DEUTSCHE FACTORING BANK

Annual Financial Statements and Management Report 2015

Finanzgruppe

“If there is any one secret to success it lies in the ability to get the other person’s point of view and see things from that angle as well as your own.”

Henry Ford

Financing partner for the small and medium-sized business sector

The development over the last few years illustrates that many German small and medium-sized businesses have, in some cases quite intensively, used the 2008 financial crisis to reappraise their financing policy. Since the crisis, an ever-increasing number of companies have consciously decided to choose factoring as a financing instrument.

This decision is not exactly unfounded: Factoring is, namely, a very versatile service. No matter whether it boils down to exploiting growth opportunities, expanding export business, extending payment terms, avoiding default risks, obtaining early payment discounts, ensuring company succession or simply increasing financial leeway – there is hardly any other financial service that outshines factoring.

Accordingly, the mood on the market is positive, particularly in Germany where an increasing number of organisations provide factoring services. This is, of course, a welcome development since it underlines the significant role played by factoring. However, prospective clients should pay particular attention when looking for the right factoring partner for long-term successful cooperation.

Once again in 2015 the Deutsche Factoring Bank's large number of both existing clients and new business reflected reliability and experience. As in previous years, the partnership and cooperation between the Deutsche Factoring Bank and the Sparkassen, with their intimate knowledge of regional markets and experience financing the small and medium-sized business sector, played a decisive role.

Partners:

Unlimited partner
Deutsche Factoring Gesellschaft mit beschränkter Haftung, Bremen → 1%

Limited partners
Freie Sparkassen Beteiligungsgesellschaft mbH, Bremen → 33%

Bayerische Landesbank, Munich → 11%

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale, Bremen → 16.5%

Landesbank Saar, Saarbrücken → 16.5%

Nord-Ostdeutsche Bankbeteiligungs GmbH, Hanover → 11%

Landesbank Berlin AG, Berlin → 11%

Membership in other organisations:

Deutscher Factoring-Verband e.V. (DFV), Berlin

Deutscher Sparkassen- und Giroverband, Berlin

Entschädigungseinrichtung deutscher Banken GmbH, Berlin

Factors Chain International (FCI), Amsterdam, Netherlands

Hanseatischer Sparkassen- und Giroverband (HSGV), Hamburg

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Development of the Factoring Market

THE GLOBAL MARKET FOR FACTORING SERVICES IN THE YEAR 2015

In 2015, revenues arising from worldwide factoring services failed to repeat the substantial growth posted in previous years. The volume of business conducted by factoring organisations worldwide amounted to EUR 2,373bn, a figure representing a 2.7% increase over the previous year.

Domestic factoring accounted for the lion's share of the factoring business with revenues amounting to EUR 1,842bn (a 0.5% decline compared to 2014). International business, on the other hand, recorded a 15.8% increase to EUR 530.2bn.

Factoring services were provided in 76 countries throughout the world by some 2,370 organisations.

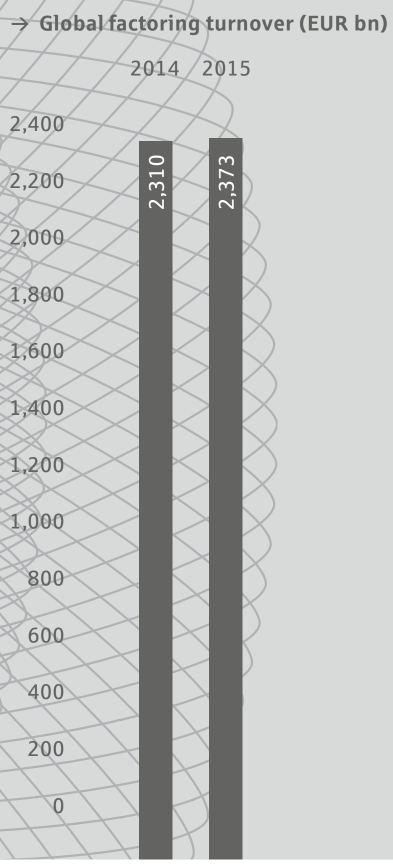
In 2015, four of the five biggest markets for factoring services were to be found in Europe. From 2011 to 2014, China had been the biggest single market, but dropped to second position in 2015 as it experienced a 9% decline in business to EUR 352.9bn. The United Kingdom with an overall volume of business amounting to EUR 376bn – the same as in the previous year – replaced China as the biggest factoring market. France, with a turnover of EUR 248.2bn (a growth of 9.5% compared to 2014) and Germany with EUR 209bn (+10.1%) occupied third and fourth positions respectively followed by Italy with EUR 190.5bn (a growth in revenue of 4%).

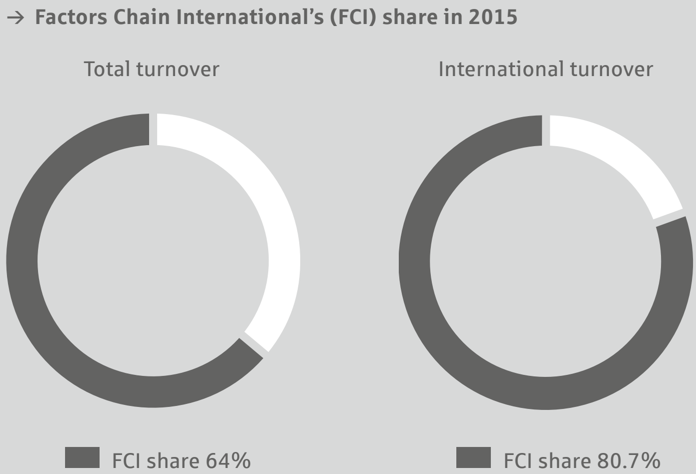
China was, however, once again able to defend its leading position in the field of international factoring with a turnover of EUR 126.3bn, followed by France and Germany with EUR 67bn and EUR 59.6bn respectively. Italy took the fourth position with EUR 42bn and Taiwan was ranked fifth with EUR 39bn. The overall volume of international factoring business amounted to EUR 530.2bn in 2015.

FACTORS CHAIN INTERNATIONAL (FCI)

The world's leading organisation of factoring providers is represented in 90 countries throughout the world. In total, more than 400 organisations are members of Factors Chain International.

In 2015, the total volume of business conducted by all FCI member organisations rose by 5% to EUR 1,532bn. FCI's share of the global factoring market increased accordingly from 59% in 2014 to 64% in 2015. International business grew once again, and posted an increase of 11% to EUR 427.8bn. Compared to 2014, FCI members saw their share of international business fall slightly to 80.7%.





FACTORING IN EUROPE

In Europe, some 690 organisations provided factoring services, and European providers recorded a combined turnover amounting to EUR 1,556.9bn. This figure represents an increase of 4.7% compared to the previous year. Europe's share of the overall volume of factoring business world-wide rose from 64% in 2014 to 65.6% in 2015.

International business accounted for EUR 293.3bn of the total revenue, which translates into an 18.8% share of the total volume of factoring business conducted by European countries and a 55.3% share of the volume of international factoring business worldwide.

FACTORING IN GERMANY

The revenues generated by the 26 leading factoring institutes belonging to the Deutscher Factoring-Verband e. V. (German Factoring Association) amounted to a total of EUR 209.0bn in 2015. We are, thus, pleased to report that the factoring market grew by 10.1% compared to 2014 business year.

The supply side continues to be very heterogeneously structured. The six largest factoring institutes were responsible for a more than 80% share of the business generated by the members of the Deutscher Factoring-Verband e.V.

The so-called factoring ratio, i.e. the ratio of the volume of receivables purchased by members of the Deutscher Factoring-Verband e.V. to GDP, was 6.9% in 2015 compared to 6.5% in 2014.

The Deutscher Factoring-Verband e.V. classified the following five branches as being the most important for the factoring industry in 2015: Trade/commission trade, vehicle production, production of metal products including mechanical engineering products, services, as well as electronics/electronic components.

The international factoring business, in particular, posted a very satisfactory development in 2015: The volume of export business grew by 24.2% to EUR 55.8bn, whilst the import business recorded a rise of 15.4% to EUR 3.8bn. The total volume of international factoring business amounted to EUR 59.6bn, a figure representing a 23.6% growth.

Management Report

THE COMMERCIAL BASIS

The Deutsche Factoring Bank is a member of Germany's largest financial group and, with its factoring services, complements the financial services package offered by the Sparkassen to the small and medium-sized business sector. Last year, once again, the successful cooperative partnership with the Sparkassen proved to be the most important source of new business.

Using various selected key operational parameters, the Deutsche Factoring Bank defines not only its budget targets, but also its strategic and medium-term corporate goals. In this context the planned volume of purchased receivables acts as the basis for the internal financial controlling system.

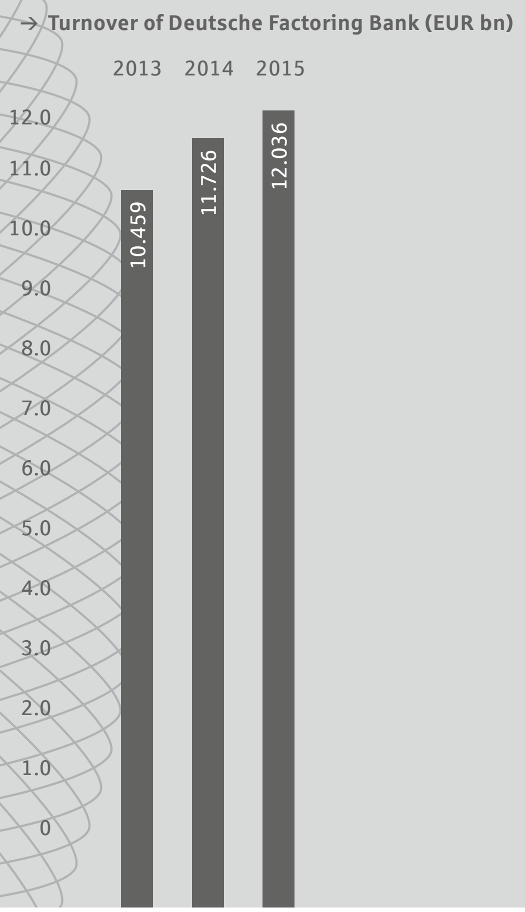
THE DEVELOPMENT OF THE FACTORING MARKET

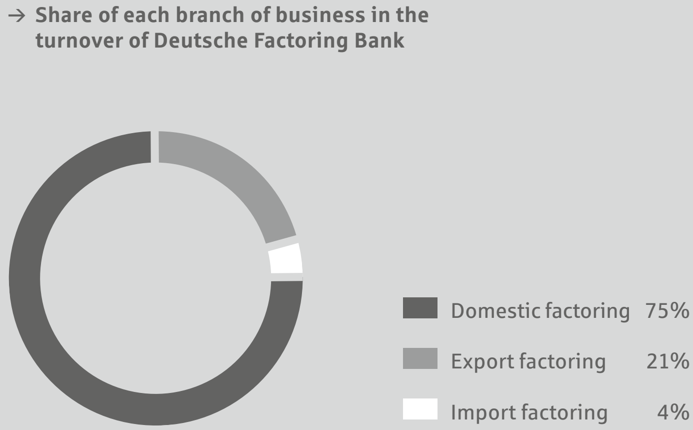
At the end of 2015, 190 enterprises offering factoring services were registered with the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) (Federal Financial Supervisory Authority). In the first six months of 2015, the members of the Deutscher Factoring-Verband e.V. accounted for factoring revenues amounting to EUR 100.5bn. This figure represents a growth of 11.64% compared to the first half year of 2014. The data for the complete year will first be published in March 2016. However, it is assumed that the factoring providers also continued their successful track record in the second half of 2015 and were thus, when compared to other forms of financing, able to further increase factoring's share of corporate financing.

ECONOMIC REPORT

As a whole, there was an above-average economic development in Germany in 2015. According to the Statistisches Bundesamt (Federal Statistics Office), gross domestic product recorded a growth of 1.7% in 2015. Although the German economy was able to maintain its upward trend, this growth is not broadly based. On the one hand, consume-oriented service providers profited from a strong boost in private consumption, whilst on the other hand manufacturing remained weak.

The volume of business generated by the Deutsche Factoring Bank increased in 2015 by EUR 311m (i.e. +2.7%) to EUR 12.04bn (compared to the previous year's value of EUR 11.7bn). The source of this growth was new clients acquired both in 2015 and in the 2014 business year. These clients accounted for a EUR 707m growth in turnover. We are pleased to report that business with the Deutsche Factoring Bank's existing clients, as well as our correspondence business, also grew. After adjusting for one-off special effects in import factoring in 2014, the Bank recorded a turnover increase amounting to EUR 161.5m. Loss of business due to factoring clients terminating their agreements, or clients filing for insolvency, amounted to EUR 502.4m in 2015.





The table below shows the business development of both domestic and international factoring.

		2014	2015	
Domestic factoring	EUR m	8,801	9,049	+2.8%
Export factoring	EUR m	2,383	2,494	+4.6%
Import factoring	EUR m	542	493	–8.9%

In 2015, the share of international factoring business declined by 0.1% to 24.8% compared to the 2014 financial year's value of 24.9%. The backbone of our import business is sustainable cooperation with our Factors Chain International (FCI) partners. The Deutsche Factoring Bank has been a member of the FCI, a global network of leading factoring institutes, since 1971.

The main focus of our activities in 2015 was on non-recourse factoring which accounted for 98.5% of our total volume of business compared to 98.0% in 2014.

A total of 6.3m invoices/outstanding receivables were factored by our Bank, a figure representing a 4.7% increase.

The average values of the accounts receivable purchased by the Deutsche Factoring Bank were as follows:

		2014	2015	
Domestic factoring	EUR	1,678	1,648	–1.8%
Export factoring	EUR	3,257	3,243	–0.4%
Import factoring	EUR	16,392	14,678	–10.5%

Our sector and credit risks continue to be very well spread (in this context, please see the Risk Report below). We continue to provide our services to clients drawn from over 50 branches of the economy. The Bank had granted total credit lines amounting to EUR 7.5bn for invoices issued to the customers of our clients at 31 December 2015, of which 16.1% had been utilised. This relatively low utilisation is typical for factoring as clients do not have direct access to the credit lines, instead they can only use credits corresponding to invoices issued.

The average collection periods of the receivables we purchased were as follows:

	2013	2014	2015
	Days	Days	Days
Domestic factoring	40	39	40
Export factoring	63	70	78
Import factoring	56	51	55
Weighted average	**41**	**40**	**41**

EARNING POSITION

The annual result for 2015 was slightly weaker than that for 2014 and also somewhat lower than that forecast. This can, in particular, be traced to the increased banking levy and project-related consultancy expenses.

The surplus resulting from interest and fees amounted to EUR 45.4m. This figure represents an increase of EUR 205,000 over the value for the previous year.

As a result of rising tariffs and the creation of new jobs, personnel expenses rose by 5.5% to EUR 9.3m in 2015. Ongoing projects resulted in the other administrative expenses rising by EUR 324,000 to EUR 3.7m. As a whole, general administrative costs recorded an increase of EUR 813,000 to EUR 13.0m. Compared to 2014, the cost income ratio rose by 2.0% to 29.4%.

Due to a combination of competitive pressure and increased costs, the profit before risk provisioning and taxes fell by 0.9% to EUR 32.4m (compared to EUR 32.7m in the previous year).

Compared to 2014, the overall risk costs, i.e. amounts written off from accounts receivable, allocations for receivables and client risk provisioning as well as expenses for default insurance, rose by EUR 1.0m to EUR 5.4m owing to increased lump sum provisions for bad debts and individual write-downs. Credit risk management controlling measures (central rating procedure, risk monitoring) play a contributory role in achieving this goal in a not-so economically stable environment.

The 2015 annual profit, after trade tax, amounted to EUR 22.9m compared to the previous year's figure of EUR 24.0m.

THE BANK'S ASSETS AND FINANCIAL POSITION

The assets' structure is characterised by the accounts receivable which affect some 98.9% of the balance sheet sum compared to 97.7% in 2014. In 2015, the accounts receivable increased by 0.8% to EUR 1.2bn. In general, the accounts receivable are subject to interest rate variations and are, almost without exception, due within three months. Risks pertaining to accounts receivable are covered to a large extent by our own credit insurance or through client credit insurance (in this context, refer to the Risk Report below).

The Deutsche Factoring Bank had at all times sufficient means of refinance. Time deposits from financial institutes with a maturity term of up to three months are our main sources of refinance. Additional sources are blocked accounts, billing accounts and credit accounts of the factoring clients.

The external rating carried out for the first time in 2013 by the Gesellschaft für Bonitätsbeurteilung mbH in Cologne (GBB rating) was confirmed once again in the year under review. The Bank once again received the rating "AA-"(stable outlook). As a result of this good rating, the Bank is seen by the refinancing market as a credit institute with an above-average credit rating. It is planned to continue having the Bank assessed on a yearly basis by an external rating agency.

The liabilities due to banks saw a slight rise of 1.8% to EUR 710.2m. This was the most important item, and corresponded to a 58.4% share of the balance sheet total compared to the previous year's figure of 57.2%.

The liabilities due to clients fell by 8.1% to EUR 330.8m, corresponding to a 27.2% share of the balance sheet total – the previous year's share being 29.5%.

The equity ratio posted an increase from 10.4% in 2014 to 11.5% in the 2015 financial year.

The principles of proper accounting in accordance with § 10 of the KWG (German Banking Act) pertaining to equity and liquidity in conjunction with Art. 25 Regulation (EU) No. 575/2013 as well as § 11 KWG were adhered to at all times.

At 31 December 2015, the Bank employed a total staff of 113 persons, comprising 53 female and 60 male employees. This figure also includes 18 part-time employees, two trainees and two female employees on parental leave.

The Bank pays its staff on the basis of the collective pay agreement for the German private banking sector.

The Deutsche Factoring Bank provides its staff with the possibility to participate in a company pension scheme. In this context, the Bank is a member of the BVV Versicherungsverein des Bankgewerbes a. G., the private banking sector's pension scheme. The Bank participates in the corresponding contributions.

At 31 December 2015, we provided two female trainees (also two in 2014) with vocational training as office administrators.

Apart from the Bank's normal daily business during the 2015 financial year, our organisational activities were dedicated to the implementation of rules and regulations as well as the optimisation of internal business operations.

The Deutsche Factoring Bank has a decentralised sales structure with headquarters in Bremen and sales offices in Berlin, Bielefeld, Düsseldorf, Frankfurt/Main, Munich and Stuttgart.

RISK REPORT

Factoring involves various risks, which we minimise through systematic audits, limitation of individual risks, observation of branch-related risks and continuous monitoring. In this context, a comprehensive set of guidelines has been set out in writing in the business and risk strategy guidelines, and has been implemented in the corresponding business and organisation procedures as well as in a risk management manual. These guidelines are continually revised in order to take into account the increasing demands placed on risk management, and also to achieve the highest possible degree of effectiveness. Risk management is a key element of all internal management, controlling and monitoring processes of the Deutsche Factoring Bank. As part of risk management development and improvement, appropriate measures are adopted with the aim of countering any commercial risks (business and organisational guidelines etc.). In addition, the risk management system is monitored on a continuous basis by means of risk control.

In addition, a risk report is compiled on a quarterly basis. The report contains statements pertaining to the development of factoring risks, concentration and foreign risks, the extent and development of the financing framework (advance payments to factoring clients), the development of new business, termination of contracts, debtor risks, liquidation exposure, operational risks, risk cost development (accounts receivable write offs, lump sum provisions for bad debts and individual write-downs), liquidity and refinancing risks. The risk assessment is concluded with a calculation of the risk bearing capacity of the Deutsche Factoring Bank. This indicates the highest aggregated risk management benchmark and, at the same time, a risk limit for unexpected losses. Stress test implementation and the calculation of the risk bearing capacity are performed at the end of each respective quarter year period as part of the risk reporting or, in the case of serious changes, in the form of ad-hoc reports. The system is critically assessed and adapted on a continuous basis. The risk bearing capacity limits stipulated by the Management were adhered to in each quarterly period.

The forward-looking capital planning process serves to complement the risk bearing capacity concept. For periods extending beyond the risk bearing capacity time horizon of one year, planned or expected external and internal changes were taken into consideration in the capital requirements planning for an additional four-year period. In doing so, changes relating to the Bank's commercial activity, or strategic goals, are taken into consideration together with changes pertaining to the economic environment as well as other possible unexpected (adverse) developments. Furthermore, all departments are obliged to submit an ad-hoc report to the Management in the event of any serious changes. Examples of such include the threat of losses, insolvencies or fundamental market changes.

The members of the Supervisory Board are informed in writing at the end of each quarter about the business development of the Deutsche Factoring Bank. The Management informs the members of the Supervisory Board, without delay, of any serious incidents such as, for example, major insolvencies, substantial market changes etc.

→ Credit Risks

Counterparty credit risk is the danger of a partial or complete failure to perform on the part of the contractual partner. Our organisation has specified in detail guidelines for entering such risks. Decisions pertaining to risks of a greater magnitude are the responsibility of our credit committee, or the Supervisory Board of our Bank. Our counterparty credit risk comprises three different types of risk, namely:

→ A) Verity Risks

Such risks arise through a lack of, or limited, legal validity of accounts receivable acquired by our clients as well as failure to pass on payments or cheques.

Countermeasures

A standardised risk classification system (rating) serves as the basis for client assessment. The purpose of the rating system is to protect the Bank against avoidable risks connected with new business and, in the case of follow-up ratings, to recognise as objectively as possible any client-related negative developments. The Management is to be notified of each newly-prepared rating.

Financial statements, financial forecasts, liquidity plans, branch-related information, credit agency information and bank references, management assessment and the special risks involved in factoring as well as daily business experience all act as a basis for the assessment.

In order to minimise risks, the following additional measures have been introduced:

- External setting of upper limits when purchasing accounts receivable
- Risk-oriented field audit or internal client audit
- Regular auditing of client exposure with respect to risk changes (if necessary reduction of the reporting interval, cancellation of limits in the case of so-called incorrect payers etc.)
- Random requests to debtors for confirmation of balances
- Use of legally tested standard contracts
- Guarantees by partners/managing directors, or third parties

→ B) Counterparty Risks

Creditworthiness risks stem from an inability to settle accounts on the part of the debtors.

Countermeasures

- Limitation by means of debtor credit lines which take into consideration possible debtor affiliations
- Checking and monitoring of the financial standing by means of analysing relevant information, experiences pertaining to the settlement of payments as well as a partial reduction of risks involved through taking out lending insurance and payment bonds by correspondents
- Cancellation of agreed credits for accounts receivable after exceeding a certain dunning level. Such accounts receivable, or accounts receivable deemed as negative, are handed over to our legal department

→ C) Correspondent Risks

Correspondent risks arise from the acceptance of payment guarantees and collection obligations in export factoring.

Countermeasures

- Selection and monitoring of the correspondents, taking into account reasonable creditworthiness criteria, as well as country risks, in particular by means of the evaluation of financial statements and credit agency reports.

→ Market Price Risks

Market price risks include possible losses of revenue, which may result from changes of market prices for securities, currencies and derivatives, as well as changes of interest rates and interest rate structures.

We do not engage in any kind of business involving securities or precious metals. Interest rate and currency risks are of secondary importance since, with the exception of subordinated loans, we do not enter into any mismatched interest rate commitments. Furthermore we do not bear any exchange rate risks which result from the purchase of foreign currency receivables. Such risks are borne by the factoring clients. Time deposits in the same currency as the purchased foreign receivables are used to avoid internal currency risks (so-called natural hedge).

→ Liquidity Risks

Liquidity risks cover the fulfilment of payment obligations at the due date, and include refinancing and market liquidity risks.

In order to ensure liquidity as well as refinancing risk handling, our partner banks, other banks and Sparkassen provide sufficient lines of time deposits. Excess liquidity is deposited exclusively with the banks of our Partners taking into account expected short term money requirements. Currency planning is subject to appropriate controlling and monitoring. Securities and deposit transactions, proprietary trading in securities and derivative trading are prohibited.

Transactions undertaken, together with a comparison of the forecast cash inflows and outflows, are reported on a daily basis to the trading and monitoring management. In addition, as an integral part of the risk reports, it is required that the Management and the Supervisory Board are informed in writing on a quarterly basis. In the case of a liquidity shortfall, the liquidity management is required to provide an emergency plan.

→ Operational Risks

Operational risks cover all risks of losses that occur as a result of the inappropriateness, or failure, of internal procedures, persons and systems, or as a result of external events. The rules of the Deutsche Factoring Bank, set down in writing, serve primarily to avoid operational risks, and these are supplemented by an effective, efficient and continuously updated internal control system.

As operational risks are of great significance for the Deutsche Factoring Bank, they are explicitly taken into account in the Risk Management Manual. In particular, information technology is a significant production factor for the Deutsche Factoring Bank, and is thus susceptible to major internal and external risks. An appropriate IT security policy has been implemented which, taking into account the specific Bank requirements, stipulates the level of IT security as well as the resulting security objectives. In addition, based on a risk analysis, an emergency manual has been compiled which stipulates those measures to be taken following the occurrence of major system failures or other disruptions, in order to, in particular, restore IT system availability within a reasonable period of time.

Legal risks are also of particular importance for the Deutsche Factoring Bank. Such risks may arise as a result of contractual deficiencies or other obligations that the Bank inadvertently entered. We counter legal risks by the use of modularly designed standard contracts co-developed and examined by our legal department. If necessary, external lawyers are consulted in the case of agreements that differ from our standard contracts.

Operational risks are reviewed and, if necessary, reappraised as part of the annual risk inventory. Furthermore, all disruptions and incidents that occur are systematically recorded and allocated to the appropriate event categories, types of business and areas of risk.

→ Miscellaneous Risks

Miscellaneous risks (for example, commercial risks, damage to the Bank's image, failure to recognise market developments) are monitored by appropriate means such as, for example, surveying both correspondent and client satisfaction, systematic process controls etc.

Commercial risks are managed by the Management's implementation of the Bank's strategic orientation. As an integral part of their tasks, individual departments are responsible for operational procedures and risk management. To achieve this end, they conduct analyses and continually monitor the respective risks. Regular monitoring of individual client-related profitability serves as a basis for effective cost and income management.

FORECAST, OPPORTUNITIES AND RISK REPORT

On 10 June 2015, Deutsche Leasing AG published the following press release: "Deutsche Leasing plans to acquire a share majority of the Deutsche Factoring Bank, Bremen. In this respect, a corresponding letter of intent was recently signed with the partners of the Deutsche Factoring Bank. The letter of intent states that the BayernLB, Bremer Landesbank, NORD/LB and SaarLB will relinquish their shares in the Deutsche Factoring Bank. Moreover, it is planned to pool the factoring activities of the Deutsche Factoring Bank with Universal Factoring GmbH, Ratingen, which already belongs to Deutsche Leasing Group. Deutsche Leasing is to hold the majority of the shares (an expected 53%) and to be responsible for the corporate management. Other currently direct and indirect partners of the Deutsche Factoring Bank belonging to the Sparkassen-Finanzgruppe – amongst others HASPA Finanzholding as well as the Sparkasse Bremen AG and the Berliner Sparkasse – are to hold the remaining shares."

The negotiations relating to Deutsche Leasing's acquisition of a majority shareholding had not been concluded at the time of compiling this report.

The Deutsche Bundesbank's 2016 forecast assumes that the German economy will expand by 1.7%. The low oil price, the depreciation of the Euro and the continued expansionary policy of the ECB all provide good prerequisites for a continuation of the projected growth. Private consumption prospects also remain positive. Low inflation rates mean that real wages will be provided with a strong boost. In addition to this, the expenditure necessary for the large number of refugees will have the same effect as a mini-economic stimulus package.

These economic expectations mean that the revenues of our clients will grow overall at a stronger rate than in the previous year, thus having a positive effect on the Deutsche Factoring Bank's business. Loss of business due to insolvencies in our

The Management:

Deutsche Factoring Gesellschaft
mit beschränkter Haftung, Bremen,
represented by its Managing Directors:
Hendrik Harms, Bremen
Uwe Müller, Bremen

client portfolio or termination of agreements for other reasons still cannot be ruled out. Successful new business will continue to be the driving force behind growth in 2016. In this context, we will continue to focus on strengthening our cooperation with the Sparkassen.

Despite the fact that, on average, the liquidity cushion of small and medium-sized businesses has improved, factoring still remains an attractive corporate financing instrument owing to its flexibility and, from the clients' point of view, increasingly favourable prices. Moreover, we expect a substantial increase in the volume of business generated by clients acquired in 2015 due to the fact that they only factored part of their 2015 business through the Deutsche Factoring Bank.

Against this background, we expect a further increase in the volume of receivables purchased and, once again, a moderate growth in our 2016 earnings. This is founded on the assumption that the current price competition on the German factoring market will continue. With respect to the risk costs, we expect that they will not exceed the average values of recent years. The expected results will allow us to continue to both strengthen the capital base of the Deutsche Factoring Bank and to meet the capital requirements stipulated under Basel III, as well as to ensure a reasonable dividend for our shareholders.

SUPPLEMENTARY REPORT

To date, there have been no incidents of special significance in the current operating year.

We would like to take this opportunity to thank all members of our staff for their continued valuable efforts which have made a decisive contribution to the success of our Bank. Furthermore, we would like to extend our thanks to the staff council for their constructive cooperation.

We wish to express our sincere thanks to the members of the Supervisory Board for their professional advice and support.

We would also like to thank our business partners and, in particular, our clients for placing their trust in our organisation.

Bremen, 16 February 2016

Deutsche Factoring Gesellschaft mit beschränkter Haftung

Hendrik Harms　　Uwe Müller

Report of the Supervisory Board

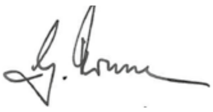
During the business year 2015, the Supervisory Board of the Deutsche Factoring Bank was informed on a continuous basis on the business development, as well as on all important business matters. Regular written and verbal reports served to provide the Supervisory Board with detailed information on the business development throughout the year. There were two Supervisory Board meetings during the 2015 business year. At its meeting in December 2015, the Supervisory Board was informed about the planned acquisition of a majority interest in the Deutsche Factoring Bank by Deutsche Leasing. In addition to such meetings, a meeting is held on a regular basis between the Chairman of the Supervisory Board and the Management in those quarterly periods in which no regular Supervisory Board meeting takes place. The external auditor and the head of internal auditing also attend these meetings. These meetings are, in particular, dedicated to the monitoring of the Bank's accounting process, the effectiveness of the internal control system, the internal auditing system as well as the auditing of the financial statements. Such meetings took place twice in 2015.

The financial statements for the year ending 31 December 2015, prepared by the Management, were audited by BDO AG Wirtschaftsprüfungsgesellschaft, and were certified without reservations. The audit took both the bookkeeping and Management Report for the business year into account. The Supervisory Board was informed of the results of the audit, and gave its approval after conducting its own examination of the financial statements and Management Report for the business year.

At its meeting of 13 May 2016, the Supervisory Board, together with the Management Board, reviewed the financial statements of 31 December 2015 and the Management Report. In accordance with § 11, Section 3 of the Articles of Partnership of the DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, the Supervisory Board proposed to the shareholders meeting that a dividend of EUR 7,973,000 from the annual net profit of EUR 22,860,000 be paid to the shareholders and the remaining amount of EUR 14,887,000 be added to the revenue reserves.

Bremen, 13 May 2016

The Supervisory Board of the Deutsche Factoring Bank



Dr Guido Brune (Chairman)

The Supervisory Board:

Dr Guido Brune
(Chairman of the Supervisory Board)
Member of the Management Board,
Bremer Landesbank
Kreditanstalt Oldenburg – Girozentrale,
Bremen

Frank Brockmann
(Deputy Chairman of the
Supervisory Board)
Deputy Spokesman of the
Management Board,
Hamburger Sparkasse AG and
HASPA Finanzholding, Hamburg

Thomas Christian Buchbinder
Retired Chairman of the
Management Board,
Landesbank Saar, Saarbrücken

Michael Bücker
Member of the Management Board,
Bayerische Landesbank, Munich

Eckhard Forst
Member of the Management Board,
Norddeutsche Landesbank –
Girozentrale, Hanover/Braunschweig/
Magdeburg/Schwerin

Hans Jürgen Kulartz
Member of the Management Board,
Landesbank Berlin AG, Berlin

Dr Tim Nesemann
Chairman of the Management Board,
Die Sparkasse Bremen AG, Bremen

Werner Severin
Chairman of the Management Board,
Landesbank Saar, Saarbrücken

Dr Harald Vogelsang
Spokesman of the Management Board,
Hamburger Sparkasse AG and
HASPA Finanzholding, Hamburg

Deutsche Factoring Bank

	Assets		31.12.2015	2014
		EUR	EUR	EUR ’000
01	Cash reserves			
	a) Cash in hand	5,001.18		10
	b) Balances at central banks of which at Deutsche Bundesbank EUR 2,813,636.15 (previous year: EUR 2,471,000)	2,813,636.15		2,471
			2,818,637.33	2,481
02	Loans and advances to banks			
	a) Daily	6,227,706.10		21,532
	b) Other demands	1,992,271.92		1,927
			8,219,978.02	23,459
03	Loans and advances to customers of which secured by mortgages EUR 0.00 (previous year: EUR 0.00) municipal loans EUR 0.00 (previous year: EUR 0.00)		**1,202,108,672.39**	1,192,255
04	Shareholdings of which in banks EUR 0.00 (previous year: EUR 0.00) in financial services institutes EUR 0.00 (previous year: EUR 0.00)		**2,700.64**	3
05	Intangible assets		**104,146.44**	138
06	Tangible fixed assets		**1,881,259.10**	1,856
07	Other assets		**82,392.43**	61
08	Deferred income and accrued expenses		**19,132.13**	0
09	Assets arising from overfunding of pension obligations		**153,295.58**	203
	Total assets		**1,215,390,214.06**	1,220,456

Balance Sheet

	Liabilities		31.12.2015	2014
		EUR	EUR	EUR '000
01	Amounts due to banks			
	a) Payable on demand	39,124,580.46		20,964
	b) With agreed terms or periods of notice	671,115,923.48		676,671
			710,240,503.94	697,635
02	Other amounts due to non-bank customers			
	a) Payable on demand	109,725,615.39		136,773
	b) With agreed terms or periods of notice	221,097,025.99		223,020
			330,822,641.38	359,793
03	Other liabilities		**1,954,865.76**	1,238
04	Deferred income		**918,149.51**	835
05	Provisions			
	a) Provisions for pensions and similar obligations	0		0
	b) Provisions for taxes	630,259.69		480
	c) Other provisions	4,308,034.06		4,819
			4,938,293.75	5,299
06	Subordinated liabilities		**26,908,223.22**	28,933
07	Equity			
	a) Subscribed capital	5,752,033.66		5,752
	b) Capital reserves	1,533,875.64		1,534
	c) Revenue reserves ca) other revenue reserves	124,348,627.20		109,462
	d) Balance sheet profit	7,973,000.00		9,975
			139,607,536.50	126,723
	Total liabilities		**1,215,390,214.06**	1,220,456

1. Contingent liabilities (Liabilities arising from guarantees)	**0**	0
2. Other obligations (Irrevocable credit commitments)	**13,800,379.35**	13,222

Deutsche Factoring Bank

	Expenses			2015	2014
		EUR	EUR	EUR	EUR '000
01	Interest payments			**4,792,797.39**	6,184
02	Expenses for commissions			**3,067,649.11**	2,995
03	General administration costs				
	a) Personnel costs				
	aa) Wages and salaries	7,835,764.78			7,459
	ab) Social security contributions and contributions towards pensions and other benefits of which EUR 315,347.61 for pensions (previous year: EUR 268,000)	1,475,026.38			1,363
			9,310,791.16		8,822
	b) Other administration costs		3,687,545.27		3,364
				12,998,336.43	12,186
04	Depreciation of intangibles and tangible fixed assets			**237,464.44**	295
05	Other operating expenses			**158,642.69**	273
06	Depreciation and discounts on accounts receivable and provisions for possible loan losses			**5,364,631.50**	4,367
07	Taxes on corporate income			**4,147,072.89**	4,321
08	Other taxes, if not already included under item 5			**32,522.85**	32
09	Net income for the year			**22,860,000.00**	23,975
	Total expenses			**53,659,117.30**	54,628

Income Statement

	Income	2015	2014
		EUR	EUR '000
01	Interest from loans and money market transactions	**50,131,488.74**	51,318
02	Income from commissions	**3,087,336.47**	3,039
03	Other operating income	**440,292.09**	271
	Total income	**53,659,117.30**	54,628

01	Net income for the year	**22,860,000**	23,975
02	Transfers to other reserves	**14,887,000**	14,000
03	Balance sheet profit for the year	**7,973,000**	9,975

Notes to the Financial Statements

GENERAL

The financial statements for the business year 2015 have been drawn up in accordance with German Commercial Code (Handelsgesetzbuch – HGB) regulations, insofar as they are applicable for banks, as well as German Accounting Ordinance for Banks (RechKredV).

A statement of account form was chosen for the presentation of the income statement.

ACCOUNTING POLICIES AND VALUATION METHODS OF THE BALANCE SHEET

The accounting and valuation methods remained unchanged.

Cash reserves as well as amounts due from banks are shown at their nominal value.

All receivables are shown as nominal values. Appropriate bad debt provisions were made for all recognisable risks in the credit business. Latent credit risks (including the risk of the possibility of there being no legal claim to a receivable) were taken into consideration by a general bad-debt provision.

Participating interests are valued at their acquisition costs.

With the exception of real estate as well as works of art acquired in 1985, intangible assets as well as fixed assets were valued by taking the cost of acquisition and deducting linearly from this the permissible tax rules rates for the forecast period of utilisation.

Assets of relatively low value were depreciated in accordance with tax regulation § 6 Section 2a EStG (German Income Tax Act).

Other assets were valued at their nominal values.

Liabilities are shown as those amounts which have to be repaid.

Pension provisions are assessed as that amount which is required to be repaid. The Heubeck mortality tables 2005 G were used as a basis. The projected unit credit method, in accordance with International Accounting Standards, was used as a basis for determining the valuation under the terms stipulated by BilMoG (German Accounting Law Modernisation Act). An interest rate of 3.94% was applied up to 31 December 2015. Future pension increases of either 1.5% or 1% per annum were assumed.

Offsetting of pension plan assets with corresponding pension obligations resulted in an excess of pension plan assets over pension liabilities at 31 December 2015.

Based on a reasonable prudent commercial appraisal, the provisions were assessed as the amount required to be repaid. All recognisable risks and contingent liabilities are taken into account. Long-term provisions with a residual term of more than one year were discounted to the present value.

Assets and liabilities denominated in foreign currencies, as well as expenses and income, were translated into euro prior to being included in the financial statements. This was carried out in compliance with § 256a HGB in connection with § 340 HGB, and in accordance with the factoring clients' contractual provisions. These items are shown as amounts due from, or due to, clients.

Use was made of balancing possibilities in the income statement in accordance with § 340f, Section 3 HGB.

EXPLANATORY NOTES PERTAINING TO THE BALANCE SHEET AND INCOME STATEMENT (IN EUR ’000)

→ Terms of balance sheet items (§ 9 RechKredV)

Assets

Miscellaneous amounts due from banks **Term to maturity**	**31.12.15**	**31.12.14**
up to three months	1,992	1,927
Amounts due from clients		
Term to maturity		
up to three months	1,182,400	1,171,415
more than three months up to one year	19,709	20,840

Liabilities

Obligations to banks **Term to maturity**		
up to three months	671,116	676,671
Other obligations to clients		
Term to maturity		
up to three months	216,768	223,020
more than three months up to one year	4,329	0

→ Explanatory notes on balance sheet items relating to companies linked by virtue of participating interests (§ 3 RechKredV)

Amounts due from banks	4,361	18,335
of which from shareholders	4,144	18,166
Obligations to banks	78,467	75,309
of which to shareholders	18,369	20,803

→ Explanatory notes on balance sheet items relating to affiliated companies (§ 3 RechKredV)

Miscellaneous liabilities	31	22

→ Details of currency items

The total sum of currency assets	33,857	31,262
The total sum of currency liabilities	33,330	31,398

→ Fixed assets

The development of the fixed assets is shown in the attachment to these notes. The tangible fixed assets are solely used for business purposes.

→ Excess of pension plan assets over pension liabilities

Reinsurance policies serve exclusively to fulfil obligations arising from pensions provisions and are protected from other creditors. They were offset against the underlying obligations in accordance with § 246 Section 2 Sentence 2 HGB. The present values of the plan assets correspond to the actuarial reserves proven by the insurer and, consequently, the acquisition costs amounting to EUR 976,000. In accordance with § 246 Section 2 Sentence 3 HGB, the present value of the pension plan provisions in excess of the corresponding pension obligations is shown in the balance sheet as EUR 153,000. Expenses and income were offset.

→ Deferred income

This item comprises exclusively deferred factoring fees.

→ Provisions

These consist mainly of provisions for personnel costs, commissions, legal costs and outstanding invoices.

→ Subordinated liabilities

Subordinated liabilities amounting to TEUR 26,300 are as follows:

Amount/ Currency	Interest rate	Maturity
EUR '000	% p. a.	
5,000	4.80	20 June 2016
910	4.68	30 June 2016
4,090	4.80	30 June 2016
3,300	5.28	1 June 2017
5,000	4.55	12 March 2024
2,000	4.30	4 April 2024
3,000	4.18	20 June 2024
200	4.18	20 June 2024
500	4.18	20 June 2024
1,800	4.18	20 June 2024
500	4.18	20 June 2024

The creditors are three banks and seven insurance companies.

The subordination criteria are in accordance with the regulation stipulated under Art. 63 of Regulation (EU) No. 575/2013 and satisfy the amount of EUR 26.300m. A reorganisation, or conversion, into another type of debt is not planned. Furthermore, the creditors are not entitled to give notice before the date of maturity.

The subordinated liabilities incurred expenses, i.e. interest, amounting to EUR 1.298m (the previous year's figure was EUR 1.000m).

EXPLANATORY NOTES PERTAINING TO THE INCOME STATEMENT

→ Interest income

Interest income comprises interest-like factoring fees and interest income in the ratio 55% to 45%, compared to 53% to 47% in 2014. The clients of the Deutsche Factoring Bank are almost exclusively domestic enterprises, of which some have affiliated foreign subsidiaries.

→ Interest payments

In accordance with § 246 Section 2, Sentence 2 HGB, interest payments for liabilities pertaining to pension obligations amounting to EUR 31,000 (2014: EUR 29,000) were offset against interest income amounting to EUR 26,000 arising from pension plan assets (2014: EUR 43,000).

→ Taxes on income and profit

All taxes on corporate income have been paid.

MISCELLANEOUS

→ Other financial obligations

Financial obligations arising from service contracts etc. amount to some EUR 3.629m.

→ Loss-free valuation of the interest ledger

A periodic-based approach is used to determine the loss free valuation of the interest ledger.

Taking into consideration risk and administration costs, valuation was determined on the basis of the results for a period of one year. This is due to the fact that the purchased receivables have, on average, a short 41-day maturity and are refinanced with matching maturities.

At the balance sheet date, there was, in total, a substantial surplus. Consequently, it was not necessary to form a provision.

→ Management

The unlimited partner, Deutsche Factoring Gesellschaft mit beschränkter Haftung, Bremen with a subscribed capital of EUR 58,000 is responsible for the management, and is represented by its Managing Directors:

Hendrik Harms, Bremen (Spokesman)
Uwe Müller, Bremen

The Managing Directors are engaged on a full-time basis for the Deutsche Factoring Bank.

In accordance with § 286 Section 4 HGB, no details will be given pertaining to the remunerations paid to the Managing Directors.

→ Investments in affiliated companies

The Bank is a 100% shareholder of Deutsche Verkehrs-Factoring Service GmbH, Bremen. The share capital of Deutsche Verkehrs-Factoring Service GmbH is EUR 25,000 which corresponds to the equity at 31 December 2015. As in 2014, earnings of EUR 0 were posted in the 2015 business year. Currently, the Company is not involved in any operational business. The investment has been written off.

As a general rule, the Bank is obliged to prepare consolidated financial statements. However, as there is only one participating interest, and this is relatively small, it is not necessary, under § 296 Section 2 HGB, to prepare consolidated financial statements as it plays an insignificant role in the assessment of the assets, financial and earnings position of the group.

→ Staff

The average number of persons employed over the year was:

	2015	2014
Female	49	48
of which part-time	17	15
Male	56	53
Total	105	101

→ Deferred taxes

The differences between the commercial balance sheet and the tax balance sheet result exclusively in deviations that give rise to deferred tax assets. Pursuant to § 274 Section 1, Sentence 2 HGB, deferred tax assets were not taken into account in the financial statements.

→ Total sum of auditing fees

The total fee charged by the auditors for the 2015 business year amounted to EUR 106,000. The fee for other services rendered amounted to EUR 201,000.

→ Remuneration of the Supervisory Board

The members of the Supervisory Board received a remuneration of EUR 162,000 (2014: EUR 147,000).

Development of fixed assets [1]
(all amounts are given in EUR ’000)

	Purchase/ manufacturing cost 01.01.2015	Changes: Additions	Changes: Disposals	Cumulative depreciation	Residual book value 31.12.2015	Depreciation for the business year
Intangible assets	233	9	0	138	104	43
Tangible fixed assets						
Land and buildings	2,466	0	0	1,377	1,089	45
Fittings and fixtures	176	0	0	138	38	10
Leasehold improvements	10	0	0	8	1	0
Furniture and equipment	2,186	270	188	1,515	753	140
	4,838	**270**	**188**	**3,038**	**1,881**	**195**
Financial assets Affiliates	3	0	0	0	3	0
Total	**5,073**	**279**	**188**	**3,176**	**1,988**	**237**

[1] Rounding differences are due to technical reasons.

The tangible fixed assets are solely used for business purposes.

Bremen, 19 February 2016

Deutsche Factoring
Gesellschaft mit beschränkter Haftung

Hendrik Harms   Uwe Müller

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen, for the business year from 1 January 2015 to 31 December 2015. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law and supplementary partnership agreement are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Bremen, 4 April 2016

BDO AG Wirtschaftsprüfungsgesellschaft

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