capital				30,772,001.81	50,234
28. Withdrawals from the silent contributions to capital				460,707,642.33	371,862
29. Income from the capital reduction				468,000,000.00	0
30. Allocations to capital reserves pursuant to the rules on the simplified procedure for capital reductions				6,271,630.84	0
31. Profit/loss				– 71,903,595.82	– 98,046

Portigon AG Notes to the Annual Financial Statements at December 31, 2012

General Information

1. Preparation of Annual Financial Statements

The single-entity annual financial statements of Portigon AG are prepared in accordance with the provisions of the German Commercial Code, the Ordinance Regarding Accounting for Banks and Financial Services Institutions, the relevant provisions of the German Stock Corporation Act and the Pfandbrief Act. Information which may appear either on the balance sheet or in the Notes has been included in the Notes.

Due to the transfers of assets and liabilities to EAA and Helaba, there is limited comparability with the previous year's figures (see Notes 2 and 3). Material effects on the statement of income are explained at the appropriate places in the Notes and in the Statement of Financial Condition.

We prepare consolidated annual financial statements in addition to the single-entity annual financial statements in accordance with § 315a of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 (IAS Regulation). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The single-entity and consolidated annual financial statements are submitted to the operator of the electronic Bundesanzeiger (Federal Gazette) (www.bundesanzeiger.de) and published in accordance with § 325 and § 328 of the German Commercial Code (HGB).

2. Accounting and Valuation Principles

Assets, liabilities and pending transactions are valued in accordance with §§ 252 et seq. and §§ 340 et seq. of the German Commercial Code (HGB).

Claims are reported at their outstanding principal balances less any unamortised discounts. Liabilities are carried at their settlement amounts, with any related discounts reported as assets under deferred items. Premiums on claims and liabilities are reported under deferred items as an asset or liability, respectively. The accrued interest on a claim or liability at year-end is included with the claim or liability to which it applies, except in the case of subordinated liabilities. Deferred items relating to premiums and discounts from the underwriting and lending businesses are valued according to the effective interest method. Bills of exchange, as well as treasury bills and non-interest-bearing treasury bonds, are discounted and shown with the effective discount rate. Non-interest-bearing loans to employees are reported at their outstanding principal balance. Zero-coupon bonds issued are carried as liabilities at their issue price plus share in the difference between the issue price and redemption value as of the balance sheet date assuming a constant effective interest rate.

Discernible risks with claims are adequately covered by individual value adjustments and provisions. Latent risks from claims and contingent assets are covered by contingency reserves formed pursuant to § 340f of the German Commercial Code (HGB), as well as by global value adjustments still used for this purpose due to overseas regulatory requirements. In the case of loans to borrowers in countries with acute transfer risk, we established

country-related globalised value adjustments until the relevant items were transferred to EAA and Helaba. We based our write-down rates on the difference between the yields on top-rated government bonds and market returns for the relevant country's government securities over the maturity profile of the respective exposure. When market prices for a country's government bonds were not available, we relied on the allowance ratios which are regularly updated by external rating agencies. A country was identified as posing an increased risk on the basis of Portigon's internal rating for it. This rating was a function of current and anticipated economic data as well as the overall political situation in the country and was regularly adjusted to reflect changes in these factors.

Securities held in the liquidity reserve are valued according to the strict lower of cost or market principle.

Securities treated as fixed assets (long-term investments) are valued at cost. Any difference between the cost and the redemption amount is recognised on a pro rata basis in income. Where a decline in value is expected to be permanent, they are written down to the lower fair value. Any such securities carried at a value higher than their current market value because of application of the modified lower of cost or market principle are shown separately in the Notes. This information is subject to change over time because of portfolio changes, as well as movements in interest rates and/or market value.

Repurchase agreements and reverse repurchase agreements are combinations of a spot purchase or sale of securities with a simultaneous forward sale or repurchase transaction entered into with the same party. Securities purchased with an obligation to sell (reverse repurchase agreements), and securities sold with an obligation to repurchase (repurchase agreements), are generally regarded as collateralised financial transactions. The securities pledged under repurchase agreements (spot sale) are still recognised as part of the securities portfolio. The cash deposit received as part of the repurchase agreement, including accrued interest, is recognised as a liability. In the case of reverse repurchase agreements, a corresponding receivable is recognised, including accrued interest. The underlying securities received in pledge (spot purchase) are not recognised on the balance sheet.

In securities lending transactions, one party loans securities from its portfolio to another party for a certain period of time. The borrower agrees to return an equal number of securities of the same class and with the same features at the end of the term. In legal terms, prevailing opinion holds that such transactions constitute non-cash loans. The lender is obligated to transfer ownership of the securities to the borrower; the borrower assumes all rights pertaining to the securities. With respect to the accounting treatment of securities lending transactions, the prevailing opinion has changed to the effect that the securities lender is now regarded as retaining beneficial ownership of the lent securities, which means that taking the securities off the lender's books and recognising a receivable against the borrower for a non-cash loan is seen as inappropriate. Likewise, the borrower does not have to report the borrowed securities on its balance sheet. Portigon has adjusted its accounting policies accordingly.

The accounting treatment of structured financial instruments follows the accounting principle issued by the Institute of German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer) concerning when and when not to treat the components of structured financial instruments separately for accounting purposes (IDW RS HFA 22).

Portigon has qualified as a non-trading-book institution within the meaning of § 13 of the German Banking Act (KWG) since September 1, 2012 due to the new business model it adopted as part of the transformation. Because of this, the Managing Board resolved to reclassify the trading positions still on Portigon's books into the non-trading portfolio (banking book) effective July 1, 2012 pursuant to § 340e (3) Sentence 3 of the German Commercial Code (HGB). Accordingly, the institution's internal criteria for the inclusion of financial instruments in the trading portfolio were amended in such a way that all future transactions Portigon enters into for its own account are to be assigned to the banking book.

The assets and liabilities transferred to EAA and Helaba as part of the transformation by way of spin-off or cash sub-participation had to be derecognised. By contrast, in the case of the synthetic transfer of derivatives by means of the risk transfer agreement with EAA, a derecognition of the derivatives held in trust for EAA was impermissible despite the transfer in full of the opportunities and risks inherent in them because the legal obligations under the derivatives had not been extinguished, i.e. the obligations had not been satisfied, cancelled or reached expiration. Until there is a settlement of or legal release from the obligations, these derivatives will continue to be reported on Portigon's balance sheet. The execution of the risk transfer agreement created a fiduciary relationship, i.e. fiduciary trust, under German commercial law, with Portigon as the trustee and EAA as the grantor. As a result, the trading portfolio derivatives transferred under the risk transfer agreement and corresponding matching claims and obligations vis-à-vis EAA are reported as trust assets and trust liabilities at their respective fair values pursuant to § 6 (1) of the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV).

The fair value measurement is done independently of the trading units on a per-asset and per-liability basis using exchange prices or market prices from December 28, 2012 or generally accepted measurement methods. Accrued interest, one-time payments and option premiums are taken into account. If exchange or market prices are not available or cannot be reliably determined, the fair value is determined on the basis of standard pricing models or discounted cash flows. We mark down the values calculated for some assets using a valuation model, since the models do not take into account all factors which market participants consider. The markdowns were predominantly for credit rating, model, legal and liquidity risks. We adjusted the underlying measurement parameters in the year under review due to the transfer of risk to EAA. There are no earnings contributions from the derivatives held in trust and the respective matching items, since the income from these derivatives is passed on directly to EAA and the expenses from them are reimbursed by EAA.

The fair value of the shares, bonds, derivatives and other trading instruments held in the trading portfolio up to June 30, 2012 was initially determined in an analogous manner. In application of the risk-adjusted mark-to-market method, we then combined the fair valued trading positions into portfolios according to the risk steering in the respective business units. The aggregate measurement results of each portfolio were subsequently reduced by the potential loss (value at risk, VaR) calculated using a mathematical formula (Monte Carlo simulation). Based on the calculation methods employed by risk management, the VaR discounts were measured such that a maximum loss to be anticipated from open trading positions with a holding period of ten days could be offset with a probability of 99%.

The specific measurement methods and parameters we use/used for the relevant product categories are as follows:

Interest rate products: Liquid exchange-traded products (e.g. futures) are measured at their exchange prices. For many over-the-counter (OTC) derivatives, there are standardised specifications (e.g. swaps, caps, swaptions) and measurement methods (Black 76) as well as reliable market quotations (swap rates, cap volatilities). These are used in the measurement if available. For exotic OTC derivatives (e.g. Bermudan swaptions, CMS spread swaps) we use proprietary models based on the Markov functional approach. Securities with exotic coupons are measured in a manner consistent with the corresponding OTC hedging derivatives. In the process, the credit spread attributable to the respective issuer is also used for calculating the net present value.

Bonds are measured on the basis of market prices. Less liquid securities for which market prices are not readily available are measured either at observable market prices for similar instruments or by discounting cash flows while taking into account credit spreads derived from the observable prices for comparable instruments.

Equity and commodity products: Liquid exchange-traded products (e.g. futures, options) are measured at their exchange prices. Prices of classical equity and commodity derivatives with a single underlying (e.g. call and put options, knock-out options, digital options) are determined using finite difference methods for the Black Scholes differential equation. By contrast, more exotic derivatives, some of which may be based on more than one underlying, are measured using Monte Carlo simulations. Here, proprietary routines based on established market models are used. With equity products, estimates on dividend payments are also incorporated; with commodity products, so-called indifference, or utility curves, are included. Indifference curves represent the monetary advantages and disadvantages associated with commodities trading. If the derivatives include optional components, the volatilities of the underlyings must be taken into account. If there is more than one underlying, the correlations between them are incorporated. Exchange rate volatility and the correlations between underlyings and exchange rates are relevant whenever the currency of the derivative and underlying(s) is different. With fund derivatives, distributions from the underlying fund are treated like dividends on stocks. If the derivatives are like participation certificates, an analytical formula without simulation can be used for the measurement. No fund volatilities are required in this case.

Credit products: Securities with exotic coupons or credit components such as credit linked notes, and other products derived from credit derivatives such as perfect asset swaps, are measured in the same way as the corresponding OTC derivatives. Where necessary, the credit spread attributable to the respective issuer is also used when calculating the net present value.

In the case of derivatives which are cash collateralised, the future cash flows for material portfolios are discounted using EONIA swap curves (“OIS discounting”).

	Product	Measurement Model	Measurement Parameters
Interest rate products	Standard swaps	Present value method	Interest rates
	Exotic swaps	Markov functional	Interest rates Interest rate volatility
	FRAs	Present value method	Interest rates
	Standard caps, floors, collars	Black 76	Interest rates Interest rate volatility
	Exotic caps, floors	Markov functional	Interest rates Interest rate volatility
	European standard swaptions	Black 76	Interest rates Interest rate volatility
	Exotic swaptions	Markov functional	Interest rates Interest rate volatility
Exchange rate products	Currency swaps	Present value method	Interest rates Exchange rates
	Options	Black 76	Interest rates Exchange rates Exchange rate volatility
	Forward interest rate/currency swaps	Present value method	Interest rates Exchange rates
Equity, fund and commodity products (incl. precious metals)	Forwards	Finite differences	Price of the underlying, interest rates Dividend payments
	Standard options (single underlying)	Finite differences	Price of the underlying, interest rates Dividend payments (shares, stock indices) Indifference curves (commodities) Volatility (underlying, exchange rate) Exchange rate/underlying correlation
	Exotic options	Monte Carlo simulation	Price of the underlying, interest rates Dividend payments (shares, stock indices) Indifference curves (commodities) Correlations (underlyings, exchange rates)
	Participation certificates	Analytical formula	Price of the underlying, interest rates
	Capital-guaranteed certificates	Analytical formula, finite differences	Price of the underlying, interest rates Fund distributions Fund volatility
Credit products	Credit default swaps (single underlying debtor)	Hazard rate bootstrapping model	Credit spreads
	Basket credit default swaps (homogeneous in correlations and residual servicing ratios)	Hazard rate bootstrapping model One-factor Gaussian model	Credit spreads Correlation factors (derived from market consensus data)
	Basket credit default swaps (heterogeneous in correlations or residual servicing ratios)	Hazard rate bootstrapping model Monte Carlo simulation	Credit spreads Correlation factors (derived from market consensus data)
	Collateralized synthetic obligations	Hazard rate bootstrapping model One-factor Gaussian model	Credit spreads Correlations (derived from market data)
	Asset backed securities	Bloomberg cash flow model	Credit spreads Conditional prepayment rate

The measurement of financial instruments sometimes requires that management make assumptions and estimates which are based on subjective assessments and inevitably entail forecasting uncertainties. Even when our estimates are based on available information, past experience and other criteria, actual, future events may still vary, which can have a not insignificant impact on our cash flows, financial condition and results of operations. We believe the employed parameters are appropriate and justifiable.

Interest paid and received on financial instruments held for trading, dividend income from such instruments and the refinancing costs of the trading portfolio were reported as part of the interest result and current income in the statement of income until the items in the trading portfolio were either reclassified or transferred. Realised and unrealised gains and losses on the remeasurement of trading products were reported under net income/expenses from trading operations, as were commissions paid and received for transactions involving financial instruments held in the trading portfolio.

The items held in trust for EAA since July 1, 2012 have no effect on the statement of income since the income from these derivatives is to be passed on directly to EAA and the expenses from them are to be reimbursed by EAA. Earnings contributions from these derivatives and matching items are presented in their net amounts. The reclassified positions, some of which are guaranteed, are recognised in the respective balance sheet items.

As a result, the net expenses from trading operations reported at December 31, 2012 were equivalent to the net expenses from trading operations reported for the period from January 1 to June 30, 2012. There was no separate item for general bank risks formed pursuant to § 340e (4) of the German Commercial Code (HGB) that could be reversed.

If Portigon uses financial instruments to hedge specific risks (e.g. interest rate risks) from assets, liabilities, pending transactions or highly probable forecast transactions and creates a hedging relationship for this purpose, it is not required to apply the general accounting and measurement conventions to the hedge (including, in particular, the principle of item-by-item measurement as well as the historical cost convention, realisation principle and imparity principle) as long as the hedge is effective. The ineffective portion of the hedge as well as any other unhedged risks remain subject to the general accounting and measurement rules. Portigon does not have any macro hedges within the meaning of § 254 of the German Commercial Code (HGB) at this time.

Portigon steers the general interest rate risk in its banking book centrally, as part of asset/liability management. When Portigon measures the interest rate positions in its banking book (interest book) at the lower of cost or market using this convention (Refinanzierungsverbund), it determines on a net present value basis whether there is a sufficient volume of counterclaims to offset the value of its obligations. To the extent that measurement of the aggregate interest rate position of the banking book, taking into account prorated administrative and risk costs, reveals an excess liability, the principle of prudence in German financial accounting requires the creation of a provision pursuant to § 249 (1) Sentence 1 No. 2 of the German Commercial Code (HGB) (provision for anticipated losses). When forming this provision, the accounting practice statement issued by the Institute of German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer) concerning the measurement of interest rate positions in the banking book (interest book) at cost or market is used for guidance (IDW RS BFA 3). The formation of a provision pursuant to § 249 (1) Sentence 1 No. 2 of the German Commercial Code (HGB) was not necessary in this regard.

Equity Investments in affiliated and non-affiliated companies are carried at cost. Where a decline in value is expected to be permanent, they are written down to the lower fair value.

Tangible assets and intangible assets acquired against payment are depreciated or amortised over their useful lives; the cost of low-value assets is deducted in full in the year of purchase. Portigon does not make use of the option pursuant to BilMoG to capitalise the costs attributable to the development of internally generated intangible assets.

When measuring provisions, companies are required to recognise increases in costs and prices. In the case of pension provisions, this especially means wage and salary increases as well as a pension index. The discounting of provisions with a residual term of over one year is to be done using the average market interest rate of the previous seven fiscal years for the term matching the provisions', or their underlying liabilities', remaining time to maturity. Yield curves are published at monthly intervals on the Deutsche Bundesbank website.

The first-time application on January 1, 2010 of the accounting changes for pensions introduced by BilMoG revealed an aggregate actuarial deficit of € 478.3 million as of that date in Portigon's pension provisions, including its provisions for obligations to NRW.BANK from pension commitments. Portigon is making use of the option pursuant to Article 67 (1) Sentence 1 of the Introductory Act to the German Commercial Code (EGHGB) to allocate the difference resulting from the remeasurement over a maximum period of 15 years. Last year's portion of the allocation was reported in the extraordinary result.

The first-time application on January 1, 2010 of the changes introduced by BilMoG also revealed a deficit for a portion of the other provisions measured according to the principle of item-by-item measurement which was addressed in full in fiscal 2010. Surpluses were revealed for another portion of the other provisions. In this case, Portigon elected to retain the surpluses pursuant to Article 67 (1) Sentence 2 of the Introductory Act to the German Commercial Code (EGHGB).

As long as banking services are involved, income from fees for portfolio services we provide to our customers is now being reported as commission income, rather than other operating income. This change went into effect at the end of 2012. No restatement of prior-year figures was required.

As provided for in § 285 No. 17 of the German Commercial Code (HGB), we have not disclosed the auditor's fee for last year here since this information is included in the notes to our consolidated financial statements.

All of the transactions in 2012 and in the previous year between Portigon and related parties were conducted on an arm's length basis. Therefore, there was no need for any disclosures pursuant to § 285 No. 21 of the German Commercial Code (HGB).

Foreign currency translation for assets and liabilities which are not assigned to the trading portfolio is handled in accordance with the provisions of § 256a and § 340h of the German Commercial Code (HGB). Foreign currency transactions in the trading book were measured and reported pursuant to § 340e (3) Sentence 1 of the German Commercial Code (HGB) up to June 30, 2012.

For risk management purposes, Portigon places non-trading foreign currency positions in specially designated books where they can be centrally managed and thus classified as specifically hedged. The corresponding expenses and income from translating these positions into the reporting currency were captured in net income/expenses from trading operations up until the time trading activities were discontinued pursuant to § 340e (3) of the German Commercial Code (HGB). Starting July 1, 2012, specifically hedged transactions have been reported on a net basis in other operating expenses/income.

Assets and liabilities denominated in foreign currencies, as well as unsettled spot deals, were translated using the ECB reference rates effective on December 31, 2012. Unsettled forward contracts (currency forwards and currency options) have been carried at the mean forward rate or option premium effective on that date. Income and expenses for which a particular exchange rate has been agreed are translated at the respective hedge rate. Swap premiums on balance sheet items hedged for foreign exchange risk are deferred and amortised over time. The amortisation amounts are included in the interest result.

The calculation of deferred taxes is based on the balance-sheet-oriented “temporary differences concept”. Portigon makes use of the option to recognise deferred tax assets, but did not recognise any deferred tax assets on loss carryforwards.

Portigon did not report any Pfandbriefe or cover pool assets as of December 31, 2012, due to the transfer of the Pfandbrief business to Helaba. There were no mortgage loans in the cover pool as of the previous year’s reporting date. The portion of the cover pool attributable to loans to local authorities versus other claims (previous year: € 8.6 billion versus € 0.9 billion) is presented in detail in the table entitled “Claims Used to Back Public-Sector Pfandbriefe”. None of the claims in the cover pool was payable on demand. No claims from securities lending were included. There were no material deferred items related to the Pfandbrief business. Portigon had floated registered public-sector Pfandbriefe (previous year: € 1.9 billion) and bearer public-sector Pfandbriefe (previous year: € 6.9 billion) exclusively. It had not issued any Pfandbriefe which were payable on demand or any registered mortgage Pfandbriefe or public-sector Pfandbriefe delivered to lenders as collateral for loans received.

3. Transformation

In the first half of 2012, the company created the essential conditions for transforming the Group as laid out in the restructuring plan of June 30, 2011 on the basis of the cornerstone agreement and as approved by the European Commission on December 20, 2011. At the end of June 2012, following intense negotiations, the managing boards of Portigon, Landesbank Hessen-Thüringen Girozentrale (Helaba) and Erste Abwicklungsanstalt (EAA) reached an agreement with Portigon’s owners and Germany’s Financial Market Stabilisation Authority (FMSA) concerning the as yet unresolved economic questions relating to Portigon’s restructuring, and then set the timetable for implementing this process. They signed the corresponding framework agreement on June 30, 2012.

Once Portigon presented its final balance sheet as at June 30, 2012, all of the agreements required for the restructuring of the company were formally recorded. This occurred in late August 2012.

The spin-off processes for the transfer of the “Verbundbank” business as well as the transfer of risk positions and non-strategic business divisions to EAA became legally effective on September 17, 2012 upon entry into the Commercial Register.

Helaba took over the “Verbundbank” business from Portigon with total assets of approximately € 40 billion, risk-weighted assets of € 8.3 billion and 417 employees with economic effect as of July 1, 2012. The custodial banking and payment transactions businesses were legally and economically transferred to Helaba effective September 17, 2012.

EAA took over portfolios with a business volume of approximately € 90 billion from Portigon, with those transfers also becoming legally effective on September 17, 2012. The transfer of the banking book was backdated to January 1, 2012. The trading book and new business recorded in the banking book in the first half of 2012 were transferred with retroactive economic effect as of July 1, 2012. The EAA-refilling portfolio also includes the stake in Westdeutsche ImmobilienBank AG, which was transferred in its entirety to EAA by way of spin-off.

Various transfer paths were used to make the actual transfer of the respective portfolios to Helaba, as well as the transfer of the risk positions and non-strategic business divisions, including all related agreements and legal relationships, to EAA. Apart from spin-off, the path via which the predominant portion of the respective portfolios was transferred, cash sub-participation, also in conjunction with guarantees and risk transfer agreements, was used to transfer sub-portfolios to EAA. The decisions on transfer paths took into account legal, regulatory and tax obstacles, in particular.

With the transfer path spin-off, assets and liabilities were transferred to EAA or to the Verbundbank (VBB) of Helaba in rem and economically. By contrast, the other transfer paths involved only the synthetic transfer of the opportunities and/or risks inherent in the corresponding positions. Assets and liabilities that were transferred by spin-off, cash sub-participation or under a risk transfer agreement are carried on EAA's or Helaba's balance sheet due to the transfer of the beneficial ownership. However, the assets and liabilities are derecognised only when the transfer paths of spin-off and cash sub-participation are used. In the case of the use of risk transfer agreements as a transfer path, a derecognition of the derivatives held in trust for EAA is impermissible despite the transfer in full of the opportunities and risks inherent in them until the legal obligations under the derivatives have been extinguished, i.e. the obligations have been satisfied, cancelled or reach expiration. Until settlement or legal release, these derivatives and the corresponding offsetting positions will continue to be reported on Portigon's balance sheet. By contrast, when the transfer path of guarantee is used, Portigon retains legal and beneficial ownership of the guaranteed positions. Through the guarantee agreement, the protection seller assumes the economic risks of the guaranteed positions. For this assumption of the risks, Portigon pays a fee to the protection seller.

All of the transfer agreements required for the restructuring of Portigon as the transferor were negotiated, executed and recorded by August 31, 2012. The so-called EAA Spin-Off Agreement I and EAA Sub-Participation Agreement I set the effective spin-off date and effective economic transfer date for the banking book at January 1, 2012. The so-called EAA Spin-Off Agreement II and EAA Sub-Participation Agreement II set the effective spin-off date and effective economic transfer date for the trading book and the new business entered into the banking book in the first half of 2012 at July 1, 2012. The effective spin-off date and effective economic transfer date under the VBB Spin-Off Agreement are both July 1, 2012. The other transfer agreements, analogous to the spin-off agreements, were structured in such a way that they went into effect on either January 1, 2012 or July 1, 2012, depending on the receiving legal entity and the prior allocation of the positions.

The shareholders approved the implementation of the cornerstone agreement, particularly on the basis of the agreements mentioned, at an extraordinary shareholders' meeting held on August 31, 2012. Each of the spin-offs was entered into the Commercial Register record of Portigon AG, as the transferring entity, on September 17, 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 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 transfer in rem by way of registration with the Commercial Register. Under this agreement, Helaba was 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, which was not included at the time, was transferred effective September 17, 2012.

The renaming of WestLB AG as Portigon AG and the change in corporate purpose were registered with the Commercial Register on July 2, 2012. As a service provider with a particular focus on the administration of bank portfolios, Portigon provides services to the Verbundbank and EAA as well as to third parties whose business it will seek. These services include, in particular, portfolio steering and management, credit analysis, treasury, finance and controlling, risk controlling, loan administration, IT services and various corporate center functions. The framework agreement on the provision of services negotiated with Helaba on August 27 and August 30, 2012 was executed for an indefinite period of time and, as already stipulated in the cornerstone agreement, cannot be terminated until the end of two years at the earliest, with an effective termination date of June 30, 2014. The servicing agreement with EAA, which had an original term ending in 2013, was extended for an additional three years to 2016 under the cooperation agreement concerning the administration of risk-weighted assets recorded on August 30, 2012.

Portigon's target company-law 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. In accordance with the decision taken by the European Commission on December 20, 2011, 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 Group's service company by December 31, 2016. The restriction on gross revenues will cease to apply upon a change of control. If the service company is not sold by December 31, 2016, it 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.

Portigon is an affiliated institution of the guarantee fund of the Landesbanken and Girozentralen.

Portigon's shareholder structure has changed over the course of the restructuring. In an agreement with the previous owners dated June 30, 2012, the Savings Banks and Giro Association of the Rhineland and the Savings Banks Association of Westphalia-Lippe transferred all of their shares in Portigon to the State of North Rhine-Westphalia (NRW) with effect from the end of the day on June 30, 2012. The Regional Association of the Rhineland, Regional Association of Westphalia-Lippe and Westfälisch-Lippische Vermögensverwaltungsgesellschaft mbH in their capacity as shareholders of Portigon also assigned all of their shares to NRW under a withdrawal agreement that was negotiated on August 23, 24 and 26, 2012 and took contractual effect at the end of the day on August 31, 2012. For purposes of implementing the spin-off pursuant to the VBB Spin-Off Agreement, NRW transferred one share in Portigon to Helaba under an agreement that was drawn up on and had an effective date of August 24, 2012. Once the transfer of the Verbundbank business became effective by virtue of the spin-off being entered in Portigon's Commercial Register record, Helaba transferred the Portigon share back to NRW pursuant to a declaration of retransfer and assignment that was drawn up on and had an effective date of September 20, 2012. NRW and NRW.BANK became the sole shareholders of Portigon following this retransfer.

In accordance with the cornerstone agreement, the burden of the restructuring will be covered predominantly by the existing own funds that remain with Portigon after the transfer of the Verbundbank, by the additional liability of NRW in an amount of € 1 billion, as well as by the ownership responsibility for Portigon assumed by NRW. The cornerstone agreement stipulates that FMS's silent contribution to Portigon's capital will be reduced by € 1 billion through partial repayment and that the € 1 billion in additional liability to be assumed by NRW in return shall obtain such rank which is at least necessary to comply with the regulatory requirements on Portigon in view of the partial repayment of FMS's silent contribution. In place of the partial repayment to FMS, the parties executed agreements that were dated August 22, 24 and 25, 2012 and had an effective date of September 1, 2012 under which they agreed to the partial sale of FMS's silent contribution to capital and partial transfer to NRW with a prorated original value of € 1,000 million and an actual prorated value of € 893.2 million due to loss participations in prior years.

The transformation led to a net asset reduction by spin-off in the amount of € 363.7 million for Portigon. Additionally, after a reversal of all reserves and the loss participation of the silent contributions to capital and profit participation certificates, Portigon still had a retained loss of € 98.0 million from the net loss of € 619.3 million for 2011. With no more reserves at its disposal, Portigon had to reduce its share capital for purposes of implementing the spin-offs in order to compensate for a decline in the value of its assets and to offset other losses and did so pursuant to § 145 et seq. of the German Transformation Act (UmwG) prior to reporting the spin-offs for entry in the Commercial Register. Accordingly, the shareholders' meeting resolved on August 30, 2012 to reduce the share capital of € 966.6 million, as well as the conditional capital of € 966.6 million, by € 468.0 million to € 498.6 million, respectively, using in each case the simplified procedure pursuant to § 145 of the German Transformation Act (UmwG) in conjunction with §§ 229 et seq. of the German Stock Corporation Act (AktG).

The effects of the various transfers on the cash flows, financial condition and results of operations pursuant to the cornerstone agreement, the decision of the European Commission and the framework agreement were taken into account in the recognition and measurement of items as of December 31, 2012.

Where domestic taxes are concerned, tax questions relating to the transfer of the main portfolio were largely clarified in the context of a binding ruling from the tax authorities. A tax provision has been formed for any remaining tax risks, particularly with regard to foreign taxes.

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 € 545.4 million in restructuring provisions. Restructuring expenses of € 195.9 million were incurred in the year under review.

Excluding the transfer path "guarantee", a total of € 124.7 billion in assets and € 104.4 billion in liabilities were transferred with retroactive effect from January 1, 2012 and July 1, 2012. The volume of contingent liabilities and other commitments decreased by a total of € 11.2 billion.

The transfers made with effective dates of January 1, 2012 and July 1, 2012, respectively, were based on Portigon's financial statements for the year ended December 31, 2011 as well as for the six months ended June 30, 2012, each of which received an unqualified audit opinion.

The following tables show the assets and liabilities (including the risk transfer agreement, but excluding the guaranteed positions) transferred to Helaba and EAA, broken down by balance sheet item and showing the book value as of the respective effective transfer dates:

	Jan. 1, 2012 € millions	July 1, 2012 € millions	**Total € millions**
Cash	–	6.0	6.0
Claims on banks	2,057.2	3,524.3	5,581.5
Claims on customers	19,749.6	19,470.2	39,219.8
Bonds and other interest-bearing securities	5,721.0	13,404.1	19,125.1
Shares and other non-interest-bearing securities	76.2	–	76.2
Trading portfolio	–	59,844.1	59,844.1
Equity investments in non-affiliated companies	26.6	–	26.6
Equity investments in affiliated companies	612.9	16.1	629.0
Trust assets	5.0	0.1	5.1
Fixed assets	–	0.3	0.3
Other assets	0.9	15.1	16.0
Deferred items	15.8	160.0	175.8
Total assets	28,265.2	96,440.3	124,705.5

	Jan. 1, 2012 € millions	July 1, 2012 € millions	**Total € millions**
Liabilities to banks	1,600.4	9,442.2	11,042.6
Liabilities to customers	3,970.6	8,198.6	12,169.2
Certificated liabilities	1,774.8	24,158.7	25,933.5
Trading portfolio	–	54,455.3	54,455.3
Trust liabilities	5.0	0.1	5.1
Other liabilities	246.7	97.4	344.1
Deferred items	–	18.3	18.3
Provisions	43.1	36.6	79.7
Equity capital	–	363.7	363.7
Total liabilities	7,640.6	96,770.9	104,411.5

With the exception of the spin-off-related decrease in asset values, differences between the asset-side and liability-side book values were settled in each case with a compensation payment.

Notes to the Balance Sheet

4. Claims on Banks

	Dec. 31, 2012 € millions		Dec. 31, 2011 € millions	
	Claims on Affiliated Banks	Claims on Other Banks	Claims on Affiliated Banks	Claims on Other Banks
Payable on demand	–	804.7	294.5	1,224.6
With residual maturities of				
– up to 3 months	–	342.8	73.2	1,575.6
– between 3 months and 1 year	–	52.2	224.1	1,517.8
– between 1 and 5 years	–	18.4	1,716.5	2,094.0
– more than 5 years	–	228.9	114.7	430.0
Total	–	1,447.0	2,423.0	6,842.0
Book value	1,447.0		9,265.0	

Claims on banks decreased by € 5,581.5 million due to the transfer of portfolios to EAA and Helaba.

Of the claims on banks reported on the balance sheet, the sum of € 700.3 million is guaranteed by EAA.

There were no claims on affiliated banks as of December 31, 2012 since Portigon’s function as the central institution for the savings banks in North Rhine-Westphalia and Brandenburg was transferred to Helaba as of July 1, 2012.

Claims on other banks include claims on affiliated companies in the amount of € 0.6 million (previous year: € 1,966.8 million). As in the previous year, there were no claims on companies in which equity investments are held. Claims from leasing finance came to € 58.2 million (previous year: € 83.3 million).

5. Claims on Customers

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Book value	9,274.8	41,290.5
including:		
– on affiliated companies	37.6	733.6
– on other companies in which equity investments are held	0.5	382.6
– from the leasing business	291.8	561.6
Breakdown by residual maturity		
– up to 3 months	2,501.2	3,153.2
– between 3 months and 1 year	618.8	5,376.2
– between 1 and 5 years	2,442.4	21,194.6
– more than 5 years	3,712.4	11,209.6
Claims with undetermined maturity	–	356.9

Claims on customers decreased by € 39,219.8 million due to the transfer of portfolios to EAA and Helaba.

Of the claims on customers reported on the balance sheet, the sum of € 7.3 billion is guaranteed by EAA.

6. Claims Secured by Mortgages

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Claims on customers with residual maturities of		
– up to 3 months	0.6	4.6
– between 3 months and 1 year	–	2.9
– between 1 and 5 years	–	12.0
– more than 5 years	–	6.2
Book value	0.6	25.7

7. Bonds and Other Interest-Bearing Securities

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Book value	4,085.4	18,034.7
including:		
amounts becoming due before December 31, 2012	656.7	8,427.5
Breakdown by product		
– money market instruments	164.1	2,088.8
– bonds and notes of public-sector issuers	3,729.5	10,745.4
– bonds and notes of other issuers	191.8	5,200.5
– own bonds	–	–
Breakdown by marketability		
– marketable securities	4,085.4	18,034.7
thereof:		
– listed on a stock exchange	3,775.4	7,061.0
– not listed on a stock exchange	310.0	10,973.7
Breakdown by portfolio		
– trading portfolio	–	–
– liquidity reserve	–	675.9
– investment portfolio	4,085.4	17,358.8
Breakdown by Group affiliation		
– securities of affiliated companies	–	3,663.0
– securities of other companies in which equity investments are held	–	–

The volume of bonds and other interest-bearing securities reported on the balance sheet decreased by € 19,125.1 million due to the transfer of portfolios to EAA and Helaba.

Of the bonds and other interest-bearing securities reported on the balance sheet, the sum of € 901.5 million is guaranteed by EAA.

The € 4.1 billion (previous year: € 17.4 billion) in bonds and other interest-bearing securities held as long-term investments is considered to be part of fixed assets. At year-end, € 49.9 million (previous year: € 2.7 billion) of these assets were valued at the modified lower of cost or market. Their fair value totalled € 49.8 million (previous year: € 2.6 billion). The sum of € 49.9 million (previous year: € 0.2 billion) of these holdings represented debt obligations which were acquired in connection with interest-rate swaps (asset swaps). We refinance the portion not hedged with asset swaps at the individual transaction level (€ 0.0 million last year versus € 2.5 billion the previous year) either at matching maturities and currencies or secure it against interest rate-based changes in value at the portfolio level.

8. Shares and Other Non-Interest-Bearing Securities

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Book value	23.1	99.4
Breakdown by marketability		
– marketable securities	23.1	84.6
thereof:		
– listed on a stock exchange	0.0	20.0
– not listed on a stock exchange	23.1	64.6
Breakdown by portfolio		
– trading portfolio	–	–
– liquidity reserve	–	–
– investment portfolio	23.1	99.4

The volume of shares and other non-interest-bearing securities reported on the balance sheet decreased by € 76.2 million due to the transfer of portfolios to EAA and Helaba.

The shares and non-interest-bearing securities held as long-term investments were stated at the lower of cost or market in 2012. In the previous year, an amount of € 34.6 million had been valued at the modified lower of cost or market; the book value of those holdings was € 7.0 million higher than their fair value.

9. Trading Portfolio

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Derivative financial instruments	–	50,387.8
Claims	–	22,188.2
Bonds and other interest-bearing securities	–	4,660.4
Shares and other non-interest-bearing securities	–	526.8
Risk allowance pursuant to § 340 e (3) Sentence 1 HGB	–	– 19.9
Total	–	77,743.3

There was no longer any trading portfolio as of December 31, 2012 due to the transfers to EAA and Helaba as well as the reclassification of trading positions pursuant to § 340e (3) Sentence 3 of the German Commercial Code (HGB). Please refer to Notes 2 and 3.

Trading positions in the amount of € 59,844.1 million were transferred to EAA and Helaba effective July 1, 2012 (this includes the risk transfer agreement).

10. Equity Investments in Non-Affiliated Companies

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Book value	38.6	105.0
including:		
– banks	8.4	9.5
– financial services institutions	–	–
Breakdown by marketability		
– marketable securities	–	2.3
thereof:		
– listed on a stock exchange	–	1.2
– not listed on a stock exchange	–	1.1

Equity investments in non-affiliated companies decreased by € 26.6 million due to the transfer of portfolios to EAA.

Of the equity investments in non-affiliated companies reported on the balance sheet, the sum of € 8.3 million is guaranteed by EAA.

11. Equity Investments in Affiliated Companies

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Book value	518.7	1,253.7
including:		
– banks	186.9	832.2
– financial services institutions	26.3	27.8
Breakdown by marketability		
– marketable securities	186.9	251.2
thereof:		
– not listed on a stock exchange	186.9	251.2

Equity investments in affiliated companies decreased by € 629.0 million due to the transfer of portfolios to EAA.

Of the equity investments in affiliated companies reported on the balance sheet, the sum of € 186.9 million is guaranteed by EAA.

Of our equity investments in affiliated and non-affiliated companies, a volume of € 28.0 million (previous year: € 49.1 million) had book values which exceeded their fair values by a total of € 9.3 million (previous year: € 11.0 million). We do not expect the impairments on these holdings to be permanent.

12. Trust Assets

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Claims on customers	–	5.1
Other assets	73,545.1	499.8
Book value	73,545.1	504.9

The volume of trust assets decreased by € 5.1 million due to the transfer of portfolios to EAA and Helaba.

The increase in the volume of other assets reported as trust assets is due to the derivatives transferred to EAA under the risk transfer agreement as well as the corresponding matching claims on EAA. Please refer to Notes 2 and 3.

13. Other Assets

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Book value	351.3	329.0
including:		
– claims from tax refunds	139.6	158.8
– offsetting items from the valuation of currency transactions	85.2	–
– claims from profit and loss pooling agreements	4.3	36.4

The volume of other assets decreased by € 16.0 million due to the transfer of portfolios to EAA and Helaba.

14. Fixed Assets

€ millions	Acquisition Cost/Cost of Production	Additions	Retirements	Reclassifications	Appreciation	Total Depreciation	Depreciation in the Fiscal Year	Book Value	Book Value	Transfer-Related Retirements
	Jan. 1, 2012					Dec. 31, 2012		Dec. 31, 2012	Dec. 31, 2011	
Bonds and other interest-bearing securities forming part of fixed assets	9,285.5	Net change pursuant to § 34 (3) Sentence 2 RechKredV; € – 5,543.0 million					–	4,085.4	17,358.8	8,073.3
Shares and other non-interest-bearing securities forming part of fixed assets	23.1						–	23.1	99.4	76.2
Equity investments in non-affiliated companies	112.7						–	38.6	105.0	26.6
Equity investments in affiliated companies	787.5						18.7	518.7	1,253.7	628.9
Intangible assets	267.1	5.8	20.1	–	–	235.7	10.0	17.1	32.0	–
Land and buildings	47.2	–	0.6	–	–	41.0	3.6	5.6	9.4	–
Leasing assets	7.1	–	7.1	–	–	–	0.1	–	0.9	–
Office equipment	257.7	2.8	100.7	–	–	126.6	5.3	33.2	48.7	0.3

Changes at foreign branches caused by the use of the exchange rates effective on the reporting date for currency translation are captured in the amounts reported for cost and in the figures for total depreciation. The acquisition cost/cost of production at January 1, 2012 reflects the items held by Portigon after the spin-off.

The changes during the fiscal year with regard to securities were predominantly the result of portfolio reductions as well as the amortisation of premiums and discounts. There were no write-downs of any securities treated as fixed assets in 2012, since no impairment was expected to be other than temporary.

The item "land and buildings" refers exclusively to properties which are not used in own operations. There is € 2.2 million (previous year: € 2.4 million) in land and buildings acquired under bail-out transactions which has been on the books for more than five years.

15. Own Shares

We did not acquire any of our own shares last year, nor did we hold any of our own shares at year-end.

16. Deferred Items

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Deferred items due to reclassification	218.2	–
One-time payments from swaps	136.4	14.8
Premiums on claims	3.5	5.8
Discounts from liabilities	1.2	116.5
Discounts from underwriting business	1.0	160.0
Other	17.8	22.4
Book value	378.1	319.5

The volume of deferred items decreased by € 175.8 million due to the transfer of portfolios to EAA and Helaba.

The deferred items resulting from the reclassification of trading positions are predominantly the market values, subject to amortisation, of swaps previously assigned to the trading portfolio as well as the premiums and discounts, subject to amortisation, from money market transactions that were assigned to the trading portfolio prior to the reclassification.

17. Deferred Taxes

Portigon had no deferred tax assets as of December 31, 2012 (previous year: € 0.7 million). The reduction to zero was recognised solely through profit or loss. Portigon also had no deferred tax liabilities as of December 31, 2012 (previous year: € 0.3 million). There is no restriction on profit distribution pursuant to § 268 (8) of the German Commercial Code (HGB).

18. Subordinated Assets

The assets reported on the balance sheet include the following subordinated assets:

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Claims on banks	–	122.8
including: affiliated companies	–	6.0
including: other companies in which equity investments are held	–	–
Claims on customers	–	90.5
including: affiliated companies	–	–
including: other companies in which equity investments are held	–	–
Bonds and other interest-bearing securities	–	31.0
including: affiliated companies	–	–
including: other companies in which equity investments are held	–	–
Shares and other non-interest-bearing securities	–	49.6
including: affiliated companies	–	–
including: other companies in which equity investments are held	–	–
Trading portfolio	–	0.3
including: affiliated companies	–	–
including: other companies in which equity investments are held	–	–
Total	–	294.2

19. Assets Sold Under Repurchase Agreements

There were no assets sold under repurchase agreements as of December 31, 2012. The book value of the balance sheet assets sold under repurchase agreements in the previous year totalled € 1,483.0 million.

20. Liabilities to Banks

	Dec. 31, 2012 € millions		Dec. 31, 2011 € millions	
	Liabilities to Affiliated Banks	Liabilities to Other Banks	Liabilities to Affiliated Banks	Liabilities to Other Banks
Payable on demand	–	190.8	2,260.5	1,187.0
With residual maturity of				
– up to 3 months	–	40.4	2,317.6	747.9
– between 3 months and 1 year	–	1.8	1,885.5	640.8
– between 1 and 5 years	–	7.5	781.9	2,071.9
– more than 5 years	–	112.6	304.7	356.3
Total	–	353.1	7,550.2	5,003.9
Book value	353.1		12,554.1	

Liabilities to banks decreased by € 11,042.6 million due to the transfer of portfolios to EAA and Helaba.

There were no liabilities to affiliated banks as of December 31, 2012, since Portigon’s function as the central institution for the savings banks in North Rhine-Westphalia and Brandenburg was transferred to Helaba as of July 1, 2012.

This items includes liabilities to affiliated companies in the amount of € 9.8 million (previous year: € 124.0 million). As in the previous year, there were no liabilities to other companies in which equity investments are held.

21. Liabilities to Customers

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Deposits	–	–
Other liabilities to customers	12,818.1	36,543.9
thereof:		
– payable on demand	3,625.0	11,385.3
With residual maturity of		
– up to 3 months	5,427.1	14,383.8
– between 3 months and 1 year	565.0	1,955.5
– between 1 and 5 years	1,022.9	2,633.1
– more than 5 years	2,178.1	6,186.2
Book value	12,818.1	36,543.9
including:		
– liabilities to affiliated companies	387.9	411.6
– liabilities to other companies in which equity investments are held	50.1	129.9

Liabilities to customers decreased by € 12,169.2 million due to the transfer of portfolios to EAA and Helaba.

22. Certificated Liabilities

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Bonds issued	12.0	23,211.7
including:		
amounts becoming due before December 31, 2013	12.0	3,384.4
Other certificated liabilities	–	4,782.3
thereof with residual maturities of		
– up to 3 months	–	317.9
– between 3 months and 1 year	–	1,868.8
– between 1 and 5 years	–	2,482.2
– more than 5 years	–	113.4
Book value	12.0	27,994.0
including:		
– to affiliated companies	–	–
– to other companies in which equity investments are held	–	–

The volume of certificated liabilities decreased by € 25,933.5 million due to the transfer of portfolios to EAA and Helaba.

23. Trading Portfolio

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Derivative financial instruments	–	50,477.5
Liabilities	–	14,017.3
Total	–	64,494.8

There was no longer any trading portfolio as of December 31, 2012 due to the transfers to EAA and Helaba as well as the reclassification of trading positions pursuant to § 340e (3) Sentence 3 of the German Commercial Code (HGB). Please refer to Notes 2 and 3.

Trading positions in the amount of € 54,455.3 million were transferred to EAA and Helaba effective July 1, 2012 (this includes the risk transfer agreement).

24. Trust Liabilities

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Liabilities to banks	–	0.3
Liabilities to customers	336.0	504.6
Other liabilities	73,209.1	–
Book value	73,545.1	504.9

The volume of trust liabilities decreased by € 5.1 million due to the transfer of portfolios to EAA and Helaba.

The increase in the volume of other liabilities reported as trust liabilities is due to the derivatives transferred to EAA under the risk transfer agreement as well as to the corresponding matching liabilities to EAA. Please refer to Notes 2 and 3.

25. Other Liabilities

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Book value	1,440.5	1,605.5
including:		
– liabilities to NRW.BANK under pension commitments	773.3	702.4
– liabilities from profit participation certificates which matured	103.0	214.4
– premiums from options	0.3	–
– offsetting items from the valuation of currency transactions	–	281.9

The volume of other liabilities decreased by € 344.1 million due to the transfer of portfolios to EAA and Helaba.

26. Deferred Items

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Deferred items due to reclassification	211.6	–
One-time payments from swaps	13.7	15.8
Fees from the lending business	0.9	10.1
Premiums from own bonds issued	–	28.0
Premiums from liabilities	–	2.1
Other	9.9	6.0
Book value	236.1	62.0

The volume of deferred items decreased by € 18.3 million due to the transfer of portfolios to EAA and Helaba.

The deferred items resulting from the reclassification of trading positions are predominantly the market values, subject to amortisation, of swaps previously assigned to the trading portfolio as well as the premiums and discounts, subject to amortisation, from money market transactions that were assigned to the trading portfolio prior to the reclassification.

27. Provisions

	Volume at	Transfer-related retirements	Utilised	Reversal	Additions	Unwinding of the discount	Allocations pursuant to Art. 67 (1) Sentence 1 EGHGB	Other changes	Volume at
	Dec. 31, 2011 € millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	Dec. 31, 2012 € millions
For pension liabilities	563.3	10.2	49.6	1.2	16.8	41.2	8.9	0.2	569.4
For taxes	398.7	–	35.0	22.0	53.2	–	–	2.3	397.2
Other provisions	1,044.1	69.5	317.5	70.1	477.8	27.6	–	2.8	1,095.2
– for restructuring	438.3	–	62.3	27.9	221.0	13.4	–	– 37.1	545.4
– in the personnel area	319.8	0.7	102.3	11.1	14.5	11.5	–	47.6	279.3
– for loans/ equity investments	51.1	44.3	0.8	2.6	11.2	0.1	–	– 10.5	4.2
– miscellaneous	234.9	24.5	152.1	28.5	231.1	2.6	–	2.8	266.3
Book value	2,006.1	79.7	402.1	93.3	547.8	68.8	8.9	5.3	2,061.8

The volume of provisions decreased by € 79.7 million due to the transfer of portfolios to EAA and Helaba.

Independent actuaries measure the present value of the pension liabilities according to the projected unit credit method, taking into account future wage and pension increases. Their calculation was based on the following parameters and assumptions:

	Dec. 31, 2012
Discount rate	5.04%
Wage and salary index	2.50%
Pension index	2.20%
Fluctuation	4.00%–5.00%
Mortality tables	Heubeck Richttafeln 2005 G

Pursuant to Article 67 (1) Sentence 1 of the Introductory Act to the German Commercial Code (EGHGB), one-fifteenth of the deficit of € 478.3 million revealed by the measurement of pension liabilities in connection with the first-time application of BilMoG (including € 344.7 million in obligations to NRW.BANK from pension commitments) was allocated to pension provisions in fiscal 2012. In addition, there was an effect of € 6.1 million from the transfer of pension obligations to the Verbundbank to be taken into account. As a result, there are pension liabilities in the amount of € 376.5 million which were not recognised on the balance sheet as of December 31, 2012. A total of € 270.0 million of this amount relates to liabilities to NRW.BANK under pension commitments. The existing provision for liabilities to NRW.BANK under pension commitments (€ 773.3 million as of December 31, 2012) is reported under other liabilities (see Note 25).

Pursuant to Article 67 (1) Sentence 2 of the Introductory Act to the German Commercial Code (EGHGB), companies have the option of retaining the carrying amounts for any of their provisions which they technically should reduce under the measurement changes introduced by BilMoG if the amount to be reversed would have to be added back again by December 31, 2024 at the latest. Portigon exercised this option. Of the original excess coverage of € 15.1 million, the sum of € 1.0 million was offset against the interest cost on this portion of the provisions in 2012. The sum of € 2.6 million was reversed because the underlying relationships on which the provisions were based ended in 2012. The excess coverage as of December 31, 2012 came to € 1.9 million.

The € 134.1 million in interest cost on provisions unrelated to banking operations remaining after being offset by the excess coverage resulting from first-time application of BilMoG was reported in the other operating result.

The item miscellaneous provisions includes, among other amounts, € 18.7 million (previous year: € 28.9 million) for services provided to our customers and € 6.8 million (previous year: € 12.4 million) for potential litigation risks.

28. Subordinated Liabilities

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Book value	2,293.0	2,347.4
including:		
– to affiliated companies	861.7	877.0
– to other companies in which equity investments are held	–	–

Of the total subordinated liabilities, € 286.1 million (previous year: € 28.0 million) have a residual maturity of less than two years. The original maturities range from 5 to 40 years.

The Bank incurred interest expense of € 94.9 million in connection with its subordinated liabilities in 2012 (previous year: € 106.3 million). The subordinated liabilities carried by Portigon itself or via its subsidiaries comply with the requirements of § 10 (5a) of the German Banking Act (KWG); the right to terminate the liabilities without notice has not been reserved.

The capital we raised with the following note exceeded 10% of our total subordinated liabilities as of December 31, 2012:

Identification No.	Currency	Amount in € millions	Interest Rate	Maturity
WKN 807957	EUR	300.0	5.00%	Dec. 15, 2015

The terms and conditions for subordinated notes apply. There is no contractual agreement to convert these funds into equity capital or into another form of debt.

29. Profit Participation Capital

Changes in profit participation capital were as follows in the year under review:

at Dec. 31, 2011 € millions	Additions € millions	Subtractions € millions	Loss allocation 2012 € millions	at Dec. 31, 2012 € millions
206.5	–	– 121.0	– 12.8	72.7

The terms of the profit participation certificates stipulate that if we report a loss on our balance sheet, the repayment claims of the certificate holders will be reduced to the same extent which the equity capital, including profit participation capital, reported on the balance sheet is depleted in order to offset the loss. For the previous year, the holders of profit participation certificates were allocated a portion of the loss equal to € 50.2 million. Of that amount, € 25.6 million was attributable to profit participation rights which matured on December 31, 2011 and € 24.6 million to those due to mature at a later date. The holders of profit participation certificates are absorbing a € 30.7 million share of the fiscal 2012 loss remaining after complete depletion of the € 6.3 million in capital reserves formed during the year under review and after other loss allocation. Of that amount, € 17.9 million was attributable to the profit participation rights maturing on December 31, 2012, which were reported under other liabilities.

The following table depicts the breakdown of the profit participation capital by maturity (par value as well as after allocation of the losses, but before the deduction of discounts):

Maturity	Before loss allocations € millions	After loss allocations € millions
2013	35.8	25.9
2014	28.6	20.7
2015	5.0	3.6
2016–2019	31.0	22.5
Total	100.4	72.7

The profit participation certificates constitute own funds of € 26.1 million (previous year: € 55.0 million) within the meaning of § 10 (5) of the German Banking Act (KWG).

30. Equity Capital

In connection with the transfer of portfolios to Helaba and EAA, Helaba received equity capital of € 33.7 million on August 31, 2012, with retroactive effect as of January 1 and July 1, 2012, while EAA received equity capital of € 330.0 million To offset the spin-off-related decline in the value of assets and the loss brought forward from the previous year, the shareholders' meeting of Portigon AG resolved on August 31, 2012 to reduce Portigon AG's share capital and its conditional capital, both equal to € 966.6 million, by € 468.0 million, each pursuant to § 229 (1) of the German Stock Corporation Act (AktG).

As a result, the subscribed capital of Portigon was € 498.6 million at December 31, 2012 (previous year: € 966.6 million) and was divided into 22,695,306 (previous year: 22,695,306) no-par-value registered shares. The theoretical par value of each share is € 21.97 (previous year: € 42.59). All shares carry the same voting rights. For information concerning our current shareholder structure, please see Note 49.

Portigon is reporting a net loss for the 2012 fiscal year of € 569.6 million. Capital reserves of € 6.3 million, which were formed during the year under review in accordance with the rules on the simplified procedure for capital reductions pursuant to § 232 of the German Stock Corporation Act (AktG), were depleted in full in order to offset some of this loss in accordance with § 150 (3) No. 1 of the German Stock Corporation Act (AktG).

Portigon issued silent contributions to capital in 2005, with one tranche totalling US$ 300.0 million and the other € 240.0 million (for a combined total of € 469.4 million). The agreements concerning these silent contributions to capital provide that the parties making them will absorb losses in keeping with the share the carrying value of their individual contributions represents in the total carrying value of all core capital elements of Portigon participating in the loss. The silent partners are being allocated a portion of the relevant loss for 2012 equal to € 61.3 million (previous year: € 52.1 million).

Pursuant to the agreement of December 12, 2009 concerning FMS's silent participation, FMS paid Portigon the first tranche of its silent contribution to capital in the amount of € 672.4 million on December 23, 2009. The second tranche of the silent contribution to capital, which totalled € 1.5 billion, was paid on January 4, 2010, whilst the third tranche, in the amount of € 827.6 million, was paid on April 30, 2010. The parties executed agreements that were dated August 22, 24 and 25, 2012 and had an effective transfer date of September 1, 2012 under which they agreed to a partial sale of FMS's silent contribution to capital and a partial transfer to NRW with a prorated original value of € 1,000 million and an actual prorated value of € 893 million due to loss participations in prior years. The original agreement on establishing the silent partnership was not amended and still provides for the silent partner's participation in any loss remaining after an adjustment of the reserves, with the loss being absorbed in proportion to the share the nominal value of the contribution represents in the total carrying value of all liable capital elements participating in the loss (§ 10 [2a], [4] and [5] of the German Banking Act [KWG]). The total amount the silent partners can absorb from losses is limited to the amount of their silent contributions to the capital. The silent partners are being allocated a portion of the relevant loss for 2012 equal to € 399.4 million (previous year: € 319.8 million). Portigon's Managing Board was authorised by the extraordinary shareholders' meeting held on April 23, 2010 to grant FMS the option of converting all or part of the silent contribution to capital into shares of Portigon AG. To this end, a new class of shares (Class C) was created, with a preferred dividend of 10%, a preferred stake in any proceeds from the sale of divisions and subsidiaries, and senior ranking in the event of liquidation. FMS's stake may not exceed 49.9% of the share capital. The agreement on the granting of a conversion right was signed in April 2010. As a result of the sale and transfer of part of the silent contribution to capital to NRW, the agreement on the conversion right, including the restated agreement between FMS and Portigon concerning the granting of a conversion

right, was amended by an agreement of August 26, 2012. The new agreements are consistent with previous agreements. This includes, in particular, the provisions on the possibility of exercising the conversion right, on determining the number of new shares to issue and their relationship to the shares issued prior to the conversion, on the maximum share in capital of 49.9% and the new Class C preferred shares. FMS is the only party that can exercise the conversion right.

The loss remaining after loss allocation, including the loss participation of the profit participation certificate holders and silent partners, comes to € 71.9 million and is being reported as a retained loss.

	Total	Spin-Off-Related Retirements	Withdrawals/ Loss Allocation	Other Appropriation	Total
	Dec. 31, 2011 € millions	€ millions	€ millions	€ millions	**Dec. 31, 2012 € millions**
Subscribed capital	966.6	– 468.0	–	–	498.6
Capital reserves	–	6.3	– 6.3	–	–
Reserves from retained earnings	–	–	–	–	–
Typical silent contributions to capital					
– issued in 2005	388.9	–	– 61.3	–	327.6
– issued in 2009/2010	2,679.5	–	– 399.4	–	2,280.1
Retained loss	– 98.0	98.0	497.7	– 569.6	– 71.9
Equity capital pursuant to the German Commercial Code (HGB)	3,937.0	– 363.7	30.7	– 569.6	3,034.4

31. Liability for Pre-Existing Commitments – Grandfathering

In line with the agreement reached between the German government and the European Commission on July 17, 2001, Article 1 § 11 of the Act on Redefining the Legal Status of Public-Law Banking Institutions in North Rhine-Westphalia (Gesetz zur Neuregelung der Rechtsverhältnisse der öffentlich-rechtlichen Kreditinstitute in Nordrhein-Westfalen) stipulated that the public-law liability mechanisms of institutional liability and guarantor liability would no longer apply to new liabilities and commitments entered into by Portigon after a transitional period which ended on July 18, 2005.

The grandfathering rules for guarantor liability on commitments agreed to prior to July 19, 2005 are as follows:

- All liabilities and commitments incurred on or before July 18, 2001 are fully covered by guarantor liability until the time they mature.
- Guarantor liability will remain in effect in its original form for all liabilities and commitments incurred from July 19, 2001 to July 18, 2005, so long as the liabilities and commitments mature by December 31, 2015; if they mature after the deadline, guarantor liability will not apply.

The guarantors of the former Westdeutsche Landesbank Girozentrale will completely satisfy the obligations arising from their guarantor liability with respect to Portigon, as soon as they have properly determined and set forth in writing at the time a liability matures that the creditor of such liability cannot be satisfied from Portigon's assets. This explicitly includes the possibility of servicing debts precisely at the same time they fall due. The giving of a notice as normally required under aid law is not necessary.

Following the transfer of balance sheet items to EAA and Helaba in 2012, Portigon AG still had € 3.2 billion in liabilities on its balance sheet that were being grandfathered as of December 31, 2012. A € 1.0 billion portion of that relates to portfolios of assets and liabilities which are economically hedged by EAA through guarantee agreements.

32. Foreign Currency Assets/ Foreign Currency Liabilities

At year-end, Portigon AG had foreign currency assets valued at € 11.6 billion (previous year: € 29.3 billion) and foreign currency liabilities valued at € 11.3 billion (previous year: € 12.4 billion).

Notes to the Statement of Income

33. Geographic Breakdown of Income Components

The principal components of income shown in Portigon's statement of income were obtained in the following geographical markets:

1. 1.–31. 12. 2012 € millions	Interest Income	Current Income	Commission Income	Other Operating Income
Germany	455.6	78.8	381.7	361.2
UK	262.8	–	9.0	15.6
Rest of Europe	104.9	–	7.4	6.2
Far East and Australia	103.0	–	2.4	4.8
North America	564.4	0.2	26.6	12.8
Amount reported on the Statement of Income	1,490.7	79.0	427.1	400.6

The geographic breakdown of income is determined on the basis of the domicile of the branch on whose account the transaction is carried or which is responsible for the transaction. This table includes the profit/loss which was derived from transactions between the regional units, but eliminated from Portigon's statement of income. Current income includes income from profit pooling and (partial) profit transfer agreements.

34. Administrative and Custodial Services

Services rendered on behalf of third parties include, in particular, custodial services, asset management and the administration of trust funds.

35. Other Operating Result

Other operating income	1. 1.–31. 12. 2012 € millions	1. 1.–31. 12. 2011 € millions
Amount reported on the Statement of Income	400.6	167.9
including:		
reimbursement of migration-related losses captured in net interest income from the close-out of hedging derivatives	290.7	–
income from the reversal of other provisions	39.6	63.0
reimbursement from Group companies and third parties	17.3	18.5
including: income from IT services	2.9	7.8
rental and property income	6.5	5.2
income from the leasing business	2.5	1.3
income from services provided to EAA	–	72.9

Other operating expenses	1. 1.–31. 12. 2012 € millions	1. 1.–31. 12. 2011 € millions
Amount reported on the Statement of Income	236.8	185.1
including:		
unwinding of the discount on provisions	134.1	107.4
allocations to other provisions	28.8	11.9
expenses from intragroup netting	25.2	31.5
losses on the sale of fixed assets	22.9	0.1
allocation to DSGV security reserve	3.4	6.8
annual contribution to the restructuring fund	1.9	2.6
expenses for land and buildings not used by the Bank	0.7	0.8

36. Risk Provisions

Individual Value Adjustments and Credit Provisions (excluding reserves formed pursuant to § 340 f and § 340 g HGB)

	2012 € millions	2011 € millions
Beginning balance 1. 1.	479.3	518.2
Transfer-related reductions	– 273.0	0.0
Allocations	11.4	106.5
Unwinding of the discount	0.1	0.2
Reversals	– 13.9	– 50.3
Usage	– 24.6	– 95.4
Market value differences/Other changes	– 0.2	0.1
Ending balance 31. 12.	179.1	479.3

Write-Downs and Adjustments Pursuant to § 340f (3) and § 340c (2) HGB

	1. 1.–31. 12. 2012 € millions	1. 1.–31. 12. 2011 € millions
Result of provisions	59.0	27.4
Income/expenses from loans and securities	17.7	– 40.3
thereof:		
– loans	9.4	– 62.8
– securities (liquidity reserve)	8.3	22.5
Participations/shares in affiliated companies and income/expenses from securities	41.3	67.7
thereof:		
– participations/shares in affiliated companies	– 7.3	60.2
– securities	48.6	7.5

Pursuant to § 340f (3) of the German Commercial Code (HGB) we offset the income and expenses resulting from the evaluation of the lending business with write-ups and write-downs of securities held in the liquidity reserve. The net result was a positive € 17.7 million (previous year: negative € 40.3 million). Similarly, pursuant to § 340c (2) of the German Commercial Code (HGB), the expenses related to shares in affiliated and non-affiliated enterprises, as well as securities held in the banking book, were offset by the income amounts for these investments. The net result in this case, which is the result of provisions for participations and securities, was a positive € 41.3 million (previous year: positive € 67.7 million).

In addition, we absorbed losses of € 1.6 million (previous year: € 210.8 million) from subsidiaries.

37. Income and Expenses Relating to Different Accounting Periods

With regard to income and expense items relating to different accounting periods, we had € 3.0 million in income from interest on tax refunds for prior years in 2012 (previous year: € 20.6 million).

38. Extraordinary Result

The extraordinary result came to € – 227.8 million (previous year: € – 437.9 million) and comprised income of € 27.9 million from the reversal of provisions that were no longer needed and expenses of € 255.7 million (previous year: € 437.9 million). At € 136.5 million, the predominant portion of the extraordinary expenses related to the increase in provisions for the upcoming headcount reductions as part of the restructuring. Due to changing conditions, these reductions must be implemented with greater intensity. On a related note, there were additional restructuring expenses from the building vacancies to be expected. The sum of € 31.9 million was expensed for the prorated recognition of the changes BilMoG introduced to the measurement of pension provisions.

39. Taxes on Income and Revenues

The tax expense of € 41.0 million (previous year: € 47.5 million) consists primarily of current taxes attributable, in particular, to effects from third-party loss absorption and additions to income for tax purposes.

Other Information

40. Contingent Liabilities

Liabilities from Guarantees and Indemnity Agreements

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Liabilities from guarantees and indemnity agreements	789.3	4,089.6

The volume of contingent liabilities decreased by € 2,218.7 million due to the transfer of portfolios to EAA and Helaba.

The liabilities from guarantees and indemnity agreements consist mostly of letters of credit as well as surety bonds, guarantees and indemnities.

The claims Portigon would have if a beneficiary were ever to draw on any contingent liability would be covered by the EAA guarantee agreement from the moment they arise.

Other Commitments

The volume of other commitments decreased by € 8,979.9 million due to the transfer of portfolios to EAA and Helaba.

The claims Portigon would have if a borrower were ever to draw on any irrevocable credit commitment would be covered by the EAA guarantee agreement from the moment they arise.

41. Letters of Comfort

Portigon AG will, except in the case of political risk, ensure that – proportionate with its investment quota – the banks, financial institutions and management companies in which it holds a majority stake will be in a position to meet their obligations. When our stake in any covered company is reduced, so too, and to the same degree, are our commitments under these letters of comfort with respect to obligations the respective company incurs after the stake is reduced; if we no longer hold a majority stake in the respective company because of such a reduction, we are released from the letters of comfort with respect to obligations the respective company incurs after our loss of majority ownership.

The 2 enterprises covered by these Letters of Comfort (previous year: 4) and the amount of Portigon's investment quotas in them (direct and indirect) are:

Banco WestLB do Brasil S.A., São Paulo	100%
WestLB do Brasil Cayman Ltd., George Town	100%

42. Off-Balance-Sheet Items

Provision of Collateral for Own Liabilities

Portigon has assigned or pledged the following asset volumes to the third parties listed in order to secure its own liabilities:

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Own securities assigned or pledged to central banks	2,383.7	19,355.8
Claims assigned for public-sector lending programmes	–	189.4
Own securities pledged to other banks or customers	401.4	21.5
Hedging of pension obligations	14.7	15.7
Own securities deposited as collateral for participation in stock exchange trading systems and clearing systems	11.4	–
Total assets pledged	2,811.2	19,582.4

Outsourcing

Portigon has outsourced a variety of IT and settlement activities, including the development and operation of IT infrastructure applications, master data maintenance, security settlement and custodian services, as well as collections for credit card portfolios. We outsource activities and processes only after performing a detailed profitability and risk study. Our aim in outsourcing is to be more efficient, more competitive and to cut costs on a sustainable basis. All outsourcing satisfies the requirements of § 25a of the German Banking Act (KWG) and MaRisk. We regularly review our outsourcing procedures for potential risks and adjust the procedures as needed.

43. Other Financial Obligations

Deposit Insurance and Other Insurance Mechanisms

Portigon continues to be a member of the German Savings Banks Association (DSGV) and makes contributions to the security reserve of the Landesbanken and Girozentralen. This security reserve constitutes protection for contributing banks within the meaning of § 12 of the German Deposit Protection and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz, EAEG) and is part of the insurance scheme of the Sparkassen-Finanzgruppe (joint liability system).

The insurance scheme of the Sparkassen-Finanzgruppe consists of eleven funds belonging to the regional savings banks and giro associations, the security reserve of the Landesbanken and Girozentralen and the security fund of the Landesbausparkassen, which together form a system of joint liability. There are rules and regulations governing the relationships between regional and national funds which provide for offsetting in cases where coverage is claimed (so-called overflow agreements). Based on the current legal environment, on the assumption that there will be no further cases in which coverage is claimed and on the contribution system of the security reserve, Portigon, having completed the transfer of the imputable sums to the affiliated fund, had no additional funding obligation as of the end of fiscal 2012, will not have one for the foreseeable future and will not have to make additional contributions until further notice. In 2011, there was an obligation, on paper, to make an additional contribution of € 109.6 million to the security reserve of the Landesbanken and Girozentralen.

Effective October 1, 2004, the Savings Banks and Giro Association of the Rhineland and the Savings Banks Association of Westphalia-Lippe had each jointly established a € 500.0 million reserve fund with Portigon to support Portigon and the member savings banks should any of them face financial difficulties. Since Portigon no longer serves as the central institution for the savings banks, which eliminated the objective basis for its participation in the reserve funds, Portigon's membership in both funds was terminated in 2012.

Guarantor Liability

In 2012, the guarantor liability Portigon had had under the statutory provisions for liabilities of Rheinland-Pfalz Bank, Mainz, HSH Nordbank AG, Hamburg/Kiel, Westdeutsche ImmobilienBank AG, Mainz, and DekaBank Deutsche Girozentrale, Frankfurt/Main, was spun off to Erste Abwicklungsanstalt along with other assets and liabilities of Portigon. Portigon will have no secondary liability for obligations covered by this guarantor liability.

Other Contingent Liabilities

Portigon's liability to make additional contributions to the Liquiditätskonsortialbank, in which it holds a participation, came to € 65.5 million as of December 31, 2012 (previous year: € 65.3 million) due to the merger with readybank ag in fiscal 2012. Portigon may incur additional obligations with respect to its joint liability for the additional contributions to the Liquiditätskonsortialbank from partners who are members of the German Savings Banks and Giro Association. Any calls on its obligation to make additional contributions, which would increase the book value of its stake in the Liquiditätskonsortialbank, are guaranteed by EAA in respect of the shares Portigon held in the institution prior to the merger.

The deficit resulting from pension obligations not carried on the balance sheet within the meaning of Art. 28 (2) of the Introductory Act to the German Commercial Code (EGHGB) was € 84.1 million (previous year: € 90.5 million).

Portigon has other financial obligations resulting from rental, lease and service contracts as well as from uncalled residual funding obligations and as yet unutilised lines from private equity investments in the total amount of € 1,019.8 million (previous year: € 1,254.5 million), with € 460.8 million (previous year: € 490.1 million) of that amount stemming from contracts with affiliated companies. The agreements run for a maximum of 20 years.

Portigon guaranteed, until the year 2110, the long-term "ground rent payments" which a former subsidiary agreed to make to the owner of a parcel of land in conjunction with a real estate financing. The beneficiary of the guarantee did not release Portigon from this obligation when the subsidiary in question was sold. In order to protect Portigon, the entity which acquired the subsidiary agreed to indemnify Portigon against any claims asserted under the guarantee. The shares of the subsidiary were pledged to Portigon as security for this counter-guarantee.

44. Forward Transactions/Derivatives

As part of its business operations, Portigon entered into the following types of forward transactions and derivative transactions until June 30, 2012:

- Products based on interest rates
  Interest rate swaps, interest rate futures, forward rate agreements (FRAs), interest rate options, issued interest rate warrants, interest rate caps, interest rate floors, interest rate collars and swaptions.

- Products based on exchange rates
  Currency forwards, currency options, issued currency warrants, interest rate/currency swaps, forward interest rate/currency swaps.

- Products based on share prices and other prices
  Stock forwards, stock options, index forwards, index options, issued stock warrants and issued index warrants, precious metal/commodity forwards and options.

- Credit derivatives
  Credit default swaps, total return swaps and credit linked notes.

As of the balance sheet date, the total volume in nominal terms of derivative transactions was € 725.0 billion (previous year: € 1,462.9 billion). Of that amount, € 698.6 billion relates to items that were transferred under the risk transfer agreement and are therefore being held in trust for EAA. Positive market values of € 34.3 billion and negative market values of € 35.4 billion are attributable to the derivatives held in trust. There are matching obligations and claims in equivalent amounts vis-à-vis EAA for these derivatives.

Derivatives – Volumes at the Reporting Date

	Nominal Values		Positive Market Values		Negative Market Values	
€ millions	**2012**	2011	**2012**	2011	**2012**	2011
Products based on interest rates	579,033	1,191,155	32,911	44,702	33,748	42,931
Products traded OTC	578,874	1,152,895	32,911	44,701	33,748	42,929
Products traded on the stock exchange	159	38,260	0	1	0	2
Products based on exchange rates	129,091	199,718	2,705	4,954	2,092	5,196
Products traded OTC	129,091	197,011	2,705	4,887	2,092	5,082
Products traded on the stock exchange	0	2,707	0	67	0	114
Products based on share prices and other prices	6,034	28,930	553	2,055	534	2,402
Products traded OTC	5,984	8,425	553	811	533	640
Products traded on the stock exchange	50	20,505	0	1,244	1	1,762
Credit derivatives	10,865	43,140	248	1,498	250	1,510
Products traded OTC	10,865	43,140	248	1,498	250	1,510
Total derivatives	725,023	1,462,943	36,417	53,209	36,624	52,039
Products traded OTC	724,814	1,401,471	36,417	51,897	36,623	50,161
Products traded on the stock exchange	209	61,472	0	1,312	1	1,878

We capture book values of non-trading-portfolio items not carried as trust assets or trust liabilities which are relevant only with respect to option premiums paid or received and interest payment components as other assets and assets under deferred items as well as other liabilities and liabilities under deferred items.

Most of the interest rate contracts, products based on exchange rates and credit derivatives are medium-term. Products with share price and other price risks are predominantly long-term with a residual maturity of more than five years.

Derivatives – Breakdown by Maturity

Nominal Values	Products Based on Interest Rates		Products Based on Exchange Rates		Products Based on Share Prices and Other Prices		Credit Derivatives	
€ millions	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Residual maturity								
– up to 3 months	45,751	206,110	15,906	43,424	128	690	1,019	2,171
– 3 months to 1 year	79,523	269,547	21,611	33,603	1,550	8,841	2,413	8,542
– 1 to 5 years	272,715	435,569	73,010	98,912	2,075	16,654	6,487	29,562
– more than 5 years	181,044	279,929	18,564	23,779	2,281	2,745	946	2,865
Total	579,033	1,191,155	129,091	199,718	6,034	28,930	10,865	43,140

45. Disclosures Pursuant to the Pfandbrief Act (PfandBG)

Portigon did not report any Pfandbriefe or cover pool assets as of December 31, 2012, due to the transfer of the Pfandbrief business to Helaba.

Outstanding Pfandbriefe and the cover pool backing them pursuant to § 28 (1) Nos. 1 to 4 of the Pfandbrief Act (PfandBG):

Totals

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
I. Face value		
Public Pfandbriefe	–	8,653.5
Cover pool	–	9,517.1
thereof:		
– derivatives	–	–
– money claims against suitable credit institutions	–	237.0
Excess cover	–	863.6
II. Net present value (NPV)		
Public Pfandbriefe	–	9,353.4
Cover pool	–	10,256.1
thereof:		
– derivatives	–	–
– money claims against suitable credit institutions	–	264.9
Excess cover	–	902.7
III. Risk-adjusted NPV*		
Public Pfandbriefe	–	9,353.4
Cover pool	–	10,186.6
thereof:		
– derivatives	–	–
– money claims against suitable credit institutions	–	264.9
Excess cover	–	833.2

* Internal risk model pursuant to § 5 (2) of the Ordinance Regarding the Net Present Value of Pfandbriefe (PfandBarwertV)

Breakdown by Maturity (Residual Maturity)

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Up to 1 year		
Public Pfandbriefe	–	2,104.5
Cover pool	–	1,255.8
Between 1 and 2 years		
Public Pfandbriefe	–	875.5
Cover pool	–	1,410.5
Between 2 and 3 years		
Public Pfandbriefe	–	330.0
Cover pool	–	1,228.8
Between 3 and 4 years		
Public Pfandbriefe	–	1,487.5
Cover pool	–	1,870.4
Between 4 and 5 years		
Public Pfandbriefe	–	1,644.8
Cover pool	–	849.1
Between 5 and 10 years		
Public Pfandbriefe	–	1,077.1
Cover pool	–	1,885.0
More than 10 years		
Public Pfandbriefe	–	1,134.1
Cover pool	–	1,017.5

Outstanding Pfandbriefe and the cover pool backing them pursuant to § 28 (3) Nos. 1 and 2 of the Pfandbrief Act (PfandBG):

Claims Used to Back Public Pfandbriefe

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
Federal Republic of Germany	–	7,781.9
Government	–	41.3
Regional authorities	–	2,908.6
Local authorities	–	4,006.7
Other debtors	–	825.3
Switzerland	–	545.5
Regional authorities	–	504.4
Local authorities	–	41.1
Austria	–	382.4
Government	–	115.0
Regional authorities	–	190.0
Local authorities	–	77.4
Spain	–	361.3
Regional authorities	–	361.3
Portugal	–	170.0
Government	–	150.0
Regional authorities	–	20.0
Belgium	–	68.4
Regional authorities	–	30.1
Other debtors	–	38.3
Netherlands	–	60.0
Regional authorities	–	60.0
Slovenia	–	40.0
Government	–	40.0
Ireland	–	35.0
Government	–	35.0
Canada	–	25.6
Regional authorities	–	25.6
France	–	22.5
Regional authorities	–	22.5
Luxembourg	–	15.0
Other debtors	–	15.0
Finland	–	9.5
Government	–	9.5
Total	–	9,517.1

Total Payments at Least 90 Days in Arrears

	Dec. 31, 2012 € millions	Dec. 31, 2011 € millions
	–	–

46. Remuneration of the Governing Bodies

	2012 € millions	2011 € millions
Total remuneration of the Managing Board	2.5	2.9
fixed	2.2	2.9
performance-based	0.0	0.0
departure-related	0.3	0.0
from holding supervisory board seats at Group subsidiaries	0.0	0.0
Total remuneration of former Managing Board members and their survivors	5.9	6.1
Total remuneration of Supervisory Board members	0.9	1.2
fixed	0.9	1.2
performance-based	0.0	0.0
performance-based with long-term incentive effects	0.0	0.0
Pension provisions for Managing Board members who actively served during the fiscal year*	10.4**	7.2
Pension provisions for former Managing Board members and their survivors*	69.0**	68.0

* The amount reported for 2012 includes 3/15 of the retroactive additions to provisions necessitated by changes introduced by BilMoG to the measurement of pension liabilities. The obligation to active Managing Board members (taking into account the BilMoG effect) was € 14.9 million as of December 31, 2012 (previous year: € 12.1 million). The obligation to former Managing Board members (taking into account the BilMoG effect) was € 82.1 million as of December 31, 2012 (previous year: € 83.8 million).

** The pension provisions for active Managing Board members also include the pension provisions for Managing Board members who left during 2012.

The € 0.9 million (previous year: € 1.2 million) reported as remuneration of the Supervisory Board members represents a lump-sum reimbursement of their out-of-pocket expenses of € 0.2 million (previous year: € 0.2 million) and a provision of € 0.7 million (previous year: € 1.0 million) established for their compensation.

Remuneration of the Members of the Managing Board

	Period	Fixed remune-ration* €	Performance-based remuneration €	Remune-ration with long-term incentive effects €	Remune-ration from seats at Group subsidiaries €	Departure-related remune-ration €	Total remuneration €	Obligation/ present value of pension commitments as of Dec. 31, 2012 €	Additions to/ subtractions from pension commitments in 2012 €
Beckmann, Hubert	1. 1.–31. 12. 2012	507,249.11	0.00	0.00	0.00	0.00	507,249.11	5,500,808.00	519,539.00
Breuer, Klemens	1. 1.–30. 1. 2012	42,241.30	0.00	0.00	0.00	0.00	42,241.30	1,175,201.00	402,043.00
Dreesbach, Stefan	8. 10.–31. 12. 2012	130,797.58	0.00	0.00	0.00	0.00	130,797.58	330,529.00	330,529.00
Franzmeyer, Dr. Kai Wilhelm	15. 8.–31. 12. 2012	200,901.08	0.00	0.00	0.00	0.00	200,901.08	754,055.00	754,055.00
Groß, Thomas	1. 1.–15. 8. 2012	361,937.32	0.00	0.00	0.00	187,501.66	549,438.98	0.00	– 458,581.00**
Taiber, Werner	1. 1.–31. 8. 2012	338,953.99	0.00	0.00	0.00	125,000.00	463,953.99	4,123,383.00	– 516,972.00
Voigtländer, Dietrich	1. 1.–31. 12. 2012	574,487.57	0.00	0.00	0.00	0.00	574,487.57	3,005,281.00	1,766,962.00
Total	1. 1.– 31. 12. 2012	2,156,567.95	0.00	0.00	0.00	312,501.66	2,469,069.61	14,889,257.00	2,797,575.00

* including non-cash compensation, taxes and the employer portion of social security contributions

** The sum of € 1,679,411 was paid out in August 2012.

Remuneration of the Members of the Supervisory Board

	Period	Fixed remuneration €	Performance-based remuneration €	**Total remuneration €**
Bär, Raimund	1. 1.–31. 8. 2012	20,000.00	0.00	20,000.00
Binkowska, Dietmar P.	1. 1.–31. 12. 2012	28,191.78	0.00	28,191.78
Breuer, Horst	20. 4.–31. 8. 2012	8,333.33	0.00	8,333.33
Breuer, Michael	1. 1.–31. 8. 2012	46,666.67	0.00	46,666.67
Finger, Rolf	1. 1.–20. 4. 2012	6,666.67	0.00	6,666.67
Gerlach, Dr. Rolf	1. 1.–30. 8. 2012	40,000.00	0.00	40,000.00
Goldmann, Volker	1. 1.–31. 8. 2012	23,333.33	0.00	23,333.33
Hintz, Cornelia	1. 1.–31. 12. 2012	16,675.80	0.00	16,675.80
Hock, Gudrun	1. 9.–31. 12. 2012	5,643.84	0.00	5,643.84
Janetzko, Sigrid	1. 1.–31. 12. 2012	31,707.76	0.00	31,707.76
Kahl, Dr. Bruno	1. 1.–31. 12. 2012	23,424.66	0.00	23,424.66
Klug, Gabriele	1. 9.–31. 12. 2012	5,301.37	0.00	5,301.37
Kreyer, Thomas	1. 1.–31. 8. 2012	26,666.67	0.00	26,666.67
Kutil-Bleibaum, Christiane	1. 1.–31. 10. 2012	36,648.40	0.00	36,648.40
Lipphaus, Annette	1. 1.–31. 12. 2012	16,675.80	0.00	16,675.80
Ludwig, Doris	1. 1.–31. 12. 2012	56,776.26	0.00	56,776.26
Matthewes, Manfred	1. 1.–31. 12. 2012	40,415.53	0.00	40,415.53
Paus, Heinz	1. 1.–31. 8. 2012	20,000.00	0.00	20,000.00
Plogmann, Dr. Friedhelm	1. 12.–31. 12. 2012	1,273.97	0.00	1,273.97
Sacha, Björn	14. 11.–31. 12. 2012	1,904.11	0.00	1,904.11
Sander, Heinz-Günter	1. 1.–31. 8. 2012	33,333.33	0.00	33,333.33
Schröder, Uwe	1. 1.–31. 8. 2012	26,666.67	0.00	26,666.67
Steller, Wolfgang	1. 1.–30. 11. 2012	55,054.79	0.00	55,054.79
Walter-Borjans, Dr. Norbert	1. 1.–31. 12. 2012	26,493.15	0.00	26,493.15
Wüerst, Alexander	1. 1.–31. 8. 2012	30,000.00	0.00	30,000.00
Subtotal		627,853.89	0.00	627,853.89
Lump-sum reimbursement of out-of-pocket expenses				156,200.00
Value-added tax on amounts paid				114,414.79
Total				898,468.68

47. Loans to Members of the Governing Bodies

No advances or loans were granted to members of the Managing Board or Supervisory Board of Portigon AG.

48. Number of Employees

The average number of employees in 2012 was as follows:

Number of Employees	Male	Female	Total 2012	Total 2011
Domestic branches	1,240	1,126	2,366	2,901
Foreign branches	504	345	849	980
Total	1,744	1,471	3,215	3,881

An average of 38 (previous year: 56) employees were engaged in apprenticeship training or equivalent training.

49. Shareholdings in Portigon AG

Shareholders	Investment Quota	
	Dec. 31, 2012 %	Dec. 31, 2011 %
NRW.BANK	69.490	17.766
Savings Banks and Giro Association of the Rhineland	30.510	30.510
Savings Banks Association of Westphalia-Lippe	0.000	25.032
Regional Association of the Rhineland	0.000	25.032
Regional Association of Westphalia-Lippe	0.000	0.830
Landschaftsverband Westfalen-Lippe*	0.000	0.830
Total	100.000	100.000

* Including the shares held indirectly via Westfälisch-Lippische Vermögensverwaltungsgesellschaft mbH, Münster

The Savings Banks Association of Westphalia-Lippe, Münster, notified us pursuant to § 20 (5) of the German Stock Corporation Act (AktG) that it no longer holds more than 25% of our company's shares.

The Savings Banks and Giro Association of the Rhineland, Düsseldorf, notified us pursuant to § 20 (5) of the German Stock Corporation Act (AktG) that it no longer holds more than 25% of our company's shares.

The State of North Rhine-Westphalia notified us pursuant to § 20 (4) of the German Stock Corporation Act (AktG) that it directly holds a majority stake in our company. The State of North Rhine-Westphalia also notified us that the shares in Portigon AG held by NRW.BANK, which is an enterprise that the State of North Rhine-Westphalia controls, are to be attributable to it pursuant to § 16 (4) of the German Stock Corporation Act (AktG).

50. Seats Held by Members of the Managing Board

Members of the Portigon Managing Board are members or chairmen of the following large companies' supervisory boards or other supervisory bodies within the meaning of § 340a (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

Dietrich Voigtländer
readybank ag (until November 14, 2012)

Stefan Dreesbach
Banco WestLB do Brasil S.A.
Bank WestLB Vostok (ZAO) (until November 23, 2012)
Meriten Investment Management GmbH (formerly WestLB Mellon Asset Management Kapitalanlagegesellschaft mbH) (from January 31, 2012 to October 1, 2012)
Westdeutsche ImmobilienBank AG (from February 8, 2012 to September 19, 2012)

Hubert Beckmann
readybank ag (until July 20, 2012)
Westdeutsche ImmobilienBank AG (until September 19, 2012)

Klemens Breuer
Westdeutsche ImmobilienBank AG (until January 30, 2012)
WestLB Mellon Asset Management Kapitalanlagegesellschaft mbH (until January 30, 2012)

Thomas Groß
Westdeutsche ImmobilienBank AG (until August 15, 2012)

Werner Taiber
Banco WestLB do Brasil S.A. (until August 31, 2012)
WestLB Mellon Asset Management Kapitalanlagegesellschaft mbH (until August 31, 2012)

51. Seats Held by Employees

The following employees are members or chairs of the following large companies' supervisory boards or other supervisory bodies within the meaning of § 340a (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

Michael Frank
Banco WestLB do Brasil S.A.
Portigon Securities Inc. (formerly WestLB Securities Inc.)

Dirk Grandjean
Bank WestLB Vostok (ZAO) (until November 23, 2012)

Kai-Uwe Henkel
Bank WestLB Vostok (ZAO) (until November 23, 2012)

Stephen Heyworth
European Policy Exchange Ltd. (until June 12, 2012)

Sigrid Janetzko
Portigon AG

Stephan Kloock
Banco WestLB do Brasil S.A. (until December 11, 2012)

Timo Krempe
readybank ag (from February 21, 2012 to November 14, 2012)

Thomas Kreyer
Portigon AG (until September 16, 2012)

Christiane Kutil-Bleibaum
Portigon AG (until October 31, 2012)

Sabine Luchte
Bank WestLB Vostok (ZAO) (until November 23, 2012)
readybank ag (until July 20, 2012)

Doris Ludwig
Portigon AG

Frank Malone
Basinghall Finance plc
EAA Corporate Services plc
EAA Covered Bond Bank plc

Yoram Matalon
Banco WestLB do Brasil S.A.
Bank WestLB Vostok (ZAO) (until November 23, 2012)

Manfred Matthewes
Portigon AG

James McPartlan
Banco WestLB do Brasil S.A. (until November 9, 2012)

Lucian Milburn
Methuselah Life Markets Ltd.

Peter Minhorst
readybank ag (until November 14, 2012)
Westdeutsche ImmobilienBank AG (until September 19, 2012)

Louise Moat
Bank WestLB Vostok (ZAO) (until November 23, 2012)

Max Niesert
AKA Ausfuhrkredit-Gesellschaft m.b.H.

Heinz-Günter Sander
Portigon AG (until August 31, 2012)

Alexander Schulze
Banco WestLB do Brasil S.A. (from September 1, 2012)

Gerhard Steigüber
Banco WestLB do Brasil S.A.

Manish Taneja
Portigon Securities Inc. (formerly WestLB Securities Inc.)

Alexander Tcherepnine
Banco Finantia S.A.

Martin Tillert
Meriten Investment Management GmbH
(formerly WestLB Mellon Asset Management Kapitalanlagegesellschaft mbH)

Ingo Wichelhaus
European Policy Exchange Ltd. (until June 12, 2012)

52. Governing Bodies of Portigon AG

Portigon AG Managing Board

Dietrich Voigtländer
Chairman

Stefan Dreesbach (from October 8, 2012)

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

Hubert Beckmann
Vice Chairman (until December 31, 2012)

Klemens Breuer (until January 30, 2012)

Thomas Groß (until August 15, 2012)

Werner Taiber (until August 31, 2012)

Portigon AG Supervisory Board

Dietmar P. Binkowska
Member (from February 18, 2009) and Chairman (from December 1, 2012)
Chairman of the Managing Board, NRW.BANK

Doris Ludwig
Vice Chairwoman
Director, Portigon AG Düsseldorf

Michael Breuer
Member (until August 31, 2012) and Chairman (until June 30, 2012)
President, Savings Banks and Giro Association of the Rhineland

Wolfgang Steller
Member (from February 24, 2011 to November 30, 2012) and
Chairman (from July 1, 2012 to November 30, 2012)
Former State Secretary, Düsseldorf

Raimund Bär (until August 31, 2012)
Chairman of the Staff Council, Westdeutsche ImmobilienBank AG

Horst Breuer (from April 20, 2012 to August 31, 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 (until August 30, 2012)
President, Savings Banks Association of Westphalia-Lippe

Volker Goldmann (until August 31, 2012)
Chairman of the Managing Board, Sparkasse Bochum

Cornelia Hintz
Secretary, ver.di Vereinte Dienstleistungsgewerkschaft

Gudrun Hock (from September 1, 2012)
Mayoress, City of Düsseldorf

Sigrid Janetzko
Bank Director, Portigon AG Düsseldorf

Dr. Bruno Kahl
Under Secretary, Federal Finance Ministry

Gabriele Klug (from September 1, 2012)
City Treasurer, City of Cologne

Thomas Kreyer (until August 31, 2012)
Director, Portigon AG Berlin

Christiane Kutil-Bleibaum (until October 31, 2012)
Director, Portigon AG Düsseldorf

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

Manfred Matthewes
Director, Portigon AG Düsseldorf

Heinz Paus (until August 31, 2012)
Mayor, City of Paderborn

Dr. Friedhelm Plogmann (from December 1, 2012)
Business consultant, Meerbusch

Björn Sacha (from November 14, 2012)
Director, Portigon AG Düsseldorf

Heinz-Günter Sander (until August 31, 2012)
Director, Portigon AG Düsseldorf

Uwe Schröder (until August 31, 2012)
Assistant Secretary, Federal Finance Ministry

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

Alexander Wüerst (until August 31, 2012)
Chairman of the Managing Board, Kreissparkasse Köln

53. Shareholdings

List of Shareholdings

Reporting company: Portigon AG

Date: December 31, 2012
Target currency/unit: EUR/thousands
Disclosure of stake and percentage of voting rights if different than stake

I. Companies included in the consolidated financial statements

1. Fully consolidated subsidiaries

a. Subsidiaries under IAS 27

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
1	Banco WestLB do Brasil S.A. [2 9]	São Paulo, Brazil	100.00		BRL	186,997.71	23,364.03
2	Portigon Europe (UK) Holdings Limited [9]	London, United Kingdom	100.00		GBP	23,259.26	2,415.29
3	Portigon Finance Curaçao N.V. [9]	Willemstad, Curaçao	100.00		GBP	687.42	631.06
4	Portigon Securities Inc. [9]	New York, USA	100.00		USD	28,199.12	2,284.39
5	Portigon UK Limited [1 9]	London, United Kingdom	100.00		GBP	0.00	0.00
6	WestLB do Brasil Cayman Limited [1 2 9]	George Town, Cayman Island	100.00		USD	25,894.35	3,296.95

b. Subsidiaries under SIC-12

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
7	Compass Securitisation Limited [5]	Dublin 2, Ireland	0.00		EUR	8.00	n/a
8	Compass Securitization LLC	New York, USA	0.00			n/a	n/a
9	GOD Grundstücksverwaltungsgesellschaft & Co. KG [9]	Mainz	94.00	11.11	EUR	158,699.93	7,568.94
10	GOH Grundstücksverwaltungsgesellschaft & Co. KG [9]	Mainz	94.00	11.11	EUR	140,134.57	6,408.61

II. Companies not included in the consolidated financial statements

1. Subsidiaries not included

a. Subsidiaries under IAS 27

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
11	Harrier Capital Management (Bermuda) Ltd. [4]	Hamilton, Bermuda	100.00		USD	135.11	0.07
12	Portigon International Services Limited [1 9]	St. Helier, Jersey	100.00		GBP	439.81	– 8.03
13	Portigon Property Services Limited [1 9]	London, United Kingdom	100.00		GBP	0.00	4.90
14	Portigon Versorgungskasse GmbH [9]	Düsseldorf	100.00		EUR	25.00	0.00
15	Schloss Krickenbeck GmbH [3 9]	Nettetal	100.00		EUR	153.40	0.00
16	Treuhand- und Finanzierungsgesellschaft für Wohnungs- und Bauwirtschaft mit beschränkter Haftung, Treufinanz [9]	Düsseldorf	65.41	66.37	EUR	3,249.39	– 116.00
17	West Treuhand- und Verwaltungsgesellschaft mbH [9]	Düsseldorf	100.00		EUR	31.86	6.86
18	WestLB Securities SA (Pty) Ltd. [1 7]	Sandton, Johannesburg, South Africa	100.00		ZAR	74.90	– 398.12
19	WMB Leasing Seven Limited [1 9]	London, United Kingdom	100.00		GBP	393.16	183.41
20	WMB Leasing Ten Limited [1 9]	London, United Kingdom	100.00		GBP	998.40	– 66.39

b.	Subsidiaries under SIC-12						
No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
21	Compass Variety Funding 4 Ltd. w/SkylineLux 1 ThyssenKrupp, Steel/Material	Dublin 2, Ireland	0.00			n/a	n/a
22	RN Beteiligungs-GmbH i.L. [8]	Stuttgart	50.00		EUR	1,290.09	0.00
23	Westcommodities Limited	George Town, Grand Cayman, Cayman Island	0.00			n/a	n/a
24	WestLB Mellon Pension Classic-Fonds WestLB Mellon AM KAG mbH Beschr.verf.ber.gem.InvG	Düsseldorf	0.00			n/a	n/a
25	WestLB Mellon Pension Dynamic-Fonds WestLB Mellon AM KAG mbH Beschr.verf.ber.gem.InvG	Düsseldorf	0.00			n/a	n/a

2. Associated companies

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
26	SWest Objektgesellschaft Rechenzentrum mbH i. L. [9]	Düsseldorf	50.00		EUR	1,559.22	18.76

3. Stakes in other companies

Stake of at least 20%

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
27	Garnet Real Estate LLC	New York, USA	100.00			n/a	n/a
28	Indigo Holdco LLC	Dover, USA	100.00			n/a	n/a
29	Indigo Land Bell Construction LLC [1]	New York, USA	100.00			n/a	n/a
30	Indigo Land Groveland LLC [1]	New York, USA	100.00			n/a	n/a
31	Indigo Land Majestic Bay LLC [1]	New York, USA	100.00			n/a	n/a
32	Indigo Land Mt. Dora Development LLC [1]	New York, USA	100.00			n/a	n/a
33	Indigo Land Northwood LLC [1]	New York, USA	100.00			n/a	n/a
34	Indigo Land Progresso Lofts, LLC [1]	New York, USA	100.00			n/a	n/a
35	Indigo Land Riverside Landings LLC [1]	New York, USA	100.00			n/a	n/a
36	Indigo Real Estate, LLC [1 6]	New York, USA	100.00		USD	9,608.18	0.00
37	Lantana W. Holdings LLC	New York, USA	100.00			n/a	n/a
38	White W. Holding LLC	New York, USA	100.00			n/a	n/a
39	WLB ASA Ethanol LLC	New York, USA	100.00			n/a	n/a

Footnotes:
1 = indirectly held
2 = letter of comfort
3 = profit and loss pooling agreement
4 = data as of Dec. 31, 2005
5 = data as of Mar. 31, 2006
6 = data as of Dec. 31, 2009
7 = data as of Dec. 31, 2010
8 = data as of Apr. 1, 2011
9 = data as of Dec. 31, 2011

Düsseldorf, April 11, 2013

Portigon AG
The Managing Board

Dietrich Voigtländer Stefan Dreesbach Dr. Kai Wilhelm Franzmeyer

Auditor's Opinion

We have issued the following opinion on the annual financial statements and statement of financial condition:

"We have audited the annual financial statements, which consist of the balance sheet, statement of income and notes to the annual financial statements, together with the bookkeeping system, and the statement of financial condition prepared by Portigon AG, Düsseldorf, for the financial year ended December 31, 2012. The bookkeeping and preparation of the annual financial statements and statement of financial condition according to German commercial law regulations is the responsibility of the legal representatives of the Company. It is our task to give an opinion on the annual financial statements, together with the bookkeeping system, and the statement of financial condition on the basis of our audit.

We carried out our audit in accordance with § 317 of the German Commercial Code (HGB) while complying with the German principles of proper auditing laid down by the Institute of German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer). According to these principles, the audit must be planned and carried out in a way which ensures that errors and infringements which have a material impact on the presentation of the Company's net assets, financial condition and earnings in the annual financial statements and statement of financial condition can be identified as not being in accordance with generally accepted accounting principles. When defining the audit processes, knowledge of the business activities and economic and legal environment of the Company as well as the expectations regarding possible errors are taken into account. In the context of the audit, the effectiveness of the internal control system and evidence of the correctness of the information contained in the books, annual financial statements and statement of financial condition are for the most part assessed on the basis of samples. The audit covers an assessment of the accounting principles applied and the relevant estimates made by the legal representatives as well as an opinion on the overall presentation of the annual financial statements and statement of financial condition. We are of the opinion that our audit forms a sufficiently reliable basis for our assessment.

Our audit resulted in no objections.

In our opinion founded on the information obtained in the audit, the annual financial statements comply with the requirements of law and, in compliance with standard accounting principles, present a true and fair view of the net assets, financial condition and earnings of the Company. The statement of financial condition is consistent with the annual financial statements, accurately reflects the Company's situation and correctly portrays the opportunities and risks inherent in its future development.

Without qualifying this opinion, we draw attention to the statements made in the 'Structural Changes' and 'Outlook' sections of the statement of financial condition. It is stated there that the Bank has largely ceased its previous business operations and that Portigon AG will continue to be transformed into a service and portfolio management bank. The transformation process is replete with uncertainty and will have negative effects on the Bank's net assets, financial condition and earnings. It is planned to sell the Group's portfolio services business by December 31, 2016. If it proves impossible to sell the company running the commercial portfolio services business at that time by 2016, the European Commission has stipulated that it be wound down."

Düsseldorf, April 11, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werthmann	Lösken
German Public Accountant	German Public Accountant

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Portigon AG, and the management report includes a fair review of the development and performance of the business and the position of Portigon AG, together with a description of the principal opportunities and risks associated with the expected development of Portigon AG.

Düsseldorf, April 11, 2013

The Managing Board
Portigon AG

Dietrich Voigtländer

Stefan Dreesbach

Dr. Kai Wilhelm Franzmeyer

Report of the Supervisory Board

The 2012 fiscal year was dominated by the Bank's radical transformation. The company has been officially operating as Portigon AG since July 2, 2012.

After the European Commission made its final decision on December 20, 2011 to grant approval under the laws on state aid to the restructuring plan for the asset stripping of WestLB set out in the cornerstone agreement of June 29, 2011, the first half of 2012 was dedicated to ensuring implementation of the cornerstone agreement in accordance with the requirements by laying the foundations for the Group's extensive reorganisation.

The principal negotiations on implementation of the cornerstone agreement were concluded on June 18, 2012. After intense discussions, WestLB, its shareholders (State of North Rhine-Westphalia, Savings Banks and Giro Association of the Rhineland, Savings Banks Association of Westphalia-Lippe, Regional Association of the Rhineland and Regional Association of Westphalia-Lippe), Erste Abwicklungsanstalt (EAA) and Germany's Financial Market Stabilisation Authority (FMSA) came to a fundamental agreement about the Verbundbank portfolios designated for transfer to Helaba Landesbank Hessen-Thüringen as well as the transfer of the remaining assets to Erste Abwicklungsanstalt (EAA).

On June 30, 2012, the Shareholders' Meeting of WestLB AG adopted a formal resolution concerning conclusion of

- the consultation minutes dated June 18, 2012,
- the framework agreement on implementing the cornerstone agreement and consultation paper dated June 30, 2012,
- the agreement on enforcement of the law on restructuring WestLB AG as well as
- the addendum to the framework agreement concerning the Verbundbank business.

The Shareholders' Meeting approved all related contract documents.

Portigon AG commenced its business operations as an internationally operating provider of portfolio management and other services on July 2, 2012. It is the same legal entity as the former WestLB AG. The two savings banks associations of North Rhine-Westphalia ceased to be owners of WestLB effective at the end of the day on June 30, 2012.

Following adoption of a corresponding resolution by the Shareholders' Meeting on August 30, 2012, all of the agreements required for the break-up were formally executed and recorded by August 31, 2012. Effective July 1, 2012, Helaba Landesbank Hessen-Thüringen acquired the Verbund business with total assets of approximately € 40 billion. The technical migration and entry in the commercial register occurred in mid-September 2012. In keeping with the decision taken by the European Commission in December 2011, WestLB AG ceased to engage in any new business outside of the Verbundbank as of the end of the day on June 30, 2012. Around € 100 billion of WestLB assets and liabilities passed to EAA, also with retroactive effect from July 1, 2012 (trading book) in addition to January 1, 2012 (banking book). The Regional Associations of the Rhineland and Westphalia-Lippe ceased to be owners of the company. Thus, including its direct stake and the stake held indirectly via NRW.BANK, the State of North Rhine-Westphalia became the sole owner of Portigon AG on September 1, 2012.

The company's restructuring has been a tour de force and a painful process for all those involved – employees, Managing Board and Supervisory Board. The parallel transfers of portfolios to the Verbundbank and EAA were challenges without precedent in the history of the Federal Republic of Germany. At the same time, the company was and is looking to the future, working diligently towards positioning Portigon AG in the market with a competitive orientation and preparing for the later privatisation. Acquiring new customers

and structurally reducing the cost base are the focus of operations. Against the backdrop of the profound changes taking place in the financial sector, the Supervisory Board and Managing Board are confident that Portigon will succeed in gaining a foothold in the market over the medium term.

The transformation process has likewise been reflected in the composition of Portigon AG's governing bodies and in its articles and bylaws. The Supervisory Board was reduced from 20 to twelve members in September 2012, and Portigon AG's management team has consisted of three Managing Board members since the beginning of 2013. Moreover, the Shareholders' Meeting approved the new articles and bylaws of Portigon AG, which were recorded in the commercial register of Düsseldorf on September 6, 2012. Additionally, the Supervisory Board issued itself new rules for conducting business, the changes in which included a consolidation of the risk and audit committees into one committee and a lowering of the number of committee members to six. The structure of the company with respect to the laws on governing bodies has been streamlined in accordance with Portigon AG's modified spectrum of activities.

Due to the developments described, it was once again of the utmost importance during the past fiscal year that the Supervisory Board and its committees support the Managing Board in its work, receive up-to-the-minute reports about current developments and make the necessary decisions.

Supervision and Advising of Management

The Supervisory Board met a total of 12 times in fiscal 2012 to advise the Managing Board, supervise its management and actively support the company within the scope of the tasks required of supervisory boards by law. Two of its meetings were held via conference call. The Supervisory Board, thus, performed its duties in full keeping with the statutory provisions as well as the articles and bylaws. The Managing Board provided the Supervisory Board and its committees with detailed reports on a continuous basis. All important aspects of planning, the course of business, company management and strategy, as well as material events and transactions, were covered. Decisions and transactions requiring the Supervisory Board's approval were presented to the Supervisory Board, and a decision was made.

The Supervisory Board supervised and examined the Managing Board's management activities on the basis of the information provided and requested as well as the documents submitted. The Chairman and Vice Chairwoman of the Supervisory Board and the Chairman of the Managing Board regularly discussed current issues and Managing Board decisions.

Supervisory Board Meetings

The Supervisory Board held meetings in 2012 on January 30, March 20, April 20, May 31, June 14, June 29, June 30 (via conference call), August 8, August 30, September 26, October 4 (via conference call) and November 19. In addition, resolutions were adopted in a written vote taken outside of a meeting on September 11.

At its meetings, the Supervisory Board regularly focused on a detailed discussion of the current state of the company's business on the basis of the report presented by the Managing Board, on the reports presented by the Chairmen of the Audit Committee and Risk Committee on their committees' work, on a discussion of Managing Board affairs, on decisions concerning equity investments presented for its approval (particularly those involving readybank ag, WestLB Mellon Asset Management, Banco WestLB do Brasil and Bank WestLB Vostok), on matters involving the advisory councils as well as on reports and resolutions relating to the transformation process, in particular.

At the meeting held on January 30, 2012, the Supervisory Board additionally focused on the yearly report on the work performed by the compensation committee as well as on the departure of Klemens Breuer, who resigned from the Bank's Managing Board as of the end of the day on January 30, 2012.

On March 20, 2012, the Supervisory Board discussed the regular agenda items and also listened to a report about the work performed by the task force on restructuring-related matters for employees.

The Supervisory Board's focus at the meeting held on April 20, 2012 was the annual financial statements for fiscal 2011. On the basis of the reports of the Chairman of the Audit Committee and the auditors, the Supervisory Board reviewed, discussed and adopted the single-entity financial statements and statement of financial condition for 2011 and reviewed, discussed and approved the Group financial statements and Group statement of financial condition for 2011. In addition, the Supervisory Board resolved on the Report of the Supervisory Board to be included in the 2011 Annual Report and prepared its recommendation for the Shareholders' Meeting to ratify the acts of the Managing Board and Supervisory Board and appoint the external auditors for the single-entity and Group financial statements for fiscal 2012. It also discussed the Corporate Governance Report of WestLB AG to be included in the 2011 Annual Report and listened to the report from the chairman of the task force on restructuring-related matters for employees. The D&O insurance policy for 2012/2013 was likewise discussed. Rolf Finger, Secretary for Financial Services, ver.di Vereinte Dienstleistungsgewerkschaft, left the Supervisory Board with effect from the end of the Shareholders' Meeting that was held after the Supervisory Board meeting. His successor, Horst Breuer, also Secretary for ver.di, was appointed by the court to serve on the Supervisory Board with effect from April 20, 2012.

At the meeting held on May 31, 2012, the Supervisory Board discussed the aforementioned key topics, conferred on the changes to the articles and bylaws of the new company and listened to a report about the meeting of the task force for employee matters. In addition, it approved the closing of the branches in Frankfurt and Berlin and resolved on the sale of the stake in the joint venture WestLB Mellon Asset Management.

The Supervisory Board convened for its next meeting on June 14, 2012, in order to listen to a report from the Managing Board on the status of the transformation process and to adopt a resolution on the sale of the stake in Banco WestLB do Brasil. The Supervisory Board also dealt with the departure of Thomas Groß from the Managing Board of WestLB AG with effect from the end of the day on August 14, 2012.

The Supervisory Board meeting held on June 29, 2012 dealt predominantly with the decisions relating to WestLB's transformation. The Supervisory Board took note of the consultation minutes of June 18, 2012, the framework agreement on implementing the cornerstone agreement and consultation paper, as well as the agreement on enforcement of the law on restructuring WestLB AG. It gave its approval for the conclusion of these agreements pending full consent by the Shareholders' Meeting and on the condition that there be no material changes in the agreements to the detriment of the Bank. In addition, the Supervisory Board prepared a recommendation for the Shareholders' Meeting to amend the company's articles and bylaws. A resolution on the sale of Bank WestLB Vostok was adopted. A further focus was the departure of Werner Taiber from the Managing Board with effect from the end of the day on August 31, 2012. Michael Breuer, President of the Savings Banks and Giro Association of the Rhineland, resigned as Chairman of the Supervisory Board, since the savings banks associations ceased to be owners as of the end of the day on June 30, 2012. The Supervisory Board appointed Wolfgang Steller, who had been serving as Chairman of the Risk Committee, to serve as the new Chairman of the Supervisory Board with effect from July 1, 2012; with this appointment, Mr. Steller also became the Chairman of the Executive Committee and the Mediation Committee. Mr. Breuer took over as Chairman of the Risk Committee for Mr. Steller on the same date.

At a separate meeting of the Supervisory Board on June 30, 2012, which was convened at short notice and held via conference call, a decision was taken regarding the addendum to the framework agreement concerning the Verbundbank business.

The first Supervisory Board meeting of Portigon AG was held on August 8, 2012. This meeting focused, in particular, on issues relating to the further transformation. In addition, the Supervisory Board appointed Dr. Kai Wilhelm Franzmeyer to serve as a new member of the Managing Board with effect from August 15, 2012. It also dealt with the departure of Hubert Beckmann effective at the end of the day on December 31, 2012.

The Supervisory Board meeting held on August 30, 2012 was dedicated to the decisions relating to implementation of the cornerstone agreement of June 29, 2011. The Supervisory Board prepared the necessary decision-making processes for the Shareholders' Meeting scheduled for August 31, 2012 on the basis of the contract documents presented. It also prepared a recommendation for the Shareholders' Meeting to amend the articles and bylaws and to adjust the compensation of the Supervisory Board, as well as to elect Gudrun Hock, Mayoress of the City of Düsseldorf, and Gabriele C. Klug, Treasurer of the City of Cologne, to serve as members of the Supervisory Board with effect from September 1, 2012. The corresponding election by the Shareholders' Meeting took place on August 31, 2012. In addition, Dr. Franzmeyer was appointed Employee Relations Director. Furthermore, the Supervisory Board adopted resolutions on amending the rules for conducting business of the Managing Board as well as the rules for conducting its own business.

The following Supervisory Board members resigned from office due to the reduction in the size of the Supervisory Board and the new ownership structure: Dr. Rolf Gerlach, President of the Savings Banks Association of Westphalia-Lippe, as of the end of the day on August 30, 2012, as well as Raimund Bär, Chairman of the Staff Council of Westdeutsche ImmobilienBank, Horst Breuer, Secretary for ver.di, Michael Breuer, President of the Savings Banks and Giro Association of the Rhineland, Volker Goldmann, Chairman of the Managing Board of Sparkasse Bochum, Thomas Kreyer, former Director at Portigon AG, Heinz Paus, Mayor of the City of Paderborn, Heinz-Günter Sander, former Director at Portigon AG, Uwe Schröder, Assistant Secretary in the Federal Finance Ministry, and Alexander Wüerst, Chairman of the Managing Board of Kreissparkasse Köln, all as of August 31, 2012.

In a written vote take outside of a meeting on September 11, 2012, the Supervisory Board decided on the new composition of its three committees: the Executive Committee, the Mediation Committee as well as the Audit and Risk Committee.

The Supervisory Board of Portigon AG held the first meeting with its new membership on September 26, 2012, at which time it focused predominantly on the Bank's current situation and the status of the transformation. It also made decisions concerning the merger of readybank ag into Portigon AG. Moreover, Mr. Voigtländer's appointment as a member and as Chairman of the Managing Board of Portigon AG was renewed for a further five years, with retroactive effect from July 1, 2012.

At the meeting convened on October 4, 2012 via conference call, the Supervisory Board appointed Stefan Dreesbach to serve as a new member of the Managing Board of Portigon AG with effect from October 8, 2012.

The Local Court of Düsseldorf appointed Björn Sacha, Director of Portigon AG, to succeed Christiane Kutil-Bleibaum as an employee representative to the Supervisory Board with effect from November 14, 2012. Ms. Kutil-Bleibaum had resigned as of the end of the day on October 31, 2012.

The last Supervisory Board meeting for 2012 was held on November 19, 2012. Apart from focusing on the transformation and the Bank's situation, the Supervisory Board elected Dietmar P. Binkowska, Chairman of the Managing Board of NRW.BANK, to serve as the new Chairman of the Supervisory Board with effect from December 1, 2012. Wolfgang Steller had resigned from the Supervisory Board effective at the end of the day on November 30, 2012. In addition, the Supervisory Board prepared a recommendation for the Shareholders' Meeting to elect Dr. Friedhelm Plogmann, a business consultant, to the Supervisory Board. The corresponding election by the Shareholders' Meeting took place on November 20, 2012. Resolutions concerning the corresponding changes in the composition of the committees were likewise adopted.

Horst Breuer, who served on the Supervisory Board from April 20, 2012 to August 31, 2012, was able to attend only one out of a possible six meetings due to an acute illness.

Work in the Committees

The **Executive Committee** met a total of ten times in 2012, namely on January 30, March 20, April 20, May 31, June 14, June 29, August 8, August 30, September 26 and November 19. In addition to preparing the meetings of the full Supervisory Board which followed, the Executive Committee discussed the Managing Board mandates and Managing Board affairs at its meetings and additionally received status reports on ongoing judicial proceedings. At its meeting on November 19, 2012 it made the anticipatory resolution for 2013 on loans to members of the Bank's governing bodies pursuant to § 15 of the German Banking Act (KWG).

The **Audit Committee** of WestLB AG convened a total of four times in 2012, namely on March 9, March 30, May 15 and June 18. At its meeting on March 9, it listened to a report from the Managing Board on the key figures from WestLB AG's single-entity financial statements for the year ended December 31, 2011, discussed various parts of the audit report prepared on the annual financial statements and addressed the annual summary report prepared by Group Audit. At its meeting on March 30, 2012, the Audit Committee discussed all topics relevant to the single-entity and Group financial statements. In addition to reviewing the related audit reports and resolutions, the Audit Committee was briefed on the results of special audits which were ordered. Moreover, the Audit Committee gave its recommendations to the Supervisory Board concerning the motions to make to the Shareholders' Meeting on ratifying the acts of the Managing Board members and appointing the external auditors. At its meeting on May 15, 2012, the Audit Committee discussed the report from the special project-related audit of the "Transformation Implementation" project. At the meeting on June 18, 2012, which marked the last time the Audit Committee convened in this form, it addressed the separate audit report prepared on compliance with the FMSA's compensation principles and discussed the focal points of the audit of the 2012 single-entity financial statements of WestLB AG/Portigon AG.

The **Risk Committee** of WestLB AG met two times in 2012, namely on February 29 and May 31. At the meeting on February 29, it listened to a report from the Managing Board on the salient points of WestLB AG's single-entity financial statements for the year ended December 31, 2011, discussed the risk situation and risk strategies of WestLB, which were also key agenda items at the meeting on May 31, 2012, made decisions concerning loans to members of the governing bodies where § 15 of the German Banking Act (KWG) requires a decision by the Supervisory Board and took note of the approval requests for large loans as defined under § 13a of the German Banking Act (KWG). It also heard reports from the Managing Board about significant deviations from the credit risk strategy and listened to the regular report from the Credit Committee.

The newly formed **Audit and Risk Committee** of Portigon AG met twice in the second half of 2012. It began its meeting on September 26, 2012 with a discussion of audit-related topics, the audit of the closing balance sheet of Portigon AG at June 30, 2012 and various other issues, such as the expansion of the audit focal points. After that, the committee

dealt with risk-related topics, listened to a report from the Managing Board concerning Portigon AG's risk situation, made decisions concerning loans to members of the governing bodies pursuant to § 15 of the German Banking Act (KWG) and also took note of the approval requests for large loans pursuant to § 13 of the German Banking Act (KWG). At its meeting on November 28, 2012, the Committee addressed audit and risk-related topics, including – in the presence of the auditor – the report on the audit of the custodial banking business and securities services business and appointment of the auditor for the 2013 single-entity and Group financial statements, as well as Portigon AG's risk situation, loans pursuant to § 13a and § 15 of the German Banking Act (KWG) and the business and risk strategies.

The **Mediation Committee** did not meet in 2012.

In addition, information was provided to the Executive Committee and the Supervisory Board during conference calls in 2012.

Audit and Adoption of the 2012 Single-Entity and Group Financial Statements

The Supervisory Board adopted the 2012 single-entity financial statements at its meeting on April 25, 2013. At its meeting on May 22, 2013, it approved the 2012 Group financial statements and also gave its recommendation to the Shareholders' Meeting concerning ratification of the acts of the Managing Board and Supervisory Board. The Supervisory Board had given the Shareholders' Meeting its recommendation concerning appointment of the auditors for fiscal 2013 at its meeting on February 1, 2013.

Supervisory Board members received copies, in a timely manner, of the single-entity financial statements and statement of financial condition prepared by the Managing Board, the Group financial statements and Group statement of financial condition, the external auditors' reports on the single-entity financial statements and Group financial statements, as well as the annual summary report prepared by Group Audit pursuant to the Minimum Requirements for the Internal Audit Function of Banks. The external auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, attended the relevant meetings of both the Supervisory Board and the Audit and Risk Committee. The Audit and Risk Committee discussed the external auditors' reports on the single-entity financial statements and Group financial statements at its meetings on April 22, 2013 and May 15, 2013, respectively. The external auditors audited the single-entity financial statements and statement of financial condition, as well as the Group financial statements and Group statement of financial condition, for the 2012 fiscal year. The financial statements and statements of financial condition of Portigon AG and Portigon Group, as well as the bookkeeping on which they are based, received the external auditors' unqualified audit opinion.

The Supervisory Board and Audit and Risk Committee examined the financial statements and statements of financial condition and discussed the reports of the external auditors on the results of their audit. Based on the final result of this review, no objections were raised.

Düsseldorf, May 22, 2013

The Chairman of the Supervisory Board

Dietmar P. Binkowska

Corporate Governance at Portigon AG

The recognition that responsible and transparent corporate governance on the part of companies active in the international financial markets requires coherent corporate governance standards is firmly rooted in the corporate philosophy of Portigon AG (operating as WestLB AG until July 2, 2012).

Although only listed German companies are required to comply with the German Corporate Governance Code (the "GCGC"), WestLB AG therefore decided voluntarily in 2006 to base its corporate governance on the GCGC, in its current version and any revised versions. Portigon AG is continuing this tradition and has anchored compliance with the GCGC in the rules for conducting business established for its Managing Board and Supervisory Board. The GCGC was revised in 2012. The version of May 15, 2012 has been in effect since its publication in the electronic Bundesanzeiger (Federal Gazette) on June 15, 2012.

The GCGC reflects essential statutory regulations for the management and supervision of German listed companies and contains nationally and internationally recognised standards for good and responsible governance. The GCGC clarifies the obligation of the Managing Board and the Supervisory Board to ensure the continued existence of the enterprise and its sustainable creation of value in conformity with the principles of the social market economy.

Of our own accord, we make information concerning our compliance with the recommendations of the GCGC a regular part of our Annual Report and also publish it on our website at www.portigon.com.

Compensation Report

The subject of compensation has become a focus of public attention because of the financial market crisis. In response to a call made by G-20 members, the Financial Stability Board (FSB) published the "Principles for Sound Compensation Practices" in April 2009, which it then supplemented with detailed "Implementation Standards" in September 2009. Germany and the other G-20 members have pledged to implement the FSB principles and standards.

Having regard to the implementation of the FSB principles and standards, the Managing Board of WestLB AG issued the following voluntary undertaking on December 4, 2009:

"The establishment of appropriate governance structures and adequate risk management instruments has high priority for us as a globally operating company with extensive and complex business activities. Our compensation systems will be structured in such a way that they more effectively support our corporate goals, which are aligned with the principles of sustainability. For this reason, we commit ourselves fully to the "Principles for Sound Compensation Practices – Implementation Standards" of the Financial Stability Board (FSB) of September 25, 2009. We will implement these principles as quickly as civil, labour and corporate law allow and will be mindful of them when determining the compensation for the 2009 fiscal year. Since all G-20 members have pledged to implement the FSB principles, we are also making an important contribution with our commitment to ensuring a level playing field worldwide."

By giving this voluntary undertaking, the company is emphasising that it takes the FSB principles seriously and is committed to pursuing a compensation policy which is geared towards sustainability.

Portigon AG has adjusted its compensation system accordingly.

Portigon AG discloses the compensation of its Managing Board in a compensation report which, as part of the corporate governance report, also describes the principles of the compensation system for Managing Board members. The compensation report also includes information about the composition and amount of compensation paid to the Supervisory Board.

In all other respects, the publication of information relating to the compensation paid to members of the governing bodies is handled pursuant to the German Financial Market Stabilisation Fund Act (FMStFG) and the agreements entered into with Germany's Financial Market Stabilisation Authority (FMSA, formerly SoFFin).

Compensation of the Managing Board

The responsibility for preparing the appointment of Managing Board members, including their employment contracts, rests with the Executive Committee of the Supervisory Board of Portigon AG. On this basis, the Supervisory Board determines the compensation for the Managing Board members of Portigon in accordance with the statutory requirements, including the FMStFG and the Regulation Concerning Supervisory Requirements for Remuneration Systems at Institutions (InstitutsVergV), as well as FMSA requirements. This applies, in particular, to salaries and other components of compensation, including pension commitments. Employment agreements detailing the remuneration are concluded with the members of the Managing Board.

The fixed component, a basic compensation not directly linked to performance, is paid on a monthly basis as salary. It is typically reviewed when employment agreements are renewed. It also includes non-cash compensation awarded in customary amounts. Essentially, such non-cash compensation covers the use of a company car for business purposes, the maintenance of a secondary residence near the place of work, as well as the payment of insurance premiums, to the extent such benefits are part of the member's employment agreement.

It was the policy of WestLB AG and remains the policy of Portigon AG to grant its Managing Board members additional, job-related benefits, including reimbursement of their expenses for a home office, annual medical check-ups and business trips.

Until the FMStFG and related agreements with SoFFin entered into force, there was also an individual end-of-year bonus which was conceived as an incentive system.

To stabilise the Bank, the former WestLB AG entered into extensive agreements with SoFFin which took effect on November 1, 2009. All active Managing Board members at the time signed an undertaking as part of these agreements, which is publicly available on our website. In this context the total monetary compensation for each Managing Board member has been capped at € 500,000 per year since November 1, 2009.

Compensation of the Supervisory Board

The compensation of the Supervisory Board of WestLB AG, which members received after the close of the fiscal year, had been set at a reasonable level by a resolution of the Shareholders' Meeting held on May 13, 2004. The compensation of the Supervisory Board of Portigon AG was reviewed on the occasion of the restructuring and defined anew by a resolution of the Shareholders' Meeting held on August 31, 2012.

The company provides the Supervisory Board members with a lump-sum reimbursement of their out-of-pocket expenses and reimburses any value-added tax they pay on their compensation, if they invoice the tax separately.

Remuneration of the Governing Bodies in 2012

The remuneration of the governing bodies of WestLB AG/Portigon AG in the 2012 fiscal year was as follows:

Remuneration of the Governing Bodies

	2012 € millions	2011 € millions
Total remuneration of the Managing Board	2.5	2.9
– fixed	2.2	2.9
– performance-based	0.0	0.0
– departure-related	0.3	0.0
– from holding supervisory board seats at Group subsidiaries	0.0	0.0
Total remuneration of former Managing Board members and their survivors	5.9	6.1
Total remuneration of Supervisory Board members	0.9	1.2
– fixed	0.9	1.2
– performance-based	0.0	0.0
– performance-based with long-term incentive effects	0.0	0.0
Pension provisions for Managing Board members who actively served during the fiscal year*	10.4**	7.2
Pension provisions for former Managing Board members and their survivors*	69.0**	68.0

* The amount reported for 2012 includes 3/15 of the retroactive additions to provisions necessitated by changes introduced by BilMoG to the measurement of pension liabilities. The obligation to active Managing Board members (taking into account the BilMoG effect) was € 14.9 million as of December 31, 2012 (previous year: € 12.1 million). The obligation to former Managing Board members (taking into account the BilMoG effect) was € 82.1 million as of December 31, 2012 (previous year: € 83.8 million).

** The pension provisions for active Managing Board members also include the pension provisions for Managing Board members who left during 2012.

The provisions of Section 4.2.3 of the GCGC were taken into account when entering into severance agreements with departing Managing Board members.

Directors Dealings (Disclosures Pursuant to Section 6.6 of the GCGC)

None of our Managing Board or Supervisory Board members directly or indirectly own shares in WestLB AG/Portigon AG or related financial instruments.

Declaration of Conformity 2012

The Managing Board and Supervisory Board herewith declare for 2012 that Portigon AG complied with the recommendations of the "Government Commission of the German Corporate Governance Code" as amended on May 15, 2012, with the following exceptions:

- We do not follow the recommendation in **Section 2.3.2 of the GCGC** to send notification of the convening of shareholders' meetings and related documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means. This recommendation is tailored to the information needs of shareholders, most notably foreign shareholders, in listed stock corporations. It does not serve the particular needs of WestLB AG's/Portigon AG's shareholders, since the company is not listed and has a transparent ownership structure. In agreement with its owners, WestLB AG/Portigon AG mails each of them the relevant documents and information directly.

- With respect to the recommendation in **Section 3.8 Paragraph 2 of the GCGC** (agreement of a deductible for directors' and officers' liability insurance), we have agreed on a deductible for the Managing Board, but do not believe that a deductible is suitable in the case of the Supervisory Board.

- **Section 3.10 of the GCGC** recommends that the corporate governance report be published in connection with the annual statement on corporate governance (§ 289a of the German Commercial Code [HGB]). The requirement in § 289a of the German Commercial Code (HGB) does not apply to Portigon AG. We have decided, therefore, not to publish an annual statement on corporate governance and to continue to publish our corporate governance report as part of the Annual Report, in the chapter immediately following the Report of the Supervisory Board.

- **Section 4.2.1 Sentence 2 of the GCGC** recommends making the allocation of duties among individual Managing Board members part of the rules governing the conduct of its business. WestLB AG/Portigon AG refrains from specifying fixed responsibilities for its Managing Board members in the rules for conducting business in order to ensure maximum flexibility, especially in light of the transformation process. The duties of individual members are regulated in an organisational chart.

- **Section 5.3.3 of the GCGC** recommends that the Supervisory Board form a nominating committee to propose suitable candidates to the Supervisory Board for recommendation to the Shareholders' Meeting. Because of the transparent ownership structure at WestLB AG/Portigon AG, the owners themselves regularly recommend the candidates to serve as the shareholder representatives on the Supervisory Board. WestLB AG/Portigon AG will therefore not be forming a nominating committee.

- We do not follow the recommendation in **Section 5.4.1 Sentence 2 of the GCGC** to specify an age limit for Supervisory Board members. WestLB AG/Portigon AG believes that the age of Supervisory Board members is not a sufficient measure of their qualification to serve.

- In deviation from the recommendation in **Section 7.1.1 Sentence 2 of the GCGC,** we did not publish quarterly financial reports for the periods ended March 31, 2012 and September 30, 2012 due to the transformation.

To view the declaration of conformity on the web, point your browser to www.portigon.com and click "About Portigon/Corporate Responsibility/Corporate Governance."

Düsseldorf, May 22, 2013

Representing the Supervisory Board

Dietmar P. Binkowska

Representing the Managing Board

Dietrich Voigtländer

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The single-entity accounts are also available in German and can be inspected on the Internet at www.portigon.com.

Disclaimer
Reservation regarding forward-looking statements

These single-entity accounts contain 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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