Annual Report 2014

Portigon
Aktiengesellschaft

Portigon Key Figures

Portigon Group: Key Figures Year-on-Year Comparison

Group	**1. 1. – 31. 12. 2014**	1. 1. – 31. 12. 2013	Change absolute	Change %
Performance figures in € millions				
Net interest income	137.9	169.9	– 32.0	– 18.8
Net commission income	194.9	263.8	– 68.9	– 26.1
Other operating expenses/income	– 131.9	10.1	– 142.0	> – 100.0
Personnel expenses	– 219.3	– 269.1	49.8	18.5
Other administrative expenses	– 262.6	– 325.7	63.1	19.4
Provisions for credit risks	8.3	1.0	7.3	> 100.0
Result of securities and participations	10.4	3.9	6.5	> 100.0
Extraordinary result	– 102.5	– 697.6	595.1	85.3
Profit/loss before income tax	– 364.8	– 843.7	478.9	56.8
Taxes on income and revenues	143.7	3.3	140.4	> 100.0
Profit/loss after taxes	– 221.1	– 840.4	619.3	73.7

Group	**Dec. 31, 2014**	Dec. 31, 2013	Change absolute	Change %
Balance sheet figures in € billions				
Total assets	19.3	30.9	– 11.6	– 37.5
Business volume	19.7	32.0	– 12.3	– 38.4
Credit volume	7.7	9.2	– 1.5	– 16.3
Equity capital	2.0	2.2	– 0.2	– 9.1
Bank regulatory capital ratios (CRR/CRD IV)				
Tier 1 capital in € billions	2.0	2.2	– 0.2	– 9.1
Own funds in € billions	3.0	3.4	– 0.4	– 11.8
Risk-weighted assets in € billions	1.7	2.0	– 0.3	– 15.0
Tier 1 capital ratio in %	108.3	110.1	– 1.8	– 1.6
Total capital ratio in %	176.7	166.5	10.2	6.1
Employees				
Number of employees	1,432	2,104	– 672	– 31.9
Full-time equivalent	1,357	1,984	– 627	– 31.6

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. 2014	1. 1. – 31. 12. 2013	Change absolute	%
Performance figures in € millions				
Net interest income	145.0	169.3	– 24.3	– 14.4
Net commission income	91.1	263.9	– 172.8	– 65.5
Other operating expenses/income	– 125.4	– 33.7	– 91.7	> – 100.0
Personnel expenses	– 144.3	– 263.6	119.3	45.3
Other administrative expenses	– 195.4	– 248.1	52.7	21.2
Provisions for credit risks	8.3	0.7	7.6	> 100.0
Result of securities and participations	– 75.3	– 19.4	– 55.9	> – 100.0
Extraordinary result	– 63.2	– 697.6	634.4	90.9
Profit/loss before income tax	– 359.2	– 828.5	469.3	56.6
Taxes on income and revenues	122.6	2.6	120.0	> 100.0
Profit/loss after taxes	– 236.6	– 825.9	589.3	71.4

Single-Entity Accounts	Dec. 31, 2014	Dec. 31, 2013	Change absolute	%
Balance sheet figures in € billions				
Total assets	19.4	31.0	– 11.6	– 37.4
Business volume	19.8	32.1	– 12.3	– 38.3
Credit volume	7.7	9.2	– 1.5	– 16.3
Equity capital	2.0	2.2	– 0.2	– 9.1
Bank regulatory capital ratios (CRR/CRD IV)				
Tier 1 capital in € billions	2.0	2.2	– 0.2	– 9.1
Own funds in € billions	3.1	3.4	– 0.3	– 8.8
Risk-weighted assets in € billions	1.1	2.0	– 0.9	– 45.0
Tier 1 capital ratio in %	181.9	112.9	69.0	61.1
Total capital ratio in %	291.8	171.0	120.8	70.6
Employees				
Number of employees	840	2,103	– 1,263	– 60.1
Full-time equivalent	798	1,983	– 1,185	– 59.8

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.

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Combined Statement of Financial Condition at December 31, 2014

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 2014 fiscal year.

Total assets of the Portigon Group came to € 19.3 billion at December 31, 2014 (previous year: € 30.9 billion), whilst total assets of Portigon AG (PAG) amounted to € 19.4 billion (previous year: € 31.0 billion). Of that amount, € 8.5 billion (previous year: € 16.7 billion) is attributable to trust assets and € 5.2 billion (previous year: € 7.3 billion) to items guaranteed by 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.

Owing to the further portfolio reductions, the termination of the contract for portfolio services with Hessische Landesbank (Helaba) following the successful completion of the Verbundbank activities as well as the expenses in connection with the sale of PFS and the expected accompanying outflow of resources, the Portigon Group's income decreased from € 447.7 million to € 211.3 million. Portigon AG saw its income fall from € 380.1 million to € 35.4 million, mainly due to the transfer of the service agreement with EAA to PFS.

The progressive transformation led to a further headcount reduction in the 2014 fiscal year, which in turn lowered non-personnel costs. As a result, the Portigon Group's administrative expenses were reduced by € 112.9 million, from € 594.8 million to € 481.9 million. Portigon AG's administrative expenses amounted to € 339.7 million, down from € 511.7 million in the previous year.

The extraordinary result in the Portigon Group came to € – 102.5 million (previous year: € – 697.6 million), whilst Portigon AG reported an extraordinary result of € – 63.2 million (previous year: € – 697.6 million). The negative result is attributable to restructuring expenses incurred for the company's transformation. The previous year had been dominated by expenses in connection with pension obligations that were transferred to NRW.BANK and by allocations to the pension provisions.

Altogether, we are reporting a result before taxes of € – 364.8 million (previous year: € – 843.7 million) and a net loss for the year of € 221.1 million (previous year: € 840.4 million) for the Portigon Group. Portigon AG recorded a result before taxes of € – 359.2 million (previous year: € – 828.5 million) and a net loss for the year of € – 236.6 million (previous year: € – 825.9 million). The positive tax result can be attributed to the reversal of tax provisions. The net loss for the year is partly offset by loss participation on the part of the holders of the silent contributions to capital (€ 200.4 million) and the holders of profit participation rights (€ 3.6 million) pursuant to the respective terms of issue. The remaining amount (€ – 32.6 million), together with the loss carried forward from the previous year, is being reported as a retained loss (€ – 215.8 million).

Taking into account the net loss for the year, the Portigon Group's Tier 1 capital ratio is 108.3%, whilst its total capital ratio is 176.7%. Portigon AG's Tier 1 capital ratio and overall ratio are 181.9% and 291.8%, respectively. Risk-weighted assets in the Group stand at € 1.7 billion and in the AG at € 1.1 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.

An important step in this direction was the spin-off of the portfolio services business of Portigon AG (PAG) to the subsidiary Portigon Financial Services GmbH (PFS). PFS was entered in the commercial register on January 23, 2014. PFS officially commenced operations on February 1, 2014, with the approval of the Federal Financial Supervisory Authority (BaFin), after the governing bodies of PAG and PFS passed the required resolutions on January 30, 2014. To this end, PAG sold the PFS division to Group company PFS. In the process, substantial portions of the service agreement with Erste Abwicklungsanstalt (EAA) were transferred from PAG to PFS, and the rules governing the service relationship between the two companies were established. Pursuant to the European Commission's decision of December 20, 2011, PFS must be privatised by December 31, 2016. Due to provisions in the transformation agreements, there are certain conditions under which EAA is entitled to any proceeds from the sale of the portfolio services business. Thus, an outflow of resources can be expected to accompany a sale of PFS, and we have addressed this issue in full by recognising a provision. If this company is unable to be sold, it would have to be wound down in 2017.

As part of its further transformation, PAG sold its four office properties in Düsseldorf to Blackstone. The agreements to this effect were signed on January 31, 2014 and February 1, 2014. The transaction for three of the four buildings – Herzogstraße 15 ("Herzogterrassen"), Friedrichstraße 56 and Elisabethstraße 65 – closed on March 31, 2014. The building at Friedrichstraße 62–80 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.

There were changes in PAG's and PFS's management. The members of PAG's Managing Board had been serving as PFS's managers in parallel with their existing duties since June 2013.

On January 30, 2014, Dr. Kai Wilhelm Franzmeyer resigned from the Managing Board of PFS in accordance with the wishes of the Supervisory Board and after consultation with the owner of Portigon AG. On that same date, the Supervisory Board of PAG appointed Dr. Peter Stemper to the Managing Board of PAG with effect from February 1, 2014. He assumed the role of Chief Risk Officer and also the office of Chief Financial Officer (CFO) with effect from October 15, 2014. Dr. Stemper resigned from the Supervisory Board of PAG on January 30, 2014 with immediate effect.

On April 30, 2014, Dietrich Voigtländer stepped down from his management positions at PAG and PFS. On the same day, the Supervisory Board appointed Dr. Kai Wilhelm Franzmeyer as the new Chairman of the Managing Board of PAG, a position he exercised in parallel with his existing responsibilities as PAG's Chief Financial Officer (CFO) until October 15, 2014. The Supervisory Board of PFS appointed Dr. Peter Stemper as a further member of the company's management. He assumed this task in addition to his function as a member of the Managing Board of PAG on an interim basis until November 12, 2014.

On June 30, 2014, the Supervisory Board of PFS appointed Dr. Sören Christensen to serve on and chair the Managing Board of PFS with effect from July 1, 2014. Stefan Dreesbach stepped down from his management position at PFS at the same time. His duties as a member of Portigon AG's Managing Board were not affected by this. The departure of Dr. Peter Stemper from his management position at PFS at November 12, 2014 ended the dual structure between PAG and PFS. Stefan Dreesbach resigned from Portigon AG's Managing Board with effect from December 31, 2014; his duties were taken over by the incumbent Board.

The composition of the Supervisory Board also changed in the course of the year.

Dr. Friedhelm Plogmann took over as Chairman of the Supervisory Boards of PAG and PFS with immediate effect on April 16, 2014. He succeeded Dietmar P. Binkowska, who had resigned from his Supervisory Board seats with effect from April 10, 2014.

With respect to the objection to the change in the composition of PAG's Supervisory Board raised by two Supervisory Board members, the parties reached an out-of-court settlement, and status proceedings to determine the Supervisory Board's new composition were started again on March 11, 2014 with the goal of having the composition of the Supervisory Board changed pursuant to the statutory provisions governing its composition, namely § 96 (1) and § 101 (1) of the German Stock Corporation Act in conjunction with § 1 (1) (1) and § 4 (1) of the One-Third Participation Act of May 18, 2004. The corresponding change became effective at the end of the Shareholders' Meeting of PAG held on April 30, 2014. Whereas the Supervisory Board previously consisted of an equal number of shareholder and employee representatives, it now consists of six shareholder representatives and three employee representatives, the total number of representatives also having been reduced.

As a result of this change, the Shareholders' Meeting of PAG newly elected the Supervisory Board's shareholder representatives at the meeting held on April 30, 2014. The Shareholder's Meeting also amended the Articles and Bylaws to reflect the new legal requirements for the Supervisory Board's composition. In addition, the employee representatives were subsequently appointed by the court; in December 2014, Susanne Jörg, Doris Ludwig and Matthias Rabitzsch were elected as employee representatives by staff.

By successfully implementing the migration of the Verbundbank activities to Hessische Landesbank, Portigon AG reached another key milestone in mid-2014, fulfilling an important condition imposed in conjunction with the EU's decision regarding WestLB of December 20, 2011. Part of the downsizing entailed Portigon AG also closing its branches in Istanbul and Shanghai in July and October 2014, respectively.

On September 23, 2014, the Managing Board resolved to change the consolidated financial reporting for PAG together with the single-entity annual financial statements for 2014 from IFRS (International Financial Reporting Standards) to HGB (German Commercial Code). In doing so, PAG took another step towards systematically reducing the complexity of a former large bank, thereby containing costs.

Background: The consolidated annual financial statements up to December 31, 2013 and the consolidated interim financial statements up to June 30, 2014 were prepared in accordance with § 315a of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 (IAS Regulation) in conformity with the IFRS. By withdrawing the listing of the notes and profit participation certificates issued by Portigon AG on the regulated market and having these listed instead in the primary market segment and the Euro MTF for over-the-counter (OTC) trading on the Düsseldorf and Luxembourg Stock Exchanges, respectively, Portigon AG is no longer a publicly traded company as defined by Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002. As a result, pursuant to § 315a of the German Commercial Code (HGB), Portigon AG is no longer required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

On March 4, 2014, the Managing Board approved the transfer of the issues by the former WestLB that were listed on various exchanges in the regulated market to a special segment of the OTC market. The downlisting or delisting concerned the following securities of PAG (ISIN):

- The securities (subordinated notes) with ISIN XS0100256139, XS0170378383, XS0171938219, XS0178208426, XS0177970851 were transferred to the Euro MTF segment of the Luxembourg Stock Exchange with effect from June 16, 2014.

- The admission of the subordinated note with ISIN DE0007233918 to trading on the regulated market of the Düsseldorf Stock Exchange was revoked with effect from September 17, 2014 and the security was immediately transferred to OTC trading on the Düsseldorf Stock Exchange (primary market).

- The listing of the security (subordinated note) with ISIN DE0008079575 on the regulated market of the Frankfurt Stock Exchange was withdrawn with effect from July 1, 2014 on Portigon's application. This security's listing on the regulated market of the Luxembourg Stock Exchange was transferred to the Euro MTF segment with effect from June 30, 2014.

- The listing of the subordinated note with ISIN XS0180835232 on the regulated unofficial market of the Vienna Stock Exchange was removed with effect from June 24, 2014 and the security was included in OTC trading on the Düsseldorf Stock Exchange (primary market) with effect from May 15, 2014.

- The admission of the profit participation certificate with ISIN DE0008364902 to trading on the regulated market of the Düsseldorf Stock Exchange was revoked with effect from September 17, 2014 and the security was immediately transferred to the OTC market (primary market) of the Düsseldorf Stock Exchange.

Portigon AG successfully completed the downlisting of the above-mentioned own issues to the OTC market on September 17, 2014.

The agreements on the sale of the Schloss Krickenbeck estate including the conference and seminar hosting business to the Châteauform Group were signed on December 17, 2014. The transaction is scheduled to be completed by May 1, 2015.

In summer 2014, Portigon AG launched a project to establish administrative operations for the period after 2016. One of the aims of this project is to calculate personnel and IT capacity and establish the organisational structures required for the portfolios remaining in Portigon AG's balance sheet after 2017.

Portigon's Branches, Subsidiaries and Offices

The head office of Portigon AG is in Düsseldorf. Portigon AG conducts business in Europe through subsidiaries and three branches in London, Madrid and Milan. Outside Europe, Portigon AG maintains branches in New York, Hong Kong, Sydney, Singapore and Tokyo.

With the transformation of Portigon AG pursuant to the EU's decision of December 20, 2011, Portigon AG's activities will be concentrated in Düsseldorf, London and New York, though all branches, subsidiaries and offices will be impacted by the transformation and corresponding downsizing.

The branches in Istanbul and Shanghai were closed in 2014. Tokyo, where the banking licence was returned in 2014, is due to be the next branch to close, followed by Hong Kong, Singapore, Sydney, Milan and Madrid, which are scheduled to be closed by December 31, 2017 at the latest.

Employees

For employees, the 2014 fiscal year continued to be dominated by the transformation of the Portigon Group. The establishment of Portigon Financial Services GmbH (PFS) in the first quarter of 2014 was a major milestone – the PFS unit, in which the main service functions for servicing complex financial portfolios were pooled, had been set up at Portigon AG in September 2013.

PFS commenced operations on February 1, 2014. A total of 629 employees of Portigon AG in Düsseldorf, London and New York were transferred from Portigon AG to PFS GmbH, where they provide specialist services for servicing complex financial portfolios for Erste Abwicklungsanstalt (EAA) and other customers. In view of the close cooperation with and the provision of services to EAA, Portigon AG, PFS and EAA decided to transfer selected functions from Portigon AG and PFS to EAA, leading to the transfer of 69 employees to EAA Portfolio Advisers at July 1, 2014.

The downsizing at Portigon AG is well advanced, resulting in a further headcount reduction of 634 employees (591 full-time employees). The restructuring measures are being implemented on the basis of the enterprise-level collective agreement and the reconciliation of interests and redundancy scheme developed in constructive talks with the staff council as well as comparable regulations outside Germany. Through new placement counselling, the employees leaving the company receive valuable support in their professional reorientation.

In June 2014, PAG also announced redundancies in Germany on a manageable scale to safeguard the transformation process.

On December 31, 2014, the Portigon Group had just 1,432 employees (1,357 full-time employees), comprising 840 employees (798 full-time employees) at Portigon AG and 592 employees (559 full-time employees) at PFS. At the end of 2013, the Group had employed 2,104 people, with 1,984 working on a full-time basis.

Training for the Realignment

As a consequence of the transformation, Portigon AG will end its in-company apprenticeship training programme, though all current apprentices will still be able to finish their training according to plan. In 2014, eight apprentices successfully completed their training, to be followed by another four in 2015.

The establishment and realignment of PFS will be accompanied by needs-based personnel development and individualised training.

Compensation

In 2014, the Portigon Group continued to systematically align its compensation system with the regulatory requirements for employee compensation. A new market-orientated compensation system was introduced at PFS.

Sustainability and Environmental Management

Sustainability is also an important part of Portigon AG’s business processes. This is confirmed by the renewed external certification of the company’s environmental management system in 2014.

Statement of Income

Portigon's performance in 2014 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 € – 364.8 million (previous year: € – 843.7 million) and a net loss for the year of € 221.1 million (previous year: € 840.4 million) for the Portigon Group. Portigon AG recorded a result before taxes of € – 359.2 million (previous year: € – 828.5 million) and a net loss for the year of € 236.6 million (previous year: € 825.9 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, 2014

Group	Portigon Group		Change	
	1. 1. – 31. 12. 2014 € millions	1. 1. – 31. 12. 2013 € millions	€ millions	%
Net interest income	137.9	169.9	– 32.0	– 18.8
Net commission income	194.9	263.8	– 68.9	– 26.1
Other operating expenses/income	– 131.9	10.1	– 142.0	> – 100.0
Personnel expenses	– 219.3	– 269.1	49.8	18.5
Other administrative expenses	– 262.6	– 325.7	63.1	19.4
Provisions for credit risks	8.3	1.0	7.3	> 100.0
Result of securities and participations	10.4	3.9	6.5	> 100.0
Extraordinary result	– 102.5	– 697.6	595.1	85.3
Profit/loss before income tax	– 364.8	– 843.7	478.9	56.8
Taxes on income and revenues	143.7	3.3	140.4	> 100.0
Profit/loss after taxes	– 221.1	– 840.4	619.3	73.7
thereof:				
– minority interest in profit/loss	– 1.6	2.3	– 3.9	> – 100.0

Portigon AG Single-Entity Accounts: Statement of Income from January 1 to December 31, 2014

Single-Entity Accounts	Portigon AG		Change	
	1. 1. – 31. 12. 2014 € millions	1. 1. – 31. 12. 2013 € millions	€ millions	%
Net interest income	145.0	169.3	– 24.3	– 14.4
Net commission income	91.1	263.9	– 172.8	– 65.5
Other operating expenses/income	– 125.4	– 33.7	– 91.7	> – 100.0
Personnel expenses	– 144.3	– 263.6	119.3	45.3
Other administrative expenses	– 195.4	– 248.1	52.7	21.2
Provisions for credit risks	8.3	0.7	7.6	> 100.0
Result of securities and participations	– 75.3	– 19.4	– 55.9	> – 100.0
Extraordinary result	– 63.2	– 697.6	634.4	90.9
Profit/loss before income tax	– 359.2	– 828.5	469.3	56.6
Taxes on income and revenues	122.6	2.6	120.0	> 100.0
Profit/loss after taxes	– 236.6	– 825.9	589.3	71.4
Loss carried forward from the previous year	– 183.2	– 71.9	– 111.3	> – 100.0
Withdrawals from profit participation capital	3.6	19.3	– 15.7	– 81.3
Withdrawals from the silent contributions to capital	200.4	695.2	– 494.8	– 71.2
Retained loss	– 215.8	– 183.3	– 32.5	– 17.7

Net Interest Income

The net interest income of the Portigon Group amounted to € 137.9 million (previous year: € 169.9 million), whilst the net interest income of Portigon AG amounted to € 145.0 million (previous year: € 169.3 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 equity capital and liquidity steering. The absence of coupon payments on the profit participation capital reduced the interest expense by € 4.0 million (previous year: € 6.3 million).

Net Commission Income

In 2014, Portigon AG's portfolio services business was spun off to the subsidiary Portigon Financial Services GmbH (PFS). In the process, substantial portions of the service agreement with Erste Abwicklungsanstalt (EAA) were transferred from Portigon AG to PFS and the rules governing the service relationship between the two companies were established. PFS officially commenced operations on February 1, 2014, with the approval of the Federal Financial Supervisory Authority (BaFin). As a consequence of the spin-off, the predominant portion of net commission income was attributable to PFS.

The net commission income of the Portigon Group amounted to € 194.9 million (previous year: € 263.8 million), whilst the net commission income of Portigon AG amounted to € 91.1 million (previous year: € 263.9 million). Income from portfolio services came to € 151.6 million for the year (previous year: € 339.6 million). One of the major offsetting items was the € – 56.1 million (previous year: € – 76.1 million) in guarantee fees for synthetically transferred portfolios.

PFS primarily provided portfolio services for EAA, Portigon AG, and, to a lesser extent, other customers, generating net commission income of € 196.5 million (previous year: € 0.0 million).

Other Operating Expenses/Income

The net figure for other operating expenses and income came to € – 131.9 million (previous year: € 10.1 million) for the Portigon Group and to € – 125.4 million (previous year: € – 33.7 million) for Portigon AG.

The negative figure for Portigon AG mainly results from the interest cost on provisions in the amount of € 93.2 million (previous year: € 75.5 million) as well as the recognition of a provision for liabilities of € 78.0 million for the expected outflow of resources accompanying the sale of PFS. At Portigon AG the expenses are offset by income that was predominantly generated from the transfer of assets and liabilities to PFS. The resulting ring-fence gain of € 26.2 million is eliminated in the consolidated financial statements.

General Administrative Expenses

As expected, general administrative expenses decreased by € 112.9 million to € 481.9 million (previous year: € 594.8 million) for the Portigon Group and by € 172.0 million to € 339.7 million (previous year: € 511.7 million) for Portigon AG.

Personnel expenses decreased by € 49.8 million to € 219.3 million (previous year: € 269.1 million) for the Portigon Group and by € 119.3 million to € 144.3 million (previous year: € 263.6 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 2,323 to 1,678. At Portigon AG, the average headcount declined from 2,289 to 1,166.

Other administrative expenses also fell substantially, by € 63.1 million to € 262.6 million (previous year: € 325.7 million) for the Portigon Group and by € 52.7 million, from € 248.1 million to € 195.4 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.

Provisions for Credit Risks

Following an almost break-even result for 2013, a positive result of € 8.3 million was reported in 2014 (previous year: € 0.7 million) through the reversal of individual value adjustments. 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 € 10.4 million (previous year: € 3.9 million) from securities and participations in the Portigon Group. Portigon AG, on the other hand, is reporting total net expenses of € – 75.3 million (previous year: net expenses of € – 19.4 million).

	Portigon Group		Portigon AG	
	1. 1. – 31. 12. 2014 € millions	1. 1. – 31. 12. 2013 € millions	**1. 1. – 31. 12. 2014 € millions**	1. 1. – 31. 12. 2013 € millions
Result of securities	–	3.6	–	3.6
Result of participations	10.4	0.3	– 75.3	– 23.0
Result of securities and participations	10.4	3.9	– 75.3	– 19.4

The positive result for the Portigon Group is primarily attributable to the sale of the equity investment in White Energy Holdco, LLC, resulting in a gain on disposal of € 14.1 million. The negative result for Portigon AG is due in particular to a write-down on the carrying amount of the PFS stake of € 80.0 million, which is eliminated in the Portigon Group.

Extraordinary Result

The extraordinary result for the Portigon Group came to € – 102.5 million (previous year: € – 697.6 million), whilst Portigon AG reported an extraordinary result of € – 63.2 million (previous year: € – 697.6 million). The negative result is exclusively attributable to restructuring expenses incurred for the company’s transformation. The previous year had been dominated by expenses in connection with pension obligations that were transferred to NRW.BANK and by allocations to the pension provisions.

Taxes on Income and Revenues

The tax income of € 143.7 million incurred in fiscal year 2014 (previous year: € 3.3 million) consisted of a € 122.5 million (previous year: € 3.3 million) income tax benefit from current taxes and a € 21.2 million (previous year: € 0.0 million) income tax benefit from deferred taxes. The income tax benefit from current taxes primarily results from the reversal of tax provisions at Portigon AG that are no longer needed, whereas the income tax benefit from deferred taxes is attributable to the recognition of deferred tax assets in the amount of € 21.2 million (previous year: € 0.0 million) at the subsidiary GOD Grundstücksverwaltungs GmbH.

Net Loss for the Year

The Portigon Group is reporting a net loss of € – 221.2 million for the 2014 fiscal year (previous year: € – 840.4 million), whilst Portigon AG is reporting a net loss of € – 236.6 million (previous year: € – 825.9 million). There were no coupon payments on the profit participation certificates for 2014 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, 2014 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, 2014, the Portigon Group had total assets and total equity and liabilities of € 19.3 billion and Portigon AG had total assets and total equity and liabilities of € 19.4 billion, of which € 8.5 billion was reported in the items trust assets and trust liabilities. This includes, in particular, derivative financial instruments with positive market values of € 3.7 billion and derivative financial instruments with negative market values of € 3.5 billion. These derivatives were transferred to EAA under the risk transfer agreement and are offset by matching claims and obligations. There is also the corresponding cash collateral.

In addition, the Portigon Group and Portigon AG have claims on banks in the amount of € 2.0 billion (previous year: € 1.6 billion), claims on customers in the amount of € 5.3 billion (previous year: € 6.5 billion), securities in the amount of € 1.0 billion (previous year: € 3.1 billion) and cash in the amount of € 1.9 billion (previous year: € 2.0 billion). EAA has guaranteed € 5.2 billion (previous year: € 7.3 billion) of these assets, most notably € 4.5 billion in claims on customers (previous year: € 5.8 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 € 19.7 billion in the Portigon Group and € 19.8 billion at Portigon AG (previous year: Portigon Group € 32.0 billion, Portigon AG € 32.1 billion).

Assets

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € billions	Dec. 31, 2013 € billions	**Dec. 31, 2014 € billions**	Dec. 31, 2013 € billions
Cash/liquid debt issues	1.9	2.0	1.9	2.0
Claims on banks	2.0	1.6	2.0	1.6
Claims on customers	5.3	6.5	5.3	6.5
Securities not held for trading	1.0	3.1	1.0	3.1
Equity investments in affiliated and non-affiliated companies	–	–	0.2	0.4
Trust assets	8.5	16.7	8.5	16.7
Tangible/intangible assets	0.1	0.3	–	–
Other assets	0.5	0.7	0.5	0.7
Total assets	19.3	30.9	19.4	31.0

Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € billions	Dec. 31, 2013 € billions	**Dec. 31, 2014 € billions**	Dec. 31, 2013 € billions
Liabilities to banks	0.3	0.4	0.3	0.4
Liabilities to customers	4.3	6.9	4.4	7.0
Certificated liabilities	–	–	–	–
Trust liabilities	8.5	16.7	8.5	16.7
Other liabilities	2.2	2.4	2.2	2.4
Subordinated liabilities/Profit participation capital	2.0	2.3	2.0	2.3
Equity capital	2.0	2.2	2.0	2.2
Total liabilities	19.3	30.9	19.4	31.0
Contingent liabilities	0.1	0.3	0.1	0.3
Other commitments/Credit commitments	0.3	0.8	0.3	0.8
Business volume	19.7	32.0	19.8	32.1

Credit Volume

The credit volume on the balance sheet was € 7.7 billion at December 31, 2014 (previous year: € 9.2 billion).

Whilst claims on banks rose by a slight € 0.4 billion to € 2.0 billion, claims on customers decreased by a substantial € 1.2 billion to € 5.3 billion, in particular. Of the claims on customers, the sum of € 4.5 billion (previous year: € 5.8 billion) is guaranteed by EAA.

Credit Volume

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € billions	Dec. 31, 2013 € billions	**Dec. 31, 2014 € billions**	Dec. 31, 2013 € billions
Claims on banks	2.0	1.6	2.0	1.6
Claims on customers	5.3	6.5	5.3	6.5
Contingent liabilities	0.1	0.3	0.1	0.3
Other commitments/Credit commitments	0.3	0.8	0.3	0.8
Credit volume carried in the balance sheet	7.7	9.2	7.7	9.2

Securities Holdings

Portigon's securities portfolio totalled € 1.0 billion at December 31, 2014 (previous year: € 3.1 billion). Most of the items in this portfolio are bonds and other interest-bearing securities from public-sector issuers.

The volume of EAA-issued notes came to € 0.5 billion at December 31, 2014 (previous year: € 2.5 billion). Notes of € 0.3 billion (previous year: € 0.5 billion) are guaranteed by EAA.

Equity Investments in Affiliated and Non-Affiliated Companies

The carrying value of the equity investments in affiliated and non-affiliated companies came to € 0.2 billion (previous year: € 0.4 billion). The decrease is largely attributable to the completion of the sale of GOH Grundstücksverwaltungs GmbH (GOH) and the liquidation of Portigon Securities Inc.

The book values of the equity investments of € 0.2 billion are attributable almost exclusively to the companies Portigon Financial Services GmbH (PFS) and GOD Grundstücksverwaltungs GmbH (GOD).

Customer and Bank Deposits

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

At December 31, 2014, liabilities to banks and customers in the Portigon Group totalled € 4.6 billion (previous year: € 7.3 billion), whilst Portigon AG's liabilities to banks and customers totalled € 4.7 billion (previous year: € 7.4 billion) and consisted predominantly of time deposits. There was € 1.1 billion in deposits from EAA (previous year: € 3.1 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 consist of the total of Tier 1 capital and supplementary capital and were as follows at December 31, 2014:

Own Funds

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions CRR/CRD IV after result for the year	Dec. 31, 2013 € millions SolvV after result for the year	**Dec. 31, 2014 € millions CRR/CRD IV after result for the year**	Dec. 31, 2013 € millions SolvV after result for the year
Common Equity Tier 1 capital (CET1): instruments and reserves	1,725.9	1,988.8	1,781.8	1,989.4
Capital instruments and the related share premium accounts	498.6	588.1	498.6	498.6
thereof subscribed capital (shares)	498.6	588.1	498.6	498.6
thereof capital reserves/reserves from retained earnings (incl. profit/loss)	– 271.7	– 273.3	– 215.8	– 183.2
thereof government instruments with grandfathering up to January 1, 2018 (silent contribution to capital – issued 2009/2010)	1,499.0	1,674.0	1,499.0	1,674.0
Regulatory adjustments to CET1	– 6.0	–12.1	– 0.3	– 13.7
Common Equity Tier 1 capital (CET1)	1,719.9	1,976.7	1,781.5	1,975.7
Additional Tier 1 capital (AT1): instruments	146.4	238.4	169.2	238.4
thereof instruments as defined by Article 484 (4) CRR that do not constitute state aid (silent contribution to capital – issued 2005)	170.5	238.4	170.5	238.4
Regulatory adjustments to AT1	– 24.1	–	– 1.3	–
Additional Tier 1 capital (AT1)	146.4	238.4	169.2	238.4
Tier 1 capital (T1 = CET1+AT1)	1,866.3	2,215.1	1,950.7	2,214.1
Tier 2 capital (T2)	1,179.5	1,122.2	1,179.5	1,123.3
Tier 3 capital (T3)	–	485.7	–	486.2
Unused but eligible Tier 3 capital	–	– 471.4	–	– 471.9
Own funds	3,045.8	3,351.6	3,130.2	3,351.7

At the reporting date, the Tier 1 capital pursuant to CRR/CRD IV amounted to € 1,866.3 million for the Group and to € 1,950.7 million for Portigon AG, down € 348.8 million and € 263.4 million, respectively, as against December 31, 2013. This decrease is predominantly due to the distribution of the HGB loss for 2014 among the capital components absorbing the loss as well as to the reduction in the Additional Tier 1 capital instruments, only a portion of which is included in Additional Tier 1 capital in 2014 under the transitional arrangements in the new CRR/CRD IV rules.

In the Group, there were further negative effects related to the initial consolidation of PFS. These were compensated to some extent by the sale of GOH Grundstücksverwaltungs GmbH and the deconsolidation of GOD Grundstücksverwaltungs GmbH in line with regulatory requirements.

The Common Equity Tier 1 capital fell from € 1,976.7 million to € 1,719.9 million for the Group and from € 1,975.7 million to € 1,781.5 million for Portigon AG for reasons which are largely the same as the effects described above for Tier 1 capital.

Own funds dropped by € 305.8 million in the Group and by € 221.5 million in Portigon AG compared with the end of last year. This is mainly the result of effects in the Tier 1 capital, the ineligibility of some subordinated issues for continued inclusion in the regulatory capital and the new CRR/CRD IV rules on the eligibility of subordinated issues.

The profit participation rights and subordinated liabilities of Portigon included in the capital and reserves calculated for regulatory purposes satisfy the eligibility requirements under 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.

The volume of profit participation rights included in the supplementary capital was € 15.2 million, whilst the volume of subordinated liabilities included was € 1,130.2 million. Interest was paid on the subordinated liabilities in accordance with the terms on which they were issued.

The following ratios were determined at December 31, 2014 on the basis of the eligible capital and reserves 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, 2014 € millions CRR/CRD IV after result for the year	Dec. 31, 2013 € millions SolvV after result for the year	**Dec. 31, 2014 € millions CRR/CRD IV after result for the year**	Dec. 31, 2013 € millions SolvV after result for the year
Risk-weighted assets				
Counterparty credit risks	338.6	762.5	498.3	716.5
Credit valuation adjustment (CVA)	37.4	–	37.4	–
Operational risks	360.0	1,000.0	360.0	994.9
Additional risk exposure amount due to fixed overheads	811.1	–	–	–
12.5 x the relevant amount for market risk positions	176.9	250.0	176.9	249.2
Total risk-weighted assets	1,724.0	2,012.5	1,072.6	1,960.6
Equity ratios				
Common Equity Tier 1 capital ratio (as a % of the total risk exposure amount)	99.8	98.2	166.1	100.8
Tier 1 capital ratio (as a % of the total risk exposure amount)	108.3	110.1	181.9	112.9
Total capital ratio (as a % of the total risk exposure amount)	176.7	166.5	291.8	171.0

Under the CRR/CRD IV framework, risk-weighted assets at December 31, 2014 totalled € 1,724.0 million for the Portigon Group and € 1,072.6 million for Portigon AG, which represents a decrease of € 288.5 million and € 888.0 million, respectively, from the amounts reported at December 31, 2013.

The counterparty credit risk-weighted exposures dropped by € 423.9 million in the Group and by € 218.2 million at Portigon AG compared with the end of last year. The primary reason for this was the general downsizing of the portfolio at Portigon AG. In the Group, this was due to deconsolidation effects caused by the sale and deconsolidation of GOH Grundstücksverwaltungs GmbH and GOD Grundstücksverwaltungs GmbH. Offsetting effects from implementation of the regulatory requirements pursuant to CRD IV were also neutralised.

The market price risk-weighted exposures decreased by € 35.7 million in the Group and by € 34.9 million at Portigon AG, largely because of the reduction in classic foreign exchange risks. This was partly compensated by the recognition for the first time of credit valuation adjustments (CVA) in accordance with the CRR/CRD IV framework of € 37.4 million for the Group and the Bank.

The figure for operational risk-weighted exposures decreased by around € 640 million, since the information from Portigon AG's 2013 annual financial statements could be used in place of the high planning figures used previously (by arrangement with the supervisory authorities).

The initial consolidation of PFS had an offsetting effect, raising the total amount at risk in the Group by € 811.1 million.

The Tier 1 capital ratio in the Group fell from 110.1% to 108.3%, whilst Portigon AG's Tier 1 capital ratio increased from 112.9% to 181.9%. 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 99.8% (Group) and 166.1% (AG), compared to 98.2% (Group) and 100.8% (AG) in the previous year.

The Total capital ratio increased from 166.5% to 176.7% for the Group and from 171.0% to 291.8% 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

In the course of the further downsizing of Portigon, the portfolio servicer activities were transferred to PFS at the beginning of 2014. To address the changes in Portigon Group's risk steering, with PFS as a subsidiary of Portigon AG, Portigon's risk strategy was reformulated in connection with the transfer of the PFS business on February 1, 2014. PFS has adopted its own risk governance to complement the strategy. Even after the transfer of operations, Portigon Group's risk profile still corresponds to that of a financial services provider and decreased further in 2014 due in particular to the continued winding down of the portfolio and the headcount reduction.

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

A key element of the risk management process remains safeguarding Portigon's risk-bearing capacity. 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. Operational and business risk and credit, market price and equity holding risk, which are not classified as material, are taken into account in the analysis of PAG's risk-bearing capacity. Liquidity risk is quantified and managed using other suitable methods. To steer the material risks which are an inherent part of its business or largely unavoidable, Portigon set a risk appetite of € 150 million in the first half of 2014. The risks defined as immaterial are managed using separate operating limits or separate processes such as the investment strategy.

The Group's risk reporting integrates PFS's reporting. As part of a further streamlining of reporting processes, the circulation frequency of the "Risk Situation Report" was switched as of May 2014 from monthly to quarterly, which is in keeping with the Minimum Requirements for Risk Management (MaRisk).

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

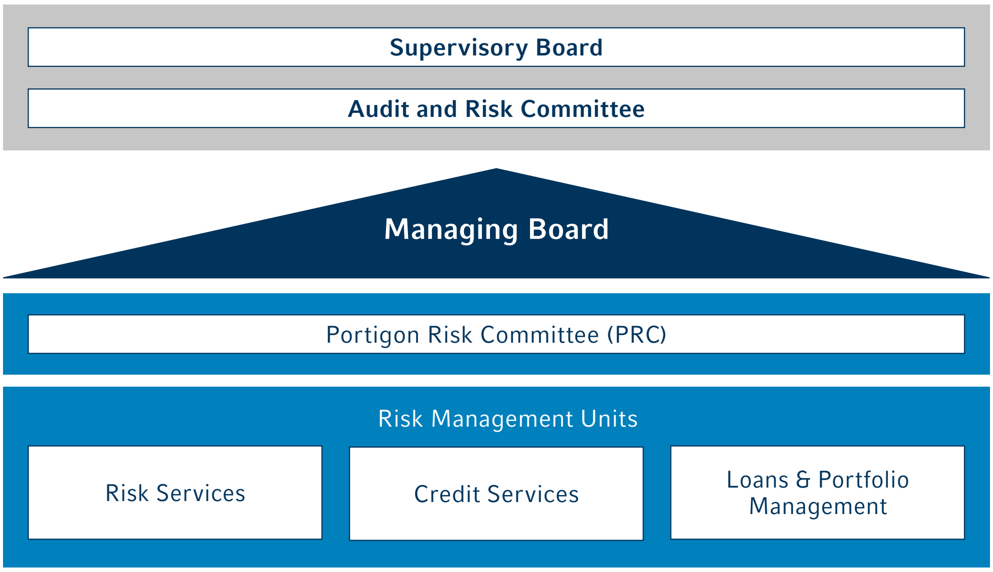
Risk Management System

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 the Group's risks on an autonomous basis. The risk management processes essentially ensure the risk-bearing capacity through the use of an internal capital adequacy assessment process (ICAAP) in compliance with Pillar 2 of Basel II.

Together with PFS's risk governance, 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 the Portigon Group'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 Audit and Risk Committee appointed by 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.

Following the transfer of the PFS business, the committees and risk units responsible for risk management at PAG are as follows:



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 in the Portigon Group 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, with risk reporting being performed on the basis of the Group perspective
- 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.

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, 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 rating 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 Audit and Risk Committee receive targeted, unbiased reports about all developments which are significant from the perspective of capital and risks.

The "Risk Situation Report" 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. As part of a further streamlining of reporting processes, the risk reporting was switched as of May 2014 from monthly to quarterly, which is in keeping with the Minimum Requirements for Risk Management (MaRisk). The quarterly report, which meets MaRisk requirements for risk reports, mainly documents operational risks, market price, liquidity and credit risks, as well as capital and the risk-bearing capacity and is submitted to the PRC, the Managing Board and the Audit and Risk Committee.

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.

The central Operational Risk Management (ORM) 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. In the process, ORM ensures that operational risk steering activities are consistent throughout the Group, records the operational risks, provides its expert opinion on them and advises the Group's business units. This ensures that the analysis, measurement, steering and monitoring of operational risks meet uniform standards of quality.

The primary responsibility for managing operational risk rests with the business and 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 ORM unit.

Awareness of operational risks among PFS employees is raised through a web-based learning programme.

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

The instruments used for OpRisk management include:

- Internal data pooling
- Self-assessment of the risks in Portigon's processes, material outsourcing and applications (PFS)
- Risk indicators
- Scenario analyses (PFS)
- Monitoring of the measures introduced by the individual business units to reduce operational risks

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

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 € 97.7 million at December 31, 2014 (December 31, 2013: € 79.6 million).

In October 2014, it was decided to align the economic capital (OpRisk EC) with the regulatory capital commitment (RC) for PAG and to simplify the calculation of expected loss (EL). The risks calculated for regulatory purposes (risk-weighted assets) continue to be used for internal steering (economic capital commitment).

The EL concept used in the past, which was still based on the Advanced Management Approach (AMA), was no longer compatible with the objective of reducing complexity. What is more, the historical data used and a blanket adjustment did not adequately reflect PAG's operational risks. The computation of the EL is now based on an abridged history and makes allowance in particular for the expenses PAG still incurs from pending and potential future litigation. PAG no longer considers the EL a suitable tool for managing operational risk, and it is now only calculated internally for budgeting and controlling purposes.

PFS's operational risk indicators were validated in the fourth quarter of 2014. The OpRisk EC and the Stress EC were reduced substantially because the OpRisk EL fell sharply by around 48% to € 1.7 million. This was mainly attributable to the lack of or the lower weighting of relatively large incidents involving Portigon with a relation to EAA from the past, coupled with a simultaneous recording of relatively minor new claims involving PFS. In addition, the risk of potential penalty payments on the basis of current contracts was adjusted downwards. The factors for deriving the OpRisk EC and the Stress EC were maintained.

For the Portigon Group, the economic capital charge and stress testing for operational risks stood at € 33.1 million and € 44.6 million respectively as per December 31, 2014.

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.

At December 31, 2014, PAG had been named in 34 lawsuits brought before various US courts for alleged breaches of duty in quoting USD-LIBOR interest rates (complaints for another 14 suits have not been formally served).

At December 31, 2014, PAG was a defendant in 67 lawsuits brought by 45 municipalities/ municipal associations in connection with derivatives business.

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 Portigon AG and other banks in connection with LIBOR and EURIBOR (BaFin only) quotes. With the exception of the investigations by BaFin, which were formally ended in a letter dated October 2014 without measures being taken against PAG, staff or governing bodies, none of these investigations has been completed to date. Here, too, Portigon AG 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 legal expenses, the economic risk associated with the pending lawsuits and potential lawsuits concerning alleged breaches of duty in respect of USD-LIBOR interest rates, as well as those relating to derivatives transactions, has been transferred to EAA. At December 31, 2014, 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 currently 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. Portigon treats business risk as a material risk pursuant to MaRisk.

The concept for determining business risk was fine-tuned in the first half of 2014 in keeping with the Portigon Group's transformation process. The risk of service fee reductions is now treated as an operational risk and no longer as a risk of income loss within business risk. 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 budget 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. Compared to the end of 2013, the conservative scenario was dropped.

At the end of 2014, the volume of business risk came to € 2.7 million in the base scenario (December 31, 2013: € 1 million) and € 3.6 million (December 31, 2013: € 51 million) in the stress scenario and resulted exclusively from PFS'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

Market price risk is being treated as an immaterial risk pursuant to MaRisk.

Portigon's market price risks relate almost exclusively to the investment of equity and excess liquidity as well as to funding and hedging activities for the EAA-guaranteed portfolios remaining on the balance sheet. Thus, Portigon's market price risks predominantly arise from interest rate risks and, to a lesser degree, from credit spread risks and exchange rate risks.

Given that PAG's risk positions are significantly less complex and continue to decrease, the approach for monitoring market price risks was switched on April 1, 2014 from a value-at-risk (VaR) based approach to a sensitivity-based approach. At December 2014, there were limits on interest rate sensitivities per currency, maturity range and base curve as well as foreign exchange positions and stress tests for capping non-linear risks.

The risk position continued to decrease in 2014 as remaining maturities decreased.

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 the current regulatory requirements for monitoring interest rate risk in the banking book and also the sensitivities of the internal requirements for market price risk management.

At the end of December 2014, 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 € 13 million in value (December 31, 2013: € – 26 million). This corresponded to a maximum of 0.4% of regulatory own funds at the end of December 2014. 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.

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

The Balance Sheet Management function unit (formerly the Capital Markets business 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 parameters used in the stress test are continually back tested and adapted to changes in market conditions.

The purpose of strategic liquidity management is to ensure that Portigon is capable of satisfying its long-term liquidity requirements. Portigon'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 2.74 in the period from January to December 2014, which was an improvement on the previous year's average of 2.39. PAG's liquidity was safeguarded at all times in the period under review.

Counterparty Credit Risks

For Portigon, counterparty credit risk is considered an immaterial risk pursuant to MaRisk.

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. In August 2014, PAG resolved to dismantle the credit processes that use the Internal Ratings-Based Approach (IRBA) and to use the Credit Risk Standard Approach (CRSA) instead for its internal management of credit risk. It also issued instructions for the adjustment of all ratings-based processes and regulations including further streamlining of the processes for 2015.

There were individual value adjustments and credit provisions of € 108.2 million in the reporting year (previous year: € 150.9 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 € 8.3 million (previous year: € 0.7 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.

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 to sustain business operations are limited. PAG manages the risk from PFS as a material holding in accordance with the rules governing the PRC's conduct of business.

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 new minimum capital ratios will be phased in by 2015. For 2014, there is still a transitional arrangement according to which the minimum Common Equity Tier 1 ratio is 4% and the minimum Tier 1 ratio is 5.5%; the requirement for the Total capital ratio remains at the existing level of 8%.

Portigon Group exceeded the minimum requirements at all times in 2014.

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

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

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions after result for the year	Dec. 31, 2013 € millions after result for the year	**Dec. 31, 2014 € millions after result for the year**	Dec. 31, 2013 € millions after result for the year
Total risk-weighted assets	1,724.0	2,012.5	1,072.6	1,960.6
thereof counterparty credit risks	338.6	762.5	498.3	716.5
thereof credit valuation adjustment (CVA)	37.4	–	37.4	–
thereof operational risks	360.0	1,000.0	360.0	994.9
thereof additional risk exposure amount due to fixed overheads	811.1	–	–	–
thereof 12.5 x the relevant amount for market risk positions	176.9	250.0	176.9	249.2
Own funds	3,045.8	3,351.6	3,130.2	3,351.7
Total capital ratio in %	176.7	166.5	291.8	171.0
Tier 1 capital	1,866.3	2,215.1	1,950.7	2,214.1
Tier 1 capital ratio in %	108.3	110.1	181.9	112.9
Common Equity Tier 1 capital	1,719.9	1,976.7	1,781.5	1,975.7
Common Equity Tier 1 capital ratio in %	99.8	98.2	166.1	100.8

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 Portigon Group's Tier 1 capital under the CRR, which represents its 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 for the first half of 2014, 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.

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. Business risks are determined the same way as in the going-concern approach, whilst operational, 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 2017 is also performed.

Stress tests on the risk-bearing capacity are run only in the going-concern approach for the material risks. We do not run any stress tests under liquidation assumptions, since the liquidation approach is now used only in a supplemental capacity. In all assumed stress scenarios, the sources of risk-bearing capacity and the risk appetite were sufficient to cover potential negative developments in 2014.

Reverse stress testing is limited to the scenario of an EAA default. Were EAA to default, the credit risks and market price 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 2015 which would make it impossible for Portigon to continue as a going concern.

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 ORM 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 2014, despite the company's transformation. Potential risks from the formation of PFS as they relate to transfer activities and agreements on the continued provision of portfolio services are discussed as part of regular risk reporting at PAG.

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 2015 which would make it impossible for Portigon to continue as a going concern.

Portigon Group exceeded the capital backing required by the CRR at all times in 2014.

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.

Pursuant to the European Commission's decision of December 20, 2011, PFS must be privatised by December 31, 2016. Due to provisions in the transformation agreements, there are certain conditions under which EAA is entitled to any proceeds from the sale of the portfolio services business. Thus, an outflow of resources can be expected to accompany a sale of PFS, and we have addressed this issue in full by recognising a provision. If a transfer of this company is not possible, it would have to be wound down in 2017.

Events Occurring After the Close of the Fiscal Year

The building 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.

Outlook

Portigon AG's transformation process will continue to dominate the course of business. One aspect of the further transformation involves capacity reduction at Portigon AG, which will progress at an accelerated pace. Another aspect is optimising the long-term cooperation between PFS and EAA and exploring options for the future of PFS.

From the perspective of risk, there will be continued concentration on the material risks, as well as adjustment of the risk management system in line with the structural changes within the Portigon Group. As a result, the institution's own market price and counterparty credit risk will continue to lose importance, and the methods and accompanying processes will be condensed to the level necessary for Portigon AG.

The structural changes within the Portigon Group 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 the Portigon Group's total assets, especially as additional assets are retrospectively transferred in rem to EAA and derivatives held in trust for EAA are novated.

In connection with the downsizing of Portigon AG, a complete insurance-orientated out-financing will be pursued for the London branch's UK pension plan and for the New York branch's pension obligations.

It is planned to privatise the Group's portfolio services business in the form of PFS by December 31, 2016. If this proves impossible for PFS, it would have to be wound down in 2017.

In summary, it should be noted that the transformation process remains replete with uncertainty. This will have an adverse effect on the company's cash flows, financial condition and results of operations. Medium-term expectations for the Group 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 Group will show a loss in the mid hundreds of millions for the 2015 fiscal year. The occurrence of additional restructuring expenses depends on the further course of the transformation.

Portigon Group Balance Sheet as at December 31, 2014

Assets

	see Notes No.	€	€	31. 12. 2014 €	31. 12. 2013 € thousands
1. Cash					
a) cash on hand			12,075.87		17
b) balances with central banks			1,940,902,543.49		2,039,920
including:				1,940,914,619.36	2,039,937
with Deutsche Bundesbank					
€ 89,529,815.85 (2013: € 466,425 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			3,093,649.58		1,219
				3,093,649.58	1,219
3. Claims on banks	5, 14, 16				
a) payable on demand			410,524,676.67		1,254,744
b) other			1,588,109,391.87		386,809
				1,998,634,068.54	1,641,554
4. Claims on customers	6, 14, 16			5,320,394,073.02	6,482,691
including:					
loans to public authorities and entities					
under public law					
€ 5,260,566,997.53 (2013: € 6,097,609 thousand)					
5. Bonds and other interest-bearing					
securities	7, 12, 17				
a) bonds and notes					
aa) of public institutions		969,011,286.33			3,090,026
including:					
eligible as collateral for					
Deutsche Bundesbank advances					
€ 651,865,336.43 (2013: € 2,656,169 thousand)					
ab) of other issuers		4,831,170.02			28,737
including:			973,842,456.35		3,118,763
eligible as collateral for					
Deutsche Bundesbank advances					
€ 4,724,269.19 (2013: € 4,590 thousand)				973,842,456.35	3,118,763
			To be carried forward:	10,236,878,866.85	13,284,163

Assets

	see Notes No.	€	€	31. 12. 2014 €	31. 12. 2013 € thousands
			Carried forward:	10,236,878,866.85	13,284,163
6. Equity investments in	8, 12			36,456,133.84	35,787
non-affiliated companies					
including:					
banks					
€ 0.00 (2013: € 8,375 thousand)					
7. Equity investments in affiliated companies	9, 12			2,038,384.16	2,078
8. Trust assets	10			8,450,548,277.28	16,728,061
9. Intangible assets	12				
a) licences acquired against payment,					
industrial property rights and					
similar rights and assets, as well as					
licences to such rights and assets			3,061,162.75		6,293
				3,061,162.75	6,293
10. Tangible assets	12			135,421,351.07	301,260
11. Other assets	11, 32			149,492,226.97	250,605
12. Deferred items	14			302,333,478.74	318,695
13. Deferred tax assets	15, 36			21,180,683.16	0
Total assets	28, 29			19,337,410,564.82	30,926,942

Portigon Group Balance Sheet as at December 31, 2014

Liabilities

	see Notes No.	€	€	31. 12. 2014 €	31. 12. 2013 € thousands
1. Liabilities to banks	14, 18, 22				
a) payable on demand			117,297,358.30		27,282
b) with agreed maturity or					
period of notice			148,549,313.42		375,647
				265,846,671.72	402,929
2. Liabilities to customers	14, 19, 22				
a) other liabilities					
aa) payable on demand		2,117,083,304.87			2,107,381
ab) with agreed maturity or					
period of notice		2,154,457,584.41			4,829,283
			4,271,540,889.28		6,936,664
				4,271,540,889.28	6,936,664
3. Certificated liabilities	14, 20, 22				
a) bonds and notes issued by the bank			33,895,416.04		34,602
				33,895,416.04	34,602
4. Trust liabilities	21			8,450,548,277.28	16,728,061
5. Other liabilities	22, 25			120,942,603.39	125,986
6. Deferred items	23			324,650,102.53	335,999
7. Provisions	24				
a) for pensions and similar					
obligations			721,197,201.31		697,350
b) tax reserve			245,807,263.46		360,618
c) other			871,610,810.94		798,437
				1,838,615,275.71	1,856,405
8. Subordinated liabilities	25			1,997,238,441.42	2,235,555
9. Profit participation capital	22, 26			17,143,530.12	34,356
including:					
due in less than two years					
€ 2,381,045.86 (2013: € 15,210 thousand)					
			To be carried forward:	17,320,421,207.49	28,690,557

Liabilities

	see Notes No.	€	€	31. 12. 2014 €	31. 12. 2013 € thousands
			Carried forward:	17,320,421,207.49	28,690,557
10. Equity capital	27				
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			1,712,124,243.19		1,912,489
c) equity earned by the group					
ca) revenue reserves		254,529,617.33			777,051
cb) loss carried forward from the previous year		– 183,247,851.39			– 71,904
cc) consolidated loss for the year (Portigon AG's interest)		– 222,831,049.95			– 838,134
			– 151,549,284.01		– 132,987
d) currency translation difference			– 48,970,391.80		– 52,254
e) minority interest in capital and earned results			6,735,782.50		10,487
				2,016,989,357.33	2,236,384
Total liabilities	28, 29			19,337,410,564.82	30,926,942
1. Contingent liabilities	37, 38				
a) liabilities from guarantees and indemnity agreements			121,920,340.54		350,153
				121,920,340.54	350,153
2. Other commitments	39				
a) irrevocable credit commitments			297,717,868.01		822,428
				297,717,868.01	822,428

Portigon Group Statement of Income

for the Period January 1 to December 31, 2014

	see Notes No.	€	€	1. 1.–31. 12. 2014 €	1. 1.–31. 12. 2013 € thousands
1. Interest from	30, 34				
a) lending and money market transactions		380,014,112.74			454,852
b) interest-bearing securities and					
book-entry securities		26,970,114.77			34,558
			406,984,227.51		489,410
2. Interest paid	25		269,704,791.18		322,987
				137,279,436.33	166,423
3. Current income from	30				
a) shares and other					
non-interest-bearing securities			0.00		184
b) equity investments in					
non-affiliated companies			617,430.47		2,882
c) equity investments in					
affiliated companies			5,864.97		411
				623,295.44	3,477
4. Commission income	30		270,028,015.21		359,254
5. Commission paid			75,165,728.65		95,442
				194,862,286.56	263,813
6. Other operating income	30, 32			57,032,673.83	101,563
7. General administrative expenses	24, 41				
a) personnel expenses					
aa) wages and salaries		149,469,479.58			204,957
ab) compulsory social security					
contributions and expenses					
for pensions and other					
employee benefits		69,879,419.93			64,179
including:			219,348,899.51		269,136
for pensions					
€ 48,606,706.15 (2013: € 35,703 thousand)					
b) other administrative expenses			252,016,109.71		252,913
				471,365,009.22	522,049
8. Depreciation and value adjustments					
on tangible and intangible assets	12			10,605,686.66	72,813
9. Other operating expenses	24, 32			201,588,638.44	88,734
10. Income from revaluation of loans and					
certain securities as well as from the					
reversal of loan loss provisions	24			8,288,501.39	981
			To be carried forward:	– 285,473,140.77	– 147,340

for the Period January 1 to December 31, 2014

	see Notes No.	€	€	1. 1.–31. 12. 2014 €	1. 1.–31. 12. 2013 € thousands
			Carried forward:	– 285,473,140.77	– 147,340
11. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	12, 33			0.00	0
12. Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	12			13,572,715.76	5,864
13. Expenses from the assumption of losses	32			3,175,568.44	1,920
14. Profit or loss on ordinary activities				– 275,075,993.45	– 143,396
15. Extraordinary income	24, 35		9,631,225.14		43,772
16. Extraordinary expenses	24, 35		112,132,417.70		741,329
17. Extraordinary result	35			– 102,501,192.56	– 697,557
18. Taxes on income and revenues	15, 36		– 143,715,259.80		– 3,258
including: income tax charge from changes in the recognition of deferred taxes € – 21,180,683.16 (2013: € 0 thousand)					
19. Other taxes not shown under item 9			– 12,652,209.96		2,721
				– 156,367,469.76	– 537
20. Consolidated loss for the year				– 221,209,716.25	– 840,417
thereof: minority interests in profit/loss € 1,621,333.70 (2013: € – 2,283 thousand)					

Portigon AG Balance Sheet as at December 31, 2014

Assets

	see Notes No.	€	€	31. 12. 2014 €	31. 12. 2013 € thousands
1. Cash					
a) cash on hand			12,075.87		17
b) balances with central banks			1,940,902,543.49		2,039,920
including:				1,940,914,619.36	2,039,937
with Deutsche Bundesbank					
€ 89,529,815.85 (2013: € 466,425 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			3,093,649.58		1,219
				3,093,649.58	1,219
3. Claims on banks	5, 14, 16				
a) payable on demand			409,308,464.41		1,254,702
b) other			1,588,109,391.87		370,178
				1,997,417,856.28	1,624,880
4. Claims on customers	6, 14, 16			5,315,906,676.63	6,469,752
including:					
loans to public authorities and entities					
under public law					
€ 5,260,566,997.53 (2013: € 6,097,609 thousand)					
5. Bonds and other interest-bearing					
securities	7, 12, 17				
a) bonds and notes					
aa) of public institutions		969,011,286.33			3,090,026
including:					
eligible as collateral for					
Deutsche Bundesbank advances					
€ 651,865,336.43 (2013: € 2,656,169 thousand)					
ab) of other issuers		4,831,170.02			28,737
including:			973,842,456.35		3,118,763
eligible as collateral for					
Deutsche Bundesbank advances					
€ 4,724,269.19 (2013: € 4,590 thousand)				973,842,456.35	3,118,763
			To be carried forward:	10,231,175,258.20	13,254,550

Assets

	see Notes No.	€	€	31. 12. 2014 €	31. 12. 2013 € thousands
			Carried forward:	10,231,175,258.20	13,254,550
6. Equity investments in					
non-affiliated companies	8, 12			36,456,133.84	35,769
including:					
banks					
€ 0.00 (2013: € 8,375 thousand)					
7. Equity investments in					
affiliated companies	9, 12			194,356,478.97	325,243
including:					
financial services institutions					
€ 80,013,622.87 (2013: € 95,278 thousand)					
8. Trust assets	10			8,450,548,277.28	16,728,061
9. Intangible assets	12				
a) licences acquired against payment,					
industrial property rights and					
similar rights and assets, as well as					
licences to such rights and assets			1,584,133.16		6,293
				1,584,133.16	6,293
10. Fixed assets	12			26,229,601.93	37,035
11. Other assets	11, 32			143,724,882.29	250,220
12. Deferred items	14			300,110,676.10	318,344
Total assets	28, 29			19,384,185,441.77	30,955,514

Portigon AG Balance Sheet as at December 31, 2014

Liabilities

	see Notes No.	€	€	31. 12. 2014 €	31. 12. 2013 € thousands
1. Liabilities to banks	14, 18, 22				
a) payable on demand			117,297,358.30		27,282
b) with agreed maturity or					
period of notice			148,549,313.42		375,647
				265,846,671.72	402,929
2. Liabilities to customers	14, 19, 22				
a) other liabilities					
aa) payable on demand		2,272,183,070.20			2,177,493
ab) with agreed maturity or					
period of notice		2,177,748,631.28			4,809,039
			4,449,931,701.48		6,986,532
				4,449,931,701.48	6,986,532
3. Certificated liabilities	14, 20, 22				
a) bonds and notes issued by the bank			10,895,416.04		11,602
				10,895,416.04	11,602
4. Trust liabilities	21			8,450,548,277.28	16,728,061
5. Other liabilities	22, 25			113,438,776.29	114,988
6. Deferred items	23			324,650,102.53	335,999
7. Provisions	24				
a) for pensions and similar					
obligations			687,744,315.37		697,350
b) tax reserve			245,731,841.18		360,618
c) other			825,592,218.95		809,528
				1,759,068,375.50	1,867,497
8. Subordinated liabilities	25			1,997,732,723.40	2,245,662
9. Profit participation capital	22, 26			17,143,530.12	34,356
including:					
due in less than two years					
€ 2,381,045.86 (2013: € 15,210 thousand)					
			To be carried forward:	17,389,255,574.36	28,727,624

Liabilities

	see Notes No.	€	€	31. 12. 2014 €	31. 12. 2013 € thousands
			Carried forward:	17,389,255,574.36	28,727,624
10. Equity capital	27				
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			1,712,124,243.19		1,912,489
c) retained loss			– 215,843,383.23		– 183,248
				1,994,929,867.41	2,227,890
Total liabilities	28, 29			19,384,185,441.77	30,955,514
1. Contingent liabilities	37, 38				
a) liabilities from guarantees and indemnity agreements			121,920,340.54		350,153
				121,920,340.54	350,153
2. Other commitments	36				
a) irrevocable credit commitments			297,717,868.01		822,428
				297,717,868.01	822,428

Portigon AG Statement of Income

for the Period January 1 to December 31, 2014

	see Notes No.	€	€	1. 1.–31. 12. 2014 €	1. 1.–31. 12. 2013 € thousands
1. Interest from	30, 34				
a) lending and money market transactions		380,277,404.79			388,676
b) interest-bearing securities and					
book-entry securities		26,970,114.77			33,392
			407,247,519.56		422,069
2. Interest paid	25		268,217,873.71		262,933
				139,029,645.85	159,135
3. Current income from	30				
a) shares and other					
non-interest-bearing securities			0.00		184
b) equity investments in					
non-affiliated companies			617,430.47		2,882
c) equity investments in					
affiliated companies			5,392,289.98		7,059
				6,009,720.45	10,125
4. Commission income	30		166,227,114.25		358,965
5. Commission paid			75,160,655.32		95,108
				91,066,458.93	263,857
6. Other operating income	30, 32			82,153,292.45	91,800
7. General administrative expenses	24, 41				
a) personnel expenses					
aa) wages and salaries		103,710,456.17			201,292
ab) compulsory social security					
contributions and expenses					
for pensions and other					
employee benefits		40,550,897.47			62,318
including:			144,261,353.64		263,610
for pensions					
€ 27,015,211.42 (2013: € 35,013 thousand)					
b) other administrative expenses			191,097,024.75		238,254
				335,358,378.39	501,864
8. Depreciation and value adjustments					
on tangible and intangible assets	12			4,295,011.15	9,845
9. Other operating expenses	24, 32			220,959,003.71	124,171
10. Income from revaluation of loans and					
certain securities as well as from the					
reversal of loan loss provisions	24			8,288,546.28	684
			To be carried forward:	– 234,064,729.29	– 110,278

for the Period January 1 to December 31, 2014

	see Notes No.	€	€	1. 1.–31. 12. 2014 €	1. 1.–31. 12. 2013 € thousands
			Carried forward:	– 234,064,729.29	– 110,278
11. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	12, 33			72,075,893.31	17,501
12. Expenses from the assumption of losses	32			3,175,568.44	1,920
13. Profit or loss on ordinary activities				– 309,316,191.04	– 129,700
14. Extraordinary income	24, 35		9,631,225.14		43,772
15. Extraordinary expenses	24, 35		72,839,779.40		741,329
16. Extraordinary result	35			– 63,208,554.26	– 697,557
17. Taxes on income and revenues including: income tax charge from changes in the recognition of deferred taxes € 0.00 (2013: € 0 thousand)	15, 36		– 122,615,425.57		– 2,679
18. Other taxes not shown under item 9			– 13,356,897.15		1,328
				– 135,972,322.72	– 1,351
19. Net loss for the year				– 236,552,422.58	– 825,906
20. Loss carried forward from the previous year				183,247,851.39	71,904
21. Withdrawals from profit participation capital				3,592,414.66	19,329
22. Withdrawals from silent contributions to capital				200,364,476.08	695,232
23. Retained loss				– 215,843,383.23	– 183,248

Equity Reconciliation Statement

Portigon AG changed its Group accounting from IFRS (International Financial Reporting Standards) to HGB (German Commercial Code) as per December 31, 2014. These are therefore the first set of consolidated HGB financial statements to be prepared since December 31, 2005. The effects of the transition on the equity capital are required to be presented and explained in a reconciliation statement.

The basis of the reconciliation is the Group's HGB opening balance sheet at January 1, 2013. The reconciliation gives rise to the following effects:

Equity capital at January 1, 2013 (IFRS)	2,359.0
Effects on assets	
Intangible assets	– 86.1
Tangible assets	29.6
Effects on liabilities	
Contingency reserves pursuant to § 340f HGB	– 69.3
Pension provisions	408.8
Other provisions	47.9
Other liabilities	558.0
Other effects	
Measurement differences in financial instruments	– 239.2
Deferred taxes	– 1.4
Minority interest	11.6
Equity capital at January 1, 2013 (HGB)	3,018.9

As a consequence of the effects listed, the Group's equity capital reported on the balance sheet increased by € 659.9 million from € 2,359.0 million to € 3,018.9 million.

Portigon does not make use of the option provided in German commercial law to capitalise internally generated intangible assets, which gives rise to a negative effect of € – 86.1 million.

Under tangible assets, a different measurement of land and buildings as well as different recognition requirements for leased assets had a positive effect on equity capital.

§ 340f of the German Commercial Code (HGB) requires a contingency reserve for general bank risks to be set up that is charged to equity capital. IFRS does not require any such reserve.

Because of different reporting requirements and calculation parameters, the pension liabilities recognised under HGB are lower than under IFRS.

The book value of other provisions is lower on account of the discounting with a higher interest rate under HGB.

Portigon AG is reporting other liabilities from pension obligations to NRW.BANK in its single-entity accounts. BilMoG changeover effects and a different discount rate from that used under IFRS gave rise to a positive effect on the Group's HGB equity capital amounting to € 558.0 million.

Measurement differences in the order of € – 239.2 million arose for financial instruments that are no longer measured at fair value in accordance with IAS 39.

Due to different carrying amounts under HGB and IFRS, there are differences in deferred tax assets and deferred tax liabilities.

Under IFRS, the non-controlling interests in partnerships are reported as debt under other liabilities. Under HGB, minority interests are reported under equity capital.

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 exercise of the option recommended in GAS 21.55 of earlier application in full of the standard GAS 21 published by the Federal Ministry of Justice and Consumer Protection on April 8, 2014, the cash flow statement for the financial statements at December 31, 2014 was prepared in accordance with the requirements of GAS 21 instead of GAS 2 in conjunction with GAS 2–10, which are still applicable.

In accordance with 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 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 high decrease in bonds and other interest-bearing securities as these maturing (see also item 7 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.

At December 31, 2014, assets of € 2,066.1 million were subject to a restraint on disposal in terms of GAS 21.52e.

	Cash Flow Statement	Dec. 31, 2014 € millions
Consolidated net income/net loss for the financial year including minority interest		– 221.2
+/–	Depreciation, amortisation and write-downs of and valuation allowances on receivables and items of fixed assets/ reversals of such write-downs and valuation allowances	1.2
+/–	Increase/decrease in provisions	270.0
+/–	Other non-cash expenses/income	42.0
–/+	Gain/loss on disposal of fixed assets	19.8
–/+	Other adjustments (net)	112.9
Subtotal		224.7
Change in assets and liabilities from operating activities		
–/+	Increase/decrease in claims on banks	– 356.9
–/+	Increase/decrease in claims on customers	1,299.6
–/+	Increase/decrease in securities (unless classified as long-term financial assets)	–
–/+	Increase/decrease in other assets relating to operating activities	198.1
+/–	Increase/decrease in liabilities to banks	– 137.1
+/–	Increase/decrease in liabilities to customers	– 2,761.7
+/–	Increase/decrease in certificated liabilities	– 0.7
+/–	Increase/decrease in other liabilities from operating activities	– 287.3
+/–	Interest expense/interest income	– 137.3
+/–	Expenses for/income from extraordinary items	102.5
+/–	Income tax expense/income	– 143.7
+	Interest and dividend payments received	989.3
–	Interest paid	– 1,074.0
–/+	Income taxes paid	– 40.6
=	Cash flows from operating activities	– 2,125.0
+	Proceeds from disposal of long-term financial assets	2,311.5
–	Payments to acquire long-term financial assets	– 27.1
+	Proceeds from disposal of tangible fixed assets	27.5
–	Payments to acquire tangible fixed assets	– 13.0
+	Proceeds from disposal of intangible fixed assets	4.3
–	Payments to acquire intangible fixed assets	– 1.0
=	Cash flows from investing activities	2,302.1
+	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)	– 274.3
=	Cash flows from financing activities	– 274.3
Net change in cash funds		– 97.1
+/–	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	2,041.2
=	Cash funds at end of period	1,944.0

Statement of Changes in Equity

Portigon Group

	Equity capital of Portigon AG					Minority interest			Total group equity
	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, 2012	498.6	2.607.7	– 9.6	– 91.8	3,004.9	14.0	–	14.0	3,018.9
Withdrawals from profit participation capital			19.3		19.3			–	19.3
Allocations to silent contributions to capital		–			–			–	–
Withdrawals from silent contributions to capital		– 695.2	695.2		–			–	–
Dividends paid			–		–			–	–
Changes in reporting entity				63.4	63.4	–		–	63.4
Other changes			0.2	–	0.2	– 1.2		– 1.2	– 1.0
Group net loss for the year			– 838.1		– 838.1	– 2.3		– 2.3	– 840.4
Other gains and losses recognised directly in equity			–	– 23.8	– 23.8	–	–	–	– 23.8
Total recognised results for the group	–	–	– 838.1	– 23.8	– 861.9	– 2.3	–	– 2.3	– 864.2
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

* Translation differences

Combined Notes to the Annual and Consolidated Financial Statements at December 31, 2014

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 consolidated annual financial statements up until December 31, 2013 and the consolidated interim financial statements up until June 30, 2014 were prepared in accordance with § 315a of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 (IAS Regulation) in conformity with the International Financial Reporting Standards (IFRS). By withdrawing the listing of the notes and profit participation certificates issued by Portigon AG on the regulated market and having these listed instead in the primary market segment and the Euro MTF for over-the-counter (OTC) trading on the Düsseldorf and Luxembourg Stock Exchanges, respectively, Portigon AG is no longer a publicly traded entity as defined by Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002. As a result, in accordance with § 315a of the German Commercial Code (HGB), Portigon AG is no longer required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

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 requirements of the German Commercial Code, the Ordinance Regarding Accounting for Banks and Financial Services Institutions and the relevant requirements 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.

In exercise of the option recommended in GAS 21.55 of earlier application in full of the standard GAS 21 published by the Federal Ministry of Justice and Consumer Protection on April 8, 2014, the cash flow statement for the financial statements at December 31, 2014 was prepared in accordance with the provisions of GAS 21 instead of GAS 2 in conjunction with GAS 2–10, which are still applicable. At the same time, Portigon exercises the option provided in GAS 21.22 not to state comparative amounts for the preceding period in the cash flow statement.

The effects resulting from the changeover of the Group accounting from IFRS to HGB are presented separately in a reconciliation statement for equity at January 1, 2013 (reporting date of the Group's HGB opening balance sheet).

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), as well as by global value adjustments still used for this purpose due to overseas regulatory requirements.

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

Portigon has qualified as a non-trading-book institution within the meaning of § 13 of the German Banking Act (KWG) since September 1, 2012. Portigon has had no trading portfolio to report since that date.

The assets and liabilities transferred to EAA and Helaba in 2012 as part of the transformation by way of spin-off or cash sub-participation had to be derecognised. By contrast, in the case of the synthetic transfer of derivatives by means of the risk transfer agreement with EAA, a derecognition of the derivatives held in trust for EAA was impermissible despite the transfer in full of the opportunities and risks inherent in them because the legal obligations under the derivatives had not been extinguished, i.e. the obligations had not been satisfied, cancelled or reached expiration. Until there is a settlement of or legal release from the obligations or the obligations are transferred in rem to EAA, these derivatives will continue to be reported on Portigon's balance sheet. The execution of the risk transfer agreement created a fiduciary relationship, i.e. fiduciary trust, under German commercial law, with Portigon as the trustee and EAA as the grantor. As a result, the trading portfolio derivatives transferred under the risk transfer agreement and corresponding matching claims and obligations vis-à-vis EAA are reported as trust assets and trust liabilities at their respective fair values pursuant to § 6 (1) of the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV).

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

The fair value measurement is done independently of the trading units on a per-asset and per-liability basis using exchange prices or market prices from December 30, 2014 or generally accepted measurement methods. Accrued interest, one-time payments and option premiums are taken into account. If exchange or market prices are not available or cannot be reliably determined, the fair value is determined on the basis of standard pricing models or discounted cash flows. We mark down the values calculated for some assets using a valuation model since the models do not take into account all factors which market participants consider. Last year's markdowns were predominantly for credit rating, model and liquidity risks.

The product categories presented below relate exclusively to financial instruments whose risks were transferred to EAA in 2012 under the risk transfer agreement. The specific measurement methods and parameters we use/used for the relevant product categories are as follows:

Interest rate products: For many over-the-counter (OTC) derivatives, there are standardised specifications (e.g. swaps, caps, swaptions) and measurement methods (Black 76) as well as reliable market quotations (swap rates, cap volatilities). These are used in the measurement if available. For exotic OTC derivatives (e.g. Bermudan swaptions, CMS spread swaps) we use proprietary models which are essentially based on the Markov functional approach.

Equity products: Prices of classical equity derivatives with a single underlying (e. g. call and put options, knock-out options, digital options) are determined using finite difference methods for the Black Scholes differential equation. By contrast, more exotic derivatives, some of which may be based on more than one underlying, are measured using Monte Carlo simulations. Here, proprietary routines which are based on market-established models are used. For equity products, estimates on dividend payments are also incorporated as measurement parameters in addition to the price of the underlying. If the derivatives include optional components, the volatilities of the underlyings must be taken into account. If there is more than one underlying, the correlations between them are incorporated.

Credit products: Remaining credit derivatives are measured using a hazard rate bootstrapping model, though corresponding correlation models are additionally used in the case of basket products. Relevant measurement parameters include, in particular, credit spreads and correlation data.

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

	Product	Measurement Model	Measurement Parameters
Interest rate products	Standard swaps	Present value method	Interest rates
	Exotic swaps	Markov functional	Interest rates Interest rate volatility
	FRAs	Present value method	Interest rates
	Standard caps, floors, collars	Black 76	Interest rates Interest rate volatility
	Exotic caps, floors	Markov functional	Interest rates Interest rate volatility
	European standard swaptions	Black 76	Interest rates Interest rate volatility
	Exotic swaptions	Markov functional	Interest rates Interest rate volatility
Exchange rate products	Currency swaps	Present value method	Interest rates Exchange rates
	Options	Black 76	Interest rates Exchange rates Exchange rate volatility
	Forward interest rate/currency swaps	Present value method	Interest rates Exchange rates
Equity products	Forwards	Finite differences	Price of the underlying, interest rates Dividend payments
	Standard options (single underlying)	Finite differences	Price of the underlying, interest rates Dividend payments (shares, stock indices) Volatility (underlying, exchange rate) Exchange rate/underlying correlation
	Exotic options	Monte Carlo simulation	Price of the underlying, interest rates Dividend payments (shares, stock indices) Volatility (underlyings, exchange rates) Correlations (underlyings, exchange rates)
Credit derivatives	Credit default swaps (single underlying debtor)	Hazard rate bootstrapping model	Credit spreads
	Basket credit default swaps (homogeneous in correlations and residual servicing ratios)	Hazard rate bootstrapping model One-factor Gaussian model	Credit spreads Correlation factors (derived from market consensus data)
	Basket credit default swaps (heterogeneous in correlations or residual servicing ratios)	Hazard rate bootstrapping model Monte Carlo simulation	Credit spreads Correlation factors (derived from market consensus data)
	Collateralised synthetic obligations	Hazard rate bootstrapping model One-factor Gaussian model	Credit spreads Correlations (derived from market data)

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 German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer) concerning the measurement of interest rate positions in the banking book (interest book) at cost or market is used for guidance (IDW RS BFA 3). The formation of a provision pursuant to § 249 (1) Sentence 1 No. 2 of the German Commercial Code (HGB) was not necessary in this regard.

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

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) in the reporting year for the first time are measured at their fair value in accordance with § 253 (1) Sentence 4 of the German Commercial Code (HGB).

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 reporting year pursuant to Article 67 (1) Sentence 2 of the Introductory Act to the German Commercial Code (EGHGB).

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

All of the transactions in 2014 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

Portigon Group specifically included the following companies at December 31, 2014:

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

The subsidiary GOH Grundstücksverwaltungs GmbH (formerly GOH Grundstücksverwaltungsgesellschaft & Co. KG), Mainz, was deconsolidated following its sale on March 31, 2014.

The US subsidiary Portigon Securities Inc. was liquidated in the fiscal year and deconsolidated at June 30, 2014.

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 49.

Notes to the Balance Sheet

5. Claims on Banks

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Payable on demand	410.5	1,254.7	409.3	1,254.7
With residual maturities of				
– up to 3 months	1,285.9	100.7	1,285.9	84.0
– between 3 months and 1 year	2.1	15.6	2.1	15.6
– between 1 and 5 years	44.1	45.3	44.1	45.3
– more than 5 years	256.0	225.3	256.0	225.3
Book value	1,998.6	1,641.6	1,997.4	1,624.9

The increase in reverse repo transactions led to an increase in claims with residual maturities of up to three months.

Claims from leasing finance came to € 66.2 million (previous year: € 56.9 million).

Of the claims on banks reported on the balance sheet, the sum of € 295.6 million (previous year: € 380.8 million) is guaranteed by EAA.

6. Claims on Customers

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Book value	5,320.4	6,482.7	5,315.9	6,469.8
including:				
– on affiliated companies	–	–	37.6	22.0
– on other companies in which equity investments are held	0.6	1.6	0.6	1.6
– from the leasing business	22.2	172.7	22.2	172.7
With residual maturities of				
– up to 3 months	802.6	672.4	798.2	659.5
– between 3 months and 1 year	310.4	677.3	310.4	677.3
– between 1 and 5 years	1,025.3	1,689.2	1,025.2	1,689.2
– more than 5 years	3,182.1	3,443.8	3,182.1	3,443.8

Of the claims on customers reported on the balance sheet, the sum of € 4,454.6 million (previous year: € 5,798.6 million) is guaranteed by EAA.

7. Bonds and Other Interest-Bearing Securities

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions
Book value	973.8	3,118.8	973.8	3,118.8
including:				
amounts becoming due before December 31, 2014	678.8	2,005.8	678.8	2,005.8
Breakdown by product				
– bonds and notes of public-sector issuers	969.0	3,090.0	969.0	3,090.0
– bonds and notes of other issuers	4.8	28.8	4.8	28.8
Breakdown by marketability				
– marketable securities	973.8	3,118.8	973.8	3,118.8
thereof:				
– listed on a stock exchange	973.8	2,979.3	973.8	2,979.3
– not listed on a stock exchange	–	139.5	–	139.5

Of the bonds and other interest-bearing securities reported on the balance sheet, the sum of € 284.2 million (previous year: € 458.0 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, € 98.6 million (previous year: € 141.2 million) in financial assets were valued at the modified lower of cost or market. Their fair value totalled € 96.6 million (previous year: € 138.1 million). The sum of these holdings represents debt obligations which were acquired in connection with asset swaps.

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

8. Equity Investments in Non-Affiliated Companies

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions
Book value	36.5	35.8	36.5	35.8
including:				
– banks	–	8.4	–	8.4
– financial services institutions	–	–	–	–

Of the non-marketable equity investments in non-affiliated companies reported on the balance sheet of Portigon AG, the sum of € 35.7 million (previous year: € 35.0 million) is guaranteed by EAA. A volume of € 27.3 million (previous year: € 26.7 million) had book values which exceeded their fair values by a total of € 12.7 million (previous year: € 10.1 million).

The dissolution of Liquiditäts-Konsortialbank GmbH was resolved in the 2014 fiscal year and the banking licence returned. For this reason, this investment will no longer be reported under equity investments in banks, as it had been in the previous year.

9. Equity Investments in Affiliated Companies

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions
Book value	2.0	2.1	194.4	325.2
including:				
– financial services institutions	–	–	80.0	95.3

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. In the previous year, a volume of € 23.3 million had book values which exceeded their fair values by a total of € 1.1 million.

The changes in equity investments in affiliated companies at Portigon AG are mainly attributable to the deconsolidation of the subsidiaries GOH Grundstücksverwaltungs GmbH and Portigon Securities Inc., which were reported as equity investments in financial services institutions.

10. Trust Assets

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions
Claims on customers	–	–	–	–
Other assets	8,450.5	16,728.1	8,450.5	16,728.1
Book value	8,450.5	16,728.1	8,450.5	16,728.1

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. Please refer to Note 2.

The decrease in trust assets is due to maturities and the retrospective transfer in rem (novation) to EAA of a portion of these derivatives.

11. Other Assets

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions
Book value	149.5	250.6	143.7	250.2
including:				
– claims from tax refunds	81.0	96.1	76.1	96.1
– offsetting items from the valuation of currency transactions	–	75.0	–	75.0
– premiums for options	0.4	1.8	0.4	1.8

The offsetting item from the valuation of currency transactions reported in the previous year is reported under Other liabilities in the 2014 fiscal year.

12. Fixed Assets

Group	Acquisition Cost/Cost of Production	Additions	Retirements	Reclassifications	Appreciation	Total Depreciation	Depreciation in the Fiscal Year	Book Value	Book Value
€ million	**Jan. 1, 2014**					Dec. 31, 2014		**Dec. 31, 2014**	Dec. 31, 2013
Bonds and other interest-bearing securities forming part of fixed assets	3,118.8						–	973.8	3,118.8
Shares and other non-interest-bearing securities forming part of fixed assets	–	Net change pursuant to § 34 (3) Sentence 2 RechKredV; € – 2,144.4 million					–	–	–
Equity investments in non-affiliated companies	35.8						–	36.5	35.8
Equity investments in affiliated companies	2.1						–	2.0	2.1
Intangible assets	241.4	1.7	110.7	–	–	129.3	4.0	3.1	6.3
Land and buildings	234.8	–	32.8	–	–	88.1	5.0	113.9	269.4
Office equipment	157.4	1.4	44.2	–	–	93.1	1.6	21.5	31.8

Single-Entity Accounts	Acquisition Cost/Cost of Production	Additions	Retirements	Reclassifications	Appreciation	Total Depreciation	Depreciation in the Fiscal Year	Book Value	Book Value
€ million	**Jan. 1, 2014**					Dec. 31, 2014		**Dec. 31, 2014**	Dec. 31, 2013
Bonds and other interest-bearing securities forming part of fixed assets	3,118.8						–	973.8	3,118.8
Shares and other non-interest-bearing securities forming part of fixed assets	–	Net change pursuant to § 34 (3) Sentence 2 RechKredV; € – 2,275.1 million					–	–	–
Equity investments in non-affiliated companies	35.8						–	36.5	35.8
Equity investments in affiliated companies	325.2						–	194.4	325.2
Intangible assets	241.4	0.7	112.7	–	–	127.8	2.5	1.6	6.3
Land and buildings	46.6	–	–	–	–	41.7	0.3	4.9	5.2
Office equipment	157.4	1.4	44.4	–	–	93.1	1.5	21.3	31.8

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 2014, since no impairment was expected to be other than temporary.

The item “land and buildings” refers exclusively to properties which are not used in own operations. There is € 2.0 million (previous year: € 2.2 million) in land and buildings acquired under bail-out transactions which has been on the books for more than five years.

13. Own Shares

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

14. Deferred Items

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Deferred items from reclassification of trading positions	282.9	288.2	282.9	288.2
Premiums on claims	–	3.4	–	3.4
Discounts from liabilities	6.8	12.0	6.5	11.6
Other	12.6	15.1	10.7	15.1
Book value	302.3	318.7	300.1	318.3

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.

15. Deferred Taxes

The Portigon Group had deferred income tax assets of € 21.2 million in the 2014 fiscal year (previous year: € 0.0 million) resulting from temporary differences between the financial statements and the tax base in the case of tangible assets.

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).

16. 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, 2013.

17. Assets Sold under Repurchase Agreements

There were no assets sold under repurchase agreements in the 2014 fiscal year. Portigon AG had sold assets of € 250.0 million under repurchase agreements at December 31, 2013.

18. Liabilities to Banks

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Payable on demand	117.3	27.3	117.3	27.3
With residual maturity of				
– up to 3 months	1.6	251.0	1.6	251.0
– between 3 months and 1 year	–	2.8	–	2.8
– between 1 and 5 years	22.0	–	22.0	–
– more than 5 years	124.9	121.8	124.9	121.8
Book value	265.8	402.9	265.8	402.9

19. Liabilities to Customers

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Other liabilities to customers	4,271.5	6,936.7	4,449.9	6,986.5
thereof:				
payable on demand	2,117.1	2,107.4	2,272.2	2,177.5
With residual maturity of				
– up to 3 months	127.8	1,882.8	128.1	1,881.2
– between 3 months and 1 year	76.2	378.2	76.2	373.2
– between 1 and 5 years	131.6	454.9	154.6	448.0
– more than 5 years	1,818.8	2,113.4	1,818.8	2,106.6
Book value	4,271.5	6,936.7	4,449.9	6,986.5
including:				
– liabilities to affiliated companies	–	–	182.5	93.7
– liabilities to other companies in which equity investments are held	49.6	63.4	49.6	63.4

The subsidiary PFS commenced operations on February 1, 2014. Intra-group transactions with PFS led to a substantial increase in liabilities to affiliated companies at Portigon AG in the 2014 fiscal year.

20. Certificated Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Bonds issued	33.9	34.6	10.9	11.6
including:				
amounts becoming due before December 31, 2015	10.9	11.6	10.9	11.6
Book value	33.9	34.6	10.9	11.6

21. Trust Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Liabilities to customers	293.7	316.3	293.7	316.3
Other liabilities	8,156.8	16,411.8	8,156.8	16,411.8
Book value	8,450.5	16,728.1	8,450.5	16,728.1

The other liabilities reported as trust liabilities comprise derivatives transferred to EAA under the risk transfer agreement as well as the corresponding matching obligations. Please refer to Note 2.

The decrease in trust liabilities is due to maturities and the retrospective transfer in rem (novation) to EAA of a portion of these derivatives.

22. Other Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Book value	120.9	126.0	113.4	115.0
including:				
– pro-rata interest for borrower's note loans and subordinated liabilities	38.5	45.5	31.7	34.6
– fees on bank guarantees	11.1	21.8	11.1	21.8
– liabilities from profit participation certificates which matured	13.6	19.0	13.6	19.0
– offsetting item from the valuation of currency transactions	23.0	–	23.0	–

23. Deferred Items

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Deferred items from reclassification of trading positions	301.9	311.9	301.9	311.9
Fees from the lending business	17.4	18.6	17.4	18.6
Other	5.4	5.5	5.4	5.5
Book value	324.7	336.0	324.7	336.0

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.

24. 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. Nearly 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, 2014
Discount rate	4.53%
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 in the 2014 fiscal year. Since 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 at December 31, 2014 for the first time using the actuarial principles applied by the insurance company. Because the fair value of € 14.0 million is lower than the acquisition cost of € 14.3 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	13.8	13.5	645.4	631.9
Other pension liabilities	0.5	0.5	218.1	217.6
Total	14.3	14.0	863.5	849.5

In the process, in accordance with § 246 (2) Sentence 2 of the German Commercial Code (HGB) the expense of € 0.3 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 € 352.6 million (previous year: € 425.3 million), provisions in the personnel area of € 265.5 million (previous year: € 232.7 million) and miscellaneous provisions of € 174.1 million (previous year: € 113.2 million). The item miscellaneous provisions includes, among other amounts, € 12.6 million (previous year: € 15.0 million) for reimbursement commitments relating to the pension obligations transferred to NRW.BANK (service cost) in the previous year and € 8.8 million (previous year: € 6.8 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. Portigon exercised this option. In the reporting year, the excess coverage resulting from first-time application of BilMoG in the amount of € 0.7 million was reversed, which means there was no more excess coverage at December 31, 2014.

Portigon Group also reported other provisions of Portigon Financial Services GmbH in the amount of € 52.7 million. These are comprised of provisions for restructuring of € 31.5 million, provisions in the personnel area of € 2.6 million and miscellaneous provisions of € 18.6 million.

The € 93.2 million (previous year: € 75.6 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 € 3.9 million in interest cost on provisions of Portigon Financial Services GmbH is likewise reported in the other operating result.

25. Subordinated Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Book value	1,997.2	2,235.6	1,997.7	2,245.7
including:				
– to affiliated companies	–	–	558.5	837.1

Of the total subordinated liabilities, € 841.8 million (previous year: € 807.4 million) in the Portigon Group have a residual maturity of less than two years. At Portigon AG, € 841.8 million (previous year: € 1,083.4 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 € 90.9 million in connection with its subordinated liabilities in 2014 (previous year: € 96.8 million), whilst Portigon AG incurred interest expense of € 92.7 million (previous year: € 95.1 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.

The capital we raised with the following note exceeded 10% of our total subordinated liabilities at December 31, 2014:

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

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

26. Profit Participation Capital

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

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions
Beginning balance 1.1.	34.4	72.7	34.4	72.7
Additions	–	–	–	–
Subtractions	– 15.3	– 25.9	– 15.3	– 25.9
Loss allocation	– 2.0	– 12.4	– 2.0	– 12.4
Ending balance 31.12.	17.1	34.4	17.1	34.4

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 € 19.3 million. Of that amount, € 6.9 million was attributable to profit participation rights which matured on December 31, 2013 and € 12.4 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 2014 equal to € 3.6 million. Of that amount, € 1.6 million is attributable to the profit participation rights which matured on December 31, 2014, 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
2015	5.0	2.4
2019	31.0	14.7
Total	36.0	17.1

The profit participation certificates for the Bank constitute supplementary capital of € 15.2 million (previous year: € 16.5 million) within the meaning of Article 62 of the CRR. In the previous year, profit participation certificates had constituted own funds of € 16.5 million within the meaning of § 10 (5) of the German Banking Act (KWG).

27. Equity Capital

The subscribed capital of Portigon was € 498.6 million at December 31, 2014 (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 45.

Portigon Group is reporting a net loss for the 2014 fiscal year of € 221.2 million and Portigon AG a net loss of € 236.6 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 2014 equal to € 25.3 million (previous year: € 89.2 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 2014 equal to € 175.0 million (previous year: € 606.1 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 € 215.8 million for Portigon and is being reported as a retained loss.

Portigon Single-Entity Accounts	Balance Dec. 31, 2013 € millions	Withdrawals/ loss allocation € millions	Other appropriation € millions	**Balance Dec. 31, 2014 € millions**
Subscribed capital	498.6	–	–	498.6
Capital reserves	–	–	–	–
Revenue reserves	–	–	–	–
Silent contributions to capital				
– issued in 2005	238.5	– 25.4	–	213.1
– issued in 2009/2010	1,674.0	– 175.0	–	1,499.0
Retained loss	– 183.2	– 32.6	–	– 215.8
Equity capital pursuant to the German Commercial Code (HGB)	2,227.9	– 233.0	–	1,994.9

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

28. 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 € 2.2 billion in liabilities which were still grandfathered at December 31, 2014 (previous year: € 2.7 billion). A € 0.6 billion (previous year: € 0.9 billion) portion of that relates to portfolios of assets and liabilities which are economically hedged by EAA through guarantee agreements.

29. Foreign Currency Assets/ Foreign Currency Liabilities

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Foreign currency assets	4.3	4.9	4.3	4.9
Foreign currency liabilities	3.4	4.3	3.3	4.2

Notes to the Statement of Income

30. 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. 2014 € millions	Interest Income	Current Income	Commission Income	Other Operating Income
Germany	194.2	0.6	246.4	43.5
United Kingdom	68.9	–	14.6	6.9
Rest of Europe	55.1	–	1.6	3.0
Far East and Australia	13.8	–	0.7	0.8
North America	75.0	–	6.7	2.8
Amount reported on the Statement of Income	407.0	0.6	270.0	57.0

Single-Entity Accounts

1. 1.–31. 12. 2014 € millions	Interest Income	Current Income	Commission Income	Other Operating Income
Germany	194.4	6.0	145.7	68.6
United Kingdom	68.9	–	11.9	6.9
Rest of Europe	55.1	–	1.6	3.0
Far East and Australia	13.8	–	0.7	0.8
North America	75.0	–	6.3	2.9
Amount reported on the Statement of Income	407.2	6.0	166.2	82.2

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.

31. Administrative and Custodial Services

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

32. Other Operating Result

Other operating income	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Amount reported on the Statement of Income	57.0	101.6	82.2	91.8
including:				
Transfer of pension obligations and assets to PFS	–	–	26.2	–
Income from the reversal of other provisions	15.5	17.2	15.5	27.5
Reimbursement from Group companies and third parties	11.4	9.5	11.4	9.5
including: Income from IT services	3.0	4.1	3.0	4.1
Deconsolidation effects	–	8.6	–	–
Reversal of tax liability due to notice of liability	–	35.3	–	35.3
Rental and property income	5.5	8.2	5.5	8.2

Other operating expenses	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Amount reported on the Statement of Income	201.6	88.7	221.0	124.2
including:				
Unwinding of the discount on provisions	97.2	70.1	93.2	75.5
Accrued liabilities PFS	78.0	–	78.0	–
Expenses from intragroup netting	–	–	18.5	20.4
Losses on the sale of fixed assets	12.2	5.6	12.2	5.6
Deconsolidation effects	7.9	–	–	–
Dividend payment Banco do Brasil	–	4.3	–	4.3
Result from foreign currency translation	–	4.1	–	4.1
Expenses for land and buildings not used in operations	–	1.5	–	1.5
Annual contribution to the restructuring fund	0.3	1.3	0.3	1.3
General employee expenses	–	1.3	–	1.3

33. Risk Provisions

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

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	**Dec. 31, 2014 € millions**	Dec. 31, 2013 € millions
Beginning balance 1. 1.	150.9	179.1	150.9	179.1
Allocations	–	–	–	–
Unwinding of the discount	–	–	–	–
Reversals	– 8.7	– 8.3	– 8.7	– 8.3
Usage	– 34.0	– 12.2	– 34.0	– 12.2
Market value differences/other changes	–	– 7.7	–	– 7.7
Ending balance 31. 12.	108.2	150.9	108.2	150.9

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

	Portigon Group		Portigon AG	
	1. 1.–31. 12. 2014 € millions	1. 1.–31. 12. 2013 € millions	**1. 1.–31. 12. 2014 € millions**	1. 1.–31. 12. 2013 € millions
Result of provisions	21.9	6.6	– 63.8	– 16.8
Income/expenses from loans and securities	8.3	0.7	8.3	0.7
thereof:				
– loans	8.3	0.7	8.3	0.7
Participations/shares in affiliated companies and income/expenses from securities	13.6	5.9	– 72.1	– 17.5
thereof:				
– participations/shares in affiliated companies	13.6	2.3	– 72.1	– 21.1
– securities	–	3.6	–	3.6

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 € 8.3 million (previous year: positive € 0.7 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 € 13.6 million (previous year: positive € 5.9 million) for the Group and a negative € 72.1 million (previous year: negative € 17.5 million) for Portigon AG.

In addition, Portigon AG incurred expenses of € 3.2 million (previous year: € 1.9 million) from the absorption of losses from subsidiaries.

34. Income and Expenses Relating to Different Accounting Periods

A total of € 13.3 million (previous year: € 1.5 million) in expenses relating to different accounting periods was incurred in fiscal year 2014, the predominant portion of which stemmed from the spin-offs and transfers in 2012. Altogether, income relating to different accounting periods of € 6.1 million was incurred, which mainly relates to income from interest on tax refunds for prior years amounting to € 5.1 million.

35. Extraordinary Result

The extraordinary result came to € – 102.5 million (previous year: € – 697.6 million) in the Portigon Group and to € – 63.2 million (previous year: € – 697.6 million) at Portigon AG.

The negative result is exclusively attributable to restructuring expenses incurred for the company's transformation. The previous year, on the other hand, was dominated by expenses in connection with pension obligations that were transferred to NRW.BANK and allocations to the pension provisions.

36. Taxes on Income and Revenues

	Portigon Group		Portigon AG	
	1. 1.–31. 12. 2014 € millions	1. 1.–31. 12. 2013 € millions	1. 1.–31. 12. 2014 € millions	1. 1.–31. 12. 2013 € millions
Amount reported on the Statement of Income	143.7	3.3	122.6	2.6
including:				
domestic operations	144.4	1.0	123.3	1.0
foreign operations	– 0.7	2.3	– 0.7	1.6

Other Information

37. Contingent Liabilities

Contingent Liabilities and Other Commitments

	Portigon Group		Portigon AG	
	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions
Liabilities from guarantees and indemnity agreements	121.9	350.2	121.9	350.2
Irrevocable credit commitments	297.7	822.4	297.7	822.4

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.

The letters of comfort discussed in the previous years expired. No further letters of comfort were issued.

38. 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, 2014 € millions	Dec. 31, 2013 € millions	Dec. 31, 2014 € millions	Dec. 31, 2013 € millions
Own securities assigned or pledged to central banks	1,887.9	1,943.4	1,887.9	1,943.4
Own securities pledged to other banks or customers	177.8	265.5	177.8	265.5
Pledged pension liability insurance policies for hedging of pension and similar obligations	14.0	16.5	14.0	16.5
Own securities deposited as collateral for participation in stock exchange trading systems and clearing systems	0.4	0.7	0.4	0.7
Total assets pledged	2,080.1	2,226.1	2,080.1	2,226.1

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.

39. 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. These security reserves constitute protection for contributing banks within the meaning of § 12 of the German Deposit Protection and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz, EAEG) and are part of the insurance scheme of the Sparkassen-Finanzgruppe (joint liability system).

The insurance scheme of the Sparkassen-Finanzgruppe consists of eleven funds belonging to the regional savings banks and giro associations, the security reserve (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 2014 fiscal year, will not have one for the foreseeable future and will not have to make additional contributions until further notice.

Other Contingent Liabilities

On April 4, 2014, the shareholders of Liquiditäts-Konsortialbank (LIKO) resolved to dissolve the company. The resolution adopted took effect on July 31, 2014. The dissolution was entered in the commercial register on August 1, 2014 and published in the Bundesanzeiger (Federal Gazette) on August 4, 2014. At December 31, 2014, Portigon has no further liability to make additional contributions to LIKO (previous year: € 65.5 million).

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 € 91.6 million (previous year: € 92.9 million).

The Portigon Group has rental and leasing obligations and other obligations totalling € 351.2 million (previous year: € 799.6 million). € 235.5 million of this amount (previous year: € 799.6 million) relates to Portigon AG and € 1.7 million to affiliated companies. The agreements run for a maximum of eleven years. PFS has rental obligations and other financial obligations totalling € 115.7 million (previous year: € 0.0 million).

Portigon 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 did not release Portigon from this obligation when the subsidiary in question was sold. In order to protect Portigon, the entity which acquired the subsidiary agreed to indemnify Portigon against any claims asserted under the guarantee. The shares of the subsidiary were pledged to Portigon as security for this counter-guarantee.

40. Forward Transactions/Derivatives

With the change in Portigon's business model in 2012, the range of approved products decreased significantly. Most of the product categories presented below relate to derivative transactions whose risks were transferred to EAA, predominantly under the risk transfer agreement.

The derivative transactions entered into by Portigon involve the following product categories:

- Products based on interest rates
- Products based on exchange rates
- Products based on share prices and other prices
- Credit derivatives

At the balance sheet date, the total volume in nominal terms of derivative transactions was € 67.8 billion (previous year: € 194.3 billion). Of that amount, € 44.3 billion (previous year: € 177.3 billion) relates to items that were transferred under the risk transfer agreement and are therefore being held in trust for EAA. Positive market values of € 3.7 billion (previous year: € 7.8 billion) and negative market values of € 3.5 billion (previous year: € 7.5 billion) are attributable to the derivatives held in trust. There are matching obligations and claims in equivalent amounts vis-à-vis EAA for these derivatives.

OTC Products, thereof:	Nominal Values		Positive Market Values		Negative Market Values	
	2014 € millions	2013 € millions	**2014 € millions**	2013 € millions	**2014 € millions**	2013 € millions
Products based on interest rates	51,327	164,655	4,648	6,870	3,647	5,900
Products based on exchange rates	12,031	20,723	412	1,541	420	1,412
Products based on share prices and other prices	3,761	5,643	244	353	244	458
Credit derivatives	651	3,283	5	210	1	279
Total derivatives	67,770	194,304	5,309	8,974	4,312	8,049

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.

The predominant portion of the contracts across all product types has a remaining term of one to five years. There are also some fairly significant nominal volumes in the long-term maturity ranges. Most of these stem from interest rate contracts.

€ millions	Products Based on Interest Rates Dec. 31, 2014	Dec. 31, 2013	Products Based on Exchange Rates Dec. 31, 2014	Dec. 31, 2013	Products Based on Share Prices and Other Prices Dec. 31, 2014	Dec. 31, 2013	Credit Derivatives Dec. 31, 2014	Dec. 31, 2013
Residual maturity								
– up to 3 months	6,501	16,109	1,659	2,392	–	105	177	8
– 3 months to 1 year	6,085	30,630	2,288	1,213	17	109	91	635
– 1 to 5 years	20,185	67,078	7,018	9,831	–	3,754	109	1,864
– more than 5 years	18,556	50,838	1,066	7,287	3,744	1,675	275	776
Total	51,327	164,655	12,031	20,723	3,761	5,643	651	3,283

41. Remuneration of the Governing Bodies

	2014 € millions	2013 € millions
Total remuneration of the Managing Board	1.6	1.6
fixed	1.6	1.6
performance-based	–	–
departure-related	–	–
from holding supervisory board seats at Group subsidiaries	–	–
Total remuneration of former Managing Board members and their survivors	5.9	5.7
Total remuneration of Supervisory Board members	0.2	0.3
fixed	0.2	0.3
performance-based	–	–
performance-based with long-term incentive effects	–	–
Pension provisions for Managing Board members who actively served during the fiscal year	1.5	4.8*
Pension provisions for former Managing Board members and their survivors	94.8	88.0

* Including 15/15 of the amount related to changes introduced by BilMoG (previous year: 3/15). In conjunction with the first-time application of the Accounting Law Reform Act (BilMoG) in 2010, the Bank initially decided in favour of a gradual adjustment of the measurement of its pension obligations, to be completed by December 31, 2024 at the latest. As of December 31, 2012, the Bank had added 3/15 of the total amount to provisions. The remaining 12/15 of the original deficit was added in full in the reporting year.

A provision of € 0.2 million was recognised in 2014 (previous year: € 0.3 million) for the compensation owed to the members of the Supervisory Board. In addition, members received a total of € 38 thousand (previous year: € 38 thousand) in reimbursement of their out-of-pocket expenses.

Remuneration of the Members of the Managing Board

	Period	Fixed remuneration* €	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, 2014 €	Additions to/ subtractions from pension commitments in 2014 €
Dreesbach, Stefan	1. 1.–31. 12. 2014	554,062	–	–	–	554,062	–	– 484,175
Franzmeyer, Dr. Kai Wilhelm	1. 1.–31. 12. 2014	533,117	–	–	–	533,117	1,043,397	172,249
Stemper, Dr. Peter	1. 2.–31. 12. 2014	332,554	–	–	–	332,554	445,937	445,937
Voigtländer, Dietrich	1. 1.–30. 4. 2014	175,102	–	–	–	175,102	3,453,296	46,575
Total	1. 1.–31. 12. 2014	1,594,835	–	–	–	1,594,835	4,942,630	180,586

* 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 €
Binkowska, Dietmar P.	1. 1.–10. 4. 2014	10,959	–	10,959
Hintz, Cornelia	1. 1.–10. 12. 2014	8,822	–	8,822
Hock, Gudrun	1. 1.–31. 12. 2014	16,945	–	16,945
Jörg, Susanne	11. 12.–31. 12. 2014	575	–	575
Kahl, Dr. Bruno	1. 1.–31. 12. 2014	10,000	–	10,000
Kasper, Frank	23. 5.–10. 12. 2014	8,233	–	8,233
Klug, Gabriele	1. 1.–31. 12. 2014	19,260	–	19,260
Lipphaus, Annette	1. 1.–30. 4. 2014	3,288	–	3,288
Ludwig, Doris	1. 1.–31. 12. 2014	27,418	–	27,418
Matthewes, Manfred	1. 1.–30. 4. 2014	8,219	–	8,219
Neuhaus, Klaus	30. 4.–31. 12. 2014	9,726	–	9,726
Plogmann, Dr. Friedhelm	1. 1.–31. 12. 2014	24,822	–	24,822
Rabitzsch, Matthias	11. 12.–31. 12. 2014	575	–	575
Sacha, Björn	1. 1.–30. 4. 2014	4,932	–	4,932
Stemper, Dr. Peter	1. 1.–31. 1. 2014	822	–	822
Walter-Borjans, Dr. Norbert	1. 1.–31. 12. 2014	16,274	–	16,274
Subtotal		170,870	–	170,870
Lump-sum reimbursement of out-of-pocket expenses				37,500
Value-added tax on amounts paid				28,047
Total				236,417

42. 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.

43. Audit Fees

Portigon Group	2014 € millions	2013 € millions
Auditing the annual financial statements	0.9	1.1
Miscellenaneous reports and opinions	2.1	2.7
Total	3.0	3.8

44. Number of Employees

The average number of employees in 2014 was as follows:

Group	Male	Female	Total 2014	Total 2013
Domestic Group companies/branches	665	597	1,262	1,671
Foreign Group companies/branches	250	166	416	652
Total	915	763	1,678	2,323

Single-Entity Accounts	Male	Female	Total 2014	Total 2013
Domestic branches	442	409	851	1,671
Foreign branches	180	135	315	618
Total	622	544	1,166	2,289

An average of 10 (previous year: 22) employees were engaged in apprenticeship training or equivalent training.

45. Shareholdings in Portigon AG

Shareholders	Investment Quota	
	Dec. 31, 2014 %	Dec. 31, 2013 %
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).

46. Seats Held by Members of the Managing Board

In 2014, the following Managing Board members of Portigon AG were chairmen or members of a large company'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 (from December 8, 2014)

Dr. Peter Stemper
Portigon Financial Services GmbH (from December 8, 2014)

47. Seats Held by Employees

Seats held by employees of the Portigon Group

In 2014, the following Group employees were chairs or members of a large company'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 (from December 11, 2014)

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

Doris Ludwig
Portigon AG (from February 1, 2014)
Portigon Financial Services GmbH (from February 1, 2014)

Seats held by employees of Portigon AG

In 2014, the following employees were chairs or members of a large company's supervisory body within the meaning of § 340a (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

Frank Kasper
Portigon AG (until December 11, 2014)

Doris Ludwig
Portigon AG (until January 31, 2014)
Portigon Financial Services GmbH (until January 31, 2014)

Frank Malone
Basinghall Finance plc (until June 30, 2014)
EAA Covered Bond Bank plc (until June 30, 2014)

Manfred Matthewes
Portigon AG (until April 30, 2014)

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

Max Niesert
AKA Ausfuhrkredit-Gesellschaft mbH

Matthias Rabitzsch
Portigon AG (from December 11, 2014)

Björn Sacha
Portigon AG (until April 30, 2014)

Dr. Peter Stemper
Portigon AG (until January 30, 2014)
Portigon Financial Services GmbH (until January 30, 2014)

Alexander Tcherepnine
Banco Finantia S.A. (until June 30, 2014)

48. Governing Bodies of Portigon AG

Portigon AG Managing Board

Dr. Kai Wilhelm Franzmeyer
Chairman of the Managing Board since April 30, 2014

Dr. Peter Stemper
Member of the Managing Board since February 1, 2014

Dietrich Voigtländer
Chairman and member of the Managing Board until April 30, 2014

Stefan Dreesbach
Member of the Managing Board until December 31, 2014

Portigon AG Supervisory Board

Dr. Friedhelm Plogmann
Chairman from April 16, 2014 to April 30, 2014
Chairman again since May 28, 2014
Previously already a member of the Supervisory Board
Management consultant
Meerbusch

Doris Ludwig
Member and Vice Chairwoman until April 30, 2014
Member again since May 23, 2014
Vice Chairwoman again from May 28, 2014 to December 10, 2014
Member again since December 11, 2014 and Vice Chairwoman again since January 21, 2015
Director
Portigon Financial Services GmbH Düsseldorf

Dietmar P. Binkowska
Member and Chairman until April 10, 2014
Former Chairman of the Managing Board
NRW.BANK

Cornelia Hintz
Member until April 30, 2014 and from May 23, 2014 to December 10, 2014
Secretary
ver.di Vereinte Dienstleistungsgewerkschaft

Gudrun Hock
Member of management
Düsseldorf Congress Sport & Event GmbH

Susanne Jörg
Member since December 11, 2014
Director
Portigon Financial Services GmbH

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

Frank Kasper
Member from May 23, 2014 to December 10, 2014
Staff council member
Portigon AG

Gabriele C. Klug
City Treasurer
City of Cologne

Annette Lipphaus
Member until April 30, 2014
Regional Head of Legal Protection
ver.di Vereinte Dienstleistungsgewerkschaft

Manfred Matthewes
Member until April 30, 2014
Former Director
Portigon AG Düsseldorf

Klaus Neuhaus
Member since April 30, 2014
Chairman of the Managing Board
NRW.BANK

Björn Sacha
Member until April 30, 2014
Former Director
Portigon AG Düsseldorf

Matthias Rabitzsch
Member since December 11, 2014
Executive Director
Portigon AG

Dr. Peter Stemper
Member from May 28, 2013 to January 30, 2014
Member of the Managing Board
Portigon AG Düsseldorf

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

49. 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, 2014

Target currency/unit: EUR/thousands
(all exchange rates translated into EUR at December 31, 2014)

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	GOD Grundstücksverwaltungs GmbH[6]	Mainz	94.00		EUR	142,406.34	368.40
2	Portigon Europe (UK) Holdings Limited[6]	London, United Kingdom	100.00		GBP	51.91	490.18
3	Portigon Finance Curaçao N.V.[6]	Willemstad, Curaçao	100.00		EUR	502.08	456.08
4	Portigon Financial Services GmbH[6]	Düsseldorf	100.00		EUR	69,888.73	– 111.27

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
II.	**Companies not included in the consolidated financial statements**						
	Subsidiaries not included (insignificant)						
5	Harrier Capital Management (Bermuda) Ltd. [3]	Hamilton, Bermuda	100.00		USD	146.83	0.08
6	Portigon International Services Limited [1 6]	St. Helier, Jersey	100.00		GBP	424.17	– 17.88
7	Portigon Property Services Limited [1 6]	London, United Kingdom	100.00		GBP	5.14	5.14
8	Portigon UK Limited [1 6]	London, United Kingdom	100.00		GBP	0.00	0.00
9	Portigon Versorgungskasse GmbH [6]	Düsseldorf	100.00		EUR	25.00	0.00
10	Schloss Krickenbeck GmbH [2 6]	Nettetal	100.00		EUR	153.40	0.00
11	Treuhand- und Finanzierungsgesellschaft für Wohnungs- und Bauwirtschaft mit beschränkter Haftung, Treufinanz [6]	Düsseldorf	65.41	66.37	EUR	2,891.80	– 177.29
12	West Treuhand- und Verwaltungsgesellschaft mbH [6]	Düsseldorf	100.00		EUR	32.98	7.98
13	WMB Leasing Seven Limited [1 5]	London, United Kingdom	100.00		GBP	122.34	127.65
14	WMB Leasing Ten Limited [1 5]	London, United Kingdom	100.00		GBP	81.18	190.57

No.	Name	Place	Stake	Voting Rights, if different	Currency Code	Share Capital	Result
III.	**Stakes in other companies**						
	Stake of at least 20%						
15	Garnet Real Estate LLC [6]	New York, USA	100.00		USD	0.00	n/a
16	Indigo Holdco LLC [6]	New York, USA	100.00		USD	2,321.73	n/a
17	Indigo Land Groveland LLC [1]	New York, USA	100.00			n/a	n/a
18	Indigo Land Majestic Bay LLC [1]	New York, USA	100.00			n/a	n/a
19	Indigo Land Mt. Dora Development LLC [1]	New York, USA	100.00			n/a	n/a
20	Indigo Land Northwood LLC [1]	New York, USA	100.00			n/a	n/a
21	Indigo Land Progresso Lofts, LLC [1]	New York, USA	100.00			n/a	n/a
22	Indigo Real Estate, LLC [1 5]	New York, USA	100.00		USD	10,441.51	n/a
23	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, 2012
[6] data as of Dec. 31, 2013

Düsseldorf, March 4, 2015

Portigon AG
The Managing Board

Dr. Kai Wilhelm Franzmeyer　　　　Dr. Peter Stemper

Country-by-Country Reporting at December 31, 2014 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", CDR 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 2014 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	207.7	– 386.8	144.4	1.044
Australia	– 0.5	– 0.3	1.7	5
China	2.4	1.0	0.0	0
Curaçao	0.5	0.4	0.0	0
Hong Kong	0.6	– 3.0	0.0	9
Italy	3.6	– 2.1	– 0.4	24
Japan	– 2.9**	– 6.9	0.0	7
Singapore	0.4	– 1.0	0.0	8
Spain	2.3	– 0.5	0.1	17
Turkey	2.6	– 0.3	– 2.0	0
UK	57.9	– 14.5	0.0	172
USA	40.0	5.9	0.0	72

* All figures in € millions
** Resulting from the transfer of the Tokyo portfolio to EAA KK, Japan

Name	Nature of Activities	Place of Business/ City	Country
GOD Grundstücksverwaltungs GmbH	Non-banking activity	Mainz	Germany
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 AG, Shanghai branch	Credit institution	Shanghai	China
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, Istanbul branch	Credit institution	Istanbul	Turkey
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, which consist of the consolidated balance sheet, consolidated statement of income and notes to the consolidated financial statements, which were combined with the notes to the annual financial statements of Portigon AG, and the statement of financial condition, which was combined with the group statement of financial condition, prepared by Portigon AG, Düsseldorf, for the financial year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and group statement of financial condition according to German commercial law regulations is the responsibility of the legal representatives of the Company. It is our task to give an opinion on the consolidated financial statements and the group statement of financial condition on the basis of our audit.

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

Our audit resulted in no objections.

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

Without qualifying this opinion, we draw attention to the statements made in the "Structural Changes" and "Outlook" sections of the group statement of financial condition. They state that the transformation process will continue to dominate the course of business. One aspect of the further transformation involves capacity reduction at Portigon AG, which will progress at an accelerated pace. Another aspect is optimising the long-term cooperation between Portigon Financial Services GmbH and Erste Abwicklungsanstalt and exploring options for the future of Portigon Financial Services GmbH. The transformation process remains replete with uncertainty, which will have an adverse effect on the company's cash flows, financial condition and results of operations. In accordance with the decision taken by the European Commission on December 20, 2011, Portigon Financial Services GmbH must be privatised by December 31, 2016. If a sale of this company is not possible, it would have to be wound down in 2017."

Düsseldorf, March 5, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werthmann	Lösken
German Public Accountant	German Public Accountant

Auditor’s Opinion

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

“We have audited the annual financial statements, which consist of the balance sheet, statement of income and notes to the annual financial statements, together with the bookkeeping system, and the statement of financial condition, which was combined with the group statement of financial condition, prepared by Portigon AG, Düsseldorf, for the financial year from January 1 to December 31, 2014. The bookkeeping and preparation of the annual financial statements and statement of financial condition according to German commercial law regulations is the responsibility of the legal representatives of the Company. It is our task to give an opinion on the annual financial statements, together with the bookkeeping system, and the statement of financial condition on the basis of our audit.

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

Our audit resulted in no objections.

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

Without qualifying this opinion, we draw attention to the statements made in the "Structural Changes" and "Outlook" sections of the statement of financial condition. They state that Portigon AG launched a project in summer 2014 to establish administrative operations for the period after 2016. One of the aims of this project is to calculate personnel and IT capacity and establish the organisational structures required for the portfolios remaining in Portigon AG's balance sheet after 2017. The transformation process remains replete with uncertainty. This will have an adverse effect on the company's cash flows, financial condition and results of operations."

Düsseldorf, March 5, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werthmann German Public Accountant	Lösken German Public Accountant

Report of the Supervisory Board

Portigon AG's 2014 fiscal year was dominated by two topics in particular. First, Portigon AG pressed ahead vigorously with its downsizing begun in previous years. This led to a further significant reduction of both total assets and headcount by the end of 2014. Second, Portigon Financial Services GmbH, the service arm of Portigon AG, was established on January 30, 2014 through the required board resolutions. The new service company commenced operations on February 1, 2014. As a consequence, most of the service business was transferred from Portigon AG to Portigon Financial Services GmbH. For this reason, the Supervisory Board prepared a recommendation for the Shareholders' Meeting to change the corporate purpose of Portigon AG in accordance with Article 2 (1) of the Articles and Bylaws as follows:

"The purpose of the Company is the management of its own assets, including its equity interests in other entities, especially financial services institutions operating primarily in the management of banking portfolios. In addition, the company shall operate as a service provider in the management of banking portfolios and assets of third parties for servicing relationships which existed on February 1, 2014. In the context of its corporate purpose, it shall provide financial services and conduct banking transactions and complementary transactions."

Both the Managing Board and the Supervisory Board were closely involved in these two ambitious, complex projects and the associated follow-up activities in the 2014 fiscal year.

The structure of the Supervisory Board also changed in 2014. Due to the transformation process and associated headcount reduction, different legal bases became relevant for the composition of Portigon AG's Supervisory Board. Whereas in the past the Supervisory Board had consisted of equal numbers of shareholder and employee representatives, co-determination under the One-Third Participation Act now applies. Since May 1, 2014, the Supervisory Board has consisted of six shareholder representatives and three employee representatives, the total number of representatives also having been reduced to nine. As a consequence of this change, the Shareholders' Meeting of Portigon AG newly elected the Supervisory Board's shareholder representatives at the meeting held on April 30, 2014. In parallel, the Shareholders' Meeting also amended the Articles and Bylaws to reflect the new legal requirements for the Supervisory Board's composition. Three employee representatives were initially appointed by the court on May 23, 2014 and served until the staff of the Portigon Group officially elected three employee representatives to the Supervisory Board with effect from December 12, 2014.

Supervision and Advising of Management

The Supervisory Board held seven meetings and five conference calls in the 2014 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 Chairwoman of the Supervisory Board and the Chairman of the Managing Board regularly discussed current issues and Managing Board decisions.

Supervisory Board Meetings

The Supervisory Board held a total of seven meetings in 2014. They were on January 10 and 30, April 4 and 30, June 16, September 26 and December 8. Furthermore, the Supervisory Board held five conference calls, which were on April 17 and 25 (in conjunction with the Supervisory Board of Portigon Financial Services GmbH), May 6 and 13, and October 31 (in conjunction with the Supervisory Board of Portigon Financial Services GmbH). In addition, a total of four resolutions were adopted in written votes taken outside of a meeting. These votes occurred on April 16, May 28, July 14 and October 20.

Regular agenda items at Supervisory Board meetings included a detailed discussion of the current state of the company's business on the basis of the report presented by the Managing Board, the reports presented by the Chairwoman of the Audit and Risk Committee on that committee's work and the discussion of Managing Board affairs. Another focus of the Supervisory Board's work was the commencement of operations of Portigon Financial Services GmbH (PFS) at the beginning of the year and, routinely addressed during 2014, strategic partnerships in connection with the drafting of options for the future of PFS. As in the 2013 fiscal year, the Supervisory Board also regularly discussed the restructuring of the former WestLB at length in the 2013 fiscal year, a topic for which the Managing Board submitted detailed documents to the Supervisory Board. Moreover, the Supervisory Board regularly adopted resolutions on the second WestLB parliamentary inquiry panel.

The following fundamental decisions were resolved at the Supervisory Board meeting on January 30:

- The establishment of Portigon Financial Services GmbH required intensive discussion by the Supervisory Board of the contracts to be concluded for this and a resolution to amend the documents (Portigon AG's Articles and Bylaws and the rules for the conduct of business of Portigon AG's Supervisory Board).

- In addition, the Supervisory Board approved the sale to Blackstone of all office buildings in Düsseldorf owned by Portigon AG. The agreements to this effect were signed on January 31, 2014 and February 1, 2014.

At this meeting, the Supervisory Board also elected Dr. Peter Stemper to serve on the Managing Board.

At its meeting on April 4, the Supervisory Board discussed two agenda items in particular. On the basis of the reports of the Chairwoman of the Audit and Risk Committee and the external auditors, the Supervisory Board discussed the annual financial statements and the statement of financial condition for the 2013 fiscal year and adopted the annual financial statements for 2013. The Supervisory Board also discussed the planning for the years 2014 to 2018 submitted by the Managing Board. The report on the work performed by the compensation committee in the 2013 fiscal year was addressed in addition.

On April 10, 2014, the Chairman of the Supervisory Board in office, Dietmar P. Binkowska, former Chairman of the Managing Board of NRW.BANK, resigned from the Supervisory Board with immediate effect. In a written vote taken outside of a meeting, the Supervisory Board elected Dr. Friedhelm Plogmann as Chairman of Portigon AG's Supervisory Board on April 16, 2014.

The Supervisory Board's focus at the meeting held on April 30 was the consolidated financial statements. After hearing reports by the Chairwoman of the Audit and Risk Committee and by the external auditors on the consolidated financial statements and the Group statement of financial condition for 2013, the Supervisory Board resolved on the Report of the Supervisory Board and the Corporate Governance Report of Portigon AG to be included in the 2013 Annual Report and prepared its recommendation for the Shareholders' Meeting to ratify the acts of the Managing Board and Supervisory Board for the 2013 fiscal year. It also resolved to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors of the annual and consolidated financial statements for the 2014 fiscal year. In addition, the Supervisory Board discussed the pending status proceedings to determine the Supervisory Board's new composition, resolved on the amendment of the rules for the conduct of business of Portigon AG's Supervisory Board and prepared recommendations for the Shareholders' Meeting on the appointment of Supervisory Board members (in this case, shareholder representatives: Gudrun Hock, Dr. Bruno Kahl, Gabriele C. Klug, Klaus Neuhaus and Dr. Friedhelm Plogmann) and on the amendment of the Articles and Bylaws. During the meeting on April 30, 2014, Dietrich Voigtländer resigned from the Managing Board with immediate effect. At the same meeting, the Supervisory Board appointed Dr. Kai Wilhelm Franzmeyer to act as Chairman of the Managing Board with immediate effect. 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. The employee representatives relinquished their seats on the Supervisory Board effective at the end of the day on April 30.

Employee representatives Cornelia Hintz, Frank Kasper and Doris Ludwig were court-appointed as members of the Supervisory Board on May 23. In a written vote taken outside of a meeting on May 28, the Supervisory Board resolved on the election of Dr. Friedhelm Plogmann as Chairman of the Supervisory Board and of Doris Ludwig as Vice Chairwoman of the Supervisory Board in addition to the election of committee members and of Gabriele C. Klug and Gudrun Hock as the Chairwoman and Vice Chairwoman respectively of the Audit and Risk Committee.

At the meeting on June 16, the Supervisory Board discussed the usual agenda items and also the D&O insurance policy for 2014/2015.

In a written vote taken outside of a meeting, the Supervisory Board further resolved on the second WestLB parliamentary inquiry panel on July 14.

The Supervisory Board met again on September 26 to discuss cooperation with Erste Abwicklungsanstalt (EAA) and resolved on how to proceed with the efficiency review required by § 25d of the German Banking Act (KWG).

On October 20, a further resolution on the second WestLB parliamentary inquiry panel was adopted in a written vote taken outside of a meeting.

At its meeting on December 8, the Supervisory Board discussed the results of a special audit among other things and approved the sale of the Schloss Krickenbeck estate and the company Schloss Krickenbeck GmbH. The results of the efficiency review pursuant to § 25d of the German Banking Act (KWG) were also discussed at this meeting. In addition, the Supervisory Board decided on the resignation of Stefan Dreesbach from the Managing Board with effect from December 31, 2014.

Work in the Committees

The **Executive Committee** met a total of six times in 2014, namely on January 30, April 4 and 30, June 16, September 26 and December 8. It 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. At its meeting on December 8, it also made the anticipatory resolution for 2015 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 six times in the 2014 financial year, namely on January 30, March 20, April 11, June 16, September 10 and November 24. At its meeting on January 30, it dealt with topics relating to the audit of the 2013 annual financial statements and statement of financial condition on the basis of audit reports. It also issued a recommendation to the Supervisory Board to propose to the Shareholders' Meeting that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft be appointed as the external auditors for the 2014 fiscal year. When examining the risk-related items, it discussed the relevance of providing support for the downsizing of Portigon AG in terms of risk, among other topics. At its meeting on March 20, the Audit and Risk Committee issued a recommendation on the basis of further external auditors' reports that the Supervisory Board approve the annual financial statements and took note of the Risk Situation Report at December 31, 2013. Among the main topics discussed at the meeting on April 11 were the consolidated financial statements and other topics of relevance to the annual financial statements. The Audit and Risk Committee gave its recommendation to the Supervisory Board to approve the 2013 consolidated financial statements and to ratify the acts of the Managing Board. It also discussed the Portigon Group's risk strategy and the risk governance of Portigon Financial Services GmbH. On June 16, the Audit and Risk Committee discussed the areas of emphasis in the audit of the annual financial statements of Portigon AG for 2014, the reporting by the internal audit department in accordance with § 25c of the German Banking Act (KWG) and the Risk Situation Report at March 31, 2014. Among the topics dealt with by the Committee at the meeting on September 10 were the report on the audit of the IFRS half-year accounts at June 30, 2014. The Committee discussed possible areas of emphasis for and extensions of the audit of the annual financial statements for the year ended December 31, 2014. In addition, the final report on a special audit and the report by the internal audit department were addressed. Furthermore, the Committee took note of Risk Situation Report at June 30, 2014. At its last meeting on November 24, the Audit and Risk Committee discussed a further report submitted by the internal audit department and additional information on the assessment of the special audit conducted, as well as the Risk Situation Report at September 30, 2014 and the Portigon Group's risk strategy.

Up until the end of April 2014, no meetings of the **Mediation Committee** were held. In accordance with the statutory provisions of the One-Third Participation Act and the corresponding amendment of the Articles and Bylaws, there was no longer a need to form a Mediation Committee after May 1, 2014.

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, also submitted an audit report on the relations with affiliated enterprises for the period from January 1 to December 31, 2014. 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 2014 Annual and Consolidated Financial Statements

At its meeting on April 27, 2015, the Supervisory Board adopted the 2014 annual financial statements, approved the consolidated financial statements and gave its recommendation to the Shareholders' Meeting on April 27, 2015 to ratify the acts of the Managing Board and Supervisory Board for the 2014 fiscal year and to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the external auditors for the 2015 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 and the Audit and Risk Committee. The Audit and Risk Committee discussed the external auditors' reports on the 2014 annual and consolidated financial statements at its meeting on April 13, 2015. 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 2014 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 and Audit and Risk Committee examined the financial statements and statements of financial condition and discussed the reports of the external auditors on the results of their audit. Based on the final result of this review, no objections were raised.

Düsseldorf, April 27, 2015

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.

Although only listed German companies are required to comply with the German Corporate Governance Code (the "Code"), Portigon AG's predecessor WestLB AG had decided voluntarily in 2006 to base its corporate governance on the Code, as amended, and anchored compliance with the Code in the rules for conducting business established for its Managing Board and Supervisory Board. As WestLB AG's successor, Portigon AG has committed to complying with the Code in the same form; this report is based on the Code as amended on June 24, 2014, published in the Bundesanzeiger (Federal Gazette) on September 30, 2014.

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

In response to a call made by G-20 members, the Financial Stability Board (FSB) published the "Principles for Sound Compensation Practices" in April 2009, which it then supplemented with detailed "Implementation Standards" at the end of September 2009. Germany and the other G-20 members have pledged to implement the FSB Principles.

Having regard to the implementation of the FSB Principles, the Managing Board of WestLB AG issued a voluntary undertaking to this effect on December 4, 2009. By giving this voluntary undertaking, the company is emphasising that it recognises the FSB Principles and implements them in its compensation policy.

Portigon AG has adjusted its compensation system accordingly. 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).

Compensation of the Managing Board

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

The fixed component, a basic compensation not directly linked to performance, is paid on a monthly basis as salary. It is typically reviewed when employment agreements are renewed. It also includes non-cash compensation awarded in customary amounts. Essentially, such non-cash compensation covers the 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.

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 2014

The remuneration of the governing bodies of Portigon AG in the 2014 fiscal year was as follows:

	1. 1. – 31. 12. 2014 € millions	1. 1. – 31. 12. 2013 € millions
Total remuneration of the Managing Board	1.6	1.6
– fixed	1.6	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	5.9	5.7
Total remuneration of Supervisory Board members	0.2	0.3
– fixed	0.2	0.3
– 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	1.5	4.8*
Pension provisions for former Managing Board members and their survivors	94.8	88.0*

* includes 15/15 (previous year: 3/15) of the retroactive additions to provisions necessitated by changes introduced by BilMoG
As part of the first-time application of the German Accounting Law Reform Act (BilMoG) in 2010, the Bank initially opted to adjust the measurement of its pension liabilities on an incremental basis, with the final adjustment due on or before December 31, 2024. At December 31, 2012, it had retroactively added 3/15 of the total amount. In 2013, the remaining 12/15 of the original deficit was allocated to pension provisions.

In accordance with the Code as amended on June 24, 2014, 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 2014, no payments for preceding years were made.

Benefits granted	Dietrich Voigtländer		Stefan Dreesbach		Dr. Kai Wilhelm Franzmeyer		Dr. Peter Stemper	
	Chairman of the Managing Board		Managing Board member		Managing Board member		Managing Board member	
	Departure April 30, 2014		Departure Dec. 31, 2014		Chairman since April 30, 2014		Board member since Feb. 1, 2014	
	2013	2014	2013	2014	2013	2014	2013	2014
Fixed remuneration*	500,000.04 €	166,666.68 €	500,000.04 €	500,000.04 €	500,000.04 €	500,000.04 €	–	324,570.33 €
Benefits	30,891.83 €	8,435.76 €	74,975.51 €	54,061.68 €	32,372.03 €	33,117.08 €	–	7,983.53 €
Total	530,891.87 €	175,102.44 €	574,975.55 €	554,061.72 €	532,372.07 €	533,117.12 €	–	332,553.86 €
1-year variable remuneration	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	–	0.00 €
Multi-year variable remuneration	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	–	0.00 €
Plan description (term)	–	–	–	–	–	–	–	–
Total	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	–	0.00 €
Pension cost**	401,440.00 €	46,575.00 €	153,646.00 €	– 484,175.00 €	117,093.00 €	172,249.00 €	–	445,937.00 €
Total remuneration	932,331.87 €	221,677.44 €	728,621.55 €	69,886.72 €	649,465.07 €	705,366.12 €	–	778,490.86 €

* Rounding difference
** Accounted for only in accordance with HGB

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

Disclosures Pursuant to Article 6.3 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 2014

The Managing Board and Supervisory Board herewith declare for 2014 that Portigon AG complied with the recommendations of the "Government Commission of the German Corporate Governance Code" as amended on June 24, 2014, 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), we have agreed on a deductible for the Managing Board, but so far a similar regulation has not been implemented for the Supervisory Board.

- **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 4.2.1 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 individual members are regulated in an organisational chart.

- **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 transferred the duties of a nominating committee to the Executive Committee.

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

- In deviation from the recommendation in **Article 7.1.2 Sentence 2 of the Code,** we did not publish quarterly financial reports for the periods ended March 31, 2014 and September 30, 2014 due to the transformation. The half-year report was not explicitly discussed by the Managing Board and the Supervisory Board prior to publication because continuous reporting on the course of business is ensured by the monthly and quarterly financial reporting and discussions of this at the meetings of the Supervisory Board.

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, April 27, 2015

Representing the Supervisory Board

Dr. Friedhelm Plogmann

Representing the Managing Board

Dr. Kai Wilhelm Franzmeyer

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

Production
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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.

Portigon
Aktiengesellschaft

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