Annual Report 2015

Portigon
Aktiengesellschaft

Portigon Key Figures

Portigon Group: Key Figures Year-on-Year Comparison

Group	1. 1. – 31. 12. 2015	1. 1. – 31. 12. 2014	Change absolute	Change %
Performance figures in € millions				
Net interest income	102.9	137.9	– 35.0	– 25.4
Net commission income	132.3	194.9	– 62.6	– 32.1
Other operating expenses/income	54.2	– 131.9	186.1	> 100.0
Personnel expenses	– 143.6	– 219.3	75.7	34.5
Other administrative expenses	– 219.5	– 262.6	43.1	16.4
Provisions for credit risks	32.0	8.3	23.7	> 100.0
Result of securities and participations	0.2	10.4	– 10.2	– 98.1
Extraordinary result	– 197.0	– 102.5	– 94.5	– 92.2
Profit/loss before income tax	– 238.5	– 364.8	126.3	34.6
Taxes on income and revenues	209.8	143.7	66.1	46.0
Profit/loss after taxes	– 28.7	– 221.1	192.4	87.0

Group	Dec. 31, 2015	Dec. 31, 2014	Change absolute	Change %
Balance sheet figures in € billions				
Total assets	14.1	19.3	– 5.2	– 26.9
Business volume	14.4	19.7	– 5.3	– 26.9
Credit volume	4.7	7.7	– 3.0	– 39.0
Equity capital	2.0	2.0	–	–
Bank regulatory capital ratios (CRR/CRD IV)				
Tier 1 capital in € billions	1.9	1.9	–	–
Own funds in € billions	2.9	3.0	– 0.1	– 3.3
Risk-weighted assets in € billions	1.2	1.7	– 0.5	– 29.4
Tier 1 capital ratio in %	157.9	108.3	49.6	45.8
Total capital ratio in %	237.8	176.7	61.1	34.6
Employees				
Number of employees	1,008	1,432	– 424	– 29.6
Full-time equivalent	958	1,357	– 399	– 29.4

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Portigon AG: Key Figures Year-on-Year Comparison

Single-Entity Accounts	1. 1. – 31. 12. 2015	1. 1. – 31. 12. 2014	Change absolute	Change %
Performance figures in € millions				
Net interest income	102.3	145.0	– 42.7	– 29.4
Net commission income	– 13.4	91.1	– 104.5	> – 100.0
Other operating expenses/income	9.2	– 125.4	134.6	> 100.0
Personnel expenses	– 80.1	– 144.3	64.2	44.5
Other administrative expenses	– 175.2	– 195.4	20.2	10.3
Provisions for credit risks	32.0	8.3	23.7	> 100.0
Result of securities and participations	13.4	– 75.3	88.7	> 100.0
Extraordinary result	– 197.0	– 63.2	– 133.8	> – 100.0
Profit/loss before income tax	– 308.8	– 359.2	50.4	14.0
Taxes on income and revenues	210.0	122.6	87.4	71.3
Profit/loss after taxes	– 98.8	– 236.6	137.8	58.2

Single-Entity Accounts	Dec. 31, 2015	Dec. 31, 2014	Change absolute	Change %
Balance sheet figures in € billions				
Total assets	14.1	19.4	– 5.3	– 27.3
Business volume	14.4	19.8	– 5.4	– 27.3
Credit volume	4.7	7.7	– 3.0	– 39.0
Equity capital	1.9	2.0	– 0.1	– 5.0
Bank regulatory capital ratios (CRR/CRD IV)				
Tier 1 capital in € billions	1.8	2.0	– 0.2	– 10.0
Own funds in € billions	2.8	3.1	– 0.3	– 9.7
Risk-weighted assets in € billions	0.6	1.1	– 0.5	– 45.5
Tier 1 capital ratio in %	295.2	181.9	113.3	62.3
Total capital ratio in %	449.7	291.8	157.9	54.1
Employees				
Number of employees	451	840	– 389	– 46.3
Full-time equivalent	436	798	– 362	– 45.4

Current ratings	Short term	Long term
Fitch Ratings	F1+	A+

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Contents

Combined Statement of Financial Condition at December 31, 2015

Performance at a Glance

The company's transformation, i.e. the downsizing of Portigon AG and implementation of the business model of a service provider with Portigon Financial Services GmbH (PFS) in accordance with the conditions set by the European Commission, continued in the fiscal year.

Total assets of the Portigon Group came to € 14.1 billion at December 31, 2015 (previous year: € 19.3 billion), whilst total assets of Portigon AG (PAG) amounted to € 14.1 billion (previous year: € 19.4 billion). Of that amount, € 5.8 billion (previous year: € 8.5 billion) is attributable to trust assets and € 4.3 billion (previous year: € 5.2 billion) to items guaranteed by Erste Abwicklungsanstalt (EAA). The remaining amount chiefly relates to the investment of capital and liquidity back-ups. The considerable reduction in total assets is predominantly due to the incremental transfer in rem to EAA of holdings only synthetically transferable in 2012 as well as to final maturities.

The Portigon Group's income increased from € 211.3 million to € 289.6 million. Portigon AG saw its income rise from € 35.4 million to € 111.5 million. The increase in income primarily results from the reversal of provisions that were no longer needed. The sale of GOD Grundstücksverwaltungs GmbH also lifted the Group's result.

The progressive transformation led to a further headcount reduction in the 2015 fiscal year, which in turn lowered non-personnel costs. As a result, the Portigon Group's administrative expenses were reduced by € 118.8 million, from € 481.9 million to € 363.1 million. Portigon AG's administrative expenses amounted to € 255.3 million, down from € 339.7 million in the previous year.

The extraordinary result in the Portigon Group came to € – 197.0 million (previous year: € – 102.5 million), whilst Portigon AG reported an extraordinary result of € – 197.0 million (previous year: € – 63.2 million). The negative result is attributable to restructuring expenses incurred for the company's transformation. Payments were made to an external pension fund that were needed to cover the indirect pension obligations to employees of the London branch in connection with the insurance-orientated out-financing.

Altogether, we are reporting a result before taxes of € – 238.5 million (previous year: € – 364.8 million) and a net loss for the year of € 28.7 million (previous year: € 221.1 million) for the Portigon Group. Portigon AG recorded a result before taxes of € – 308.8 million (previous year: € – 359.2 million) and a net loss for the year of € 98.8 million (previous year: € 236.6 million). The positive tax result can be attributed to the reversal of tax provisions at Portigon AG that were no longer needed. The net loss for the year is partly offset by loss participation on the part of the holders of the silent contributions to capital (€ 84.2 million) and the holders of profit participation rights (€ 0.8 million) pursuant to the respective terms of issue. The remaining amount (€ – 13.8 million), together with the loss carried forward from the previous year, is being reported as a retained loss (€ – 229.6 million).

It had been expected that the Portigon Group would show a loss in the mid hundreds of millions for the 2015 fiscal year. A better result was achieved, especially after clarification of tax issues outside Germany in connection with the downsizing of the Bank.

Taking into account the net loss for the year, the Portigon Group's Tier 1 capital ratio is 157.9%, whilst its total capital ratio is 237.8%. Portigon AG's Tier 1 capital ratio and total capital ratio are 295.2% and 449.7%, respectively. Risk-weighted assets in the Group stand at € 1.2 billion and in the AG at € 0.6 billion.

Structural Changes

The year under review was again dominated by the task of implementing the approval decision taken by the European Commission on December 20, 2011.

The office property at Friedrichstraße 62–80, which Portigon AG sold to Blackstone in contracts signed on January 31, 2014 and February 1, 2014, passed to Blackstone on February 27, 2015 after the necessary conversion work for leasing to the Ministry of the Interior and Municipal Affairs had been completed. The closing on this date finalised the entire transaction. The shares in the subsidiary GOD Grundstücksverwaltungs GmbH were transferred at the same time, following which GOD Grundstücksverwaltungs GmbH was eliminated from the basis of consolidation of the Portigon Group.

The sale of the Schloss Krickenbeck estate including the conference and seminar hosting business to the Châteauform Group closed on April 30, 2015.

The Tokyo branch, which returned its banking licence on September 30, 2014, was closed on March 6, 2015.

Out-financing for the London branch's UK pension plan was arranged in April 2015 with a well-known UK-based insurance company. An investment in long-term securities of the State of North Rhine-Westphalia was made in January 2016 to hedge the pension commitments to former and active employees in Germany.

In an agreement in principle signed on May 12, 2015, Portigon AG and EAA agreed on new regulations in connection with portfolios that are still accounted for at PAG even though the risks lie with EAA.

Effective August 12, 2015, Dr. Kai Wilhelm Franzmeyer left the Managing Board of Portigon AG. The Supervisory Board appointed Hubert Beckmann as the new Chairman of the Managing Board on September 3, 2015. At its meeting on December 9, 2015, the Supervisory Board appointed Frank Seyfert as a full member of the Bank's Managing Board and Dr. Peter Stemper to succeed Hubert Beckmann as Chairman of the Managing Board of Portigon AG, both with effect from April 1, 2016. Hubert Beckmann retired from the Managing Board effective March 31, 2016 as planned.

The composition of the Supervisory Board also changed in 2015. Due to the continued implementation of the transformation process and associated headcount reductions, Portigon AG presently employs and will continue to employ fewer than 500 people on a regular basis. For this reason, the company's Supervisory Board is no longer subject to corporate co-determination. The only relevant provisions for the composition of the Supervisory Board now are § 96 (1) and § 101 (1) of the German Stock Corporation Act (AktG). Status proceedings were therefore initiated on November 4, 2015. The future composition of the Supervisory Board of Portigon AG will be such that all of its members are elected by the shareholders' meeting. In view of this situation, on December 18, 2015 the shareholders' meeting re-elected the following members of the Supervisory Board: Dr. Friedhelm Plogmann, Gudrun Hock, Gabriele C. Klug, Klaus Neuhaus, Dr. Norbert Walter-Borjans and Matthias Rabitzsch. The members of the Supervisory Board elected Dr. Friedhelm Plogmann as Chairman and Matthias Rabitzsch as Deputy Chairman of the Supervisory Board.

Portigon's Branches, Subsidiaries and Offices

The head office of Portigon AG is in Düsseldorf. Portigon AG still conducts business in Europe through three branches in London, Madrid and Milan. Outside Europe, Portigon AG still maintained branches in New York, Hong Kong, Singapore and Sydney at December 31, 2015.

Based on the European Commission's decision of December 20, 2011, the head office and the foreign branches are being downsized. The closure of foreign locations, with which Portigon AG is resolutely pressing ahead, depends to a large extent on the requirements of the regulatory authorities in the countries in question. Following the closure of the branches in Shanghai and Istanbul in 2014, the branch in Tokyo was also closed in 2015. The branches in Singapore and Sydney have since returned their banking licences and are due to be closed in the first half of 2016. Hong Kong is scheduled to be closed at the end of 2016.

The branches in New York, London, Milan and Madrid will continue to be systematically downsized, accompanied by the efforts of Portigon AG to clean up the balance sheets by eliminating the remaining transactions so that it can ultimately initiate legal closure at these locations as well.

Employees

For employees, the 2015 fiscal year continued to be dominated by the transformation of the Portigon Group.

Portigon Financial Services GmbH (PFS), which was established in 2014, provides specialist services for servicing complex financial portfolios for Erste Abwicklungsanstalt (EAA) and other customers. The headcount of PFS was reduced from 592 (559 full-time employees) to 557 (522 full-time employees).

The systematic downsizing at Portigon AG progressed according to plan. The number of employees decreased from 840 (798 full-time employees) to 451 (436 full-time employees). The downsizing was implemented on the basis of the enterprise-level collective agreement as well as a reconciliation of interests and redundancy scheme, with comparable regulations outside Germany. Through new placement counselling, employees leaving the company receive valuable support in their professional reorientation.

Altogether, the Portigon Group still had 1,008 employees (958 full-time employees) at December 31, 2015. At the end of 2014, the Group had employed 1,432 people (1,357 full-time employees).

Compensation

In 2015, the Portigon Group continued to systematically align its compensation system with the regulatory requirements for employee compensation.

Statement of Income

Portigon's performance in the 2015 fiscal year was still shaped by the company's transformation, i.e. the downsizing of Portigon AG in accordance with the conditions set by the European Commission.

Altogether, we are reporting a result before taxes of € – 238.5 million (previous year: € – 364.8 million) and a net loss of € 28.7 million (previous year: € 221.1 million) for the Portigon Group in the 2015 fiscal year. Portigon AG recorded a result before taxes of € – 308.8 million (previous year: € – 359.2 million) and a net loss for the year of € 98.8 million (previous year: € 236.6 million). Because of this, the silent contributions to capital and the profit participation capital cannot be serviced and participate in the loss pursuant to the terms on which they were issued.

Portigon Group: Statement of Income from January 1 to December 31, 2015

Group	Portigon Group		Change	
	1. 1. – 31. 12. 2015 € millions	1. 1. – 31. 12. 2014 € millions	€ millions	%
Net interest income	102.9	137.9	– 35.0	– 25.4
Net commission income	132.3	194.9	– 62.6	– 32.1
Other operating expenses/income	54.2	– 131.9	186.1	> 100.0
Personnel expenses	– 143.6	– 219.3	75.7	34.5
Other administrative expenses	– 219.5	– 262.6	43.1	16.4
Provisions for credit risks	32.0	8.3	23.7	> 100.0
Result of securities and participations	0.2	10.4	– 10.2	– 98.1
Extraordinary result	– 197.0	– 102.5	– 94.5	– 92.2
Profit/loss before income tax	– 238.5	– 364.8	126.3	34.6
Taxes on income and revenues	209.8	143.7	66.1	46.0
Profit/loss after taxes	– 28.7	– 221.1	192.4	87.0
thereof:				
– minority interest in profit/loss	–	– 1.6	1.6	100.0

Portigon AG Single-Entity Accounts: Statement of Income from January 1 to December 31, 2015

Single-Entity Accounts	Portigon AG		Change	
	1. 1. – 31. 12. 2015 € millions	1. 1. – 31. 12. 2014 € millions	€ millions	%
Net interest income	102.3	145.0	– 42.7	– 29.4
Net commission income	– 13.4	91.1	– 104.5	> – 100.0
Other operating expenses/income	9.2	– 125.4	134.6	> 100.0
Personnel expenses	– 80.1	– 144.3	64.2	44.5
Other administrative expenses	– 175.2	– 195.4	20.2	10.3
Provisions for credit risks	32.0	8.3	23.7	> 100.0
Result of securities and participations	13.4	– 75.3	88.7	> 100.0
Extraordinary result	– 197.0	– 63.2	– 133.8	> – 100.0
Profit/loss before income tax	– 308.8	– 359.2	50.4	14.0
Taxes on income and revenues	210.0	122.6	87.4	71.3
Profit/loss after taxes	– 98.8	– 236.6	137.8	58.2
Loss carried forward from the previous year	– 215.8	– 183.2	– 32.6	– 17.8
Withdrawals from profit participation capital	0.8	3.6	–2.8	– 77.8
Withdrawals from the silent contributions to capital	84.2	200.4	– 116.2	– 58.0
Retained loss	– 229.6	– 215.8	– 13.8	– 6.4

Net Interest Income

The net interest income of the Portigon Group amounted to € 102.9 million (previous year: € 137.9 million), whilst the net interest income of Portigon AG amounted to € 102.3 million (previous year: € 145.0 million). This is largely attributable to the interest margin on positions that are guaranteed by EAA as well as to earnings contributions from the investment of capital and liquidity steering. The absence of coupon payments on the profit participation capital reduced the interest expense by € 2.7 million (previous year: € 4.0 million).

Net interest income also includes negative interest from lending and money market transactions of € – 3.3 million (previous year: € – 0.2 million). This relates exclusively to Portigon AG.

Net Commission Income

As a consequence of the spin-off of Portigon AG's portfolio services business to the subsidiary Portigon Financial Services (PFS) in 2014, the predominant portion of net commission income was attributable to PFS.

The net commission income of the Portigon Group amounted to € 132.3 million (previous year: € 194.9 million), whilst the net commission income of Portigon AG amounted to € – 13.4 million (previous year: € 91.1 million). In addition to the transfer of the portfolio services business to PFS, the decrease at Portigon AG results from the termination of the contract for portfolio services with Hessische Landesbank (Helaba) on schedule following the successful completion of the Verbundbank activities in the previous year.

Income from portfolio services at Portigon AG came to € 34.6 million for the year (previous year: € 151.6 million). One of the major offsetting items was the € – 45.9 million (previous year: € – 56.1 million) in guarantee fees for synthetically transferred portfolios.

Other Operating Expenses/Income

The net figure for other operating income and expenses came to € 54.2 million (previous year: € – 131.9 million) for the Portigon Group and to € 9.2 million (previous year: € – 125.4 million) for Portigon AG.

The positive figure for the Group and for Portigon AG mainly results from the reversal of provisions that were no longer needed. The provision for liabilities for the expected outflow of resources accompanying the sale of PFS was partly reversed in the amount of € 53.0 million. In the Portigon Group, the deconsolidation of the subsidiary GOD Grundstücksverwaltungs GmbH generated an additional positive effect. The expenses mainly result from the interest cost on provisions. Added to this was an increase caused by the further drop in interest rate levels.

General Administrative Expenses

As expected, general administrative expenses decreased by € 118.8 million to € 363.1 million (previous year: € 481.9 million) for the Portigon Group and by € 84.4 million to € 255.3 million (previous year: € 339.7 million) for Portigon AG.

Personnel expenses decreased by € 75.7 million to € 143.6 million (previous year: € 219.3 million) for the Portigon Group and by € 64.2 million to € 80.1 million (previous year: € 144.3 million) for Portigon AG because of the substantial reduction in headcount resulting from the transformation of Portigon AG. The average number of employees in the Group decreased from 1,678 to 1,140. At Portigon AG, the average headcount declined from 1,166 to 566.

Other administrative expenses also fell substantially, by € 43.1 million to € 219.5 million (previous year: € 262.6 million) for the Portigon Group and by € 20.2 million, from € 195.4 million to € 175.2 million, for Portigon AG due in particular to a decrease in non-personnel costs in the area of IT as well as to lower operating costs. Other administrative expenses were increased by the 2015 annual contribution to the restructuring fund amounting to € 9.6 million.

Provisions for Credit Risks

A positive result of € 32.0 million was reported in 2015 (previous year: € 8.3 million) due to revenues on written-off exposures of € 17.0 million as well as the reversal of global value adjustments of € 15.0 million at the Tokyo branch, which was closed in the course of the year. As a result of the transfer of positions to EAA and Helaba, Portigon AG is no longer exposed to any appreciable credit risks from its former lending operations.

Result of Securities and Participations

There was net income of € 0.2 million (previous year: € 10.4 million) from securities and participations in the Portigon Group. Portigon AG reported total net income of € 13.4 million (previous year: net expenses of € 75.3 million).

	Portigon Group		Portigon AG	
	1. 1. – 31. 12. 2015 € millions	1. 1. – 31. 12. 2014 € millions	**1. 1. – 31. 12. 2015 € millions**	1. 1. – 31. 12. 2014 € millions
Result of securities	0.8	–	0.8	–
Result of participations	– 0.6	10.4	12.6	– 75.3
Result of securities and participations	0.2	10.4	13.4	– 75.3

The positive result for Portigon AG is primarily attributable to the gain on the disposal of GOD Grundstücksverwaltungs GmbH of € 66.2 million, which the Group reported under other operating income. The gain on disposal is reduced by a write-down on the book value of the PFS stake of € 53.0 million, which is eliminated in the Portigon Group.

Extraordinary Result

The extraordinary result for the Portigon Group came to € – 197.0 million (previous year: € – 102.5 million), whilst Portigon AG reported an extraordinary result of € – 197.0 million (previous year: € – 63.2 million). The negative result is attributable to restructuring expenses incurred for the company’s transformation. In particular, payments were made to an external pension fund that were needed to cover the indirect pension obligations to employees of the London branch in connection with the insurance-orientated out-financing.

Taxes on Income and Revenues

The tax income of € 209.8 million generated in the 2015 fiscal year (previous year: € 143.7 million) exclusively consisted of an income tax benefit from current taxes. In addition to the income tax benefit from current taxes, the prior-year figure had included an income tax benefit from deferred taxes of € 21.2 million. The income tax benefit from current taxes primarily results from the reversal of tax provisions at Portigon AG that were no longer needed.

Net Loss for the Year

The Portigon Group is reporting a net loss of € 28.7 million for the 2015 fiscal year (previous year: € 221.1 million), whilst Portigon AG is reporting a net loss of € 98.8 million (previous year: € 236.6 million). There were no coupon payments on the profit participation certificates for 2015 as well as no reinstatement of the expected repayment amounts for profit participation certificates and silent contributions to capital. Accordingly, the silent contributions to capital were not serviced.

Balance Sheet and Business Volume

As in the previous year, the balance sheet at December 31, 2015 was shaped by additional structural changes and further downsizing (see the chapter entitled "Structural Changes"). Although a substantial volume of assets and liabilities were transferred to EAA and Helaba in 2012 in the course of the transformation, legal and tax obstacles and the various transfer paths taken because of these obstacles have meant that banking transactions are still being reported on Portigon AG's balance sheet. However, the credit and market risks associated with these assets and liabilities have been transferred to EAA.

At December 31, 2015, the Portigon Group had total assets and total equity and liabilities of € 14.1 billion and Portigon AG also had total assets and total equity and liabilities of € 14.1 billion, of which € 5.8 billion was reported in the items trust assets and trust liabilities. This includes, in particular, derivative financial instruments carried at amortised cost that 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, the Portigon Group and Portigon AG still have claims on banks in the amount of € 0.4 billion (previous year: € 2.0 billion), claims on customers in the amount of € 4.0 billion (previous year: € 5.3 billion), securities in the amount of € 0.3 billion (previous year: € 1.0 billion) and cash in the amount of € 3.0 billion (previous year: € 1.9 billion). EAA has guaranteed € 4.3 billion (previous year: € 5.2 billion) of these assets, most notably € 3.6 billion in claims on customers (previous year € 4.5 billion). 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 € 14.4 billion in the Portigon Group and Portigon AG (previous year: Portigon Group € 19.7 billion, Portigon AG € 19.8 billion).

Assets

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € billions	Dec. 31, 2014 € billions	**Dec. 31, 2015 € billions**	Dec. 31, 2014 € billions
Cash/liquid debt issues	3.0	1.9	3.0	1.9
Claims on banks	0.4	2.0	0.4	2.0
Claims on customers	4.0	5.3	4.0	5.3
Securities not held for trading	0.3	1.0	0.3	1.0
Equity investments in affiliated and non-affiliated companies	–	–	0.1	0.2
Trust assets	5.8	8.5	5.8	8.5
Tangible/intangible assets	–	0.1	–	–
Other assets	0.6	0.5	0.5	0.5
Total assets	14.1	19.3	14.1	19.4

Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € billions	Dec. 31, 2014 € billions	Dec. 31, 2015 € billions	Dec. 31, 2014 € billions
Liabilities to banks	0.2	0.3	0.2	0.3
Liabilities to customers	2.9	4.3	3.1	4.4
Certificated liabilities	–	–	–	–
Trust liabilities	5.8	8.5	5.8	8.5
Other liabilities	2.0	2.2	1.9	2.2
Subordinated liabilities/Profit participation capital	1.2	2.0	1.2	2.0
Equity capital	2.0	2.0	1.9	2.0
Total liabilities	14.1	19.3	14.1	19.4
Contingent liabilities	0.1	0.1	0.1	0.1
Other commitments/Credit commitments	0.2	0.3	0.2	0.3
Business volume	14.4	19.7	14.4	19.8

Credit Volume

The credit volume on the balance sheet was € 4.7 billion at December 31, 2015 (previous year: € 7.7 billion).

Claims on banks decreased by € 1.6 billion to € 0.4 billion. Claims on customers were reduced by a substantial € 1.3 billion to € 4.0 billion. Of the claims on customers, the sum of € 3.6 billion (previous year: € 4.5 billion) is guaranteed by EAA.

Credit Volume

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € billions	Dec. 31, 2014 € billions	Dec. 31, 2015 € billions	Dec. 31, 2014 € billions
Claims on banks	0.4	2.0	0.4	2.0
Claims on customers	4.0	5.3	4.0	5.3
Contingent liabilities	0.1	0.1	0.1	0.1
Other commitments/Credit commitments	0.2	0.3	0.2	0.3
Credit volume carried in the balance sheet	4.7	7.7	4.7	7.7

Securities Holdings

Portigon’s securities portfolio totalled € 0.3 billion at December 31, 2015 (previous year: € 1.0 billion). Most of the items in this portfolio are bonds and other interest-bearing securities from public-sector issuers. Notes of € 0.3 billion (previous year: € 0.3 billion) are guaranteed by EAA.

There were no more EAA-issued notes in our investment portfolio at December 31, 2015 (previous year: € 0.5 billion).

Equity Investments in Affiliated and Non-Affiliated Companies

The carrying value of the equity investments in affiliated and non-affiliated companies of Portigon AG came to € 0.1 billion (previous year: € 0.2 billion). This decrease is attributable to the completion of the sale of GOD Grundstücksverwaltungs GmbH (GOD) as well as to a write-down of Portigon Financial Services GmbH, which stands in contrast to a corresponding partial reversal of the provision for liabilities for the expected outflow of resources accompanying the sale of PFS that was recognised in the statement of income.

Customer and Bank Deposits

Along with the decrease in receivables, liabilities to banks and customers were also reduced considerably.

At December 31, 2015, liabilities to banks and customers in the Portigon Group totalled € 3.1 billion (previous year: € 4.6 billion), whilst Portigon AG's liabilities to banks and customers totalled € 3.3 billion (previous year: € 4.7 billion) and consisted predominantly of time deposits. There was € 0.6 billion in deposits from EAA (previous year: € 1.1 billion).

Risk-Weighted Assets and Capital Ratios

Portigon has been calculating its capital adequacy figures according to the regulation on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation (CRR)) and the directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV (CRD IV)) since January 1, 2014.

Portigon's own funds recognised for regulatory purposes under the CRR/CRD IV consist of the sum of Tier 1 capital and Tier 2 capital and were as follows at December 31, 2015:

Own Funds

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions CRR/CRD IV after result for the year	Dec. 31, 2014 € millions CRR/CRD IV after result for the year	**Dec. 31, 2015 € millions CRR/CRD IV after result for the year**	Dec. 31, 2014 € millions CRR/CRD IV after result for the year
Common Equity Tier 1 capital (CET1): instruments and reserves	1,772.1	1,725.9	1,694.3	1,781.8
Capital instruments and the related share premium accounts	498.6	498.6	498.6	498.6
thereof subscribed capital (shares)	498.6	498.6	498.6	498.6
thereof capital reserves/reserves from retained earnings (incl. profit/loss)	– 151.9	– 271.7	– 229.6	– 215.8
thereof government instruments with grandfathering up to January 1, 2018 (silent contribution to capital – issued 2009/2010)	1,425.3	1,499.0	1,425.3	1,499.0
Regulatory adjustments to CET1	– 4.9	– 6.0	–	– 0.3
Common Equity Tier 1 capital (CET1)	1,767.1	1,719.9	1,694.3	1,781.5
Additional Tier 1 capital (AT1): instruments	134.4	146.4	141.8	169.2
thereof instruments as defined by Article 484 (4) CRR that do not constitute state aid (silent contribution to capital – issued 2005)	141.8	170.5	141.8	170.5
Regulatory adjustments to AT1	– 7.4	– 24.1	–	– 1.3
Additional Tier 1 capital (AT1)	134.4	146.4	141.8	169.2
Tier 1 capital (T1 = CET1+AT1)	1,901.6	1,866.3	1,836.1	1,950.7
Tier 2 capital (T2)	961.4	1,179.5	961.4	1,179.5
Own funds	2,863.0	3,045.8	2,797.5	3,130.2

At the reporting date, the Tier 1 capital amounted to € 1,901.6 million for the Group and to € 1,836.1 million for Portigon AG, up € 35.3 million and down € 114.6 million, respectively, as against December 31, 2014.

The increase in the Group is predominantly due to the write-down on the book value of Portigon Financial Services GmbH. The acquisition accounting led to an increase in own funds, even though the capital of Portigon Financial Services GmbH remained unchanged. This increase is offset in part by the distribution of the HGB loss for 2015 among the capital components absorbing the loss as well as by the reduction in the Additional Tier 1 capital instruments, only a portion of which is included in Additional Tier 1 capital in 2015 under the transitional arrangements in the new CRR/CRD IV rules. The same applies to the decrease at Portigon AG.

The Common Equity Tier 1 capital rose from € 1,719.9 million to € 1,767.1 million for the Group and decreased from € 1,781.5 million to € 1,694.3 million for Portigon AG for reasons which are largely the same as the effects described above for Tier 1 capital.

At December 31, 2015, the eligible capital for the Group amounted to € 2,863.0 million, whilst the eligible capital for Portigon AG amounted to € 2,797.5 million, a drop of € 182.8 million for the Group and of € 332.7 million for Portigon AG. In addition to the effects in the Tier 1 capital, this change is primarily due to the ineligibility of some subordinated issues for continued inclusion in the regulatory capital.

The profit participation rights and subordinated liabilities of Portigon included in the regulatory capital meet the conditions for qualification as Tier 2 instruments in Article 63 of the CRR. There can be no early repayment obligation on the subordinated liabilities. In the event of bankruptcy or liquidation, profit participation rights and subordinated liabilities will not be repaid until all unsubordinated claims have been satisfied.

While the volume of profit participation rights included in Tier 2 capital was € 11.2 million, the volume of subordinated liabilities included was € 907.6 million. Interest is paid on the subordinated liabilities in accordance with the terms on which they were issued.

The following ratios were determined at December 31, 2015 on the basis of the eligible capital pursuant to CRR guidelines and taking into account the bottom line for the year:

Risk-Weighted Assets and Equity Ratios Pursuant to CRR/CRD IV

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions CRR/CRD IV after result for the year	Dec. 31, 2014 € millions CRR/CRD IV after result for the year	**Dec. 31, 2015 € millions CRR/CRD IV after result for the year**	Dec. 31, 2014 € millions CRR/CRD IV after result for the year
Risk-weighted assets				
Counterparty credit risks	187.1	338.6	218.3	498.3
Credit valuation adjustment (CVA)	17.2	37.4	17.2	37.4
Operational risks	386.6	360.0	386.6	360.0
Additional risk exposure amount due to fixed overheads	613.3	811.1	–	–
Total risk exposure amount for position, foreign-exchange and commodities risks	–	176.9	–	176.9
Total risk-weighted assets	1,204.2	1,724.0	622.0	1,072.6
Equity ratios				
Common Equity Tier 1 capital ratio (as a % of the total risk exposure amount)	146.8	99.8	272.4	166.1
Tier 1 capital ratio (as a % of the total risk exposure amount)	157.9	108.3	295.2	181.9
Total capital ratio (as a % of the total risk exposure amount)	237.8	176.7	449.7	291.8

Under the CRR/CRD IV framework, risk-weighted assets totalled € 1,204.2 million for the Portigon Group and € 622.0 million for Portigon AG, which represents a decrease of € 519.8 million (Group) and € 450.6 million (AG) from the amounts reported at December 31, 2014.

The counterparty credit exposures dropped by € 151.5 million in the Group and by € 280.0 million at Portigon AG compared with the end of last year. The primary reason for this – which more than compensated for negative effects (e.g. from currency effects) – was the general downsizing of the portfolio, specifically the sale of GOD Grundstücks-verwaltungs GmbH and the decrease from exposures with commercial banks, in addition to write-downs on the book value of Portigon Financial Services GmbH.

Amounting to around € 50.0 million (for the AG and the Group), the foreign exchange risks at the end of 2015 were below the 2% threshold set out in Article 351 CRR and therefore do not require capital backing. For this reason, they were also not presented in the table on the previous page.

Owing to the decrease in foreign exchange risks, the total risk exposure amount for position risk, foreign-exchange risk and commodities risk declined by € 126.9 million (for the AG and the Group).

Compared with the end of 2014, the CVA (credit valuation adjustment) charge fell by € 20.2 million, both for the Group and for Portigon AG, reflecting the general downsizing of the portfolio as well as positive effects from changes in market values and maturities.

The increase of € 26.6 million in operational risks to € 386.6 million results from the increase in gross amounts (and thus the relevant indicator) through the higher net commission income in 2014.

The total risk exposure amount due to fixed overheads decreased by € 197.8 million as a result of the adjustments to the figures in the statement of income in the current annual financial statements of Portigon Financial Services GmbH.

The Tier 1 capital ratio in the Group rose from 108.3% to 157.9%, whilst Portigon AG's Tier 1 capital ratio increased from 181.9% to 295.2%. This is still well above the minimum capital ratios as well as the minimum ratio of 7% stipulated in the framework agreements with Germany's Financial Market Stabilisation Authority (FMSA).

The Common Equity Tier 1 capital ratio came to 146.8% (Portigon Group) and 272.4% (Portigon AG), against 99.8% (Portigon Group) and 166.1% (Portigon AG) in the previous year.

Against this backdrop, the total capital ratio increased from 176.7% to 237.8% for the Group and from 291.8% to 449.7% for Portigon AG.

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 core processes in the risk management system underwent significant changes in 2015 in terms of the following aspects: The changeover from the Internal Ratings-Based Approach (IRBA) to the Credit Risk Standard Approach (CRSA) for internal management of credit risk was completed and IRBA ratings-based processes were discontinued. Consequently, "PAG risk classes" – a simplified risk classification procedure that complies with the Minimum Requirements for Risk Management (MaRisk) – have been assigned since May 2015. In 2015, the methodology and limits set for managing counterparty risk arising from over-the-counter (OTC) derivatives were changed over in two steps to a conservative approach that does not take netting effects or collateral into account. In addition, the risk indicators pertaining to operational risk were discontinued for PAG with effect from the end of June 2015. In view of the continuing downsizing, the frequency of meetings of the Portigon Risk Committee (PRC) was reduced from the second half of 2015.

Portigon continues to classify operational risk and business risk as material risks for purposes of MaRisk. All other types of risk are considered immaterial. PFS last updated its risk governance in November 2015, during the course of the annual risk audit. There are plans to comprehensively revise PAG's risk strategy and the risk audit included therein following the transfer of PFS to EAA.

Risk Management System

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 risks on an autonomous basis.

A key element of the risk management processes is safeguarding Portigon's risk-bearing capacity through the use of an internal capital adequacy assessment process (ICAAP). PFS has developed a separate risk-bearing capacity concept that is based on PAG's concept and whose results are incorporated into the concept for the parent company.

Together with PFS's risk governance, the Portigon Group's risk strategy, which is linked to the business strategy, forms the basis for monitoring and steering risk. Both roles together set the principles of risk management, define the types of risk that are material for purposes of MaRisk and provide the basis on which to classify the risk types as either material or immaterial to Portigon's operations. The risk strategy also describes the core elements of the risk management processes.

The Managing Board determines the business strategy, which is reviewed annually, the Portigon Group's risk strategy and PFS's risk governance as well as the principles of risk policy and risk steering in communication with the Supervisory Board. With effect from December 23, 2015, the Audit and Risk Committee appointed by the Supervisory Board transferred its tasks and responsibilities to the Supervisory Board. The Portigon Risk Committee (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 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 PRC makes decisions about PAG's risk steering, oversees its subsidiary PFS's risk steering framework and through PFS's regular reporting is additionally able to monitor its subsidiary's risk positions and hence manage its own risks.

The pooling of all risk issues within the PRC ensures that a comprehensive perspective on the subject of risk is taken. The responsibilities of the PRC essentially include:

- Proposing resolutions on the business and risk strategies to the Managing Board
- Making decisions about PAG's risk steering framework and overseeing PFS's risk steering framework (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 PAG's 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) as well as monitoring of PFS's risk positions

In addition, the head of PFS's Risk Services unit's regular attendance at the PRC meetings as a guest promotes bilateral exchange of information between PAG and its subsidiary.

In view of the continuing downsizing, the frequency of the PRC's meetings was reduced from the second half of 2015 and changed to once every three months. Against the backdrop of the downsizing of PAG and the fact that following its transfer PFS is no longer included in the Portigon Group's risk reporting, making it no longer necessary to monitor PFS's risk positions, the Managing Board resolved to dissolve the PRC, transferring the PRC's risk steering functions and decision-making powers back to the Managing Board at the same time with effect from March 31, 2016.

The responsibilities of the risk management units at PAG essentially include:

- Risk Services: Controlling of all pertinent risks and overall risk steering based on the risk-bearing capacity, internal and regulatory reporting, development and updating of the risk strategy and risk policies, measurement and steering of operational 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 risk classification and approving commitments and complete loan administration

- Loan & Portfolio Management: Management and implementation of the Foreign Locations Wind Down project, oversight and management of the smaller branches in EMEA and APAC, competence centre for guarantees for the risks guaranteed by EAA, management of PAG's own equity investments, processing of events of liquidation not transferred to EAA, performance of tasks in connection with the deposit base opportunities process

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 the Supervisory Board receive targeted, unbiased reports about all developments which are significant from the perspective of capital and risks.

The "Risk Situation Report" provides timely and comprehensive information about Portigon's capital and risk situation in a condensed format. The Group's risk reporting integrates PFS's reporting. The quarterly report, which meets MaRisk requirements for risk reports, provides information on operational risks, market price, liquidity and credit risks, as well as on capital and the risk-bearing capacity.

Portigon publishes additional qualitative and quantitative information in a separate, annual Disclosure Report pursuant to the Capital Requirements Regulation (CRR). 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 the Portigon Group'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. Operational risks may also arise from business activities of the former WestLB. These include risks in connection with possible double-counting of withholding tax in cum-ex transactions; the Bank is not aware of any such cases, however.

The central Operational Risk Controlling unit, which is part of the Risk Services business unit, is in charge of defining the OpRisk management framework as well as related instruments and guidelines. It 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 function 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 Operational Risk Controlling unit.

The central unit cooperates closely with the specialist units, 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, material outsourcing and applications (PFS)
- Risk indicators (PFS)
- Scenario analyses (PFS)
- Monitoring of the measures introduced by the individual business units to reduce operational risks

By way of a resolution by the PRC on June 22, 2015, PAG discontinued its use of risk indicators as an OpRisk instrument. This decision is largely the result of the change in PAG's business purpose. For the calculation of capital using the standardised approach, the collection of data on risk indicators is also no longer relevant.

The scorecard method continues to be used as an incentive system at PFS. The quality of our decentralised operational risk management is periodically measured in various categories and against various criteria.

PAG uses the standardised approach pursuant to Article 317 of the Capital Requirements Regulation (CRR) to determine the regulatory capital charge for its operational risks. PFS calculates its own funds based on fixed overheads in accordance with Article 97 of the CRR. The regulatory operational risk capital charge for the Group was € 95.8 million at December 31, 2015 (December 31, 2014: € 93.7 million).

Alignment of the economic capital (OpRisk EC) with the regulatory capital commitment (RC) is the approach used for PAG. The risks calculated for regulatory purposes (risk-weighted assets) continue to be used for internal steering (economic capital commitment). Application was extended in 2015 to include the stress scenario. For operational risks this comprises the inclusion of a mark-up using a scaling factor, which corresponds to the funds from the existing mark-ups based on the expected loss (EL).

PFS's operational risk indicators were validated in the third quarter of 2015. The OpRisk EC and the Stress EC were reduced substantially because the OpRisk EL fell sharply by around 43% to € 966,000. This is mainly due to the fact that an independent PFS EL calculation that is tailored to PFS's risk profile was performed for the first time from the claims history that is now available. The relatively minor new claims involving PFS in 2015 were appropriately reflected in this calculation. In the past, the EL calculation was derived from the five-year claims history of the Portigon Group. The factors for deriving the PFS OpRisk EC and the Stress EC were maintained following an expert review.

For the Portigon Group, the economic capital charge and stress testing for operational risks stood at € 33.3 million and € 43.0 million respectively as per December 31, 2015.

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 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. Within PFS, this includes managing the integration risks related to acquiring and providing services to new clients. Potential risks as they relate to transfer activities and agreements on the continued provision of portfolio services between PFS and PAG are discussed as part of regular risk reporting at PAG.

Legal Risks

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

Up to December 31, 2015, after several lawsuits had been terminated with a settlement (Stadt Witten, Stadt Ennepetal, Olpe District, Ennepe Ruhr District), PAG/EAA was a defendant in 60 lawsuits brought by 41 municipalities/municipal associations in connection with derivatives business.

At December 31, 2015, PAG had been named in 35 lawsuits brought before various US courts for alleged breaches of duty in quoting USD-LIBOR interest rates. The complaints for another 15 suits have not yet been formally served.

Apart from these civil actions, there have been a number of investigations launched by various German and foreign regulatory authorities (including the Commodity Futures Trading Commission – CFTC, U.S. Department of Justice – DoJ, Financial Conduct Authority – FCA, European Commission and BaFin) into the operations of PAG and other banks in connection with LIBOR and EURIBOR (BaFin only) quotes. With the exception of BaFin's investigations, which were formally ended in a letter dated October 2014 without measures being taken against PAG, staff or governing bodies, none of the other investigations has been formally completed to date. Here, PAG remains convinced that neither it nor its employees can be accused of illegally manipulating the interest rate quotes. Hence, it does not expect any penalties or fines.

With the exception of the exposure to certain litigation 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 derivatives transactions, was transferred to EAA under the spin-off agreement of August 30, 2012. At December 31, 2015, PAG had set aside a reasonable sum of money to cover the litigation expenses of the suits with a determinable risk.

Reputational Risks

PAG's business model entails only very limited reputational risks. These may very well arise as follow-on risks (e.g. of operational risks), but are not material risks as defined by MaRisk.

Business Risks

Business risk refers to the unexpected failure to meet revenue and cost targets including tax risks, defined as impending additional burdens arising in particular from future audits by the tax authorities. Portigon treats business risk as a material risk pursuant to MaRisk.

The planned revenue and cost components are analysed individually and forecasts of the amount and likelihood of unfavourable variances over the next twelve months are prepared. The identification of business risk, thus, is closely interlinked with planning and ongoing controlling. The use of quarterly forecasts ensures the timely consideration of current business developments.

The PRC decides on what scenarios to use when analysing the Group's risk-bearing capacity. There are currently two scenarios: a base scenario for probable variances and a stress scenario for highly unlikely, significant variances.

At the end of 2015, the volume of business risk came to € 5.9 million in the base scenario (December 31, 2014: € 2.7 million) and to € 9.8 million (December 31, 2014: € 3.6 million) in the stress scenario and resulted exclusively from PAG's revenue risk.

Even under the assumptions made in the stress scenario, Portigon's risk-bearing capacity is not in jeopardy because of the company's business risk (twelve-month risk horizon).

Market Price Risks

Portigon classifies market price risk as an immaterial risk.

PAG's own market price risks arise from the investment of equity, from excess liquidity and from all hedging activities for the funding activities. The interest rate sensitivities resulting from these risks are marginal. A number of market risks still arise over time from the future payments to fulfil the post-employment benefit obligations. To cover these, Portigon decided in December 2015 to purchase long-term fixed-interest securities of the State of North Rhine-Westphalia whose cash flow structure matches the currently expected future cash flows from the payment obligations (asset-liability matching). The credit spread sensitivity from these notes is significant, but due to the classification as a trading book position acquired to be held long term is not relevant for control and therefore does not constitute a material risk.

The market price risks of the risk-transferred positions rest with EAA.

The monitoring and limits on market price risks are subject to interest rate sensitivities per currency, maturity range and base curve as well as foreign exchange positions and stress tests for capping non-linear risks.

In addition, stress tests are used to quantify interest rate risk for Portigon by determining the change in present value of relevant positions. The interest rate shock scenarios which BaFin defined for Portigon are "+200 basis points" and "–200 basis points". These stress scenarios satisfy both the current regulatory requirements for monitoring interest rate risk in the banking book and the sensitivities of the internal requirements for market price risk management.

At the end of December 2015, the regulatory 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 € 12 million in value (December 31, 2014: € 13 million). This corresponded to a maximum of 0.5% of regulatory own funds at the end of December 2015. The threshold at which such exposure becomes reportable to the supervisory authorities in the form of an ad hoc notice equals 20% of regulatory own funds.

Liquidity Risks

Portigon treats liquidity risk as an immaterial risk.

Even after the outflows resulting from the investment in long-term securities of the State of North Rhine-Westphalia to cover the post-employment benefit obligations, Portigon's liquidity is guaranteed at all times.

The Balance Sheet Management function unit is responsible for managing the Group's liquidity. Over and above that, the Risk Services business unit independently monitors liquidity risks, whilst the Finance, Controlling & Taxes business unit 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.

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.

All of the model assumptions used in the stress test and their parameter calibration are subject to annual validation.

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

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, the ratio averaged 3.51 in the period from January to December 2015, which was an improvement on the previous year's average of 2.74. PAG's liquidity was safeguarded at all times in the period under review.

Counterparty Credit Risks

Portigon classifies counterparty credit risk as an immaterial risk.

In accordance with the decision taken by the European Commission on December 20, 2011, Portigon may hold a limited volume of risk-weighted assets (RWA) only for a limited period of time. 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. Because this risk has a low probability of occurrence, it is insignificant from an economic standpoint.

The review, evaluation, monitoring, steering and decision-making in respect of counterparty credit risks are based on documented, uniform standards and processes. The dismantling of the IRBA credit processes and the changeover of internal credit risk steering to the Credit Risk Standard Approach (CRSA) plus the further alignment and streamlining of all ratings-based processes and regulations were respectively implemented and driven forward in 2015.

Specifically, the "PAG risk classification procedure", which replaces the internal rating process, was implemented in May 2015. This is a simplified risk classification procedure that complies with the Minimum Requirements for Risk Management (MaRisk).

There were individual value adjustments and credit provisions of € 65.6 million in the reporting year (previous year: € 108.2 million), which were formed prior to the assumption of risks by EAA and exclusively relate to positions guaranteed by EAA. Income from the provisions for credit risks totalled € 32.0 million (previous year: € 8.3 million). As a result of the transfer of positions to EAA and Helaba, Portigon is no longer exposed to any appreciable credit risks from its former lending operations.

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

Counterparty credit risks arising from trading activities: In 2015, the methodology and limits set for managing counterparty risk arising from over-the-counter (OTC) derivatives were changed over to a conservative approach in two steps without taking netting effects or collateral into consideration.

Equity Holding Risks

In essence, equity holding risk is no longer a material risk for PAG, since the investment-orientated equity has been transferred to EAA and the risks from the few operating holdings that are needed in particular to sustain business operations are limited.

Capital Utilisation

Usage of Regulatory Capital

Portigon calculates its ratios according to the CRR/CRD IV framework. The Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR) are the EU directive and EU regulation through which the rules on the prudential supervision of banks attributable mainly to Basel III are being implemented at European level. The new regulatory framework entered into force on January 1, 2014 (and contains various transitional arrangements). The minimum Common Equity Tier 1 ratio is 4.5% and the minimum Tier 1 ratio is 6%; the capital requirement for the total capital ratio remains at 8%.

Portigon exceeded the minimum requirements at all times in 2015.

Portigon has declared to BaFin that it is prepared to maintain its total capital ratio at all times, even in light of the expected losses planned for the following years.

Risk-Weighted Assets and Equity Ratios Pursuant to CRR/CRD IV

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions after result for the year	Dec. 31, 2014 € millions after result for the year	**Dec. 31, 2015 € millions after result for the year**	Dec. 31, 2014 € millions after result for the year
Total risk-weighted assets	1,204.2	1,724.0	622.0	1,072.6
thereof counterparty credit risks	187.1	338.6	218.3	498.3
thereof credit valuation adjustment (CVA)	17.2	37.4	17.2	37.4
thereof operational risks	386.6	360.0	386.6	360.0
thereof additional risk exposure amount due to fixed overheads	613.3	811.1	–	–
Total risk exposure amount for position, foreign-exchange and commodities risks	–	176.9	–	176.9
Own funds	2,863.0	3,045.8	2,797.5	3,130.2
Total capital ratio in %	237.8	176.7	449.7	291.8
Tier 1 capital	1,901.6	1,866.3	1,836.1	1,950.7
Tier 1 capital ratio in %	157.9	108.3	295.2	181.9
Common Equity Tier 1 capital	1,767.1	1,719.9	1,694.3	1,781.5
Common Equity Tier 1 capital ratio in %	146.8	99.8	272.4	166.1

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 continues to distinguish between two steering frameworks. The going-concern approach is the primary steering framework. In addition, the liquidation approach is used to measure the risk-bearing capacity annually. The risk-bearing capacity is examined in both approaches over a period of twelve months from the respective reporting date.

The starting point for determining the sources of risk-bearing capacity is the Tier 1 capital under the CRR, which represents the risk-taking potential. The liquidation approach also includes Tier 2 capital in 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.

To steer the material risks which are an inherent part of its business or largely unavoidable, Portigon set a risk appetite in the going-concern approach of € 150 million, which still left significant sources of risk-bearing capacity to cover adverse business developments and immaterial risks. As material risks, business risk and operational risk are weighed against the risk appetite directly and monitored through the continuous reporting. By contrast, the risks defined as immaterial are managed using separate operating limits or suitable processes such as the investment strategy.

The liquidation approach measures the sources of risk-bearing capacity against the same risk types as in the going-concern approach, but also adds a charge for the immaterial counterparty credit risk and market price risk. Operational risks and business risks are determined the same way as in the going-concern approach, whilst market price and counterparty credit risks are derived from the regulatory capital. The total risk potential is the sum of the individual risks. In addition to determining the sources of risk-taking capacity over a twelve-month period, a longer-dated analysis identifying the sources of risk-taking capacity through year-end 2018 is also performed.

Stress tests on the risk-bearing capacity are run in the going-concern approach only for the material risks. The risk appetite was sufficient to cover potential negative developments in 2015.

Reverse stress testing is limited to the scenario of an EAA default. Were EAA to default, the credit risks and market price risks as well as legal risks guaranteed by EAA could revert back to Portigon. 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. 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 between now and the end of 2016 which would make it impossible for Portigon to continue as a going-concern.

There are plans to comprehensively revise PAG’s risk strategy and the risk audit included therein following the transfer of PFS to EAA. At the same time, PAG’s risk-bearing capacity concept will be modified; this also considers the long-term solution arrived at in December 2015 for the management of pension obligations to former and active employees in Germany.

Concluding Remarks on the Risk Situation

Portigon’s material risks for purposes of MaRisk are operational risk and business risk. All other types of risk are considered immaterial.

Operational risks are identified, steered and monitored by the central Operational Risk Controlling unit with the assistance of the individual business units. The instruments deployed help capture and steer all material operational risks of Portigon’s business. No substantial increase in risks was observed in 2015 either, despite the company’s transformation.

Even under the assumptions made in the stress scenario, Portigon's risk-bearing capacity is not in jeopardy because of the company's business risk. There is no indication that the operational risk or business risk Portigon faces could produce a loss between now and the end of 2016 which would make it impossible for Portigon to continue as a going-concern.

Portigon exceeded the capital backing required by the CRR at all times in 2015.

Opportunities Report

Just as there have been structural changes in the Portigon Group, in particular the transfer of a substantial portion of the service business from Portigon AG to PFS, the allocation of opportunities has changed in line with the amended business purpose.

Viewed in isolation, the opportunities of Portigon AG essentially relate to its ability, in conjunction with managing the remaining assets, to press ahead with the process of dismantling the former WestLB more quickly and more efficiently than currently projected for the next years. This applies both to personnel matters and organisational issues. There is potential for additional savings with respect to headcount reductions, the remaining IT platform and the related process adjustments. The degree to which cost savings above planned levels can be achieved or additional costs are incurred depends on the further course of the transformation and cannot be predicted at this time.

Another factor in this regard is the administration of the remaining items on the balance sheet, taking into account the conditions set by the European Commission and changes in the related risks. To what extent this process will lead to results that are better than those which are currently planned or captured on the balance sheet remains to be seen.

Events Occurring After the Close of the Fiscal Year

Portigon AG is transferring all interests in its service subsidiary Portigon Financial Services GmbH (PFS) to Erste Abwicklungsanstalt (EAA). The agreement was signed on February 17, 2016. It includes contractual arrangements regarding PFS's pension liabilities. The transaction is expected to be closed before the end of the first quarter of 2016.

The transfer of PFS to EAA is part of a redistribution of tasks between PAG, PFS and EAA. In this connection, PAG and EAA worked out the details of the agreement in principle for bilateral collaboration in portfolios that on account of transfer obstacles are still held on PAG's balance sheet even though the risks lie with EAA.

Outlook

The structural changes at Portigon AG will continue to have an effect on the company's cash flows, financial condition and results of operations in subsequent years. There will be a sharp reduction in Portigon AG's total assets, especially as additional assets are retrospectively transferred in rem to EAA and derivatives held in trust for EAA are novated.

Our subsidiary Portigon Financial Services GmbH (PFS) states in its outlook that the contract for the acquisition of the interests in PFS by EAA was signed on February 17, 2016 and the transaction is expected to be closed in March 2016. Completion of this transaction as envisaged is a prerequisite that the conditions set by the European Commission, which specify that if a privatisation should fail by December 31, 2016 PFS is required to discontinue its activities with effect from December 31, 2017, cease to apply and PFS's operations can in the future be focused on the medium-term time horizon outlined by EAA's wind-down plan and this company's demand for services.

In summary, it should be noted that the transformation process remains replete with uncertainty. This may have an adverse effect on the company's cash flows, financial condition and results of operations. Medium-term expectations for Portigon AG indicate that income will remain insufficient to cover the administrative expenses which continue to be incurred at this time. We are proceeding on the assumption that Portigon AG will show a loss in the low hundreds of millions for the 2016 fiscal year. The occurrence of further, more extensive restructuring expenses depends on the further course of the transformation. As a consequence of the structural changes, the equity capital of the Portigon Group will approximate the equity capital of Portigon AG over time.

Portigon Group Balance Sheet as at December 31, 2015

Assets

	€	€	31. 12. 2015 €	31. 12. 2014 € thousands
1. Cash				
a) cash on hand		7,353.19		12
b) balances with central banks		2,949,325,683.18		1,940,903
including:			2,949,333,036.37	1,940,915
with Deutsche Bundesbank				
€ 2,057,186,314.03 (2014: € 89,530 thousand)				
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		27,555,379.51		3,094
			27,555,379.51	3,094
3. Claims on banks				
a) payable on demand		72,968,993.80		410,525
b) other		337,645,642.86		1,588,109
			410,614,636.66	1,998,634
4. Claims on customers			4,045,714,130.36	5,320,394
including:				
loans to public authorities and entities				
under public law				
€ 4,025,111,811.06 (2014: € 5,260,567 thousand)				
5. Bonds and other interest-bearing				
securities				
a) bonds and notes				
aa) of public institutions	269,555,951.17			969,011
including:				
eligible as collateral for				
Deutsche Bundesbank advances				
€ 8,145,740.89 (2014: € 651,865 thousand)				
ab) of other issuers	11,643,065.48			4,831
including:		281,199,016.65		973,842
eligible as collateral for				
Deutsche Bundesbank advances				
€ 0.00 (2014: € 4,724 thousand)			281,199,016.65	973,842
		To be carried forward:	7,714,416,199.55	10,236,879

Assets

	€	€	31. 12. 2015 €	31. 12. 2014 € thousands
		Carried forward:	7,714,416,199.55	10,236,879
6. Equity investments in			29,811,525.06	36,456
non-affiliated companies				
including:				
banks				
€ 0.00 (2014: € 0 thousand)				
7. Equity investments in affiliated companies			1,325,205.20	2,038
8. Trust assets			5,800,112,999.19	8,450,548
9. Intangible assets				
a) licences acquired against payment,				
industrial property rights and				
similar rights and assets, as well as				
licences to such rights and assets		1,805,190.24		3,061
			1,805,190.24	3,061
10. Tangible assets			18,597,474.18	135,422
11. Other assets			210,125,824.94	149,492
12. Deferred items			296,160,214.94	302,334
13. Deferred tax assets			0.00	21,181
Total assets			14,072,354,633.30	19,337,411

Portigon Group Balance Sheet as at December 31, 2015

Liabilities

	€	€	31. 12. 2015 €	31. 12. 2014 € thousands
1. Liabilities to banks				
a) payable on demand		55,024,158.24		117,298
b) with agreed maturity or				
period of notice		175,073,570.24		148,549
			230,097,728.48	265,847
2. Liabilities to customers				
a) other liabilities				
aa) payable on demand	919,208,494.35			2,117,083
ab) with agreed maturity or				
period of notice	1,999,493,808.13			2,154,458
		2,918,702,302.48		4,271,541
			2,918,702,302.48	4,271,541
3. Certificated liabilities				
a) bonds and notes issued by the bank		33,003,280.20		33,895
			33,003,280.20	33,895
4. Trust liabilities			5,800,112,999.19	8,450,548
5. Other liabilities			122,062,472.04	120,943
6. Deferred items			273,449,601.23	324,650
7. Provisions				
a) for pensions and similar				
obligations		764,314,399.24		721,197
b) tax reserve		64,697,532.72		245,807
c) other		683,044,966.55		871,611
			1,512,056,898.51	1,838,615
8. Subordinated liabilities			1,186,474,929.73	1,997,238
9. Profit participation capital			14,036,898.56	17,144
including:				
due in less than two years				
€ 0.00 (2014: € 2,381 thousand)				
		To be carried forward:	12,089,997,110.42	17,320,421

Liabilities

	€	€	31. 12. 2015 €	31. 12. 2014 € thousands
		Carried forward:	12,089,997,110.42	17,320,421
10. Equity capital				
a) subscribed capital				
divided into				
Class A registered shares	498,649,007.45			498,649
Class B registered shares	0.00			0
		498,649,007.45		498,649
b) silent contributions to capital		1,627,882,202.07		1,712,124
c) equity earned by the group				
ca) revenue reserves	149,378,755.99			254,530
cb) loss carried forward from the				
previous year	– 215,843,383.23			– 183,248
cc) consolidated loss for the year				
(Portigon AG's interest)	– 28,740,655.02			– 222,831
		– 95,205,282.26		– 151,549
d) currency translation difference		– 48,968,404.38		– 48,970
e) minority interest in capital and earned results		0.00		6,736
			1,982,357,522.88	2,016,990
Total liabilities			14,072,354,633.30	19,337,411
1. Contingent liabilities				
a) liabilities from guarantees and				
indemnity agreements		66,559,904.96		121,920
			66,559,904.96	121,920
2. Other commitments				
a) irrevocable credit commitments		185,604,382.93		297,718
			185,604,382.93	297,718

Portigon Group Statement of Income

for the Period January 1 to December 31, 2015

	€	€	1. 1.–31. 12. 2015 €	1. 1.–31. 12. 2014 € thousands
1. Interest from				
a) lending and money market transactions	328,967,834.01			380,156
b) interest-bearing securities and				
book-entry securities	15,853,675.29			26,970
		344,821,509.30		407,126
2. Negative interest from				
a) lending and money market transactions		3,338,698.78		179
3. Interest paid		238,585,603.13		269,668
			102,897,207.39	137,279
4. Current income from				
a) shares and other				
non-interest-bearing securities		0.00		0
b) equity investments in				
non-affiliated companies		7,163.00		617
c) equity investments in				
affiliated companies		15,281.95		6
			22,444.95	623
5. Commission income		184,331,552.81		270,028
6. Commission paid		52,071,483.56		75,166
			132,260,069.25	194,862
7. Other operating income			190,554,224.80	57,033
8. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	114,217,693.88			149,469
ab) compulsory social security				
contributions and expenses				
for pensions and other				
employee benefits	29,382,321.79			69,879
including:		143,600,015.67		219,348
for pensions				
€ 16,787,440.78 (2014: € 48,607 thousand)				
b) other administrative expenses		215,546,063.81		252,016
			359,146,079.48	471,364
9. Depreciation and value adjustments				
on tangible and intangible assets			3,936,997.53	10,606
10. Other operating expenses			133,995,430.18	201,589
11. Income from revaluation of loans and				
certain securities as well as from the				
reversal of loan loss provisions			32,023,368.29	8,289
		To be carried forward:	– 39,321,192.51	– 285,473

for the Period January 1 to December 31, 2015

	€	€	1. 1.–31. 12. 2015 €	1. 1.–31. 12. 2014 € thousands
		Carried forward:	– 39,321,192.51	– 285,473
12. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets			0.00	0
13. Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets			915,953.48	13,573
14. Expenses from the assumption of losses			709,349.00	3,176
15. Profit or loss on ordinary activities			– 39,114,588.03	– 275,076
16. Extraordinary income		26,317,278.71		9,631
17. Extraordinary expenses		223,326,225.68		112,132
18. Extraordinary result			– 197,008,946.97	– 102,501
19. Taxes on income and revenues		– 209,781,525.27		– 143,715
including: income tax charge from changes in the recognition of deferred taxes € 0.00 (2014: € – 21,181 thousand)				
20. Other taxes not shown under item 10		2,364,450.23		– 12,652
			– 207,417,075.04	– 156,367
21. Consolidated loss for the year			– 28,706,459.96	– 221,210
thereof: minority interests in profit/loss € 34,195.06 (2014: € 1,621 thousand)				

Portigon AG Balance Sheet as at December 31, 2015

Assets

			31. 12. 2015	31. 12. 2014
	€	€	€	€ thousands
1. Cash				
a) cash on hand		7,254.35		12
b) balances with central banks		2,949,325,683.18		1,940,903
including:			2,949,332,937.53	1,940,915
with Deutsche Bundesbank				
€ 2,057,186,314.03 (2014: € 89,530 thousand)				
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		27,555,379.51		3,094
			27,555,379.51	3,094
3. Claims on banks				
a) payable on demand		71,551,868.42		409,308
b) other		337,645,642.86		1,588,109
			409,197,511.28	1,997,417
4. Claims on customers			4,043,960,625.90	5,315,907
including:				
loans to public authorities and entities				
under public law				
€ 4,025,111,811.06 (2014: € 5,260,567 thousand)				
5. Bonds and other interest-bearing				
securities				
a) bonds and notes				
aa) of public institutions	269,555,951.17			969,011
including:				
eligible as collateral for				
Deutsche Bundesbank advances				
€ 8,145,740.89 (2014: € 651,865 thousand)				
ab) of other issuers	11,643,065.48			4,831
including:		281,199,016.65		973,842
eligible as collateral for				
Deutsche Bundesbank advances				
€ 0.00 (2014: € 4,724 thousand)			281,199,016.65	973,842
		To be carried forward:	7,711,245,470.87	10,231,175

Assets

	€	€	31. 12. 2015 €	31. 12. 2014 € thousands
		Carried forward:	7,711,245,470.87	10,231,175
6. Equity investments in				
non-affiliated companies			29,811,873.29	36,456
including:				
banks				
€ 0.00 (2014: € 0 thousand)				
7. Equity investments in affiliated companies			28,338,124.80	194,356
including:				
financial services institutions				
€ 27,013,622.87 (2014: € 80,014 thousand)				
8. Trust assets			5,800,112,999.19	8,450,548
9. Intangible assets				
a) licences acquired against payment,				
industrial property rights and				
similar rights and assets, as well as				
licences to such rights and assets		33,802.51		1,584
			33,802.51	1,584
10. Fixed assets			18,354,031.77	26,230
11. Other assets			204,633,065.92	143,725
12. Deferred items			291,906,770.76	300,111
Total assets			14,084,436,139.11	19,384,185

Portigon AG Balance Sheet as at December 31, 2015

Liabilities

	€	€	31. 12. 2015 €	31. 12. 2014 € thousands
1. Liabilities to banks				
a) payable on demand		55,023,961.89		117,298
b) with agreed maturity or				
period of notice		175,073,570.24		148,549
			230,097,532.13	265,847
2. Liabilities to customers				
a) other liabilities				
aa) payable on demand	1,118,395,309.71			2,272,183
ab) with agreed maturity or				
period of notice	2,022,788,312.45			2,177,748
		3,141,183,622.16		4,449,931
			3,141,183,622.16	4,449,931
3. Certificated liabilities				
a) bonds and notes issued by the bank		10,003,280.20		10,895
			10,003,280.20	10,895
4. Trust liabilities			5,800,112,999.19	8,450,548
5. Other liabilities			111,815,397.70	113,439
6. Deferred items			273,449,601.23	324,650
7. Provisions				
a) for pensions and similar				
obligations		720,608,003.24		687,744
b) tax reserve		64,697,532.72		245,732
c) other		634,627,188.75		825,592
			1,419,932,724.71	1,759,068
8. Subordinated liabilities			1,186,926,316.06	1,997,733
9. Profit participation capital			14,036,898.56	17,144
including:				
due in less than two years				
€ 0.00 (2014: € 2,381 thousand)				
		To be carried forward:	12,187,558,371.94	17,389,255

Liabilities

	€	€	31. 12. 2015 €	31. 12. 2014 € thousands
		Carried forward:	12,187,558,371.94	17,389,255
10. Equity capital				
a) subscribed capital				
divided into				
Class A registered shares	498,649,007.45			498,649
Class B registered shares	0.00			0
		498,649,007.45		498,649
b) silent contributions to capital		1,627,882,202.07		1,712,124
c) retained loss		– 229,653,442.35		– 215,843
			1,896,877,767.17	1,994,930
Total liabilities			14,084,436,139.11	19,384,185
1. Contingent liabilities				
a) liabilities from guarantees and indemnity agreements		66,559,904.96		121,920
			66,559,904.96	121,920
2. Other commitments				
a) irrevocable credit commitments		185,604,382.93		297,718
			185,604,382.93	297,718

Portigon AG Statement of Income

for the Period January 1 to December 31, 2015

	€	€	1. 1.–31. 12. 2015 €	1. 1.–31. 12. 2014 € thousands
1. Interest from				
a) lending and money market transactions	329,267,605.20			380,420
b) interest-bearing securities and				
book-entry securities	15,853,675.29			26,970
		345,121,280.49		407,390
2. Negative interest from				
a) lending and money market transactions		3,338,698.78		179
3. Interest paid		239,528,906.77		268,181
			102,253,674.94	139,030
4. Current income from				
a) shares and other				
non-interest-bearing securities		0.00		0
b) equity investments in				
non-affiliated companies		7,163.00		617
c) equity investments in				
affiliated companies		6,488.77		5,393
			13,651.77	6,010
5. Commission income		38,674,481.01		166,227
6. Commission paid		52,071,483.56		75,161
			– 13,397,002.55	91,066
7. Other operating income			135,407,948.79	82,153
8. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	58,922,833.04			103,710
ab) compulsory social security				
contributions and expenses				
for pensions and other				
employee benefits	21,202,311.75			40,551
including:		80,125,144.79		144,261
for pensions				
€ 13,770,723.78 (2014: € 27,015 thousand)				
b) other administrative expenses		173,174,965.17		191,097
			253,300,109.96	335,358
9. Depreciation and value adjustments				
on tangible and intangible assets			2,021,849.71	4,295
10. Other operating expenses			124,376,093.80	220,959
11. Income from revaluation of loans and				
certain securities as well as from the				
reversal of loan loss provisions			32,023,368.29	8,289
		To be carried forward:	– 123,396,412.23	– 234,064

for the Period January 1 to December 31, 2015

	€	€	1. 1.–31. 12. 2015 €	1. 1.–31. 12. 2014 € thousands
		Carried forward:	– 123,396,412.23	– 234,064
12. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets			0.00	72,076
13. Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets			14,118,601.92	0
14. Expenses from the assumption of losses			709,349.00	3,176
15. Profit or loss on ordinary activities			– 109,987,159.31	– 309,316
16. Extraordinary income		26,317,278.71		9,631
17. Extraordinary expenses		223,326,225.68		72,840
18. Extraordinary result			– 197,008,946.97	– 63,209
19. Taxes on income and revenues		– 209,963,591.80		– 122,616
including: income tax charge from changes in the recognition of deferred taxes € 0.00 (2014: € 0 thousand)				
20. Other taxes not shown under item 10		1,862,201.41		– 13,357
			– 208,101,390.39	– 135,973
21. Net loss for the year			– 98,894,715.89	– 236,552
22. Loss carried forward from the previous year			215,843,383.23	183,248
23. Withdrawals from profit participation capital			842,615.65	3,593
24. Withdrawals from silent contributions to capital			84,242,041.12	200,364
25. Retained loss			– 229,653,442.35	– 215,843

Cash Flow Statement

The cash flow statement shows the changes in cash funds for the year in terms of cash flows from operating activities, investing activities and financing activities. In accordance with GAS 21.A2.5 et seq., the cash and cash equivalents shown correspond to the balance sheet items “Cash” and “Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks”.

In accordance with the provisions of GAS 21.A2.14, cash flows from operating activities are defined on the basis of the operating activities of a credit institution. These are calculated indirectly – starting with the profit/loss for the period and a number of adjustments specified by the GAS as well as the increases or decreases in receivables, securities, (certificated) liabilities and other assets and other liabilities.

In accordance with GAS 21.A2.20, cash flows from investing activities include proceeds and cash payments related to additions and disposals of items of fixed assets as well as effects from changes in the basis of consolidation. The proceeds from disposal of long-term financial assets largely result from a substantial decrease in bonds and other interest-bearing securities as these mature (see also item 8 of the combined notes).

In accordance with GAS 21.A2.22, cash flows from the financing activities of credit institutions include cash flows from transactions with equity providers and minority shareholders of consolidated subsidiaries, and from other capital. The cash outflow is mainly due to the repayment of subordinated liabilities.

At December 31, 2015, assets of € 198.3 million were subject to a restriction within the meaning of GAS 21.52e.

Cash Flow Statement		Dec. 31, 2015 € millions
Consolidated net income/net loss for the financial year including minority interest		– 28.7
+/–	Depreciation, amortisation and write-downs of and valuation allowances on receivables and items of fixed assets/ reversals of such write-downs and valuation allowances	– 28.1
+/–	Increase/decrease in provisions	105.6
+/–	Other non-cash expenses/income	197.0
–/+	Gain/loss on disposal of fixed assets	– 50.0
–/+	Other adjustments (net)	150.5
Subtotal		346.3
Change in assets and liabilities from operating activities		
–/+	Increase/decrease in claims on banks	1,566.6
–/+	Increase/decrease in claims on customers	1,428.0
–/+	Increase/decrease in other assets relating to operating activities	– 250.4
+/–	Increase/decrease in liabilities to banks	– 35.7
+/–	Increase/decrease in liabilities to customers	– 1,352.8
+/–	Increase/decrease in certificated liabilities	– 0.9
+/–	Increase/decrease in other liabilities from operating activities	– 566.2
+/–	Interest expense/interest income	– 102.9
+/–	Expenses for/income from extraordinary items	197.0
+/–	Income tax expense/income	– 209.8
+	Interest and dividend payments received	355.2
–	Interest paid	– 379.1
–/+	Income taxes paid	– 36.7
=	Cash flows from operating activities	958.4
+	Proceeds from disposal of long-term financial assets	729.4
–	Payments to acquire long-term financial assets	– 30.1
+	Proceeds from disposal of tangible fixed assets	10.5
–	Payments to acquire tangible fixed assets	– 3.9
+	Proceeds from disposal of intangible fixed assets	–
–	Payments to acquire intangible fixed assets	– 1.4
+	Proceeds from disposal of reporting entity	178.5
=	Cash flows from investing activities	882.9
+	Proceeds from capital contributions by shareholders of the parent entity	–
+	Proceeds from capital contributions by minority shareholders	–
–	Cash payments to shareholders of the parent entity from the redemption of shares	–
–	Cash payments to minority shareholders from the redemption of shares	–
+	Cash receipts from extraordinary items	–
–	Cash payments for extraordinary items	–
–	Dividends paid to shareholders of the parent entity	–
–	Dividends paid to minority shareholders	–
+/–	Changes in cash funds relating to other capital (net)	– 808.4
=	Cash flows from financing activities	– 808.4
Net change in cash funds		1,032.9
+/–	Effect on cash funds of exchange rate movements and remeasurements	–
+/–	Effect on cash funds of changes in the basis of consolidation	–
+	Cash funds at beginning of period	1,944.0
=	Cash funds at end of period	2,976.9

Statement of Changes in Equity

Portigon Group

	Equity capital of Portigon AG					Minority interest			Total group equity
€ millions	Subscribed capital/ Ordinary shares	Silent contri-butions to capital	Equity earned by the group	Accumulated other gains and losses recognised directly in equity*	Equity	Minority interest in capital and earned results	Accumulated other gains and losses recognised directly in equity*	Equity	
Balance at December 31, 2013	498.6	1,912.5	– 133.0	– 52.2	2,225.9	10.5	–	10.5	2,236.4
Withdrawals from profit participation capital			3.6		3.6			–	3.6
Allocations to silent contributions to capital		–			–			–	–
Withdrawals from silent contributions to capital		– 200.4	200.4		–			–	–
Dividends paid			–		–			–	–
Changes in reporting entity				–	–	– 3.5		– 3.5	– 3.5
Other changes			0.3	–	0.3	– 1.8		– 1.8	– 1.5
Group net loss for the year			– 222.8		– 222.8	1.6		1.6	– 221.2
Other gains and losses recognised directly in equity			–	3.2	3.2	–	–	–	3.2
Total recognised results for the group	–	–	– 222.8	3.2	– 219.6	1.6	–	1.6	– 218.0
Balance at December 31, 2014	498.6	1,712.1	– 151.5	– 49.0	2,010.2	6.8	–	6.8	2,017.0
Withdrawals from profit participation capital			0.8		0.8			–	0.8
Allocations to silent contributions to capital		–			–			–	–
Withdrawals from silent contributions to capital		– 84.2	84.2		–			–	–
Dividends paid			–		–			–	–
Changes in reporting entity				–	–	– 6.8		– 6.8	– 6.8
Other changes			–	–	–	–		–	–
Group net loss for the year			– 28.7		– 28.7	–		–	– 28.7
Other gains and losses recognised directly in equity			–	–	–	–	–	–	–
Total recognised results for the group	–	–	– 28.7	–	– 28.7	–	–	–	– 28.7
Balance at December 31, 2015	498.6	1,627.9	– 95.2	– 49.0	1,982.3	0.0	–	0.0	1,982.3

* translation differences

Combined Notes to the Annual and Consolidated Financial Statements at December 31, 2015

General Information

1. Preparation of Annual and Consolidated Financial Statements

Portigon AG is required to prepare single-entity annual financial statements and a statement of financial condition in accordance with § 242 in conjunction with § 264 of the German Commercial Code (HGB) in addition to consolidated annual financial statements and a Group statement of financial condition in accordance with § 340i (1) in conjunction with §§ 290 et seq. of the German Commercial Code (HGB).

The notes to the single-entity and consolidated financial statements of Portigon AG are combined in accordance with § 298 (3) of the German Commercial Code (HGB). Unless otherwise stated, the figures apply to both the consolidated and the single-entity financial statements of Portigon AG. Information which may appear either on the balance sheet or in the Notes has been included in the Notes. The statement of financial condition and Group statement of financial condition of Portigon AG are likewise combined in accordance with § 315 (3) in conjunction with § 298 (3) of the German Commercial Code (HGB).

The consolidated annual financial statements and 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 and the relevant provisions of the German Stock Corporation Act. In addition, the consolidated financial statements follow the German Accounting Standards (GAS), as amended, that were adopted by the Accounting Standards Committee of Germany (ASCG) and published by the Federal Ministry of Justice and Consumer Protection.

The single-entity and consolidated annual financial statements are submitted to the operator of the Bundesanzeiger (Federal Gazette) (www.bundesanzeiger.de) and published in accordance with § 325 and § 328 in conjunction with § 298 (3) of the German Commercial Code (HGB).

2. Accounting and Valuation Principles

The accounting and valuation principles used for the consolidated and the single-entity annual financial statements of Portigon AG are essentially the same.

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. Deferred items relating to premiums and discounts from underwriting and lending are valued according to the effective interest method. 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. Non-interest-bearing loans to employees are reported at their outstanding principal balance. Bills of exchange, as well as treasury bills and non-interest-bearing treasury bonds, are discounted and shown with the effective discount rate. Zero-coupon bonds issued are carried as liabilities at their issue price plus share in the difference between the issue price and redemption value at 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). The global value adjustments formed on the basis of overseas regulatory requirements were reversed in the reporting period due to the closure of the branch concerned.

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. Prevailing opinion, in legal terms, holds that such transactions constitute non-cash loans. The lender is obliged to transfer ownership of the securities to the borrower; the borrower assumes all rights pertaining to the securities. However, the securities lender remains the beneficial owner of the lent securities according to prevailing opinion. This means that borrowed securities are not reported on the balance sheet, whilst lent securities continue to be carried on the balance sheet due to the beneficial ownership.

The accounting treatment of structured financial instruments follows the accounting practice statement issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) 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. Portigon has had no trading portfolio to report since that date.

During the transformation in 2012, there was a synthetic transfer of derivatives by means of a risk transfer agreement to Erste Abwicklungsanstalt (EAA). The execution of the agreement created a fiduciary relationship, i.e. fiduciary trust, under German commercial law, with Portigon AG as the trustee and EAA as the grantor. A derecognition of these 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 or the obligations are transferred in rem to EAA, these derivatives and corresponding offsetting positions will continue to be reported on Portigon’s balance sheet. As a result, the derivatives and corresponding matching claims and obligations vis-à-vis EAA are reported as trust assets and trust liabilities pursuant to § 6 (1) of the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV). Further subsequent measurement at fair value beyond December 31, 2014 was decided against, however. Instead, starting in the reporting period, derivatives and corresponding matching claims and obligations are measured at amortised cost, the basis of which is the fair value most recently determined at December 31, 2014. This is due to the fact that in the trust assets or trust liabilities changes in the market value presented in the same amount in each case are no longer significant for Portigon AG's business model. With the progressive restructuring of Portigon AG as purely administrative operations, for which the crucial decisions and arrangements were made in the first half of 2015, the business model is focused on the downsizing of the portfolio, particularly the assets and liabilities not transferred in rem and the associated cost reductions. As a consequence of the decision not to measure the derivatives held in trust at fair value and to present them instead as simply noted items, the changes in the portfolio arising from maturities and novations must be taken directly from the balance sheet, which increases the informative value of the financial statements in a year-on-year comparison. Otherwise, this difference in the measurement method does not have any effect on the company's cash flows, financial condition and results of operations. In this respect, the change in method constitutes a justified exception from the principle of consistency of measurement pursuant to § 252 (2) of the German Commercial Code (HGB).

The items held in trust for EAA 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 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.

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, it determines on a 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 Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) 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 § 340a in conjunction with § 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. Collateral already furnished, particularly guarantees, is taken into account in the measurement of the write-downs. Pursuant to § 340c (2) of the German Commercial Code (HGB), expenses arising from write-downs of shares in affiliated and non-affiliated enterprises and securities treated as fixed assets are offset by the income from write-ups as well as by the expenses and income from transactions with such assets.

Tangible assets and intangible assets acquired against payment are depreciated or amortised over their expected 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 to capitalise the costs attributable to the development of internally generated intangible assets.

The other assets are recognised at the lower of cost or market.

Provisions are recognised at the settlement amount that is required by prudent business judgement. 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 the end of each month on the Deutsche Bundesbank website.

Assets that meet the requirements for offsetting plan assets in accordance with § 246 (2) Sentence 2 of the German Commercial Code (HGB) are measured at their fair value in accordance with § 253 (1) Sentence 4 of the German Commercial Code (HGB) and offset against the related post-employment benefit obligations.

The first-time application on January 1, 2010 of the changes in the accounting for provisions 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 the 2010 fiscal year. Surpluses were revealed for another portion of the other provisions. In this case, Portigon elected to retain the surpluses until their final reversal in the previous year pursuant to Article 67 (1) Sentence 2 of the Introductory Act to the German Commercial Code (EGHGB).

The negative interest paid for cash holdings is reported separately in the statement of income in a new item added after interest income. The prior-year amount was adjusted accordingly.

As long as banking services are involved, income from fees for portfolio services we provide to our customers is reported as commission income.

All of the transactions in 2015 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). For risk management purposes, Portigon places 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 specifically hedged transactions into the reporting currency are 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 middle spot exchange rate effective on the reporting date. 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.

Differences between the carrying amounts of assets, liabilities or assets or liabilities under deferred items and their tax base that are expected to reverse in future fiscal years are recognised as deferred taxes. Any resulting aggregate tax liability must be carried as deferred tax liabilities, whereas any resulting tax benefit may be recognised as deferred tax assets. In addition to the temporary differences, tax loss carryforwards are taken into consideration when calculating deferred tax assets. Portigon exercises the option of carrying deferred tax assets in accordance with § 274 (1) Sentence 2 of the German Commercial Code (HGB). However, it does not make use of the option to present the resulting deferred tax assets and liabilities gross in accordance with § 274 (1) Sentence 3 of the German Commercial Code (HGB).

The deferred taxes are measured at the individual tax rates of the company applicable at the balance sheet date or which have already been approved by the legislator and are expected to apply until the deferred tax assets and deferred tax liabilities are utilised. When determining taxes in Germany, a corporate income tax rate of 15% plus 5.5% solidarity surcharge thereon and a trade tax rate were applied, taking the applicable assessment rates into account.

Additional deferred tax assets or deferred tax liabilities are carried in the consolidated financial statements where consolidation adjustments lead to temporary differences that will give rise to tax liabilities or tax benefits in the future. The deferred taxes recognised as a result of the consolidation adjustments in accordance with § 306 of the German Commercial Code (HGB) are offset against the deferred taxes recognised in accordance with § 274.

Shares in subsidiaries which are not consolidated due to their insignificance are presented under equity investments in affiliated companies, whereas other shares that serve to create a long-term relationship with another company are reported under equity investments in non-affiliated companies.

3. Consolidation Principles

In accordance with the provisions of § 300 and § 308 of the German Commercial Code (HGB), the consolidated financial statements are prepared using the accounting and valuation principles applicable to the annual financial statements of Portigon AG.

Acquisition accounting is continued for companies which were consolidated for the first time prior to the entry into force of the German Accounting Law Reform Act (BilMoG) adopted on March 26, 2009, in accordance with the option of retaining the carrying amounts pursuant to Article 66 (3) of the Introductory Act to the German Commercial Code (EGHGB). For this, rather than applying the revaluation method Portigon uses the book value method, which is also permissible up until the transition to the BilMoG, taking the carrying amounts at the Group's balance sheet date as a basis. The option utilised for these subsidiaries before the BilMoG entered into force of deducting differences arising from the acquisition accounting from reserves if positive or adding them to reserves if negative is maintained in compliance with Article 66 (3) of the Introductory Act to the German Commercial Code (EGHGB). The differences in question are recognised in reserves from retained earnings. Since the BilMoG entered into force, companies consolidated for the first time are required to be consolidated using the revaluation method in accordance with § 301 of the German Commercial Code (HGB). In accordance with §§ 301 et seq. of the German Commercial Code (HGB), the offsetting shall be applied on the basis of the amounts at the time when the company became a subsidiary.

All receivables and liabilities, expenses and income, as well as intercompany profits or losses between the entities included in the consolidated financial statements and that are not material in accordance with § 304 (2) of the German Commercial Code (HGB) are eliminated. Deferred taxes are charged on the consolidation adjustments as required.

In the financial statements of subsidiaries prepared in foreign currency, the balance sheet items – with the exception of equity capital, which is translated at the historic exchange rate – are translated at the spot exchange rate at the closing date, while items from the statement of income are translated at the average exchange rate. The cumulative translation differences arising as a result of exchange rate fluctuations are recognised directly in the Group's equity capital under "Currency translation difference".

4. Basis of Consolidation

The Portigon Group specifically included the following companies at December 31, 2015:

Portigon Group (directly consolidated companies)
Portigon AG, Düsseldorf
Portigon Europe (UK) Holdings Ltd., London, United Kingdom
Portigon Finance Curaçao N.V., Willemstad, Curaçao
Portigon Financial Services GmbH, Düsseldorf

The subsidiary GOD Grundstücksverwaltungs GmbH, Mainz, was deconsolidated following its sale on February 27, 2015.

A complete record of all shareholdings pursuant to § 285 No. 11, § 313 (2) and § 340a (4) No. 2 of the German Commercial Code (HGB) is provided in Note 50.

Notes to the Balance Sheet

5. Cash

Cash amounted to € 2,949.3 million (previous year: € 1,940.9 million). The increase mainly results from cash receipts due to the notes reaching maturity.

6. Claims on Banks

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions
Payable on demand	73.0	410.5	71.6	409.3
With residual maturities of				
– up to 3 months	5.2	1,285.9	5.2	1,285.9
– between 3 months and 1 year	1.8	2.1	1.8	2.1
– between 1 and 5 years	65.6	44.1	65.6	44.1
– more than 5 years	265.0	256.0	265.0	256.0
Book value	410.6	1,998.6	409.2	1,997.4

The decrease in reverse repo transactions led to a decline in claims with residual maturities of up to three months.

Claims from leasing finance came to € 74.9 million (previous year: € 66.2 million).

Of the claims on banks reported on the balance sheet, the sum of € 279.4 million (previous year: € 295.6 million) is guaranteed by EAA.

7. Claims on Customers

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions
Book value	4,045.7	5,320.4	4,044.0	5,315.9
including:				
– on affiliated companies	–	–	2.4	37.6
– on other companies in which equity investments are held	0.1	0.6	0.1	0.6
– from the leasing business	20.7	22.2	20.7	22.2
With residual maturities of				
– up to 3 months	274.9	802.6	273.2	798.2
– between 3 months and 1 year	143.4	310.4	143.4	310.4
– between 1 and 5 years	632.9	1,025.3	632.9	1,025.2
– more than 5 years	2,994.5	3,182.1	2,994.5	3,182.1

Of the claims on customers reported on the balance sheet, the sum of € 3,624.7 million (previous year: € 4,454.6 million) is guaranteed by EAA.

8. Bonds and Other Interest-Bearing Securities

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Book value	281.2	973.8	281.2	973.8
including:				
amounts becoming due before December 31 of the following fiscal year	50.7	678.8	50.7	678.8
Breakdown by product				
– bonds and notes of public-sector issuers	269.6	969.0	269.6	969.0
– bonds and notes of other issuers	11.6	4.8	11.6	4.8
Breakdown by marketability				
– marketable securities	281.2	973.8	281.2	973.8
thereof:				
– listed on a stock exchange	269.6	973.8	269.6	973.8
– not listed on a stock exchange	11.6	–	11.6	–

Of the bonds and other interest-bearing securities reported on the balance sheet, the sum of € 273.0 million (previous year: € 284.2 million) is guaranteed by EAA.

As was the case in the previous year, all bonds and other interest-bearing securities have been assigned to the investment portfolio, which makes them part of fixed assets. At year-end, € 195.8 million (previous year: € 98.6 million) in financial assets were valued at the modified lower of cost or market. Their fair value totalled € 194.9 million (previous year: € 96.6 million). The sum of these holdings represents debt obligations which were acquired in connection with asset swaps.

There were no more EAA-issued notes in our investment portfolio at December 31, 2015 (previous year: € 0.5 billion).

We do not hold any securities from affiliated companies or other companies in which equity investments are held in our investment portfolio.

9. Equity Investments in Non-Affiliated Companies

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Book value	29.8	36.5	29.8	36.5
including:				
– banks	–	–	–	–
– financial services institutions	–	–	–	–

Of the non-marketable equity investments in non-affiliated companies reported on the balance sheet of Portigon AG, the sum of € 29.1 million (previous year: € 35.7 million) is guaranteed by EAA. A volume of € 29.1 million (previous year: € 27.3 million) had book values which exceeded their fair values by a total of € 19.1 million (previous year: € 12.7 million). On account of this guarantee, no impairment charges were made in these cases.

10. Equity Investments in Affiliated Companies

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Book value	1.3	2.0	28.3	194.4
including:				
– financial services institutions	–	–	27.0	80.0

The equity investments in affiliated companies of the Portigon Group include affiliated companies which are not included in the consolidated financial statements due to their insignificance.

The book values of Portigon AG's equity investments in affiliated companies correspond to their fair values.

The change in equity investments in affiliated companies at Portigon AG is mainly attributable to the deconsolidation of the subsidiary GOD Grundstücksverwaltungs GmbH. In addition, a write-down of € 53.0 million was charged at the subsidiary Portigon Financial Services GmbH that is offset by a corresponding partial reversal of the provision for liabilities from the expected outflow of resources accompanying the sale of PFS that was recognised in the statement of income (see Note 33).

11. Trust Assets

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Other assets	5,800.1	8,450.5	5,800.1	8,450.5
Book value	5,800.1	8,450.5	5,800.1	8,450.5

The other assets reported as trust assets largely comprise derivatives transferred to EAA under the risk transfer agreement as well as the corresponding matching claims.

The decrease in trust assets is due to maturities and the retrospective transfer in rem (novation) to EAA of a portion of these derivatives. For information concerning the measurement, please refer to Note 2.

12. Other Assets

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Book value	210.1	149.5	204.6	143.7
including:				
– claims from tax refunds	123.9	81.0	122.9	76.1
– premiums for options	0.4	0.4	0.4	0.4

13. Fixed Assets

Group	Acquisition Cost/Cost of Production	Additions	Retirements	Reclassifications	Appreciation	Total Depreciation	Depreciation in the Fiscal Year	Book Value	Book Value
€ millions	**Jan. 1, 2015**							**Dec. 31, 2015**	Dec. 31, 2014
Bonds and other interest-bearing securities forming part of fixed assets	973.8						–	281.2	973.8
Shares and other non-interest-bearing securities forming part of fixed assets	–			Net change pursuant to § 34 (3) Sentence 2 RechKredV; € – 700.0 million			–	–	–
Equity investments in non-affiliated companies	36.5						–	29.8	36.5
Equity investments in affiliated companies	2.0						–	1.3	2.0
Intangible assets	132.4	1.4	7.9	–	–	124.1	2.5	1.8	3.1
Land and buildings	202.0	–	196.1	–	–	4.0	0.8	1.9	113.9
Office equipment	114.6	0.3	10.6	–	–	87.6	0.6	16.7	21.5

Single-Entity Accounts	Acquisition Cost/Cost of Production	Additions	Retirements	Reclassifications	Appreciation	Total Depreciation	Depreciation in the Fiscal Year	Book Value	Book Value
€ millions	**Jan. 1, 2015**							**Dec. 31, 2015**	Dec. 31, 2014
Bonds and other interest-bearing securities forming part of fixed assets	973.8						–	281.2	973.8
Shares and other non-interest-bearing securities forming part of fixed assets	–			Net change pursuant to § 34 (3) Sentence 2 RechKredV; € – 865.3 million			–	–	–
Equity investments in non-affiliated companies	36.5						–	29.8	36.5
Equity investments in affiliated companies	194.4						–	28.3	194.4
Intangible assets	129.4	–	7.9	–	–	121.5	1.4	–	1.6
Land and buildings	46.6	–	40.7	–	–	4.0	0.2	1.9	4.9
Office equipment	114.4	0.1	10.6	–	–	87.4	0.5	16.5	21.3

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 2015, 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 € 1.9 million (previous year: € 2.0 million) in land and buildings acquired under bail-out transactions which has been on the books for more than five years.

14. Own Shares

Portigon AG did not acquire any of its own shares at any time during the fiscal year, nor did it hold any of its own shares at year-end.

15. Deferred Items

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Deferred items from reclassification of trading positions	279.5	282.9	279.5	282.9
Discounts from liabilities	2.6	6.8	2.8	6.5
Other	14.1	12.6	9.6	10.7
Book value	296.2	302.3	291.9	300.1

The deferred items resulting from the reclassification of trading positions at Portigon AG in 2012 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.

16. Deferred Taxes

The Portigon Group did not report any deferred income taxes in the 2015 fiscal year (previous year: deferred income tax assets of € 21.2 million).

Portigon AG did not report any deferred income taxes. Thus, there is no restriction on distribution pursuant to § 268 (8) of the German Commercial Code (HGB).

17. Subordinated Assets

The assets reported on the balance sheet included no subordinated assets at the reporting date. This was also the case at December 31, 2014.

18. Assets Sold under Repurchase Agreements

There were no assets sold under repurchase agreements in the 2015 fiscal year.

19. Liabilities to Banks

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Payable on demand	55.0	117.3	55.0	117.3
With residual maturity of				
– up to 3 months	0.8	1.6	0.8	1.6
– between 3 months and 1 year	–	–	–	–
– between 1 and 5 years	26.3	22.0	26.3	22.0
– more than 5 years	148.0	124.9	148.0	124.9
Book value	230.1	265.8	230.1	265.8

20. Liabilities to Customers

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions
Other liabilities to customers	2,918.7	4,271.5	3,141.2	4,449.9
thereof:				
payable on demand	919.2	2,117.1	1,118.4	2,272.2
With residual maturity of				
– up to 3 months	95.8	127.8	96.1	128.1
– between 3 months and 1 year	41.7	76.2	41.7	76.2
– between 1 and 5 years	78.8	131.6	101.8	154.6
– more than 5 years	1,783.2	1,818.8	1,783.2	1,818.8
Book value	2,918.7	4,271.5	3,141.2	4,449.9
including:				
– liabilities to affiliated companies	0.7	–	225.6	182.5
– liabilities to other companies in which equity investments are held	0.1	49.6	0.1	49.6

The decrease is mainly due to the repayment of liabilities to EAA.

21. Certificated Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions
Bonds issued	33.0	33.9	10.0	10.9
including:				
amounts becoming due before December 31, 2016	10.0	10.9	10.0	10.9
Book value	33.0	33.9	10.0	10.9

22. Trust Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions
Liabilities to customers	289.2	293.7	289.2	293.7
Other liabilities	5,510.9	8,156.8	5,510.9	8,156.8
Book value	5,800.1	8,450.5	5,800.1	8,450.5

The other liabilities reported as trust liabilities comprise derivatives transferred to EAA under the risk transfer agreement as well as the corresponding matching obligations.

The decrease in trust liabilities is due to maturities and the retrospective transfer in rem (novation) to EAA of a portion of these derivatives. For information concerning the measurement, please refer to Note 2.

23. Other Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Book value	122.1	120.9	111.8	113.4
including:				
– offsetting item from the valuation of currency transactions	54.1	23.0	54.1	23.0
– pro-rata interest for borrower's note loans and subordinated liabilities	25.7	38.5	25.5	31.7
– fees on bank guarantees	5.6	11.1	5.6	11.1
– liabilities from profit participation certificates which matured	2.3	13.6	2.3	13.6

24. Deferred Items

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Deferred items from reclassification of trading positions	263.2	301.9	263.2	301.9
Fees from the lending business	6.3	17.4	6.3	17.4
Other	4.0	5.4	4.0	5.4
Book value	273.5	324.7	273.5	324.7

The deferred items resulting from the reclassification of trading positions at Portigon AG in 2012 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.

25. Provisions

Independent actuaries measure the present value of the post-employment benefit obligations of the Portigon Group using the projected unit credit method, taking future salary and pension increases into account. All of the company's pension plans are set up in Germany. The parameters and assumptions used in calculating the present value of the liabilities under these plans were as follows:

	Dec. 31, 2015
Discount rate	3.89%
Wage and salary index	2.50%
Pension index	2.20%
Fluctuation	4.00%–5.00%
Mortality tables	Heubeck 2005 G mortality tables

To hedge post-employment benefit obligations and other pension liabilities to individual beneficiaries of Portigon AG that are reported under other provisions, pension liability insurance policies were concluded for the first time in the 2014 fiscal year. Insofar as the entitlements under these pension liability insurance policies are exempt from attachment by all other creditors and serve exclusively to settle liabilities from post-employment benefit obligations and similar long-term liabilities, these plan assets are offset against the liabilities in accordance with § 246 (2) Sentence 2 of the German Commercial Code (HGB). In accordance with § 253 (1) Sentence 4 of the German Commercial Code (HGB), the plan assets were measured at fair value through profit or loss using the actuarial principles applied by the insurance company. Because the fair value of € 17.3 million is lower than the acquisition cost of € 17.5 million, there is no restriction on distribution pursuant to § 268 (8) Sentence 3 of the German Commercial Code (HGB). The liabilities in question were carried in the amount of the excess of liabilities over assets remaining after offsetting as follows:

	Plan Assets		Associated Liabilities	
€ millions	Acquisition cost	Fair value	Before offsetting	After offsetting
Post-employment benefit obligations	17.0	16.8	737.4	720.6
Other pension liabilities	0.5	0.5	221.4	220.9
Total	17.5	17.3	958.8	941.5

In the process, in accordance with § 246 (2) Sentence 2 of the German Commercial Code (HGB) the expense of € 0.5 million from the measurement of the plan assets was offset against the interest cost on provisions.

Portigon AG's other provisions mainly consist of provisions for restructuring of € 239.5 million (previous year: € 352.6 million), provisions in the personnel area of € 250.2 million (previous year: € 265.5 million) and miscellaneous provisions of € 144.9 million (previous year: € 207.5 million). The item miscellaneous provisions includes, among other amounts, € 8.8 million (previous year: € 12.6 million) for reimbursement commitments relating to the pension commitments transferred to NRW.BANK (service cost) in 2013 and € 11.9 million (previous year: € 8.8 million) for potential litigation risks. 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. Up until the final reversal in the previous year of the remaining excess coverage resulting from first-time application of BilMoG in the amount of € 0.7 million, Portigon had exercised this option. Since then, there has been no more excess coverage.

The Portigon Group also reported other provisions of Portigon Financial Services GmbH in the amount of € 66.7 million (previous year: € 52.7 million). These are comprised of provisions for restructuring of € 31.5 million (previous year: € 31.5 million), provisions in the personnel area of € 4.0 million (previous year: € 2.6 million) and miscellaneous provisions of € 31.2 million (previous year: € 18.6 million).

The € 109.8 million (previous year: € 93.2 million) in interest cost on provisions unrelated to banking operations of Portigon AG is reported in the other operating result. In addition, in the Portigon Group the € 8.2 million (previous year: € 3.9 million) in interest cost on provisions of Portigon Financial Services GmbH is likewise reported in the other operating result.

26. Subordinated Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Book value	1,186.5	1,997.2	1,186.9	1,997.7
including:				
– to affiliated companies	–	–	565.3	558.5

Of the total subordinated liabilities, € 184.2 million (previous year: € 841.8 million) in the Portigon Group have a residual maturity of less than two years. At Portigon AG, € 154.2 million (previous year: € 841.8 million) have a residual maturity of less than two years. The original maturities range from 5 to 40 years.

The Portigon Group incurred interest expense of € 75.7 million in connection with its subordinated liabilities in 2015 (previous year: € 90.9 million), whilst Portigon AG incurred interest expense of € 77.3 million (previous year: € 92.7 million) in connection with its subordinated liabilities. The subordinated liabilities carried by Portigon itself or via its subsidiaries comply with the requirements of Article 63 of the CRR; the right to terminate the liabilities without notice has not been reserved.

At 31 December 2015, we did not raise any capital exceeding 10% of our total subordinated liabilities.

27. Profit Participation Capital

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

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Beginning balance 1.1.	17.1	34.4	17.1	34.4
Additions	–	–	–	–
Subtractions	– 2.4	– 15.3	– 2.4	– 15.3
Loss allocation	– 0.7	– 2.0	– 0.7	– 2.0
Ending balance 31.12.	14.0	17.1	14.0	17.1

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 € 3.6 million. Of that amount, € 1.6 million was attributable to profit participation rights which matured on December 31, 2014 and € 2.0 million to those due to mature at a later date. The holders of profit participation capital are being allocated a portion of the loss for 2015 equal to € 0.8 million. Of that amount, € 0.1 million is attributable to the profit participation rights that matured on December 31, 2015, 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) for the Portigon Group and Portigon AG:

Maturity	Before loss allocations € millions	After loss allocations € millions
2019	31.0	14.0
Total	31.0	14.0

The profit participation certificates for the Bank constitute Tier 2 capital of € 11.2 million (previous year: € 15.2 million) within the meaning of Article 62 of the CRR.

28. Equity Capital

The subscribed capital of Portigon was € 498.6 million at December 31, 2015 (previous year: € 498.6 million). It was divided into 22,695,306 (previous year: 22,695,306) no-par value registered Class A shares. The theoretical par value of each share is € 21.97 (previous year: € 21.97). All shares carry the same voting rights. For information concerning our current shareholder structure, please see Note 46.

The Portigon Group is reporting a net loss for the 2015 fiscal year of € 28.7 million and Portigon AG a net loss of € 98.8 million.

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 Tier 1 capital elements of Portigon participating in the loss. The silent partners are being allocated a portion of the relevant loss for 2015 equal to € 10.5 million (previous year: € 25.3 million).

Pursuant to the agreement of December 12, 2009, concerning a silent participation on the part of FMS, FMS paid its entire silent contribution to capital in the amount of € 3,000.0 million in three instalments over the course of the 2009 and 2010 fiscal years. 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 to the State of North Rhine-Westphalia (NRW) with a prorated original value of € 1,000.0 million and an actual prorated value of € 893.2 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 2015 equal to € 73.7 million (previous year: € 175.0 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 was created (originally Class C, now Class B), 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 partial sale 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 amended 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 stake in the share capital of 49.9% and the new Class B, formerly Class C, preferred shares. FMS is the only party that can exercise the conversion right. Thus far, it has not been exercised.

The loss remaining after loss allocation, including the loss participation of the profit participation certificate holders and silent partners, comes to € 229.6 million for Portigon and is being reported as a retained loss.

Portigon Single-Entity Accounts	Balance Dec. 31, 2014 € millions	Withdrawals/ loss allocation € millions	Other appropriation € millions	**Balance Dec. 31, 2015 € millions**
Subscribed capital	498.6	–	–	498.6
Capital reserves	–	–	–	–
Revenue reserves	–	–	–	–
Silent contributions to capital			–	
– issued in 2005	213.1	– 10.5	–	202.6
– issued in 2009/2010	1,499.0	– 73.7	–	1,425.3
Retained loss	– 215.8	– 13.8	–	– 229.6
Equity capital pursuant to the German Commercial Code (HGB)	1,994.9	– 98.0	–	1,896.9

For more information on the development of equity capital in the consolidated financial statements, please refer to the "Statement of Changes in Equity".

29. 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 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 incurred from July 19, 2001 to July 18, 2005, so long as the liabilities 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. That 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.

Portigon AG had € 1.5 billion in liabilities which were still grandfathered at December 31, 2015 (previous year: € 2.2 billion). A € 0.4 billion (previous year: € 0.6 billion) portion of that relates to portfolios of assets and liabilities which are economically hedged by EAA through guarantee agreements.

30. Foreign Currency Assets/ Foreign Currency Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € billions	Dec. 31, 2014 € billions	Dec. 31, 2015 € billions	Dec. 31, 2014 € billions
Foreign currency assets	2.2	4.3	2.2	4.3
Foreign currency liabilities	1.7	3.4	1.6	3.3

Notes to the Statement of Income

31. Geographic Breakdown of Income Components

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

Group

1. 1.–31. 12. 2015 € millions	Interest Income	Current Income	Commission Income	Other Operating Income
Germany	158.2	–	179.7	134.5
United Kingdom	74.1	–	1.2	49.3
Rest of Europe	40.8	–	0.4	1.2
Far East and Australia	9.6	–	–	1.4
North America	62.1	–	3.0	4.2
Amount reported on the Statement of Income	344.8	–	184.3	190.6

Single-Entity Accounts

1. 1.–31. 12. 2015 € millions	Interest Income	Current Income	Commission Income	Other Operating Income
Germany	158.5	–	35.2	79.3
United Kingdom	74.1	–	0.4	49.3
Rest of Europe	40.8	–	0.4	1.2
Far East and Australia	9.6	–	–	1.4
North America	62.1	–	2.7	4.2
Amount reported on the Statement of Income	345.1	–	38.7	135.4

The geographic breakdown of income in the Portigon Group is determined on the basis of the domicile of the subsidiary, whereas the geographic breakdown of income at Portigon AG is determined according to the domicile of the branch. Current income includes income from profit pooling and (partial) profit transfer agreements.

32. Administrative and Custodial Services

Various services are rendered on behalf of third parties, including, in particular, asset management and the administration of banking portfolios.

33. Other Operating Result

Other operating income	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions
Amount reported on the Statement of Income	190.6	57.0	135.4	82.2
including:				
Income from the reversal of other provisions	88.4	15.5	88.4	15.5
Rental and property income	4.6	5.5	4.6	5.5
Reimbursement from Group companies and third parties	0.6	11.4	0.6	11.4
including:				
Income from IT services	–	3.0	–	3.0
Deconsolidation effects	50.7	–	–	–
Transfer of pension obligations and assets to PFS	–	–	–	26.2

Other operating expenses	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions
Amount reported on the Statement of Income	134.0	201.6	124.4	221.0
including:				
Unwinding of the discount on provisions	117.6	97.2	109.8	93.2
Expenses from intragroup netting	3.3	–	3.3	18.5
Losses on the sale of fixed assets	3.8	12.2	3.8	12.2
Accrued liabilities PFS	–	78.0	–	78.0
Deconsolidation effects	–	7.9	–	–

34. Risk Provisions

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

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions
Beginning balance 1. 1.	108.2	150.9	108.2	150.9
Allocations	–	–	–	–
Unwinding of the discount	–	–	–	–
Reversals	– 1.0	– 8.7	– 1.0	– 8.7
Usage	– 41.6	– 34.0	– 41.6	– 34.0
Market value differences/other changes	–	–	–	–
Ending balance 31. 12.	65.6	108.2	65.6	108.2

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

	Portigon Group		Portigon AG	
	1. 1.–31. 12. 2015 € millions	1. 1.–31. 12. 2014 € millions	**1. 1.–31. 12. 2015 € millions**	1. 1.–31. 12. 2014 € millions
Result of provisions	32.9	21.9	46.1	– 63.8
Income/expenses from loans and securities	32.0	8.3	32.0	8.3
thereof:				
– loans	32.0	8.3	32.0	8.3
Participations/shares in affiliated companies and income/expenses from securities	0.9	13.6	14.1	– 72.1
thereof:				
– participations/shares in affiliated companies	0.1	13.6	13.3	– 72.1
– securities	0.8	–	0.8	–

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 at Portigon was a positive € 32.0 million (previous year: positive € 8.3 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 € 0.9 million (previous year: positive € 13.6 million) for the Group and a positive € 14.1 million (previous year: negative € 72.1 million) for Portigon AG.

In addition, Portigon AG incurred expenses of € 0.7 million (previous year: € 3.2 million) from the absorption of losses from subsidiaries.

35. Income and Expenses Relating to Different Accounting Periods

A total of € – 1.5 million (previous year: € – 13.3 million) in expenses relating to different accounting periods was incurred in the 2015 fiscal year. Income relating to different accounting periods was generated in the amount of € 19.4 million (previous year: € 6.1 million), which relates almost exclusively to income from interest on tax refunds for prior years.

36. Extraordinary Result

The extraordinary result came to € – 197.0 million (previous year: € – 102.5 million) in the Portigon Group and also to € – 197.0 million (previous year: € – 63.2 million) at Portigon AG. The negative result is attributable to restructuring expenses incurred for the company’s transformation. In particular, payments were made to an external pension fund that were needed to cover the indirect pension obligations to employees of the London branch in connection with the insurance-orientated out-financing.

37. Taxes on Income and Revenues

	Portigon Group		Portigon AG	
	1. 1.–31. 12. 2015 € millions	1. 1.–31. 12. 2014 € millions	**1. 1.–31. 12. 2015 € millions**	1. 1.–31. 12. 2014 € millions
Amount reported on the Statement of Income	209.8	143.7	210.0	122.6
including:				
domestic operations	185.8	144.4	186.0	123.3
foreign operations	24.0	– 0.7	24.0	– 0.7

Other Information

38. Contingent Liabilities

Contingent Liabilities and Other Commitments

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Liabilities from guarantees and indemnity agreements	66.6	121.9	66.6	121.9
Irrevocable credit commitments	185.6	297.7	185.6	297.7

The contingent liabilities reported on the balance sheet consist mostly of letters of credit as well as surety bonds and guarantees.

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

39. 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:

	Portigon Group		Portigon AG	
	Dec. 31, 2015 € millions	Dec. 31, 2014 € millions	**Dec. 31, 2015 € millions**	Dec. 31, 2014 € millions
Own securities assigned or pledged to central banks	–	1,887.9	–	1,887.9
Own securities pledged to other banks or customers	181.0	177.8	181.0	177.8
Pledged pension liability insurance policies for hedging of pension and similar obligations	17.3	14.0	17.3	14.0
Own securities deposited as collateral for participation in stock exchange trading systems and clearing systems	–	0.4	–	0.4
Total assets pledged	198.3	2,080.1	198.3	2,080.1

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. We outsource activities and processes only after performing a detailed profitability and risk study. Our aim in outsourcing is to be more efficient and to cut costs on a sustainable basis. All outsourcing satisfies the requirements of § 25b of the German Banking Act (KWG) and MaRisk. We regularly review our outsourcing procedures for potential risks and adjust the procedures as needed.

40. Other Financial Obligations

Deposit Insurance and Other Insurance Mechanisms

Portigon is a member of the German Savings Banks Association (DSGV) and makes contributions to the security reserve (guarantee fund) of the Landesbanken and Girozentralen. This protection scheme is connected to the insurance scheme of the Sparkassen-Finanzgruppe, which is officially recognised as a deposit guarantee scheme in accordance with § 43 of the German Act on Deposit Insurance (EinSiG).

The insurance scheme of the Sparkassen-Finanzgruppe consists of eleven funds belonging to the regional savings banks and giro associations, the security reserve (guarantee fund) 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 (guarantee fund), Portigon, having completed the transfer of the imputable sums to the affiliated fund, had no additional funding obligation at the end of the 2015 fiscal year, will not have one for the foreseeable future and will not have to make additional contributions until further notice.

Other Contingent Liabilities

The deficit resulting from indirect pension obligations not carried on the balance sheet within the meaning of Article 28 (2) of the Introductory Act to the German Commercial Code (EGHGB) was € 114.0 million (previous year: € 91.6 million).

The Portigon Group has rental and leasing obligations and other obligations totalling € 283.7 million (previous year: € 351.2 million). € 190.7 million of this amount (previous year: € 235.5 million) relates to Portigon AG. The agreements run for a maximum of ten years. PFS has rental obligations and other financial obligations totalling € 93.0 million (previous year: € 115.7 million).

Portigon had guaranteed, until 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 arrangement. The beneficiary of the guarantee had not released Portigon from this obligation when the subsidiary in question was sold. In order to protect Portigon, the entity which acquired the subsidiary had 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. By way of a contractual arrangement dated April 17, 2015, the guarantee was then transferred to a third party, which meant that the contingent liability and corresponding recourse claim no longer existed at the reporting date.

41. Forward Transactions/Derivatives

With reference to Note 2, the derivatives transferred to Erste Abwicklungsanstalt (EAA) by means of a risk transfer agreement during the transformation in 2012 and the corresponding matching claims and obligations vis-à-vis EAA are reported as trust assets and trust liabilities pursuant to § 6 (1) of the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV). Further subsequent measurement at fair value beyond December 31, 2014 was decided against. Instead, starting in the reporting period, derivatives and corresponding matching claims and obligations are measured at amortised cost, the basis of which is the fair value most recently determined at December 31, 2014. Since there are no open positions entailing a settlement risk or currency, interest rate and/or other market price risks, no disclosures pursuant to § 36 of the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV) are made for the 2015 fiscal year or the previous year. Given the economic situation at EAA, a credit risk with regard to these derivatives held in trust is insignificant due to its low probability of occurrence.

Since the difference in the measurement method does not have an effect on the company's cash flows, financial condition and results of operations, the change in method constitutes a justified exception from the principle of consistency of measurement pursuant to § 252 (2) of the German Commercial Code (HGB).

With the change in Portigon's business model in 2012, the range of approved products decreased significantly. The product categories presented below exclusively relate to derivative transactions whose risks were not transferred to EAA under a risk transfer agreement.

These involve the following product categories:

- Products based on interest rates
- Products based on exchange rates
- Credit derivatives

At the balance sheet date, the total volume in nominal terms of derivative transactions that were not transferred to Erste Abwicklungsanstalt (EAA) under a risk transfer agreement was € 16.5 billion (previous year: € 19.5 billion).

OTC Products, thereof:	Nominal Values		Positive Market Values		Negative Market Values	
	2015 € millions	2014 € millions	**2015 € millions**	2014 € millions	**2015 € millions**	2014 € millions
Products based on interest rates	12,492	13,662	1,085	1,214	447	592
Products based on exchange rates	3,892	5,594	134	136	130	114
Products based on share prices and other prices	–	–	–	–	–	–
Credit derivatives	164	222	–	–	–	–
Total derivatives	16,548	19,478	1,219	1,350	577	706

The market values shown in the table are subject to a credit valuation adjustment (CVA) computed by supervisory authorities to take account of counterparty credit risks in the amount of € 17.2 million.

We capture book values of derivatives not carried as trust assets or trust liabilities (non-trading-portfolio items), 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.

€ millions	Products Based on Interest Rates Dec. 31, 2015	Products Based on Interest Rates Dec. 31, 2014	Products Based on Exchange Rates Dec. 31, 2015	Products Based on Exchange Rates Dec. 31, 2014	Products Based on Share Prices and Other Prices Dec. 31, 2015	Products Based on Share Prices and Other Prices Dec. 31, 2014	Credit Derivatives Dec. 31, 2015	Credit Derivatives Dec. 31, 2014
Residual maturity								
– up to 3 months	4,693	3,818	1,936	1,172	–	–	–	–
– 3 months to 1 year	2,194	1,972	1,252	560	–	–	–	–
– 1 to 5 years	2,846	4,175	625	3,791	–	–	–	–
– more than 5 years	2,759	3,697	79	71	–	–	164	222
Total	12,492	13,662	3,892	5,594	–	–	164	222

42. Remuneration of the Governing Bodies

	2015 € millions	2014 € millions
Total remuneration of the Managing Board	0.9	1.6
fixed	0.9	1.6
performance-based	–	–
departure-related	–	–
from holding supervisory board seats at Group subsidiaries	–	–
Total remuneration of former Managing Board members and their survivors	6.3	5.9
Total remuneration of Supervisory Board members	0.2	0.2
fixed	0.2	0.2
performance-based	–	–
performance-based with long-term incentive effects	–	–
Pension provisions for Managing Board members who actively served during the fiscal year	8.6	1.5
Pension provisions for former Managing Board members and their survivors	94.1	94.8

A provision of € 0.2 million was recognised in 2015 (previous year: € 0.2 million) for the compensation owed to the members of the Supervisory Board. In addition, members received a total of € 32,000 (previous year: € 38,000) in reimbursement of their out-of-pocket expenses.

Remuneration of the Members of the Managing Board

	Period	Fixed remune-ration* €	Performance-based remuneration €	Remuneration with long-term incentive effects €	Remuneration from seats at Group subsidiaries €	Total remuneration €	Obligation/ present value of pension commitments as of Dec. 31, 2015 €	Additions to/ subtractions from pension commitments in 2015 €
Beckmann, Hubert	3. 9.–31. 12. 2015	148,399	–	–	–	148,399	7,068,156	927,589
Franzmeyer, Dr. Kai Wilhelm	1. 1.–12. 8. 2015	328,844	–	–	–	328,844	968,198	– 75,199
Stemper, Dr. Peter	1. 1.–31. 12. 2015	383,755	–	–	–	383,755	593,571	147,634
Total	1. 1.–31. 12. 2015	860,998	–	–	–	860,998	8,629,925	1,000,024

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

Remuneration of the Members of the Supervisory Board

	Period	Fixed remuneration €	Performance-based remuneration €	Total remuneration €
Hock, Gudrun	1. 1.–31. 12. 2015	17,233	–	17,233
Jörg, Susanne	1. 1.–18. 12. 2015	9,644	–	9,644
Kahl, Dr. Bruno	1. 1.–15. 1. 2015	411	–	411
Klug, Gabriele C.	1. 1.–31. 12. 2015	19,644	–	19,644
Ludwig, Doris	1. 1.–18. 12. 2015	25,562	–	25,562
Neuhaus, Klaus	1. 1.–31. 12. 2015	14,822	–	14,822
Plogmann, Dr. Friedhelm	1. 1.–31. 12. 2015	29,288	–	29,288
Rabitzsch, Matthias	1. 1.–31. 12. 2015	14,548	–	14,548
Walter-Borjans, Dr. Norbert	1. 1.–31. 12. 2015	14,822	–	14,822
Subtotal		145,974	–	145,974
Lump-sum reimbursement of out-of-pocket expenses				31,500
Value-added tax on amounts paid				24,125
Total				201,599

43. 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.

44. Audit Fees

	2015 € millions	2014 € millions
Auditing the annual financial statements	0.9	0.9
Miscellenaneous reports and opinions	1.4	2.1
Total	2.3	3.0

45. Number of Employees

The average number of employees in 2015 was as follows:

Group	Male	Female	Total 2015	Total 2014
Domestic Group companies/branches	475	414	889	1,262
Foreign Group companies/branches	148	103	251	416
Total	623	517	1,140	1,678

Single-Entity Accounts	Male	Female	Total 2015	Total 2014
Domestic Group companies/branches	215	213	428	851
Foreign Group companies/branches	70	68	138	315
Total	285	281	566	1,166

An average of 3 (previous year: 10) employees were engaged in apprenticeship training or equivalent training.

46. Shareholdings in Portigon AG

Shareholders	Investment Quota	
	Dec. 31, 2015 %	Dec. 31, 2014 %
State of North Rhine-Westphalia	69.490	69.490
NRW.BANK	30.510	30.510
Total	100.000	100.000

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).

47. Seats Held by Members of the Managing Board

In 2015, the following Managing Board members of Portigon AG were chairmen or members of a large corporation's supervisory body within the meaning of § 340a (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

Dr. Kai Wilhelm Franzmeyer
Portigon Financial Services GmbH (until September 3, 2015)

Dr. Peter Stemper
Portigon Financial Services GmbH (Chairman since September 10, 2015)

48. Seats Held by Employees

Seats held by employees of the Portigon Group

In 2015, the following Group employees were chairs or members of a large corporation's supervisory body within the meaning of § 340a (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

Susanne Jörg
Portigon AG (until December 18, 2015)

Kerstin Heidler
Portigon Financial Services GmbH (from April 30, 2014)

Doris Ludwig
Portigon AG (until December 18, 2015)
Portigon Financial Services GmbH (from February 2, 2014)

Seats held by employees of Portigon AG

In 2015, the following employees were chairs or members of a large corporation's supervisory body within the meaning of § 340a (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

Walter Ehlen
Portigon Financial Services GmbH (from September 15, 2015)

Peter Minhorst
Portigon Financial Services GmbH (from December 8, 2014)

Max Niesert
AKA Ausfuhrkredit-Gesellschaft mbH

Matthias Rabitzsch
Portigon AG (from December 11, 2014)

49. Governing Bodies of Portigon AG

Portigon AG Managing Board

Hubert Beckmann
Member and Chairman of the Managing Board from September 3, 2015 to March 31, 2016

Dr. Peter Stemper
Member of the Managing Board
Chairman of the Managing Board from April 1, 2016

Frank Seyfert
Member of the Managing Board from April 1, 2016

Dr. Kai Wilhelm Franzmeyer
Member and Chairman of the Managing Board until August 12, 2015

Portigon AG Supervisory Board

Dr. Friedhelm Plogmann
Chairman until December 18, 2015,
Member from December 18, 2015 to January 4, 2016
Chairman again since January 4, 2016
Management consultant
Meerbusch

Matthias Rabitzsch
Deputy Chairman since January 4, 2016
Previously already a member
Executive Director
Portigon AG

Doris Ludwig
Deputy Chair from January 21, 2015 to December 18, 2015
Previously already a member
Director
Portigon Financial Services GmbH

Gudrun Hock
Member of management
Düsseldorf Congress Sport & Event GmbH

Susanne Jörg
Member until December 18, 2015
Director
Portigon Financial Services GmbH

Dr. Bruno Kahl
Member until January 15, 2015
Under Secretary
Federal Finance Ministry

Gabriele C. Klug
City Treasurer
City of Cologne

Klaus Neuhaus
Chairman of the Managing Board
NRW.BANK

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

50. Shareholdings

List of shareholdings in accordance with § 285 No. 11, § 313 (2) and § 340a (4) No. 2 of the German Commercial Code (HGB)

Reporting company: Portigon AG

Date: December 31, 2015

Target currency/unit: EUR/thousands
(all exchange rates translated into EUR at December 31, 2015)

Disclosure of stake and percentage of voting rights if different than stake

I.	Companies included in the consolidated financial statements						
	Fully consolidated subsidiaries						
No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
1	Portigon Europe (UK) Holdings Limited[6]	London, United Kingdom	100.00		GBP	34.32	– 20.77
2	Portigon Finance Curaçao N.V.[6]	Willemstad, Curaçao	100.00		EUR	452.53	406.53
3	Portigon Financial Services GmbH[6]	Düsseldorf	100.00		EUR	102,076.59	– 55,812.14

II. Companies not included in the consolidated financial statements

Subsidiaries not included (insignificant)

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
4	Harrier Capital Management (Bermuda) Ltd. [3]	Hamilton, Bermuda	100.00		USD	163.74	0.08
5	Portigon International Services Limited [1 5]	St. Helier, Jersey	100.00		GBP	450.15	– 18.97
6	Portigon Property Services Limited [1 6]	London, United Kingdom	100.00		GBP	12.18	6.73
7	Portigon UK Limited [1 6]	London, United Kingdom	100.00		GBP	0.00	0.00
8	Portigon Versorgungskasse GmbH [6]	Düsseldorf	100.00		EUR	25.00	0.00
9	Treuhand- und Finanzierungsgesellschaft für Wohnungs- und Bauwirtschaft mit beschränkter Haftung, Treufinanz [6]	Düsseldorf	65.41	66.37	EUR	2,592.70	– 199.10
10	West Treuhand- und Verwaltungsgesellschaft mbH [6]	Düsseldorf	100.00		EUR	33.80	8.80
11	WMB Leasing Seven Limited [1 6]	London, United Kingdom	100.00		GBP	5.92	1.20

III. Stakes in other companies

Stake of at least 20%

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
12	Garnet Real Estate LLC [6]	New York, USA	100.00		USD	0.00	n/a
13	Indigo Holdco LLC [6]	New York, USA	100.00		USD	2,589.16	n/a
14	Indigo Land Groveland LLC [1]	New York, USA	100.00			n/a	n/a
15	Indigo Land Progresso Lofts, LLC [1]	New York, USA	100.00			n/a	n/a
16	Indigo Real Estate, LLC [1 4]	New York, USA	100.00		USD	11,644.20	n/a
17	WLB ASA Ethanol LLC [6]	New York, USA	100.00		USD	0.00	n/a

[1] indirectly held
[2] profit and loss pooling agreement
[3] data as of Dec. 31, 2005
[4] data as of Dec. 31, 2009
[5] data as of Dec. 31, 2013
[6] data as of Dec. 31, 2014

Düsseldorf, March 1, 2016

Portigon AG
The Managing Board

Hubert Beckmann Dr. Peter Stemper

Country-by-Country Reporting at December 31, 2015 Pursuant to § 26a of the German Banking Act (KWG)

The requirements for country-by-country reporting in accordance with EU Directive 2013/36/EU ("Capital Requirements Directive", CRD IV) were transposed into German law with § 26a of the German Banking Act (KWG).

Portigon's country-by-country reporting discloses, specifying by EU Member State and by third country in which it has a branch or establishment, the following information on a consolidated basis for the 2015 fiscal year: the revenues generated, the number of employees on a full-time equivalent basis, profit or loss before taxes as well as taxes on income and revenues. The figure given for revenues is the profit or loss on ordinary activities reported in the HGB consolidated financial statements before consolidation effects and before administrative expenses as well as risk provisions.

Country	Revenues*	Profit or Loss before Taxes*	Taxes on Income and Revenues*	Number of Full-Time Employees
Germany	293.0	– 66.7	186.0	751
Australia	0.7	13.2	0.0	6
Curaçao	0.4	0.2	0.0	0
Hong Kong	– 0.6	– 1.8	0.0	4
Italy	– 3.2	– 9.9	0.0	17
Japan	– 0.1	15.8	0.0	0
Singapore	– 0.5	– 2.0	– 0.1	7
Spain	2.2	0.1	– 0.2	12
UK	45.0	– 231.6	0.0	109
USA	4.5	– 25.3	24.3	52

* all figures in € millions

Name	Nature of Activities	Place of Business/ City	Country
Portigon AG, Düsseldorf branch	Credit institution	Düsseldorf	Germany
Portigon Financial Services GmbH, Düsseldorf branch	Financial services provider	Düsseldorf	Germany
Portigon AG, Sydney branch	Credit institution	Sydney	Australia
Portigon Finance Curaçao N.V.	Financial services provider	Willemstad	Curaçao
Portigon AG, Hong Kong branch	Credit institution	Hong Kong	Hong Kong
Portigon AG, Milan branch	Credit institution	Milan	Italy
Portigon AG, Tokyo branch	Credit institution	Tokyo	Japan
Portigon AG, Singapore branch	Credit institution	Singapore	Singapore
Portigon AG, Madrid branch	Credit institution	Madrid	Spain
Portigon AG, London branch	Credit institution	London	UK
Portigon Europe (UK) Holdings Limited	Financial institution	London	UK
Portigon Financial Services GmbH, London branch	Financial services provider	London	UK
Portigon AG, New York branch	Credit institution	New York	USA
Portigon Financial Services GmbH, New York branch	Financial services provider	New York	USA

Auditor’s Opinion

We have issued the following opinion on the consolidated financial statements, the notes to which were combined with the notes to the annual financial statements of Portigon AG, and the group statement of financial condition, which was combined with the company’s statement of financial condition:

“We have audited the consolidated financial statements prepared by Portigon AG, Düsseldorf, comprising the balance sheet, statement of income, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, which were combined with the notes to the annual financial statements of Portigon AG, together with the group statement of financial condition, which was combined with the statement of financial condition of Portigon AG, for the fiscal year from January 1, 2015 to December 31, 2015. The preparation of the consolidated financial statements and the group statement of financial condition in accordance with the provisions of German commercial law is the responsibility of the company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group statement of financial condition based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German accepted accounting principles and in the group statement of financial condition are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group statement of financial condition are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company’s management, as well as evaluating the overall presentation of the consolidated financial statements and the group statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German accepted accounting principles. The group statement of financial condition is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the statements made in the "Outlook" section of the group statement of financial condition. They state in relation to the subsidiary Portigon Financial Services GmbH, Düsseldorf (PFS), that the contract for the acquisition of the interests in PFS by EAA was signed on February 17, 2016 and the transaction is expected to be closed in March 2016. Completion of this transaction as envisaged is a prerequisite that the conditions set by the European Commission, which specify that if a privatisation should fail by December 31, 2016 PFS is required to discontinue its activities with effect from December 31, 2017, cease to apply and PFS's operations can in the future be focused on the medium-term time horizon outlined by EAA's wind-down plan and this company's demand for services."

Düsseldorf, March 1, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Lösken	Eckert
German Public Accountant	German Public Accountant

Auditor’s Opinion

We have issued the following opinion on the annual financial statements and the statement of financial condition, which was combined with the group statement of financial condition:

“We have audited the annual financial statements, comprising the balance sheet, the statement of income and the notes to the annual financial statements, together with the bookkeeping system, and the statement of financial condition, which was combined with the group statement of financial condition, of Portigon AG, Düsseldorf, for the fiscal year from January 1 to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and the statement of financial condition in accordance with German commercial law are the responsibility of the company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the statement of financial condition based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German accepted accounting principles and in the statement of financial condition are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the statement of financial condition are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German accepted accounting principles. The statement of financial condition is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 1, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Lösken	Eckert
German Public Accountant	German Public Accountant

Report of the Supervisory Board

Key milestones in the downsizing of Portigon AG were reached in the 2015 fiscal year. These include in particular the agreement with Erste Abwicklungsanstalt (EAA) on transferring Portigon's service subsidiary Portigon Financial Services GmbH (PFS) to EAA as well as on the form the future collaboration between the two banks will take. In connection with the downsizing of operations, Portigon again substantially reduced total assets in the 2015 fiscal year and pressed ahead with the closing of its international locations. At the same time, the reduction of the headcount continued in line with planning. This meant that in the course of last year, Portigon AG (PAG) had fewer than 500 employees for the first time. Long-term regulations to hedge PAG's pension obligations were also developed.

The above-mentioned items dominated the work of the Supervisory Board in 2015. The ambitious, complex projects and the associated follow-up activities were discussed at length with the Managing Board and the necessary decisions were made.

Due to the aforementioned ongoing headcount reduction, Portigon AG is no longer bound by the provisions of the One-Third Participation Act. Whereas in the past the Supervisory Board had consisted of six shareholder representatives and three employee representatives, now all Supervisory Board members are elected by the Shareholders' Meeting alone. Through the associated amendment of the Articles and Bylaws, the Supervisory Board was reduced to six members and the rules for conducting business for the Supervisory Board and Managing Board were amended. Going forward, for example, the Supervisory Board will no longer form committees, whose previous duties will now be taken over by the full Supervisory Board. Following the conclusion of the status proceedings required by law, the Supervisory Board members were re-elected at the Shareholders' Meeting on December 18, 2015. The members of the Supervisory Board then elected Dr. Friedhelm Plogmann as Chairman and Matthias Rabitzsch as Deputy Chairman of the Board.

Supervision and Advising of Management

The Supervisory Board held a total of ten meetings – including one in the form of a conference call – in the 2015 fiscal year to advise the Managing Board, supervise its management, take the decisions incumbent upon it and actively support the company within the scope of the tasks required of supervisory boards by law. In doing so, the Supervisory Board 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 Chair(woman) of the Supervisory Board and the Chairman of the Managing Board also regularly discussed current issues and Managing Board decisions.

Supervisory Board Meetings

In the 2015 fiscal year, the Supervisory Board held meetings on January 26, February 26, April 27, June 17, August 12, August 14 (conference call), September 3, October 28, November 12 and December 9. In addition, a total of five resolutions were adopted in written votes taken outside of a meeting. These votes occurred on January 14 and 21, March 11, June 2 and September 28; unless subsequently specified otherwise, these written votes concerned resolutions on evidence taken by the WestLB parliamentary inquiry panel (PUA II).

At its meetings, the Supervisory Board discussed the current state of the company's business on the basis of the report presented by the Managing Board, was briefed by the Chairman of the Audit and Risk Committee on that committee's work and routinely dealt with Managing Board affairs. As mentioned before, another focus of the Supervisory Board's work was the redistribution of tasks between Portigon AG, its service arm PFS and EAA. Furthermore, the Supervisory Board regularly adopted resolutions on PUA II at its meetings and was briefed on the state of affairs regarding Portigon AG's art collection.

The Supervisory Board adopted its first resolution on the item "PUA II" on January 14 in a written vote taken outside of a meeting.

In a vote taken outside of a meeting on January 21, the Supervisory Board appointed Doris Ludwig as Vice Chairwoman of the Supervisory Board and the Executive Committee and also elected Doris Ludwig and Matthias Rabitzsch as members of the Audit and Risk Committee.

At its meeting on January 26, the Supervisory Board concerned itself with Portigon AG's art collection. On this day, at a lecture event, the Supervisory Board was also briefed on recent changes in stock corporation law and specific items relating to the annual financial statements of Portigon AG.

In addition to the above-mentioned agenda items, at its meeting on February 26, 2015 the Supervisory Board discussed the planning for the years 2015 to 2019 and adopted a decision on taking out legal protection insurance.

The Supervisory Board's focus at the meeting held on April 27 was the annual financial statements for the 2014 fiscal year. After hearing reports by the Chairwoman of the Audit and Risk Committee and by the external auditors, the Supervisory Board adopted the annual financial statements, approved the consolidated financial statements and resolved on the Report of the Supervisory Board for 2014 and the Corporate Governance Report of Portigon AG to be included in the 2014 Annual Report. The Supervisory Board also prepared its recommendation for the Shareholders' Meeting to ratify the acts of the members of the Managing Board and Supervisory Board for the 2014 fiscal year as well as to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors of the annual and consolidated financial statements for the 2015 fiscal year. The Annual Shareholders' Meeting was held on the same day and likewise dealt with items relating to the financial statements and the corresponding resolutions recommended by the Supervisory Board.

At its meeting on June 17, in addition to the aforementioned agenda items, the Supervisory Board discussed the future management of the pension obligations and adopted a resolution on D&O insurance as well as on PUA II.

The Supervisory Board dealt with Managing Board personnel issues at its August 12 meeting and in a conference call on August 14. Dr. Kai Wilhelm Franzmeyer retired from Portigon AG's Managing Board with effect from August 12.

At the meeting on September 3, the Supervisory Board appointed Hubert Beckmann as a member of the Managing Board and as interim Chairman of the Managing Board with immediate effect.

Alongside the aforementioned items, the Supervisory Board meeting on October 28 also discussed municipal derivatives.

At its November 12 meeting, the Supervisory Board focused much of its attention on the overall regulation of Portigon AG, PFS and EAA and issued a recommendation to the Shareholders' Meeting to resolve on the sale and transfer of PFS to EAA.

At its last meeting of the year, held on December 9, the Supervisory Board mainly discussed the status proceedings on the composition of the Supervisory Board in addition to the following items: dividend arbitrage business, pension obligations, art collection and legal protection insurance. After the meeting had ended, the Supervisory Board recommended that the Shareholders' Meeting adopt a resolution on the amendment of the Articles and Bylaws and the appointment of members of the Supervisory Board. Furthermore, the Supervisory Board resolved to amend the rules for conducting business for the Managing Board and Supervisory Board of Portigon AG accordingly.

In addition, at this meeting the Supervisory Board set the course for the future management of Portigon AG. With effect from April 1, 2016, it appointed Frank Seyfert as a full member of the Bank's Managing Board. On the same day, Dr. Peter Stemper will take over as Chairman of the Managing Board from Hubert Beckmann, who is retiring from the Board as planned at March 31, 2016.

Work in the Committees

The Executive Committee met a total of three times in the 2015 fiscal year, namely on February 26, April 27 and June 17. In addition, resolutions were adopted on December 17 in a written vote taken outside of a meeting. The Executive Committee performed its duties in keeping with the Articles and Bylaws and prepared the meetings of the full Supervisory Board which followed, discussed the Managing Board mandates and Managing Board affairs and additionally received status reports on ongoing judicial proceedings. In the vote taken outside of a meeting on December 17, it also made the anticipatory resolution for 2016 on loans to members of the Bank's governing bodies pursuant to § 15 of the German Banking Act (KWG).

The Audit and Risk Committee of Portigon AG convened a total of five times in the 2015 fiscal year, namely on January 26, April 13, June 3, September 3 and November 26. At its meeting on January 26, the Audit and Risk Committee dealt with the dividend arbitrage business of the former WestLB. The committee meeting on April 13 focused on the relevant issues related to the 2014 annual financial statements. The Audit and Risk Committee gave its recommendation to the Supervisory Board on the basis of the corresponding report by the external auditors to adopt the 2014 annual financial statements, approve the 2014 consolidated financial statements and ratify the acts of the members of the Supervisory Board and the Managing Board. It also issued a corresponding recommendation to the Supervisory Board regarding the appointment of the external auditors. Moreover, it deliberated on the 2014 annual summary report and on the reporting by the internal audit department in accordance with § 25c of the German Banking Act (KWG), as well as other issues. Among the risk-related items addressed were the Risk Situation Report at December 31, 2014.

The Audit and Risk Committee held a further meeting on June 3 at which it discussed the Risk Situation Report at March 31, 2015 and Portigon AG's art collection, among other things. The committee was also briefed by Ernst & Young GmbH Wirtschaftsprufüngsgesellschaft on dividend arbitrage transactions by the former WestLB. Dividend arbitrage transactions by the former WestLB were again the subject of debate at the meeting on September 3. In addition, the Committee discussed areas of emphasis for and extensions of the audit of the annual financial statements for the year ended December 31, 2015 and examined an interim report by the Managing Board on the review of Portigon AG by the Land Court of Audit. Other topics were the regular report prepared by the internal audit department in accordance with § 25c of the German Banking Act (KWG) and the Risk Situation Report at June 30, 2015. At the Audit and Risk Committee's last meeting on November 26, focal points of the discussion included the reporting by the internal audit department in accordance with § 25c of the German Banking Act (KWG), the Risk Situation Report at September 30, 2015 and the Portigon Group's risk strategy.

Audit of the Subordinate Status Report

Pursuant to § 313 (1) of the German Stock Corporation Act (AktG), Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, as the statutory auditor, submitted an audit report on the report on relations with affiliated enterprises for the period from January 1 to December 31, 2015. The external auditors confirmed that the factual statements made in the report on relations with affiliated enterprises prepared by the Managing Board of Portigon AG in accordance with § 312 of the German Stock Corporation Act (AktG) are accurate and that the consideration given by the company for the transactions specified in the report was not unreasonably high or that any disadvantages the company suffered were compensated.

The Supervisory Board's review of the report on relations with affiliated enterprises prepared by the Managing Board of Portigon AG in accordance with § 312 of the German Stock Corporation Act (AktG) did not raise any concerns. The Supervisory Board endorsed the audit performed by the external auditors. Based on this and the final results of its own examination, the Supervisory Board is raising no objections to the concluding statement of the Managing Board on the company's relations with affiliated enterprises.

Audit and Adoption of the 2015 Annual and Consolidated Financial Statements

At its meeting on March 18, 2016, the Supervisory Board adopted the 2015 annual financial statements, approved the consolidated financial statements and gave its recommendation to the Shareholders' Meeting on March 18, 2016 to ratify the acts of the Managing Board and Supervisory Board for the 2015 fiscal year and to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the external auditors for the 2016 fiscal year.

Supervisory Board members received copies, in a timely manner, of the Bank's annual financial statements and statement of financial condition prepared by the Managing Board, the consolidated financial statements and Group statement of financial condition, the external auditors' reports on the annual and consolidated 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 audit-related meetings of the Supervisory Board. The external auditors audited the annual financial statements and the statement of financial condition as well as the consolidated financial statements and the Group statement of financial condition for the 2015 fiscal year. The financial statements and statements of financial condition of Portigon AG and the Portigon Group, as well as the bookkeeping on which they are based, received the external auditors' unqualified audit opinion.

The Supervisory Board 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, March 18, 2016

The Chairman of the Supervisory Board

F. Plogmann

Dr. Friedhelm Plogmann

Corporate Governance at Portigon AG

The recognition that responsible and transparent corporate governance requires coherent corporate governance standards is firmly rooted in the corporate philosophy of Portigon AG.

Even though only listed German companies are required to comply with the German Corporate Governance Code (the “Code”), Portigon AG therefore bases its corporate governance on the Code, as amended, and has anchored compliance with the Code in the rules for conducting business established for its Managing Board and Supervisory Board. The Code was amended once again in 2015; the most recent version is dated May 5, 2015 and includes decisions from the plenary meeting on the same day.

The Code 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.

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

Compensation Report

Portigon AG has aligned its compensation system with the “Principles for Sound Compensation Practices”.

Portigon AG discloses the compensation of its Managing Board in its Annual Report as well as in a compensation report which, as part of the Corporate Governance Report, also describes the principles of the compensation system for Managing Board members. Moreover, the compensation report 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

Until December 18, 2015, responsibility for preparing the appointment of Managing Board members, including their employment contracts, rested with the Executive Committee of the Supervisory Board of Portigon AG. On this basis, the Supervisory Board determined 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. When the Executive Committee was dissolved, its duties were transferred to the full Supervisory 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 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 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.

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. 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 Portigon AG, which members receive after the close of the fiscal year, was set at a reasonable level 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 and out-of-pocket expenses, if they invoice the tax separately.

Remuneration of the Governing Bodies in 2015

The remuneration of the governing bodies of Portigon AG in the 2015 fiscal year was as follows:

	1. 1. – 31. 12. 2015 € millions	1. 1. – 31. 12. 2014 € millions
Total remuneration of the Managing Board	0.9	1.6
– fixed	0.9	1.6
– performance-based	0	0
– departure-related	0	0
– from holding supervisory board seats at Group subsidiaries	0	0
Total remuneration of former Managing Board members and their survivors	6.3	5.9
Total remuneration of Supervisory Board members	0.2	0.2
– fixed	0.2	0.2
– performance-based	0	0
– performance-based with long-term incentive effects	0	0
Pension provisions for Managing Board members who actively served during the fiscal year	8.6	1.5
Pension provisions for former Managing Board members and their survivors	94.1	94.8

In accordance with the Code as amended on May 5, 2015, the compensation of the individual Managing Board members is published in the table below. The amounts shown were granted for the reporting year and also flowed into the company during this period. In 2015, no payments for preceding years were made.

Benefits granted	Hubert Beckmann		Dr. Kai Wilhelm Franzmeyer		Dr. Peter Stemper	
	Chairman of the Managing Board		Managing Board member Chairman since April 30, 2014		Managing Board member	
	Board member since Sept. 3, 2015		Departure Aug. 12, 2015		Board member since Feb 1, 2014	
	2014	2015	2014	2015	2014	2015
Fixed remuneration*	–	162,501.00 €	500,000.04 €	308,333.36 €	324,570.30 €	366,672.00 €
Benefits	–	– 14,102.44 €	33,117.08 €	20,511.02 €	7,983.53 €	17,083.20 €
Total	–	148,398.56 €	533,117.12 €	328,844.38 €	332,553.86 €	383,755.20 €
1-year variable remuneration	–	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €
Multi-year variable remuneration	–	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €
Plan description (term)	–	–	–	–	–	–
Total	–	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €
Pension cost	311,677.00 €	927,589.00 €	172,249.00 €	– 75,199.00 €	445,937.00 €	147,634.00 €
Total remuneration	311,677.00 €	1,075,987.56 €	705,366.12 €	253,645.38 €	778,490.86 €	531,389.20 €

* rounding difference

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

Directors Dealings (Disclosures Pursuant to Article 6.6 of the Code)

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

Declaration of Conformity 2015

The Managing Board and Supervisory Board of Portigon AG herewith declare for 2015 that Portigon AG complied with the recommendations of the "Government Commission of the German Corporate Governance Code" as amended on May 5, 2015, with the following exceptions:

- With respect to the recommendation in **Article 3.8 Paragraph 2 of the Code** (agreement of a deductible for directors' and officers' liability insurance), a similar arrangement was also made for the Supervisory Board with effect from July 1, 2015.

- **Article 3.10 of the Code** recommends that the Corporate Governance Report be published in connection with the corporate governance declaration (§ 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 a corporate governance declaration and to continue to publish our Corporate Governance Report as part of the Annual Report, immediately following the Report of the Supervisory Board.

- **Article 4.1.5 of the Code** sets out that the Managing Board must lay down targets for the share of women on the two management levels below the Managing Board. Owing to the special situation of Portigon AG, which is being systematically downsized with the objective of dissolving the company, the Managing Board has not laid down any targets.

- **Article 4.2.1 Sentence 2 of the Code** recommends making the allocation of duties among individual Managing Board members part of the rules governing the conduct of its business. 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 a continuous diminution of the Managing Board. The duties of the two Managing Board members are nevertheless regulated in an organisational chart.

- **Article 5.1.2 Paragraph 1 Sentence 3 of the Code** provides that the Supervisory Board must, for the first time, determine targets for the share of women in the Managing Board by September 30, 2015 at the latest. In view of the systematic downsizing of the company and given the small number of Managing Board members, the Supervisory Board of Portigon AG has not determined any targets.

- **Article 5.3.2 of the Code** recommends that the Supervisory Board form an audit committee with a defined range of duties and select an independent audit committee chairman with specialist knowledge and experience. This recommendation was complied with by December 23, 2015. Considering the already well-advanced downsizing of the company and the diminution of the full Supervisory Board to just six members, the Supervisory Board has since decided against forming any committees. In the future, the relevant duties will be performed by the full Supervisory Board instead.

- **Article 5.3.3 of the Code** 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 Portigon AG, the owners themselves regularly recommend the candidates to serve as the shareholder representatives on the Supervisory Board. Portigon AG will therefore not be forming a nominating committee. The Supervisory Board has itself taken over the duties of the nomination committee after transferring them to the Executive Committee in the interim.

- We do not follow the recommendation in **Article 5.4.1 Paragraph 2 et seq. of the Code** to specify an age limit and a length of membership for Supervisory Board members. Portigon AG believes that the age and the length of membership of Supervisory Board members are not a sufficient measure of their qualification to serve. In addition, the Supervisory Board is required to lay down targets for the share of women in the Supervisory Board. Due to the special situation of Portigon AG, which is being systematically downsized with the objective of dissolving the company, the Supervisory Board has not laid down any targets.

- In deviation from the recommendation in **Article 7.1.2 Sentence 2 of the Code,** we did not publish quarterly financial reports for the periods ended March 31, 2015 and September 30, 2015 due to the downsizing of the Bank. The half-year financial report was not discussed separately by the Managing Board and the Supervisory Board prior to publication.

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

Düsseldorf, March 18, 2016

Representing the Supervisory Board

Dr. Friedhelm Plogmann

Representing the Managing Board

Hubert Beckmann

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The Annual Report is also available in German and can be inspected on our website at portigon-ag.de.

Production
valido marketing services GmbH

Disclaimer
Reservation regarding forward-looking statements

This Annual 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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