Interim Report (Amended*)

June 30, 2013
Portigon AG

Portigon
Financial Services

Portigon Key Figures

Financial Data January 1 – June 30, 2013

	1. 1. – 30. 6. 2013	1. 1. – 30. 6. 2012	Change absolute	%
Performance figures in € millions				
Net interest income	62	343	– 281	– 82
Impairment charge for credit losses	7	– 134	141	> 100
Net interest income after impairment charge for credit losses	69	209	– 140	– 67
Net fee and commission income	130	118	12	10
Net trading result	– 16	– 182	166	91
Result from financial investments	1	– 21	22	>100
Administrative expenses	285	450	– 165	– 37
Other operating expense and income	39	13	26	> 100
Restructuring expenses	19	52	– 33	– 63
Profit/loss before income tax	– 81	– 365	284	78
Income taxes	1	22	– 21	– 95
Profit/loss after income tax	– 80	– 343	263	77

	June 30, 2013	Dec. 31, 2012	Change absolute	in %
Balance Sheet Figures in € billions				
Total assets	68.1	98.7	– 30.6	– 31
Equity	2.2	2.4	– 0.2	– 8
Bank Regulatory Capital Ratios (SolvV)				
Core capital in € billions	3.0	3.0	0.0	0
Own funds in € billions	4.6	4.6	0.0	0
Risk-weighted assets in € billions	2.3	2.8	– 0.5	– 18
Core capital ratio in %	132.5	109.3	–	–
Overall ratio in %	202.5	167.7	–	–
Employees				
Number of employees	2,397	2,776	– 379	– 14
Full-time employees	2,261	2,624	– 363	– 14

Current Ratings	Short Term	Long Term
Fitch Ratings	F1+	A+

* Due to an error in Note 26 concerning the nominal values of derivative financial instruments as of June 30, 2013, the interim financial statements were amended on September 24, 2013 by the Managing Board. This did not result in changes to the statement of income and the balance sheet.

Chairman's Statement

Dear partners and clients,

During the first half of 2013 the focus of attention at Portigon AG was on fully implementing the transformation of the former WestLB and establishing Portigon Financial Services (PFS). On June 28, 2013, the Supervisory Board approved the founding of PFS as a subsidiary of Portigon AG. We are planning to commence business operations at PFS in the coming months and then gradually optimise them further. At the same time we will seek to position the company successfully in the market with a view to selling the servicing business by the end of 2016 at the latest.

We are very confident that we can achieve this aim. We have held in-depth discussions with a number of interested parties since the beginning of the year. The feedback we are receiving internationally regarding our business model and commercial viability has been consistently positive. In particular, we are pleased to report that potential investors are approaching us in an active way, counting on our know-how and our experience. This has encouraged us to press ahead vigorously with the change process that was put in place at the start of the year.

Parallel to our meetings with potential investors, we have intensified the dialogue with our target clients. Sector-wise, we are concentrating on banks, insurance companies and financial investors. In regional terms, we are focussing on Germany and Europe in the banking sector, on Germany in the insurance sector and on European clients in the case of financial investors. In the banking field, the primary emphasis is on platform services, in other words providing state-of-the-art, client-enabled process and system platforms which are capable of handling complex portfolios efficiently and safely. With the other customer groups, the focus is on delivering these services and, above all, portfolio services, i.e. our expertise in analysing, managing and administering portfolios.

The experiences we have gained in recent months confirm our belief that the external servicing market is developing rapidly for providers of financial services. The business potential is considerable. We are now recording initial successes in the acquisition of new clients. In Germany, for example, we won our first mandates and signed letters of intent. At the same time we are engaged in fruitful exchanges of ideas in other European countries. We are convinced of our chances of success. The professional competence demonstrated by our team has already been amply evidenced by the smooth and timely transfer of portfolios to the Verbundbank and EAA and our excellent service.

Further important steps for mapping the future course of PFS are scheduled to be taken in the months ahead. The formation process of PFS is due to be completed in a few months´ time. Another important milestone will then have been achieved in positioning the service company effectively in the market.

The Managing Board thanks all clients for their continued support and the employees for their untiring commitment.

Yours,

Dietrich Voigtländer
Chairman of the Managing Board

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Group Interim Statement of Financial Condition

Economic Setting

As was to be expected, the European sovereign debt crisis continued to take a heavy toll on the euro area economy. Fiscal consolidation and austerity measures, at times drastic in some countries, noticeably curtailed growth. Economic developments in the individual countries of the euro area were very mixed – from recession in the southern EU countries to slight growth, for example in Germany.

The spectre of inflation has waned considerably in the euro area. However, with interest rates below inflation, many savers are earning negative returns on their cash holdings and, should the trend continue, are poised to see their non-cash assets dwindle as well. The interest rate level also poses an enormous challenge to the insurance industry. Since insurers cannot come close to generating the returns promised in the past, customers are less inclined to take out new policies.

In the United States, the economy started to rebound and the unemployment rate dropped. A large part of this success is due to intervention by the U.S. Federal Reserve, which has supported the economy by purchasing billions of dollars in bonds. However, looking ahead, there could be an unwinding of the Fed's extremely expansionary monetary policy. In late June, for example, the U.S. central bank announced that it would reduce and then stop bond purchases by the middle of 2014. On June 10, 2013, rating agency Standard & Poor's affirmed its AA+ long-term credit rating for the U.S. and raised its outlook for the rating from negative to stable.

There was a resurgence of the European sovereign debt crisis in March 2013 due to the predicament in Cyprus. The turmoil that the Greek situation had caused for Cyprus's banks, coupled with the close connection between Cyprus and its banks, led to a massive crisis of confidence in the nation, which also spilled over into the euro area. Cypriot banks were closed for several days amid fears of a run on deposits, which did, in fact, partially materialise. The crisis grew when the European Union demanded that depositors absorb up to € 6 billion of the cost of the bank bailout. Additionally, there was concern in the financial markets that this move would set a precedent for involving depositors in future euro-zone measures. After intense negotiations, the agreement on a bailout plan for Cyprus was reached on March 25, 2013. The package, sponsored by the EU, European Central Bank (ECB) and International Monetary Fund (IMF), totals € 10 billion and includes deposit protection for the first € 100,000 in bank accounts. In return, for the first time in history, a bank's reorganisation was partly shouldered by private investors, namely the shareholders, bondholders and those with deposits above € 100,000 in Laiki Bank, Cyprus's second largest banking group. All accounts with a balance of less than € 100,000 were transferred to the Bank of Cyprus.

For better protection against any future risks relating to banks, there are plans in the context of the banking union for there to be common supervision of the major European banks by the ECB starting in May 2014. A further element of the banking union includes agreement on a single procedure for winding up cross-border banks and a regulation governing absorption of the related costs.

In Germany, the Bundesrat passed the "Law on shielding credit institutions and financial groups against risks and planning their restructuring and winding-up" (Separate Banks Act) in June 2013. The law is due to enter into force in 2016 as part of a more rigorous regulation of the banking sector. It encompasses three regulatory areas: a simplified procedure for the winding-up and reorganisation of banks, creation of a separation between commercial banking and investment banking activities, and stiffer criminal penalties for members of management who grossly breach their duties. Germany is one of the first countries to have implemented such a regulation. The EU is currently drafting legislation with similar content.

On May 2, 2013, the ECB decided to lower the interest rate on its main refinancing operations to the record low of 0.5% and signalled that it was open to further rate cuts. Furthermore, the refinancing operations it regularly conducts are due to continue as fixed rate tender procedures with full allotment at least until the end of the second quarter of 2014. One goal of this policy is to provide small and medium-sized enterprises in the southern peripheral countries with more liquidity in order to promote investment on their part and thus combat unemployment. Unemployment in these countries has reached dramatic proportions. One area of particular concern is the extremely high rate of unemployment among well-educated young people.

The ECB's intervention in 2012 and, in particular, statements by ECB President Mario Draghi concerning the ECB's provision of unlimited support to ailing member states and willingness to take further action have proven to have a calming effect on the financial markets. Statements from the bank in early July 2013 that it would keep interest rates at current or lower levels for an extended period marked the first time the bank has given explicit forward guidance. It did so to have a positive impact on the money markets and the interest coupons for euro government bonds and, through low interest rates, to make it easier for governments to service their debt.

The Market for Portfolio Service Providers

The international banking and financial crisis, which began in the U.S. in 2007, and subsequent eurozone sovereign debt crisis 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. In response, 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 U.S. 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 € 1.2 trillion in non-strategic assets. These assets are to be reduced through the use of internal and external restructuring units, or through asset sales. 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, as restructuring units move closer to their goal of shrinking non-core asset volumes, which creates a sub-optimal environment for internal servicing remedies. Institutional investors such as insurance companies or hedge funds have been natural buyers of assets from wind-down entities and these institutions have readily turned towards portfolio service providers, as they offer a cost effective solution to managing non-strategic and new asset classes. This trend is expected to become more pronounced as investors seek to maximise returns in the current low interest rate environment, creating further opportunities for portfolio service providers.

Structural Changes in the Portigon Group

The transformation process remained the dominant influence on Portigon AG in the first half of 2013.

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. A further focus was the personnel, legal, supervisory and organisational preparations for the establishment of a planned subsidiary.

Portigon's target customer groups are banks, insurance companies and financial investors in Germany and Europe. In the first half of 2013 Portigon succeeded in acquiring new customers as a porfolio servicer. These included supplying a development bank with a software solution for determining ratings and taking over regulatory reporting activities for a wind-down entity.

In addition, we are in discussions with several central banks and government institutions in Europe about helping them develop and configure bad bank solutions in their respective countries.

The status of Portigon AG's banking licence has not changed since the last annual financial statements. In agreement with banking regulators, the licences are regularly reviewed and successively returned in line with the requirements of the European Commission. Portigon AG has begun talks with the banking regulators on the required licence for the newly established subsidiary Portigon Financial Services i.Gr. We currently assume that the company will need a financial services provider licence and have submitted a corresponding application to BaFin. At the same time, further progress has been made in the downsizing of Portigon AG. Existing resources are to be adapted to future requirements in a manner that is sustainable, capital-sparing and socially responsible. To this end, appropriate agreements have been entered into with the staff council.

Part of the transformation process entails putting unneeded office space at the Düsseldorf site on the market. The first tenants have been found, among them the Ministry of the Interior and Municipal Affairs of North Rhine-Westphalia.

In the course of the realignment of Portigon's balance sheet, NRW.BANK and Portigon signed an agreement on March 26, 2013 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. As of December 31, 2012, this obligation was reported under Other liabilities in the amount of € 1,331 million.

Business Review

Performance

Portigon's performance in the first half of 2013 was still largely shaped by the company's transformation, i.e. the downsizing of Portigon AG and implementation of the new business model in accordance with the conditions set by the European Commission. By contrast, figures for the same period a year ago still included earnings contributions from positions that were transferred to Erste Abwicklungsanstalt (EAA) and the Verbundbank of Helaba during the second half of 2012. For more information, readers are referred to the detailed explanations in our Annual Report 2012. Because of this, there is very little comparability with the previous year's figures.

Group income came to € 216 million at June 30, 2013 (previous year: € 271 million), against administrative expenses of € 285 million (previous year: € 450 million). Taking into account restructuring expenses of € 19 million (previous year: € 52 million), we are reporting a result before income tax of € – 81 million (previous year: € – 365 million). The result after income tax came to € – 80 million (previous year: € – 343 million).

Portigon Group Statement of Income from January 1 to June 30, 2013

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions	Change € millions	%
Net interest income	62	343	– 281	– 82
Impairment charge for credit losses	7	– 134	141	> 100
Net interest income after impairment charge for credit losses	69	209	– 140	– 67
Net fee and commission income	130	118	12	10
Net trading result	– 16	– 182	166	91
Result from financial investments	1	– 21	22	> 100
Administrative expenses	285	450	– 165	– 37
Other operating expense and income	39	13	26	> 100
Restructuring expenses	19	52	– 33	– 63
Profit/loss before income tax	– 81	– 365	284	78
Current income taxes	– 1	– 3	2	67
Deferred income taxes	2	25	– 23	– 92
Profit/loss after income tax	– 80	– 343	263	77
Attributable to:				
– Shareholders of Portigon	– 80	– 343	263	77
– Non-controlling interests	0	0	0	–

Net Interest Income

The net interest income for the reporting period (€ 62 million; previous year: € 343 million) is largely attributable to the interest margin on positions that are guaranteed by EAA as well as earnings contributions from liquidity steering and the investment of capital (€ 84 million total). The interest cost on pension obligations (€ 29 million) captured here had an offsetting effect.

Impairment Charge for Credit Losses

The net reversal of € 7 million reflected in the impairment charge for credit losses (previous year: net allocation of € 134 million) relates to EAA-guaranteed positions that had been impaired prior to the effective date of their synthetic transfer for reasons that no longer apply. We took due account of all discernible risks.

Net Fee and Commission Income

As far as banking services are involved, income from fees for services we provide to our customers are now being reported as fee and commission income, rather than as a reduction in the administrative expenses. This change went into effect at the end of 2012, and we adjusted our year-earlier figures accordingly.

Income from portfolio services provided under the new business model came to € 174 million in the first half of 2013 (previous year: € 34 million). In addition, the previous year included earnings contributions from the banking business, which was discontinued as of July 1, 2012. One of the major offsetting items in the period under review was the € 43 million in guarantee fees for synthetically transferred portfolios. Altogether, net fee and commission income came to € 130 million (previous year: € 118 million).

Net Trading Result

The net trading result came to € – 16 million, following € – 182 million in the previous year.

Measurement mismatches, which despite having positions that are economically hedged are unavoidable because of the application of IAS 39, had a negative effect of € 21 million on the net trading result in the first half of 2013 (previous year: € 130 million). In addition, there were market-induced credit spread changes of € – 56 million as of June 30, 2012 from the measurement of assets and liabilities for which we applied the fair value option. Furthermore, the net expense was higher in the previous year because of negative effects on fair value caused by litigation involving the derivatives business with municipal clients.

Administrative Expenses

Administrative expenses decreased by 37% to € 285 million in the first six months of the current fiscal year.

Personnel expenses receded by € 72 million, or 32%, to € 152 million, mostly because of the headcount reductions. Between December 31, 2012 and June 30, 2013, the number of full-time employees dropped by 363 to 2,261.

Other administrative expenses fell by € 88 million, or 45%, to € 106 million against the same period in 2012.

Other Operating Expense and Income

The net figure for other operating expense and income stood at € 39 million, compared with € 13 million in the same period a year ago. The high income in the first half of 2013 is primarily due to the positive outcome of a tax court proceeding, following which a liability in the amount of € 35 million could be released.

Restructuring Expenses

The restructuring expenses of € 19 million relate mostly to the payment of amounts owed to NRW.BANK under the parties' agreement concerning pension obligations (see the explanations in the "Structural Changes" section of this report). The € 52 million in restructuring expenses in the previous year predominantly captured the project expenses incurred in the first half of 2012 as part of implementing the conditions set by the European Commission.

Financial Status

Portigon Group's total assets and total liabilities and equity decreased by € 30.6 billion, or 31%, to € 68.1 billion compared to the end of the previous year. One of the primary reasons for this was the decrease in the fair values of the derivatives held in trust for EAA by € 21.9 billion to € 51.0 billion, which was itself mainly attributable to the in rem transfer of the relevant positions through novation. In addition, the assets guaranteed by EAA decreased by € 5.1 billion to € 7.9 billion compared to the end of 2012. Taking into account the assets held for sale of € 0.3 billion that were officially sold on July 31, 2013 after the close of the reporting period, total assets of € 8.9 billion (previous year: € 12.2 billion) remained on the balance sheet. These reflected the investment of equity capital and the positions used to steer Portigon AG's liquidity.

Cash and balances with central banks decreased by a significant € 4.1 billion to € 2.1 billion due to the lower volume of deposits with Deutsche Bundesbank.

Items classified as held for trading (trading assets and trading liabilities) decreased by € 2.3 billion and € 2.0 billion to € 1.0 billion and € 1.3 billion, respectively.

A lower volume of deposits, particularly on the part of the EAA, caused liabilities to customers to decrease by € 0.9 billion to € 5.4 billion and financial liabilities designated at fair value by € 5.0 billion to € 1.3 billion. Repurchase agreements used for refinancing purposes (counterparty: EUREX) topped € 1.0 billion and borrowings by banks rose by € 0.5 billion.

Other liabilities dropped by € 1.6 billion to € 0.3 billion, particularly because of remittance of the pension compensation payment to NRW.BANK for employees of Portigon AG entitled to pension benefits.

The after-tax result of minus € 80 million had an adverse effect on the statement of comprehensive income. In addition, in the course of remitting the pension settlement payment to NRW.BANK, the sum of € – 293 million was moved out of actuarial gains/losses and booked to retained earnings.

As of June 30, 2013, there were € 3.8 billion in loans and advances to customers and € 0.4 billion in trading assets making up the exposure to EAA, against € 2.9 billion in deposits from EAA (liabilities to customers), € 0.7 billion in trading liabilities and € 0.2 billion in financial liabilities designated at fair value.

Risk-Weighted Assets and Capital Ratios

Pursuant to the provisions of the German Solvency Regulation (SolvV), our risk-weighted assets totalled € 2,288 million at June 28, 2013, which represents a decrease of approximately € 475 million from the amount reported at December 31, 2012.

The counterparty credit risk volume dropped by about € 275 million overall. This was due almost exclusively to the riders to the transfer agreement with EAA as well as to effects within the Group.

The volume of market price risks rose because of the switch from the internal model for determining market price risk to the standardised model, which took effect on March 31, 2013. This negative effect was more than offset by inclusion of the cash flow hedges for the foreign currency income statement that is planned in various currencies as well as the inclusion in foreign currency of the silent contribution to capital that was issued in 2005. Both measures were discussed with and approved by banking regulators. Additionally, the volume of market price risks was down from December 31, 2012 at Banco WestLB do Brasil S.A. due to portfolio reductions made prior to the company's transfer to the buyer. Altogether, the Group's market price risks therefore receded by about € 200 million compared to December 31, 2012. Operational risks were unchanged in the first half of 2013 at around € 1 billion following the switch from the Advanced Measurement Approach (AMA) to the standardised approach in 2012.

Core capital increased to € 3,031 million, largely because of the decrease in the deduction amount for intangible assets, some of which was offset by negative currency effects at Banco WestLB do Brasil S.A. in the second quarter of 2013.

Exchange rate fluctuations with subordinated liabilities had an adverse effect on own funds. In addition, the usage of available Tier III capital decreased due to the reduction in market price risks. This more than offset the positive effect from the decrease in the deduction amount for intangible assets, thus leading to a slight decrease in own funds to € 4,631 million.

Factoring in Portigon AG's result for the year, the core capital ratio increased from 109.3% at December 31, 2012 to 132.5% at June 28, 2013, which remains well above the minimum capital ratios as well as the minimum ratio of 7% stipulated in the framework agreements with FMSA. The overall ratio increased from 167.7% to 202.5%. The core tier 1 ratio, i.e. excluding the silent contributions to capital from 2005, was 118.2% at the end of the period, compared with 97.5% as of December 31, 2012.

Risk Report

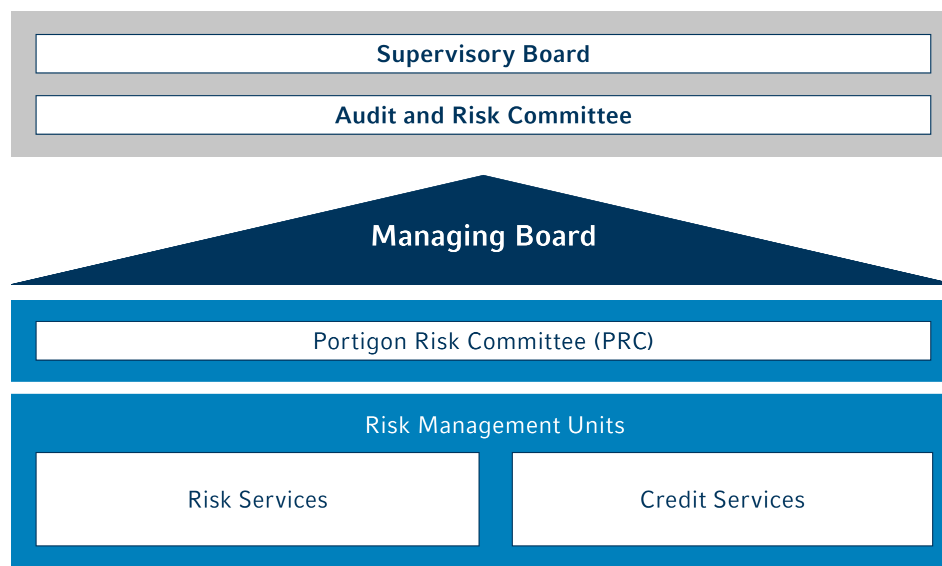
The organisation of the following risk report reflects the risk structure and corresponding classification of risk types. For a description of the individual risk types and an explanation of the methodology we use, please refer to the Annual Report 2012.

As a provider of portfolio services, 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.

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

The committees and risk units responsible for risk management are as follows:



The following business units have significant operational responsibility for risk management:

- **Risk Services:** 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 risks of trading products

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

Operational Risks

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.

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.

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 June 30, 2013 amounted to € 79.6 million. This charge includes a security premium for potential operational risks which could still arise during the transformation process. Furthermore, the qualitative management of operational risks at Portigon is aligned with the requirements of the German Solvency Regulation (SolvV) for the Advanced Measurement Approach (AMA).

The expected loss (EL) from operational risks as determined by ORM is € 11.6 million for 2013. 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 June 30, 2013, are based on this expected loss, taking into account an appropriate scaling factor.

Work in the first half of the year on the remaining tasks for 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.

Legal Risks

The suit and countersuit over the early termination by Portigon of a service contract with a service provider from the IT field ended in a settlement in May 2013.

Portigon has been named in lawsuits brought by a number of different plaintiffs before various U.S. courts for alleged breaches of duty in quoting USD-LIBOR interest rates. As of the close of the reporting period, a total of 38 such suits were pending (including 28 for which complaints had been formally served). As of June 30, 2013, Portigon was a defendant in 43 lawsuits brought by 35 municipalities/municipal associations in connection with the derivatives business. As of June 30, 2013, Portigon had set aside approximately € 5.3 million to cover the litigation expenses of the suits with a determinable risk.

With the exception of the exposure to legal expenses, the economic risk associated with the lawsuits concerning alleged breaches of duty in respect of USD-LIBOR interest rates, as well as those relating to the derivatives business, was transferred to EAA under the spin-off agreement of August 30, 2012.

Business Risks

The concept for determining business risk has evolved since preparation of the annual financial statements for 2012. Now, more detailed forecasting of cost and income risks is done on a quarterly basis with the help of expert estimates. In particular, planned income and cost components (e.g. income from the provision of portfolio services to EAA and from business with outside parties, employee and building costs) will be analysed individually, and forecasts of the amount and likelihood of variances over the next twelve months will be prepared.

Various composite scenarios will be pieced together from the estimated variances for the individual components, taking into account the different probabilities of their occurring. Currently, there are three such scenarios: a base scenario for probable variances, a conservative scenario for medium and low probabilities of occurrence and a stress scenario for highly unlikely variances.

The business risk is monitored on the basis of a separate limit and is closely interlinked with the budget planning and ongoing controlling. In addition, the use of quarterly forecasts enables the timely consideration of current business developments.

Along with operational risk, business risk is the most significant risk. However, even under the assumptions made in the stress scenario, it does not jeopardise Portigon AG's risk-bearing capacity.

Counterparty Credit Risks

In accordance with the decision taken by the European Commission on December 20, 2011, Portigon holds virtually no risk-weighted assets (RWA).[1] The investment of own funds and excess liquidity follows strict investment guidelines, and there is no significant credit risk. The credit risk associated with assets which were transferred to EAA solely by synthetic means corresponds to the credit risk of the guarantor EAA[2]. Because this risk has a low probably of occurrence, it is insignificant from an economic standpoint.

[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 associations and regional associations in North Rhine-Westphalia).

With Portigon functioning as a portfolio service provider, the internal steering parameter "exposure at default" has been changed to "lines and utilisations" for risk reporting purposes.

The credit risk volume decreased substantially in the first half of the year. Total lines decreased by 18% to € 21.0 billion (December 31, 2012: € 25.6 billion), whilst utilisations decreased by 28% to € 18.1 billion (December 31, 2012: € 25.1 billion). Of the € 18.1 billion in utilisations as of June 30, 2013, the sum of € 15.2 billion was attributable to direct and guaranteed exposure with EAA. The remaining exposure of € 2.9 billion relates predominantly to central bank credit balances and equity investments.

Market Price Risks

The VaR decreased in the first half of the year from € 4.2 million to € 2.0 million. This reduction was largely attributable to the fact that subordinated equity capital instruments are no longer a required component of credit spread risk calculations.

Under the stress test scenario that simulates an increase in interest rates by 100 basis points, there would have been losses of approximately € 14 million at the end of June 2013 (end of 2012: € 17 million). Under the stress test scenario that simulates a doubling of all credit spreads, there would have been losses of approximately € 9 million (end of 2012: gains of € 19 million). The aforementioned exclusion of equity capital instruments is the reason behind this change.

As of the end of June 2013, BaFin's interest rate shock scenarios, i.e. an increase in interest rates by 200 basis points across all currencies, would have caused interest-bearing exposures to lose € 33 million in value. The threshold at which simulated losses become reportable to the supervisory authorities in an ad hoc notice equals 20% of regulatory own funds. Portigon's simulated losses never reached this threshold in the first half of the year, topping out at 0.8%.

Liquidity Risks

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 2.13 in the period from January to June 2013, which was an improvement on the previous year's average of 1.84. Portigon AG's liquidity was safeguarded at all times in the period under review.

The possibility exists that Portigon will need additional liquidity in the future since there will be changes in its balance sheet. Portigon's liquidity risks are reduced through appropriate measures due to its close cooperation with EAA and the State of North Rhine-Westphalia.

Equity Holding Risks

Ongoing controlling enables us to analyse the risks posed by the equity holdings we still have. This information serves as the basis for managing the equity holdings from a shareholder perspective and within the parameters outlined by the business strategy.

Banco WestLB do Brasil S.A. was fully incorporated into Portigon's risk and business steering until the sale of the company closed on July 31, 2013.

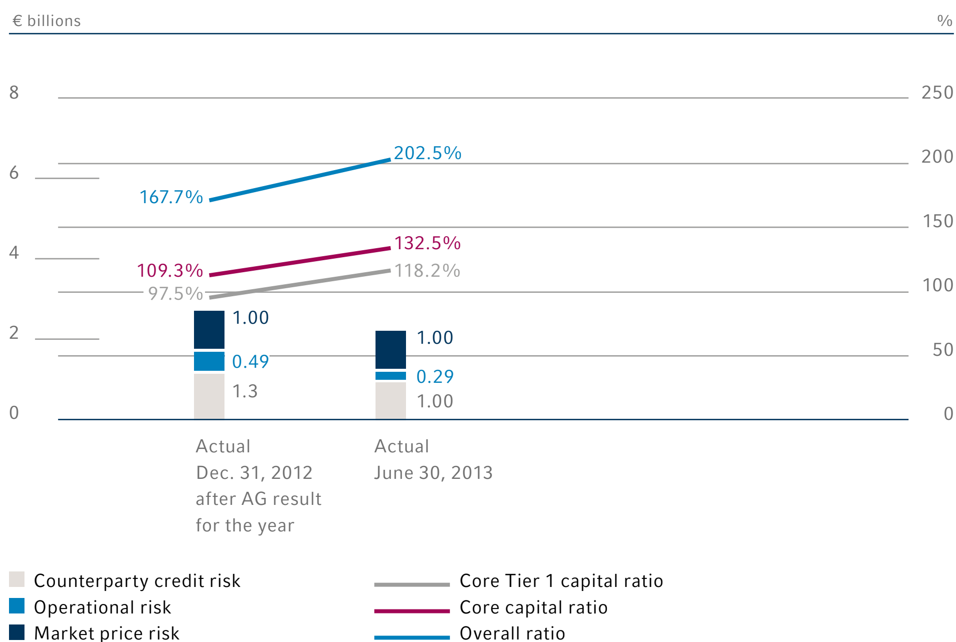
Capitalisation

Usage of Regulatory Capital Portigon Group

Portigon calculates its ratios according to the Basel Capital Accords (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 the first half of the year. The regulatory capital ratios of the Portigon Group were 132.5% (core capital ratio) and 202.5% (overall ratio) at June 30, 2013.

Additional information is available in the section entitled "Risk-Weighted Assets and Capital Ratios".



Usage of Economic Capital (Risk Tolerance)

Portigon's risk-bearing capacity concept, which reflects its new business model and the MaRisk requirements, went into effect on September 30, 2012.

The going-concern approach remains the primary steering framework. Only a small amount of economic capital was used in the first half of the year. The liquidation approach, which is run in parallel, has been supplemented to include the projected costs of an external funding of pension obligations. In addition, Tier II capital is included in the risk-taking potential for this scenario.

In all assumed stress scenarios, the risk-taking capacity was sufficient to cover potential negative developments in the first half of the year.

In terms of reverse stress testing, 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 June 30, 2013 which would make it impossible for Portigon to continue as a going concern.

Events Occurring after June 30, 2013

The subsidiary Portigon Financial Services GmbH in Gründung (PFS) was established on July 5, 2013. The stage has thus been set to move towards the privatisation of the service business, as required by the European Commission. The company's formation is expected to be entered in the commercial register during the second half of 2013. PFS will be based in Düsseldorf and commence operations with approximately 500 employees. The process of filling positions began on July 17, 2013 and is due to be completed in September. The target clients of the servicer for complex portfolios include wind-down vehicles and banks with internal restructuring units, as well as insurance companies and institutional investors seeking a servicer for alternative forms of investment, but also banks wishing to make their processes more flexible.

Dietrich Voigtländer, Stefan Dreesbach and Dr. Kai Wilhelm Franzmeyer will take on the initial management of Portigon Financial Services GmbH in parallel with their existing management duties for Portigon AG.

Further progress has been made in the sale of Portigon Group subsidiaries. An agreement to sell Brazilian subsidiary Banco WestLB do Brasil S.A. to Mizuho Corporate Bank, Ltd. was reached in 2012, but the sale was still subject to approval by the responsible supervisory authorities. The authorities recently issued this approval, and the sale closed on July 31, 2013.

Due to the transformation process and associated headcount reductions, Portigon AG currently employs less than 2,000, but more than 500 people on a regular basis in Germany. As a result, the Managing Board resolved on July 19, 2013 to give notice of plans to have the composition of the Supervisory Board changed pursuant to the statutory provisions governing its composition, namely § 96 (1) and § 101 (1) of the German Stock Corporation Act in conjunction with § 1 (1) (1) and § 4 (1) of the One-Third Participation Act of May 18, 2004. In the future, two-thirds of the Supervisory Board's members are to be elected by the shareholders' meeting and one-third by the employees. Eligible parties have one month to object to the notice. Because such an objection was lodged, the change is currently under judicial review.

Outlook

The challenges to economic growth in the euro area will persist in the near term. The ECB expects the euro area economy to stay in recession for the remainder of 2013. However, developments will vary widely from one country to the next. Countries like Spain, Greece and Portugal will continue to be saddled with high debt, a lack of economic growth and massive problems related to high unemployment, and they will have to find solutions for these issues.

Germany's economy will be unable to break free of economic developments outside the country's own borders in 2013. The German Council of Economic Experts expects average GDP growth of 0.3% and inflation of 1.7% for 2013. Positive growth momentum is expected only from domestic sources like private consumption, which has benefited from continued stability in the labour market.

One of the key efforts to curb uncertainty in the financial markets was the ECB's announcement in September 2012 that, under certain conditions, it would purchase unlimited quantities of government bonds issued by states willing to enact reforms (Outright Monetary Transactions programme). Whether this will continue to be the case depends on the further course of the proceeding before the German Constitutional Court concerning the legality of the ECB's OMT programme and whether the ECB's actions are in violation of Germany's Basic Law and the EU Treaty.

Political developments in Germany during the second half of the year will be shaped by the Bundestag elections scheduled for September 22, 2013 and the new government that will take shape as a result of those elections.

Along with the establishment of the service company, efforts to win third-party business are being further intensified. In addition, talks are being held with parties who have expressed an interest in acquiring the service business. It is planned to sell the Group's portfolio services business by December 31, 2016. If a sale is not possible, PFS would have to be wound down in 2017 under the terms of the European Commission's decision of December 20, 2011.

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 are proceeding on the assumption that Portigon will show losses in its IFRS Group financial statements in the mid hundreds of millions for 2013 and in the low hundreds of millions for 2014. The occurrence of additional restructuring expenses will depend on the progress of the transformation.

Group Statement of Income

	Notes	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions	Change € millions	%
Interest income		306	2,239	– 1,933	– 86
Interest expense		244	1,896	– 1,652	– 87
Net interest income	(3)	62	343	– 281	– 82
Impairment charge for credit losses	(4)	7	– 134	141	> 100
Net interest income after impairment charge for credit losses		69	209	– 140	– 67
Fee and commission income		183	155	28	18
Fee and commission expense		53	37	16	43
Net fee and commission income	(5)	130	118	12	10
Net trading result	(6)	– 16	– 182	166	91
Result from financial investments	(7)	1	– 21	22	> 100
Administrative expenses	(8)	285	450	– 165	– 37
Other operating expense and income	(9)	39	13	26	> 100
Restructuring expenses	(10)	19	52	– 33	– 63
Profit before income tax		– 81	– 365	284	78
Current income taxes		– 1	– 3	2	67
Deferred income taxes		2	25	– 23	– 92
Profit after income tax		– 80	– 343	263	77
Attributable to:					
– Shareholders of Portigon		– 80	– 343	263	77
– Non-controlling interests		0	0	0	–

Statement of Comprehensive Income

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

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Profit after income tax	– 80	– 343
Net income and expenses recognised directly in equity	264	– 248
Items that will not be recycled into profit or loss	280	– 265
Change in actuarial gains and losses	279	– 261
Deferred taxes on change in items not to be recycled into profit or loss	1	– 4
Items that may be recycled into profit or loss in future periods	– 16	17
Change in revaluation reserve	0	25
Change in foreign currency translation reserve	– 15	0
Deferred taxes on change in items recyclable into profit or loss in future periods	– 1	– 8
Total recognised income and expense for the period	184	– 591
Attributable to:		
– Shareholders of Portigon	184	– 591
– Non-controlling interests	0	0

Group Balance Sheet

Assets

	Notes	June 30, 2013 € millions	Dec. 31, 2012 € millions	Change € millions	%
Cash and balances with central banks		2,089	6,149	– 4,060	– 66
Loans and advances to banks	(11)	956	1,842	– 886	– 48
Loans and advances to customers	(12)	10,952	11,825	– 873	– 7
Allowances for losses on loans and advances	(13)	– 156	– 176	20	11
Receivables under reverse repurchase agreements		8	226	– 218	– 96
Trading assets	(14)	1,038	3,371	– 2,333	– 69
Derivatives held in trust (incl. cash collateral)	(15)	51,031	72,921	– 21,890	– 30
Positive fair values from derivative hedging instruments		273	0	273	–
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		81	91	– 10	– 11
Financial assets designated at fair value	(16)	804	978	– 174	– 18
Financial investments	(17)	183	247	– 64	– 26
Property and equipment	(18)	314	321	– 7	– 2
Intangible assets	(19)	91	103	– 12	– 12
Current tax assets		89	145	– 56	– 39
Deferred tax assets		0	0	0	–
Other assets		65	106	– 41	– 39
Assets held for sale	(28)	317	592	– 275	– 46
Total assets		68,135	98,741	– 30,606	– 31

Liabilities and Equity

	Notes	June 30, 2013 € millions	Dec. 31, 2012 € millions	Change € millions	%
Liabilities to banks	(20)	658	176	482	> 100
Liabilities to customers	(21)	5,401	6,299	– 898	– 14
Certificated liabilities		36	279	– 243	– 87
Liabilities under repurchase agreements		1,065	20	1,045	> 100
Trading liabilities	(22)	1,268	3,312	– 2,044	– 62
Derivatives held in trust (incl. cash collateral)	(15)	51,031	72,921	– 21,890	– 30
Negative fair values from derivative hedging instruments		35	0	35	–
Separate line item for hedged financial instruments resulting from portfolio hedge accounting		97	139	– 42	– 30
Financial liabilities designated at fair value	(23)	1,266	6,227	– 4,961	– 80
Provisions	(24)	1,766	1,863	– 97	– 5
Current tax liabilities		386	399	– 13	– 3
Deferred tax liabilities		0	1	– 1	– 100
Other liabilities		287	1,884	– 1,597	– 85
Liabilities held for sale	(28)	179	438	– 259	– 59
Subordinated debt	(25)	2,411	2,424	– 13	– 1
Silent contributions to capital		0	0	0	–
Equity		2,249	2,359	– 110	– 5
– Share capital		499	499	0	0
– Capital reserve		0	0	0	–
– Silent contributions to capital		2,608	2,608	0	0
– Retained earnings		– 455	– 81	– 374	> – 100
– Foreign currency translation reserve		– 40	– 25	– 15	– 60
– Revaluation reserve		– 32	– 31	– 1	– 3
– Actuarial gains and losses from defined benefit obligations		– 331	– 611	280	46
– Non-controlling interests		0	0	0	–
Total liabilities and equity		68,135	98,741	– 30,606	– 31

Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity

€ millions	Share capital	Capital reserve	Silent contribu-tions to capital	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Actuarial gains and losses from defined benefit obligations	Equity before minority interests	Non-controlling interests	Group equity
Balance at January 1, 2012	967	0	2,069	340	– 33	– 238	– 151	2,954	0	2,954
Distribution to shareholders	0	0	0	0	0	0	0	0	0	0
Capital increase/ reduction	0	0	0	0	0	0	0	0	0	0
Allocations to silent contributions	0	0	0	0	0	0	0	0	0	0
Withdrawals from silent contributions	0	0	0	0	0	0	0	0	0	0
Transfer effects recognised directly in equity	0	0	0	0	0	0	0	0	0	0
Other changes in shareholders' equity	0	0	0	5	0	0	0	5	0	5
Total recognised income and expense for the period	0	0	0	– 343	0	16	– 264	– 591	0	– 591
Balance at June 30, 2012	967	0	2,069	2	– 33*	– 222**	– 415	2,368	0	2,368
Balance at January 1, 2013	499	0	2,608	– 81	– 25	– 31	– 611	2,359	0	2,359
Distribution to shareholders	0	0	0	0	0	0	0	0	0	0
Capital increase/ reduction	0	0	0	0	0	0	0	0	0	0
Allocations to silent contributions	0	0	0	0	0	0	0	0	0	0
Withdrawals from silent contributions	0	0	0	0	0	0	0	0	0	0
Transfer effects recognised directly in equity	0	0	0	0	0	0	0	0	0	0
Other changes in shareholders' equity	0	0	0	– 294	0	0	0	– 294	0	– 294
Total recognised income and expense for the period	0	0	0	– 80	– 15	– 1	280	184	0	184
Balance at June 30, 2013	499	0	2,608	– 455	– 40***	– 32****	– 331	2,249	0	2,249

* Includes € 12 million from assets held for sale.
** Includes € 2 million from assets held for sale.
*** Includes € 10 million from assets held for sale.
**** Includes € 3 million from assets held for sale.

Cash Flow Statement

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Cash and balances with central banks at the end of the previous period	6,149	3,345
Cash flow from operating activities	– 4,048	– 148
Cash flow from investing activities	31	668
Cash flow from financing activities	– 43	– 5
Changes in cash due to changes in exchange rates	0	0
Cash and balances with central banks at the end of the period	2,089	3,860

Notes to the Group Financial Statements

Accounting Policies

1. Basis of Preparation

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

The information contained in these interim financial statements should be read in conjunction with the information contained in the published and certified Group financial statements as of and for the year ended December 31, 2012. We have taken account of all developments up to the Managing Board's preparation of the interim financial statements on August 27, 2013.

Due to an error in Note 26 concerning the nominal values of derivative financial instruments as of June 30, 2013, the interim financial statements were amended on September 24, 2013 by the Managíng Board.

We used the same accounting policies to prepare the interim financial statements as were used to prepare the 2012 Group financial statements, with the exception of the differences noted below.

It is not necessary to report the respective total amount of assets and respective total amount of liabilities of the reportable segments, since these amounts are not regularly reported to the principal decision maker and have not changed significantly compared to the amounts reported in the most recent set of annual financial statements.

Due to the amendments to IAS 1 (Presentation of Financial Statements) that were published on June 16, 2011 and adopted into European law on June 6, 2012, the components of other comprehensive income have been separated into items that will be recycled into profit or loss upon the occurrence of certain events and those that will not. The present set of interim financial statements marks the first time such a separation has been shown.

As far as banking services are involved, income from fees for services we provide to our customers are now being reported as fee and commission income, rather than as a reduction in the administrative expenses. This change went into effect at the end of 2012, so the figures given in the present interim report for the same period in 2012 have also been adjusted. Fee and commission income as well as administrative expenses were raised by € 34 million respectively.

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

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

2. Scope of Consolidation

Portigon Group specifically includes the following companies and subgroups:

Portigon Group (companies, directly consolidated)	
Portigon AG, Düsseldorf	
Compass Securitisation Limited, Dublin, Ireland	
Compass Securitization LLC, Wilmington/Delaware, USA	
GOD Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
GOH Grundstücksverwaltungsgesellschaft & Co. KG, Mainz	
Portigon Europe (UK) Holdings Ltd., London, UK	
Portigon Finance Curaçao N.V., Willemstad, Netherlands Antilles	
Portigon Securities Inc., Dover/Delaware, USA	
Portigon UK Ltd., London, UK	
Banco WestLB do Brasil S.A., São Paulo, Brazil	Subgroup with 2 companies

The Brazilian subsidiary Banco WestLB do Brasil S.A. was sold to Mizuho Corporate Bank, Ltd. with legal effect as of July 31, 2013. The required approvals from the responsible authorities had not been issued by the close of the reporting period. Therefore, the subsidiary was still included in the group of consolidated companies at that time.

Segment Reporting

Up to June 30, 2012, profit was accounted for and managed within Portigon Group at business unit level on the basis of Portigon's profit centre accounting. Along with the transformation and change in the business model at the beginning of July 2012, the division of Portigon's operating business into various business segments which had been in effect until June 30, 2012 was not continued.

Notes to the Group Statement of Income

3. Net Interest Income

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Interest income from		
– Loans and advances to banks and customers	140	1,166
– Financial assets available for sale	2	44
Current income from		
– Financial assets available for sale	0	3
Net interests and dividend income from		
– Instruments held for trading	57	351
– Instruments designated as at fair value	– 18	– 493
Interest expenses for		
– Liabilities to banks and customers	53	394
– Certificated liabilities	6	272
– Subordinated debt (excl. designated holdings)	49	54
Net income from hedging relationships	– 3	– 9
Net income from other transactions	– 8	1
Net interest income	62	343

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

4. Impairment Charge for Credit Losses

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Allocations		
– to allowance for losses on loans and advances	0	– 152
– to provisions for lending operations	0	– 1
Write-backs		
– from allowance for losses on loans and advances	5	39
– from provisions for lending operations	2	5
Income from written-off loans and advances	0	8
Direct write-offs of loans and advances	0	– 33
Impairment charge for credit losses	7	– 134

5. Net Fee and Commission Income

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Income from the service business	174	34
Guarantee fees	– 43	62
Other	– 1	22
Net fee and commission income	130	118

6. Net Trading Result

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Result from sale and measurement of trading instruments	– 251	17
Fee and commission result from trading instruments	0	– 19
Result from foreign currency translation	126	– 1
Result from sale and measurement of financial instruments designated at fair value	109	– 179
Net trading result	– 16	– 182

7. Result from Financial Investments

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Result from sale and measurement of available-for-sale assets	2	– 26
Result from sale and measurement of interests in associates	0	5
Other result from financial investments	– 1	0
Result from financial investments	1	– 21

8. Administrative Expenses

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Personnel expenses	152	224
– Wages and salaries	116	176
– Compulsory social security contributions	16	25
– Expenses for pensions and other employee benefits	20	23
Other administrative expenses	106	194
Depreciation and amortisation	27	32
– of property and equipment	8	11
– of software and other intangible assets	19	21
Administrative expenses	285	450

9. Other Operating Expense and Income

	1. 1. – 30. 6. 2013 € millions	1. 1. – 30. 6. 2012 € millions
Other operating expense	14	29
Other operating income	53	42
Other operating expense and income	39	13

10. Restructuring Expenses

The restructuring expenses of € 19 million relate mostly to the payment of amounts owed to NRW.BANK under the parties' arrangement concerning pension obligations (see the explanations in the "Structural Changes" section of the Group Interim Statement of Financial Condition). The € 52 million in restructuring expenses in the previous year predominantly captured the project expenses incurred in the first half of 2012 as part of implementing the conditions set by the European Commission.

Notes to the Group Balance Sheet

11. Loans and Advances to Banks

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Banks in Germany	554	474
Banks in other countries	402	1,368
Loans and advances to banks	956	1,842

12. Loans and Advances to Customers

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Corporate clients	6,158	7,302
Public-sector clients	4,130	3,876
Private clients	664	647
Loans and advances to customers	10,952	11,825

13. Risk Provisions in the Lending Business

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Allowances for losses on loans and advances	156	176
– Allowances for specific risks	156	175
– Portfolio allowances	0	1
Provisions for contingent liabilities	3	4
– Provisions for specific risks	3	4
– Provisions for portfolio risks	0	0
Risk provisions in the lending business	159	180

14. Trading Assets

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Bonds and other interest-bearing securities	146	168
Positive fair values from derivative financial instruments	533	2,786
Other trading assets	359	417
Trading assets	1,038	3,371

15. Derivatives Held in Trust (incl. Cash Collateral)

The asset-side item derivatives held in trust consists of derivative financial instruments with a positive fair value of € 24.5 billion, the opportunities and risks of which have been economically transferred to EAA under a risk transfer agreement; the resulting derivatives with EAA are reported under a liability-side item with the same name.

This asset-side item also includes derivatives with EAA which are the result of derivatives with a negative fair value of € 23.7 billion that were transferred to EAA under the risk transfer agreement and reported under the liability-side item with the same name.

Additionally, this line item includes claims (liability-side: liabilities) for the repayment of € 2.8 billion in cash collateral furnished.

16. Financial Assets Designated at Fair Value

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Bonds and other interest-bearing securities	784	945
Shares and other non-interest-bearing securities	14	27
Loans and advances to banks	0	1
Loans and advances to customers	6	5
Financial assets designated at fair value	804	978

17. Financial Investments

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Financial investments available for sale	158	221
Investment property	25	26
Financial investments	183	247

18. Property and Equipment

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Land and buildings	276	282
Office equipment	33	33
Other property and equipment	5	6
Property and equipment	314	321

19. Intangible Assets

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Goodwill	0	0
Software	91	103
Intangible assets	91	103

20. Liabilities to Banks

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Banks in Germany	45	65
Banks outside Germany	613	111
Liabilities to banks	658	176

21. Liabilities to Customers

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Corporate clients	2,230	2,372
Public-sector clients	3,153	3,914
Private clients	18	13
Liabilities to customers	5,401	6,299

22. Trading Liabilities

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Negative fair values from derivative financial instruments	467	1,825
Delivery obligations on short sales of securities	21	197
Other trading liabilities	780	1,290
Trading liabilities	1,268	3,312

23. Financial Liabilities Designated at Fair Value

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Liabilities to banks	169	176
Liabilities to customers	1,097	6,051
Financial liabilities designated at fair value	1,266	6,227

24. Provisions

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Provisions for pensions and similar obligations	996	978
Provisions in the lending business	3	4
Provisions for personnel expenses	232	250
Restructuring provisions	478	569
Other provisions	57	62
Provisions	1,766	1,863

25. Subordinated Debt

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Subordinated liabilities	2,249	2,275
Profit participation capital	73	73
Deferred interest	60	35
Measurement effects (IAS 39)	29	41
Subordinated debt	2,411	2,424

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

Other Information

26. Derivative Financial Instruments

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

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Products based on interest rates	850,417	1,142,864
Products based on exchange rates	196,471	248,072
Products based on share prices and other prices	8,582	10,741
Credit derivatives	3,640	21,126
Derivative transactions	1,059,110	1,422,803

As of the balance sheet date, the total volume in nominal terms of the derivative financial instruments was € 1,059 billion (previous year: € 1,423 billion) and is largely attributable to derivatives held in trust, including the offsetting derivative positions with EAA.

The information on the nominal values of the derivative financial instruments as of June 30, 2013 was adjusted.

27. Contingent Liabilities and Other Commitments

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Contingent liabilities from guarantees and indemnity agreements	502	789
Other commitments from irrevocable loan commitments	1,128	1,458

Irrevocable credit commitments involve approved credit lines made available to, but not yet utilised by, third parties.

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

28. Assets and Liabilities Held for Sale

Mizuho Corporate Bank, Ltd. signed an agreement on June 19, 2012 to purchase our subsidiary Banco WestLB do Brasil S.A., a specialist in project finance for corporate clients and structured finance. The sale closed on July 31, 2013. It has been more than the prescribed period of one year since the contract was signed and since the operations were first reported pursuant to the rules of IFRS 5. The reason for the delay lies in the fact that the responsible authorities had not issued their approval of the sale by June 30, 2013. In this respect, the delay in the transaction was caused by events beyond Portigon's control. Thus, the disposal group continued to fall within the scope of IFRS 5 as of the reporting date.

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

The planned sales encompass the following balance sheet items:

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Loans and advances to banks	61	105
Loans and advances to customers	105	263
Allowances for losses on loans and advances	– 2	– 3
Receivables under reverse repurchase agreements	22	6
Trading assets	84	175
Financial investments	25	27
– thereof revaluation reserve	3	3
Other	22	19
Non-current assets held for sale	317	592

	June 30, 2013 € millions	Dec. 31, 2012 € millions
Liabilities to banks	39	174
Liabilities to customers	0	1
Certificated liabilities	0	44
Liabilities under repurchase agreements	29	9
Trading liabilities	47	138
Negative fair values from derivative hedging instruments	0	4
Provisions	60	63
Other	4	5
Non-current liabilities held for sale	179	438

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

29. Governing Bodies of Portigon AG

Portigon AG Managing Board

Dietrich Voigtländer, Chairman
Stefan Dreesbach
Dr. Kai Wilhelm Franzmeyer

Portigon AG Supervisory Board

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

Doris Ludwig
Vice Chairwoman
Director
Portigon AG
Düsseldorf

Cornelia Hintz
Secretary
ver.di Vereinte Dienstleistungsgewerkschaft

Gudrun Hock
Mayor
City of Düsseldorf

Sigrid Janetzko (until May 22, 2013)
Bank Director
Portigon AG
Düsseldorf

Dr. Bruno Kahl
Under Secretary
Federal Finance Ministry

Gabriele Klug
City Treasurer
City of Cologne

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

Manfred Matthewes
Director
Portigon AG
Düsseldorf

Dr. Friedhelm Plogmann
Business consultant
Meerbusch

Björn Sacha
Director
Portigon AG
Düsseldorf

Dr. Peter Stemper (from May 28, 2013)
Managing Director
Portigon AG
Düsseldorf

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements of Portigon AG for the six months ended June 30, 2013 give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group interim statement of financial condition includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Düsseldorf, August 27, 2013

The Managing Board
Portigon AG

Dietrich Voigtländer

Stefan Dreesbach

Dr. Kai Wilhelm Franzmeyer

Publications

The Interim Report and the Annual Report 2012 are also available in German.
In case of doubt the German version shall be binding.

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

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

Our interim reports are printed on FSC-certified paper.

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Disclaimer

Reservation regarding forward-looking statements

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

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