

PSVaG

PENSIONS-SICHERUNGS-VEREIN
Mutual insurance association

Report on the
2015 Financial Year

Issued by:
PENSIONS-SICHERUNGS-VEREIN
Mutual insurance association

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The full version of the 2015 Annual Report
is available in German.

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Management Report

The remit of the PENSIONS-SICHERUNGS- VEREIN – Object of the insurance

The PENSIONS-SICHERUNGS-VEREIN Versicherungsverein auf Gegenseitigkeit (PSVaG) is the statutory agency providing insolvency protection for occupational pension schemes. The sole purpose of this mutual insurance association is to guarantee occupational pensions in the event of an employer becoming insolvent in the Federal Republic of Germany, where this guarantee function is fulfilled pursuant to the Fourth Section of the German Law on the Improvement of Occupational Old-age Pensions (BetrAVG), and in the Grand Duchy of Luxembourg.

The insolvency insurance covers all schemes where the fulfilment of earned claims to an occupational pension is jeopardised by the employer becoming insolvent. Such schemes include:

1. direct pension commitments, also referred to as direct commitments
2. indirect pension commitments through
 - a) pension relief funds,
 - b) direct pension insurance plans – only in the case of revocable rights or irrevocable entitlements if these have been assigned, presented as security or pledged – and
 - c) pension funds.

On the basis of a General Agreement (Section 8, para. 1 BetrAVG in conjunction with Section 2, para 2 of its articles of association), the PSVaG transfers old-age pension obligations assumed as a result of an employer becoming insolvent to a consortium currently numbering 49 life insurance undertakings (cf. list on page 28). The executive insurer of the Consortium for the PSVaG is Allianz Lebensversicherungs-AG, Stuttgart.

Source of funds, financing procedure

The funds used to cover insolvency insurance claims are raised pursuant to Section 10 of BetrAVG in the form of statutory contributions from those employers who provide occupational old-age pensions through one of the schemes subject to compulsory insolvency insurance. Since the amendment to Section 10, para. 2 of BetrAVG, which entered into force in 2006, the contributions must be sufficient to cover the following:

- the cash value of claims to insolvency insurance benefits that arise during the current calendar year (base accounting interest rate pursuant to Section 65 of the Insurance Supervision Act - VAG, since 1 Jan 2016: Section 235 no. 4 VAG)
- the difference between the cash value of the entitlements to benefits forming the subject of claims due to insolvency cases at the end of the calendar year

and the equivalent cash value at the end of the previous year (base accounting interest rate one third higher than than applied to current benefits)

- administrative and other costs
- payments made into a compensation fund designated by the German Federal Financial Supervisory Authority (BaFin), and
- payments into a loss reserve account pursuant to Section 37 of VAG, since 1 January 2016: Section 193 of VAG.

The capitalised values of both the pensions requiring continued payment and the insurable pension entitlements are financed in the year of insolvency from the contributions received by the PSVaG.

The required levels of contributions are calculated at the end of the year and apportioned to all of the employers subject to compulsory contributions. A characteristic feature of this process is the fact that the contribution rates reflect differences in claim volumes from one year to the next.

Retroactive financing of "old claims" through one-off contributions

Beginning in 2007, "old claims" of around € 2.2 billion, i.e. non-forfeitable entitlements from insolvencies up to and including 2005 that were insurable but had not yet been financed, were financed retroactively through a one-off contribution (cf. 2007 Annual Report). This one-off contribution, set at rate of 0.866 per cent, is generally payable in 15 equal annual payments with instalments due on 31 March of each year from 2007 to 2021. Alternatively, all future instalments can be paid early as one lump sum on a voluntary basis, in which case interest is deducted from all future instalments at an accounting interest rate set one third higher than the rate applicable at the time of payment (from 2015 onwards: 1.67%) in accordance with Section 65 of VAG (since 1 Jan 2016: Section 235 no. 4 VAG).

A total of € 72.9 million was payable for the ninth instalment due on 31 March 2015. A further 370 or so instalment payers took advantage of the option of voluntary early repayment in 2015, paying a total of € 11.4 million after deduction of the statutory discount. Approximately 11,800 employers remain who are obliged to pay annual instalments totalling € 70.7 million over the period from 2016 to 2021.

Cash value of the insured entitlements

Insured entitlements to future benefits as a result of insolvencies occurring up to 31 December 2015 numbered approximately 185,000. The total cash value of these entitlements is in the region of € 3,081.1 million. These values were calculated using the 2005 G Heubeck guide tables with the statutory base accounting interest rates.

The base accounting rate used to value the entitlement depends on the year in which the insolvency occurs and is as follows:

| For the insolvency year | Interest rate |
|-------------------------|---------------|
| Up to 2006 | 3.67% |
| 2007 – 2011 | 3.00% |
| 2012 – 2014 | 2.33% |
| 2015 onwards | 1.67% |

The amount available to cover insured entitlements is € 2,623.4 million (previous year: € 2,591.6 million), as reported in the balance sheet items "Contributions carried forward" and "Provisions for insurance claims outstanding". This meant that 85% (previous year: 82%) of the insured entitlements was covered by capital provisions as at 31 December 2015.

Contribution peaks

Contribution peaks may be alleviated by making use of the compensation fund or by applying a smoothing method. As part of the introduction of the Act modernising financial supervision of insurance undertakings, of 1 April 2015, the process for smoothing out contribution peaks as defined in Section 10, para. 2 of BetrAVG was amended. As a result, the smoothing process is no longer based on the difference in contributions compared with the previous year and a fixed term. These more flexible provisions entered into force as of 1 January 2016. The rules on smoothing have been applied once, in 2009.

Assessment of contributions, total contributions

On the basis of the financing scheme prescribed by law, contributions are calculated by the PSVaG in the following manner:

On the expenses side:

- Claim volume extrapolated for the full year
(minus income as defined in Section 9 of BetrAVG)
- PSVaG administrative costs
- Allocation to the compensation fund
- Allocation to the loss reserve

On the income side:

- Investment income minus investment expenses and charges
- Offsetting of the previous year's provision for contribution reimbursements
- Dividends from the consortium for the previous year
- Any amounts drawn from the compensation fund

Required contributions

The conditions required on the basis of this calculation reflect the amount reported for 2015 by participating firms as the contribution assessment base, a total of

€ 327 billion (previous year: € 320 billion). On the basis of the calculation, the contribution rate for 2015 was set at 0.24 per cent.

The weighted average contribution rate for the past five years is 0.21 per cent, with a weighted average for the past ten years of 0.34 per cent. The average for all 41 previous financial years is 0.29 per cent. Total contributions in 2015 – excluding one-off contributions – amounted to € 787.0 million (previous year: € 419.2 million).

A decision regarding the charging of an advance payment for 2016 will be taken during the first half of 2016.

Assets, financial position and earnings

The calculation of contributions carried out in October 2015 reflected the anticipated development for the full year, based on the development up until that point. As is the case every year, it was necessary to include estimates and extrapolations for the final months to the year-end.

The financial situation as reported in the 2015 annual financial statements is considerably better than that on which the contribution calculation was based. High levels of income were generated in November and December 2015 in accordance with Section 9 of BetrAVG, and the benefits paid following insolvencies during the final months of 2015 were lower than previously calculated. Moreover, some in 2015 requested Insolvency proceedings did not commence until 2016. This development had an impact on obligations resulting from insured entitlements, which were down on the previous year. An amount of € 248.7 million was allocated to the provision for contribution reimbursements, which will be used to reduce contributions payable in 2016.

Claim volume

The total claim volume was € 862.0 million and corresponds to the expenditure for insurance benefits as reported in the Profit and Loss Statement.

Capital investments

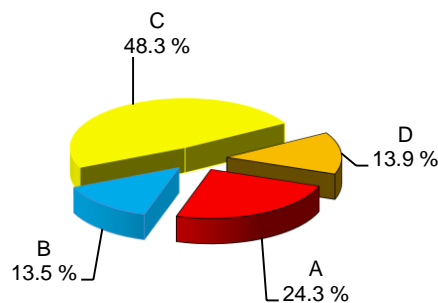
The book value of capital investments rose by € 395 million to total € 5,248.3 million (previous year: € 4,853.3 million). All capital investments measured at amortised cost were valued according to the strict principle of the lower of cost or market. Registered bonds and bank deposits were reported at their nominal value in the balance sheet.

As in previous years, the PSVaG pursued a cautious investment policy focused on the sound financial standing of issuers of the instruments in the direct portfolio, namely bearer and registered bonds and promissory notes, and a consistent "buy and hold" strategy. Investments in investment certificates relate exclusively to two special alternative investment funds (AIF) with fixed investment conditions, in which the PSVaG is the sole investor. These serve not only to diversify capital investments but also to increase the return prospects. Deposits at banks are largely

required for the settlement of claims in 2016 and have corresponding maturity dates. Investments that are not required for settling claims are successively invested in the direct portfolio and the investment fund.

During the reporting year a total of € 340.0 million (previous year: € 290.0 million) was invested in bonds with maturities in 2024, 2025 and 2026, with € 310.1 million falling due in 2015. € 286.2 million was invested in investment funds, of which € 230 million was invested in a new special fund (special AIF) for liquidity management purposes.

Structure of capital investments



A = Investment fund units

B = Bearer bonds

C = Registered bonds and promissory notes

D = Bank deposits (time deposits)

The net income from investments totalled € 93.2 million (previous year: € 97.8 million).

Membership

The number of members rose to 94,078 (previous year: 94,034) by 31 December 2015. The addition of 3,146 new members and the loss of 3,102 members resulted in an overall net membership increase of 44. The new additions primarily related to employers who were required to have insolvency insurance protection as a result of benefits becoming vested or following the payment of a pension for the first time, or as a result of company splits or spin-offs. Most of the terminated memberships related to mergers, insolvencies, suspensions of membership following clarification of obligations or the termination of occupational pension schemes due to the fulfilment of pension obligations or the death of the last person with entitlement under the scheme.

Insurance cover for non-members

Insurance cover with the PSVaG is taken out on the basis of a statutory obligation. Section 3, para. 4 of its Articles of Association provides for this insurance being taken out with the PSVaG without acquiring membership. Three employ-

ers with very low contribution assessment bases are currently availing themselves of this option. For the sake of simplicity, these employers have not been shown separately in the membership numbers.

Number of persons entitled to benefits

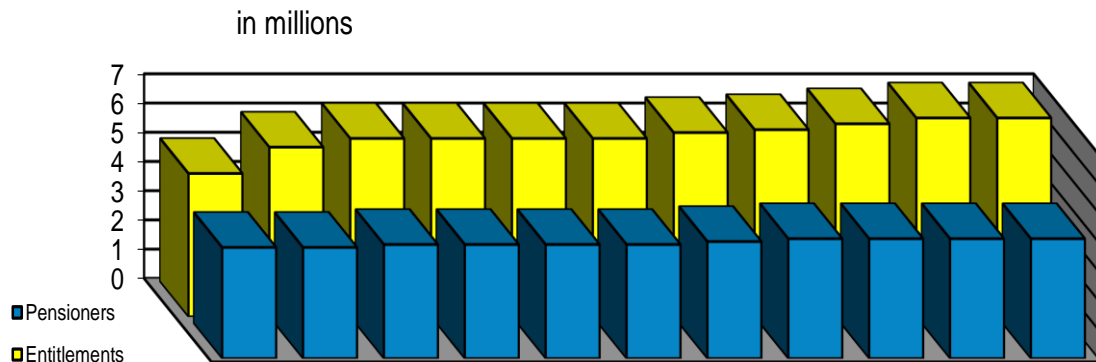
The number of persons reported by the members as being entitled to benefits and covered by insolvency insurance increased by approximately 70,000 in 2015 and totals:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------------------------------|-------------------|-------------------|
| Persons entitled to benefits (non-forfeitable entitlements) | 6,806,709 | 6,761,477 |
| Pensioners | <u>4,125,855</u> | <u>4,099,324</u> |
| Total | <u>10,932,564</u> | <u>10,860,801</u> |

If an employer offers multiple pension schemes, beneficiaries may be counted more than once.

The above figures have developed as follows over the past ten years:

Persons entitled to benefits and covered by insolvency insurance

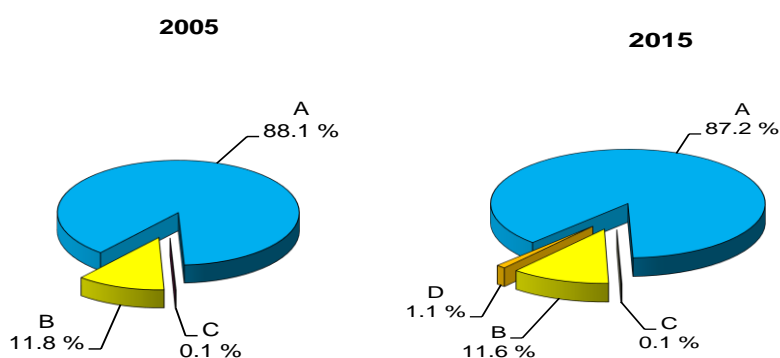


| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------|------|------|------|------|------|------|------|------|------|------|------|
| Total | 8.7 | 9.6 | 10.0 | 10.0 | 10.0 | 10.0 | 10.3 | 10.5 | 10.7 | 10.9 | 10.9 |
| of which: | | | | | | | | | | | |
| Entitlements | 4.9 | 5.8 | 6.1 | 6.1 | 6.1 | 6.1 | 6.3 | 6.4 | 6.6 | 6.8 | 6.8 |
| Pensioners | 3.8 | 3.8 | 3.9 | 3.9 | 3.9 | 3.9 | 4.0 | 4.1 | 4.1 | 4.1 | 4.1 |

Breakdown of individual contribution assessment bases

A comparison of the relative shares of the different pension schemes in the total contribution assessment bases for the years 2005 and 2015 shows a slight shift towards pension fund commitments subject to insolvency insurance requirements since 2002, which were not yet reflected in the 2005 figures due to their small volume. Year-to-year comparisons may also show contrary trends.

Shares of the individual pension schemes



A = Direct pension commitments

B = Relief fund commitments

C = Revocable direct policies or direct policies presented as security

D = Pension fund commitments

Distribution of contribution assessment bases in 2015

| Contribution assessment base € millions | | Percentage shares | |
|--------------------------------------------|-----|-------------------|----------------------------|
| | | of members | of total contribution base |
| up to | 0.1 | 59.8 | 0.5 |
| 0.1 – | 0.5 | 20.0 | 1.3 |
| 0.5 – | 1.0 | 5.9 | 1.2 |
| 1.0 – | 5.0 | 8.9 | 5.6 |
| over | 5.0 | <u>5.4</u> | <u>91.4</u> |
| | | <u>100.0</u> | <u>100.0</u> |

As indicated, there were no significant volume changes to the distribution of contribution assessment bases. Around 5% of members accounted for around 90% of all contributions.

Breakdown of contributions and benefits by size categories

Given the very high claim volume in certain years – such as 2005 and 2009 in the recent past – with some large-scale insolvencies dominating in particular, the question repeatedly arises as to whether the breakdown of claims by size corresponds to the breakdown by size on the contributions side. This was investigated once again, based on numbers and amounts paid, and on the basis of the reported contribution assessment bases.

The latest study follows on from the six previous investigations carried out for the years 1978 to 1982 (cf. 1983 Annual Report, page 7), 1978 to 1993 (cf. 1993 Annual Report, pages 9 and 10), 1978 to 1999 (cf. 1999 Annual Report, pages 10

and 11), 1978 to 2002 (cf. 2002 Annual Report, pages 10 and 11), 1978 to 2006 (cf. 2006 Annual Report, pages 10 and 11) and 1978 to 2010 (cf. 2010 Annual Report, pages 11 and 12). The full period from 1978 to 2015 was studied, as was the year 2015 in isolation. Three size categories were applied. The slight reduction in the smallest and the middle category as a result of the conversion to the euro (from 2001 onwards) did not have any significant effect on the breakdown by size.

Period from 1978 to 2015

| Contribution assessment base € millions | Proportion of total number | | Proportion of | |
|--------------------------------------------|----------------------------|----------------|-----------------------|--------------|
| | Members % | Insolvencies % | Total contributions % | Claims % |
| up to 0.5 | 72.6 | 77.9 | 2.1 | 7.9 |
| 0.5 – 5 | 21.0 | 19.0 | 9.3 | 27.6 |
| more than 5 | 6.4 | 3.1 | 88.6 | 64.5 |
| | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |

2015

| Contribution assessment base € millions | Proportion of total number | | Proportion of | |
|--------------------------------------------|----------------------------|----------------|-----------------------|--------------|
| | Members % | Insolvencies % | Total contributions % | Claims % |
| up to 0.5 | 79.8 | 85.0 | 1.8 | 7.0 |
| 0.5 – 5 | 14.8 | 11.9 | 6.8 | 14.5 |
| more than 5 | 5.4 | 3.1 | 91.4 | 78.5 |
| | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |

Based on these figures, it is clear that, for the periods from 1978 to 2015 and for the year 2015 in isolation, it is once again the member companies with high levels of occupational pensions subject to compulsory insolvency insurance that are consistently under-represented in terms of claim volume and number of insolvencies.

Corporate governance

The German Corporate Governance Code contains nationally and internationally recognised standards for good and responsible corporate management. These standards are primarily aimed at listed companies. In its capacity as a self-help institution within the German economy, the PSVaG adheres to the Code's principles and observes its recommendations and suggestions to the extent that they are applicable to and support the specific statutory function of the mutual insurance association.

Website

The PSVaG's website at www.psvag.de contains general information on the PSVaG, its Articles of Association, the General Terms and Conditions of Insolvency Insurance for Corporate Old-Age Pensions (AIB), German versions of the Annual Report, summaries of the Annual Report in English, the most recent versions of all PSVaG leaflets and a list of publications. It also contains forms for use in complying with reporting obligations and for matters relating to contributions and benefits. The PSVaG's general e-mail address is info@psvag.de. To contact a specific member of staff by e-mail, the prefix "info" should be replaced by the name of the staff member in question using the format "first name.surname".

Employees

| | <u>Number on 01/01/16</u> | <u>Number on 01/01/15</u> |
|------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Actively employed: (including semi-retired part-time) | | |
| – Full-time | 159 | 167 |
| – Part-time | <u>53</u> | <u>55</u> |
| | <u>212</u> | <u>222</u> |
| Suspended employment: | | |
| – Parental leave | 9 | 5 |
| – Passive phase of semi-retirement | <u>0</u> | <u>3</u> |
| | <u>9</u> | <u>8</u> |
| Total number of employees | <u><u>221</u></u> | <u><u>230</u></u> |
| Effective no. of employees i.e. on a full-time equivalent basis | 193.2 | 201.5 |

Outlook for 2016

The volume of claims during the first few weeks of 2016 reflects the impact of insolvencies reported at the end of 2015. No prediction can be made at this stage regarding future developments.

Insolvency insurance for occupational old-age pension commitments is highly dependent on individual events, with the result that no reliable estimate of claim volumes can be provided at this time.

A forecast regarding the development of the contribution rate for the current financial year is generally made in the middle of the year, with the member organisations being notified by means of a circular.

Insolvency and benefit payments

The general level of insolvencies in the corporate sector continued to fall in 2015. Showing a total of 23,123 company insolvencies, the preliminary figures provided by the German Federal Statistical Office point to a fall of 4.00% compared with the previous year.

The level of insolvencies affecting PSVaG, measured in terms of the number of claims, continued to wane in 2015. The reduction is actually disproportionately marked when compared against general insolvency levels in the corporate sector. As a result of more frequent large-scale claims, however, both the number of persons entitled to benefits and the cost of benefits paid to beneficiaries rose significantly compared with the previous year, which featured a low level of claims.

The relevant figures for the PSVaG are provided in the following table and described below. When comparing the figures in the table "Overview of insolvency cases affecting PSVaG" for the individual years it is important to remember that the figures for earlier years are updated figures (see Note 1 below the table).

Overview of insolvency cases affecting PSVaG

| Year of insolvency | 2013 ¹ | 2014 ¹ | 2015 | 1975 – 2015 |
|----------------------------------------------------------------------------------|-------------------|-------------------|--------|-------------|
| I. Insolvencies | 746 | 587 | 467 | 17,448 |
| of which: | | | | |
| 1. Insolvency proceedings including dismissal due to lack of assets ² | 746 | 587 | 465 | 17,221 |
| 2. Out-of-court settlements | 0 | 0 | 2 | 227 |
| II. Persons entitled to benefits | | | | |
| 1. Registered pensioners | | | | |
| a) Number | 12,147 | 4,182 | 8,477 | 658,201 |
| b) Total benefits € millions | 408 | 152 | 474 | 16,141 |
| c) Average monthly pension € | 191 | 195 | 281 | – |
| 2. Registered pensioners with non-forfeitable entitlement | 15,939 | 7,423 | 10,190 | 734,163 |

¹ The changes in the figures stated under I. and II. compared with the figures quoted in the 2014 Annual Report are due to the subsequent reporting in the 2015 financial year of additional insolvencies in the respective years and to the ongoing updating of information based on the subsequent receipt of reports containing more precise data on individual insolvencies.

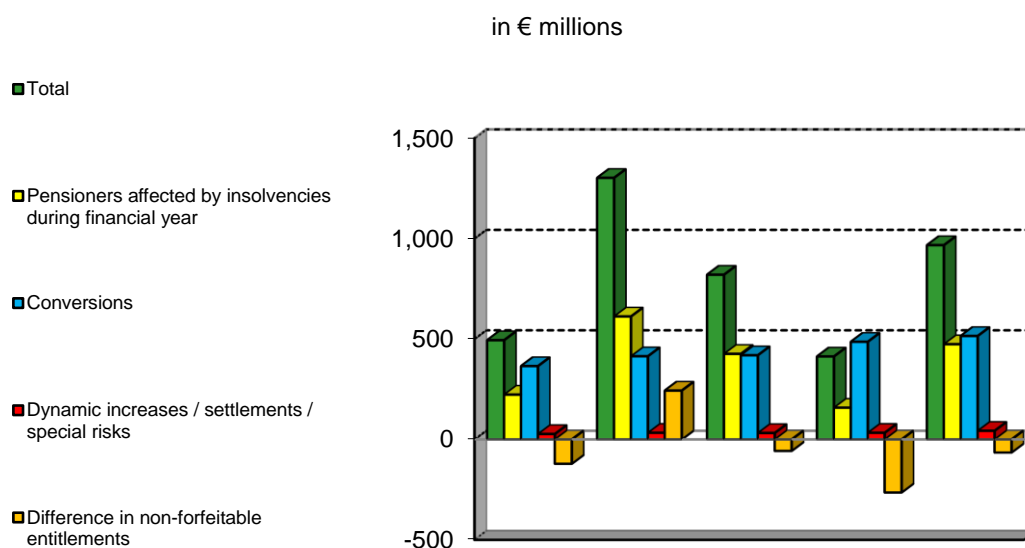
² Including bankruptcy and judicial settlement procedures (up to 1999) and cases of the complete termination of operations where bankruptcy proceedings are not initiated due to an obvious lack of assets.

During the reporting year the PSVaG was affected by 467 (previous year: 552)^{*} insolvencies (insurable cases as defined in Section 7, para. 1 BetrAVG) involving 8,477 (previous year: 4,215) recipients of benefits and 10,190 (previous year: 7,145) persons with non-forfeitable benefit entitlements. This equates to a decrease of 15.4% (previous year: decrease of 17.4%) in the number of insolvency cases and an increase of 64.3% (previous year: decrease of 58.6%) in the number of persons entitled to benefits.

^{*} Here, in the following text and in the graph below, this figure does not take account of the ongoing updating of the overall insolvency situation.

The anticipated cost of taking over pension payments from insolvency cases during the financial year is € 474 million (previous year: € 158 million). Added to this are the expenses associated with converted entitlements, at € 515 million (previous year: € 486 million), as well as the costs relating to pension adjustments in line with contractual adjustment clauses, lump-sum settlements pursuant to Section 8, para. 2 of BetrAGV and late claims, totalling € 43 million (previous year: € 33 million). As in the previous year, the allocation of provisions for special risks was not required during the financial year. Taking into account the difference of - € 65 million (previous year: - € 264 million) between the cash value of the insured entitlements at the end of the current year and the value at the end of the previous calendar year, gross benefit expenses for 2015 totalled € 967 million (previous year: € 413 million) (see overview below). This figure does not yet include claim adjustment costs, settlement income from earlier years and income as defined in Section 9 of BetrAVG.

Composition of gross benefit expenses *



| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------------------------------------------|------|-------|------|------|------|
| Total | 494 | 1,302 | 820 | 413 | 967 |
| of which: | | | | | |
| Pensioners affected by insolvencies during financial year | 223 | 612 | 426 | 158 | 474 |
| Conversions | 365 | 414 | 419 | 486 | 515 |
| Dynamic increases / settlements / special risks | 27 | 33 | 32 | 33 | 43 |
| Difference in non-forfeitable entitlements (2006 onwards) | -121 | 243 | -57 | -264 | -65 |

* See footnote on p.16

The PSVaG posted income of € 232.7 million in 2015 from insolvency quota payments, transferred relief fund assets and other claims. This income offsets a considerable proportion of the costs relating to insurance claims and thus the contribution charge payable by the member companies.

The PSVaG is frequently one of the largest creditors in insolvency proceedings due to the statutory subrogation of claims from the occupational pension provision that it insures. It therefore participates, particularly in economically significant cases, in the work of the creditor representation bodies established by law (General Creditor Assembly and, where applicable, the provisional Creditor Committee). The resulting close cooperation with insolvency executors and trustees is also conducive to the fulfilment of the tasks for which the PSVaG is responsible.

During the 2015 reporting period, a total of 39,159 (previous year: 48,382) cases of benefit entitlements from all claims years were processed. Of these, 22,085 (previous year: 19,681) were old-age pension entitlements, including 13,249 conversions (previous year: 13,223). Some 17,074 processed cases (previous year: 28,701) related to benefit entitlements with regard to which the PSVaG has issued a final notice of intent to pay. The number of cases processed in 2015 and resulting in a final notice of intent to pay, calculated after adding 10,498 (previous year: 10,236) cases of pension increases based on contractual adjustment clauses and other cases of retroactive insurance, therefore totalled 49,657 (previous year: 58,618).

Overview of pension and entitlement cases still pending

| Year of insolvency | 1975-2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|----------------------|-----------|------|------|-------|-------|-------|-------|--------|
| 1. Pension cases | 26 | 5 | 6 | 18 | 19 | 103 | 1,814 | 1,991 |
| 2. Entitlement cases | 1,243 | 189 | 688 | 2,493 | 5,605 | 5,711 | 9,631 | 25,560 |
| 3. Conversion cases | 1,801 | | | | | | | 1,801 |

The total number of pension and entitlement cases that were still pending was cut to below 30,000. The figures shown also include cases that cannot yet be processed, due to missing documents etc.

The number of outstanding cases involving recipients of benefits as at the year-end was 1,991 (previous year: 1,546). Pension cases from earlier years that are yet to be processed are primarily based on late claims, late registrations and previously disputed cases on which a ruling was reached shortly before the year-end.

The number of entitlement cases still to be settled as at the balance sheet date was 25,560 (previous year: 31,164). There are still 4,613 (previous year: 13,946) entitlement cases outstanding from the financial years up to 2012. Those entitled to benefits will suffer no disadvantage as a result of this situation, however.

In conversion cases, the PSVaG is required to pay benefits to those persons who are entitled to benefits and whose entitlements were still pending on the date of insolvency as of the date on which benefits fall due for the first time.

In order to minimise interruptions in benefit payments resulting from insolvency, highest priority is given to the timely processing of pension claims once insolvency has been reported.

High priority is also given to the timely processing of conversion cases. The PSVaG also makes every effort to reduce the number of outstanding entitlement cases from previous years. However, due to the irregular incidence and unforeseeable consequences of insolvencies, relatively long processing times are likely to remain unavoidable, particularly with regard to entitlement cases.

Annual Financial Statements

Balance Sheet

| Assets | € | € | € | Previous year € thousands |
|-----------------------------------------------------------------------------------|-----------------------|-----------------------|-------------------------|---------------------------------|
| A. Intangible assets | | | 122,074.— | 217 |
| B. Investments | | | | |
| Other financial investments | | | | |
| 1. Shares, investment fund units or shares and other variable-yield securities | | 1,273,825,561.76 | | 987,628 |
| 2. Bearer bonds and other fixed-income securities | | 709,569,922.52 | | 780,606 |
| 3. Other loan receivables | | | | |
| a) Registered bonds | 1,900,000,000.— | | | |
| b) Promissory notes and loans | <u>634,941,570.53</u> | 2,534,941,570.53 | | 2,300,051 |
| 4. Bank deposits | | <u>730,000,000.—</u> | | 785,000 |
| | | | 5,248,337,054.81 | (4,853,285) |
| C. Receivables | | | | |
| I. Accounts receivable on direct written insurance business from | | | | |
| Policyholders | | 85,064,840.87 | | 43,717 |
| II. Other receivables | | <u>502,486.33</u> | | 50 |
| | | | 85,567,327.20 | (43,767) |
| D. Other assets | | | | |
| I. Tangible assets and stock (inventories) | | 1,145,213.— | | 1,472 |
| II. Cash at bank in current accounts, cheques and cash in hand | | <u>147,890,385.68</u> | | 72,995 |
| | | | 149,035,598.68 | (74,467) |
| E. Prepayments and accrued income | | | | |
| I. Accrued interest and rent | | 24,339,872.57 | | 27,022 |
| II. Other prepayments and accrued income | | <u>3,381,395.40</u> | | 2,397 |
| | | | 27,721,267.97 | (29,419) |
| Total assets | | | <u>5,510,783,322.66</u> | <u>5,001,155</u> |

As at 31 December 2015

| Liabilities | € | € | Previous year € thousands |
|----------------------------------------------------------------------------------------------------|------------------|------------------|---------------------------------|
| A. Capital and reserves | | | |
| Revenue reserves | | | |
| Loss reserve pursuant to Section 37 VAG (since 1 Jan 2016: Section 193 VAG) | | 114,360,000.— | 98,950 |
| B. Technical provisions | | | |
| I. Contributions carried forward | 421,516,541.48 | | 470,855 |
| II. Provision for insurance claims outstanding | 2,730,380,900.97 | | 2,546,925 |
| III. Provision for bonuses and rebates | 248,697,554.39 | | 58,171 |
| IV. Other technical provisions (Compensation fund - Section 5 para. 2, Articles of Association) | 1,962,000,000.— | | 1,798,300 |
| | | 5,362,594,996.84 | (4,874,251) |
| C. Provisions for other risks and charges | | | |
| I. Provisions for pensions and similar obligations | 30,529,358.— | | 25,477 |
| II. Other provisions | 1,268,266.— | | 1,152 |
| | | 31,797,624.— | (26,629) |
| D. Other liabilities | | | |
| I. Accounts payable on direct written insurance business to | | | |
| Policyholders | 757,380.23 | | 788 |
| II. Other liabilities - of which for taxes: € 899,921.14 (2014: € 365,141.25) | 1,196,969.61 | | 530 |
| | | 1,954,349.84 | (1,318) |
| E. Accruals and deferrals | | | |
| | | 76,351.98 | 7 |
| Total liabilities | | 5,510,783,322.66 | 5,001,155 |

Profit and Loss Account for the period from 1 January 2015 to 31 December 2015

| Items | € | € | Previous year € thousands |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------|---------------------------------|
| I. Technical account | | | |
| 1. Earned premiums | | | |
| a) Premiums written | 871,311,889.57 | | 559,325 |
| b) Change in contributions carried forward (release, allocation in 2014) | 49,338,587.25 | | -7,253 |
| c) Amount released from the previous year's provision for bonuses and rebates pursuant to Section 6 of the Articles of Association | <u>58,171,422.49</u> | | 195,133 |
| | | 978,821,899.31 | |
| 2. Other technical income | | 228,102,515.51 | 212,281 |
| 3. Expenses for insurance claims | | | |
| a) Payments for insurance claims | 678,499,628.50 | | 642,409 |
| b) Change in provision for claims outstanding (allocation, release in 2014) | <u>183,456,124.72</u> | | -243,855 |
| | | 861,955,753.22 | |
| 4. Change in other technical provisions (allocation to compensation fund) | | 163,700,000.— | 560,000 |
| 5. Expenses for bonuses and rebates | | 248,697,554.39 | 58,171 |
| 6. Operating expenses | | 7,887,903.67 | 6,966 |
| 7. Other technical charges | | <u>203,511.46</u> | 264 |
| 8. Balance of the technical account | | -75,520,307.92 | -64,469 |
| II. Non-technical account | | | |
| 1. Investment income | | | |
| a) Income from other investments | 95,549,617.96 | | 95,719 |
| b) Income from value readjustments on investments | —.— | | 5,495 |
| c) Gains on the realisation of investments | <u>306,000.—</u> | | 379 |
| | | 95,855,617.96 | |
| 2. Investment expenses and charges | | | |
| a) Investment management expenses, interest on borrowings and other investment-related expenses | 1,385,020.91 | | 1,020 |
| b) Value adjustments on investments | 263,948.48 | | 2,125 |
| c) Losses on the realisation of investments | <u>1,024,730.80</u> | | 604 |
| | | 2,673,700.19 | |
| 3. Other income | | 71,273.58 | 27 |
| 4. Other expenses | | <u>2,322,883.43</u> | 1,942 |
| 5. Profit for the year (operating profit from ordinary activities) | | 15,410,000.— | 31,460 |
| 6. Transfers to revenue reserves, loss reserve pursuant to Section 37 VAG (since 1 Jan 2016: Section 193 VAG) | | <u>15,410,000.—</u> | 31,460 |
| 7. Balance sheet profit / Balance sheet loss | | <u>—.—</u> | — |

Overview of the development of the PENSIONS-SICHERUNGS-VEREIN

from 1 January 1975 (commencement of business operations) to 31 December 2015

| Financial year | Members | Advance contribution rate | Final contribution rate | Contribution assessment base | Total contributions | Insurable insolvency cases | Claim volume | Benefit recipients reported | Persons reported with non-forfeitable entitlement to benefits | Total assets | Investments | Compensation fund | PSVaG employees ¹ |
|----------------|------------------------------|---------------------------|-------------------------|------------------------------|---------------------|----------------------------|--------------|-----------------------------|---------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------------|
| | No. ³ (31 Dec) | % | % | € billions | € millions | No. | € millions | No. | No. | € millions (31 Dec) | € millions (31 Dec) | € millions (31 Dec) | No. ² |
| 1975 | 31,045 | 1.5 | 1.5 | 37.3 | 56.5 | 249 | 38.2 | 5,060 | 7,290 | 47.6 | 42.4 | 17.6 | 36 |
| 1976 | 31,685 | 1.5 | 1.9 | 42.4 | 81.6 | 267 | 83.7 | 8,614 | 8,795 | 61.7 | 50.9 | 17.9 | 41 |
| 1977 | 32,102 | 1.7 | 1.9 | 46.5 | 87.4 | 246 | 65.5 | 4,745 | 5,808 | 101.5 | 89.5 | 45.2 | 42 |
| 1978 | 32,778 | 1.7 | 0.7 | 50.1 | 36.5 | 187 | 39.7 | 4,765 | 6,785 | 151.0 | 145.8 | 52.0 | 43 |
| 1979 | 32,518 | 0.5 | 1.1 | 55.2 | 60.9 | 154 | 65.2 | 5,346 | 8,116 | 135.6 | 117.0 | 58.4 | 48 |
| 1980 | 32,547 | 0.8 | 1.4 | 61.4 | 85.9 | 161 | 87.3 | 6,879 | 6,985 | 177.3 | 160.8 | 68.3 | 50 |
| 1981 | 33,895 | 0.9 | 2.0 | 68.5 | 137.5 | 246 | 141.6 | 11,780 | 13,228 | 243.9 | 233.4 | 79.8 | 59 |
| 1982 | 33,977 | 1.4 | 6.9 | 74.1 | 512.5 | 363 | 623.9 | 39,564 | 55,498 | 661.6 | 552.0 | 5.7 | 71 |
| 1983 | 33,746 | -- | 3.7 | 76.2 | 281.6 | 322 | 264.3 | 10,689 | 14,992 | 339.2 | 318.3 | 65.6 | 81 |
| 1984 | 33,968 | 1.8 | 2.6 | 83.9 | 218.6 | 369 | 200.2 | 8,036 | 15,601 | 375.3 | 358.2 | 137.8 | 85 |
| 1985 | 34,662 | 1.6 | 1.4 | 92.0 | 135.6 | 366 | 194.0 | 7,461 | 9,746 | 415.5 | 402.8 | 141.1 | 88 |
| 1986 | 34,848 | 1.0 | 1.1 | 98.2 | 116.4 | 332 | 191.0 | 8,135 | 13,448 | 436.8 | 419.9 | 171.8 | 97 |
| 1987 | 35,725 | 0.6 | 1.8 | 107.4 | 244.4 | 307 | 299.5 | 15,891 | 19,873 | 522.8 | 501.0 | 183.0 | 99 |
| 1988 | 35,813 | 1.2 | 0.9 | 112.0 | 103.3 | 200 | 158.8 | 4,460 | 7,606 | 489.2 | 473.8 | 188.2 | 103 |
| 1989 | 36,051 | 0.6 | 0.6 | 117.6 | 72.8 | 173 | 143.4 | 4,943 | 7,872 | 461.0 | 445.3 | 190.0 | 101 |
| 1990 | 36,712 | -- | 0.3 | 123.7 | 38.8 | 158 | 170.1 | 7,323 | 6,241 | 402.2 | 373.5 | 190.5 | 100 |
| 1991 | 37,282 | -- | 0.9 | 131.4 | 116.0 | 162 | 201.5 | 6,165 | 6,355 | 419.7 | 398.0 | 191.3 | 100 |
| 1992 | 37,758 | 0.3 | 0.8 | 140.6 | 115.5 | 207 | 216.7 | 10,487 | 11,192 | 448.3 | 429.8 | 191.3 | 99 |
| 1993 | 38,115 | 0.3 | 3.1 | 150.8 | 467.5 | 328 | 703.9 | 34,349 | 27,830 | 718.7 | 661.8 | 53.3 | 101 |
| 1994 | 38,179 | 1.0 | 2.3 | 157.0 | 363.3 | 348 | 425.4 | 18,414 | 21,506 | 785.6 | 755.6 | 139.8 | 109 |
| 1995 | 38,573 | 1.0 | 2.6 | 163.6 | 426.7 | 386 | 489.3 | 15,228 | 19,639 | 729.0 | 697.5 | 189.1 | 121 |
| 1996 | 39,045 | 1.0 | 2.8 | 171.3 | 481.2 | 404 | 724.6 | 41,948 | 29,674 | 790.1 | 756.0 | 51.1 | 131 |
| 1997 | 39,233 | 1.0 | 2.7 | 178.4 | 482.6 | 406 | 422.8 | 12,737 | 15,088 | 786.7 | 743.0 | 151.9 | 138 |
| 1998 | 39,737 | 1.0 | 1.2 | 184.6 | 223.6 | 399 | 387.7 | 11,763 | 16,033 | 757.3 | 737.3 | 219.5 | 133 |
| 1999 | 39,774 | 0.5 | 2.8 | 189.2 | 530.5 | 394 | 610.6 | 27,751 | 18,980 | 936.5 | 896.7 | 281.0 | 130 |
| 2000 | 39,778 | 1.0 | 2.1 | 208.6 | 439.9 | 442 | 548.1 | 14,898 | 18,467 | 801.8 | 763.8 | 332.5 | 129 |
| 2001 | 39,893 | 1.0 | 2.5 | 218.0 | 546.0 | 479 | 614.1 | 17,339 | 18,398 | 848.6 | 806.8 | 369.4 | 130 |
| 2002 | 40,643 | 1.0 | 4.5 | 225.0 | 1,016.8 | 705 | 1,481.4 | 43,565 | 41,696 | 1,271.6 | 1,203.6 | 70.7 | 136 |
| 2003 | 45,858 | 1.5 | 4.4 | 235.0 | 1,036.1 | 726 | 877.2 | 29,125 | 25,798 | 959.7 | 913.7 | 221.8 | 149 |
| 2004 | 53,102 | 1.5 | 3.6 | 243.0 | 881.8 | 753 | 760.6 | 19,507 | 16,866 | 951.2 | 923.7 | 348.7 | 157 |

| Financial year | Members | Advance contribution rate | Final contribution rate | Contribution assessment base | Total contributions | Insurable insolvency cases | Claim volume | Benefit recipients reported | Persons reported with non-forfeitable entitlement to benefits | Total assets | Investments | Compensation fund | PSVaG employees ¹ |
|----------------|------------------------------|---------------------------|-------------------------|------------------------------|---------------------|----------------------------|--------------|-----------------------------|---------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------------|
| | No. ³ (31 Dec) | ‰ | ‰ | € billions | € millions | No. | € millions | No. | No. | € millions (31 Dec) | € millions (31 Dec) | € millions (31 Dec) | No. ² |
| 2005 | 59,636 | 1.5 | 4.9 | 251.0 | 1,237.7 | 745 | 1,234.0 | 29,326 | 27,653 | 1,001.8 | 962.6 | 477.7 | 160 |
| 2006 | 64,696 | 1.5 | 3.1 | 264.0 | 825.7 | 654 | 791.5 | 13,863 | 13,634 | 1,321.0 | 1,289.2 | 588.0 | 161 |
| 2007 | 69,376 | 1.0 | 3.0 | 272.0 | 822.6 | 530 | 943.5 | 11,873 | 17,411 | 2,100.7 | 2,038.4 | 654.7 | 166 |
| 2008 | 73,093 | 1.0 | 1.8 | 277.0 | 506.1 | 544 | 591.8 | 7,491 | 9,430 | 2,242.1 | 2,194.0 | 696.6 | 170 |
| 2009 | 76,029 | -- | 14.2 | 285.0 | 4,068.3 | 971 | 4,356.3 | 79,871 | 89,242 | 4,036.5 | 3,370.5 | 874.0 | 179 |
| 2010 | 83,322 | -- | 1.9 | 289.0 | 549.2 | 679 | 648.7 | 9,434 | 11,346 | 3,795.6 | 3,568.5 | 992.5 | 190 |
| 2011 | 90,740 | -- | 1.9 | 295.0 | 569.3 | 616 | 626.1 | 7,188 | 11,619 | 3,567.3 | 3,296.0 | 1,080.7 | 206 |
| 2012 | 93,031 | -- | 3.0 | 304.0 | 916.8 | 670 | 1,264.8 | 17,382 | 24,870 | 4,097.5 | 3,745.8 | 1,164.1 | 221 |
| 2013 | 93,765 | -- | 1.7 | 312.0 | 544.2 | 746 | 780.7 | 12,147 | 15,939 | 4,783.8 | 4,436.1 | 1,238.3 | 230 |
| 2014 | 94,034 | -- | 1.3 | 320.0 | 419.2 | 587 | 398.6 | 4,182 | 7,423 | 5,001.2 | 4,853.3 | 1,798.3 | 232 |
| 2015 | 94,078 | -- | 2.4 | 327.0 | 787.0 | 467 | 862.0 | 8,477 | 10,190 | 5,510.9 | 5,248.3 | 1,962.0 | 228 |
| | | | | | 20,643.9 | 17,448 | 23,728.3 | 658,201 | 734,163 | | | | |

Total

1,392,364

Persons entitled to benefits

1 Including part-time employees or employees whose employment has been suspended (parental leave, semi-retirement) – cf. page 15

2 Up to 1986: number of employees as at 31 Dec. including members of the Board of Management; from 1987 onwards: yearly average in accordance with the Accounting Directives Act of 19 December 1985

3 Figures from 2013 onwards include insured non-members – cf. p.11

Members of the Consortium for the PSVaG

As at 31 December 2015, the following 49 life insurance companies were sponsoring members of the Consortium for the PSVaG (sponsoring share given in % in brackets):

| | |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------|
| AachenMünchener Lebensversicherung AG (2.7) | HDI Lebensversicherung AG (4.2) |
| Allianz Lebensversicherungs-AG (16.8) | HUK-COBURG-Lebensversicherung AG (0.1) |
| ALTE LEIPZIGER Lebensversicherung auf Gegenseitigkeit (2.5) | IDEAL Lebensversicherung a.G. (0.3) |
| ARAG Lebensversicherungs-AG (0.6) | IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe (3.9) |
| Athene Lebensversicherung AG (2.0) | INTER Lebensversicherung AG (0.3) |
| AXA Lebensversicherung AG (8.1) | Landeslebenshilfe V.V.a.G. (0.1) |
| Barmenia Lebensversicherung a. G. (0.7) | Lebensversicherung von 1871 a. G. Munich (0.3) |
| Basler Leben AG Direktion für Deutschland (0.7) | LVM Lebensversicherungs-AG (0.1) |
| Basler Lebensversicherungs-AG (2.0) | Mecklenburgische Lebensversicherungs-Aktiengesellschaft (0.1) |
| Bayerische Beamten Lebensversicherung a.G. (1.2) | Münchener Verein Lebensversicherung a.G. (0.3) |
| Bayern-Versicherung Lebensversicherung Aktiengesellschaft (2.2) | neue leben Lebensversicherung AG (0.1) |
| Concordia oeco Lebensversicherungs-AG (0.1) | NÜRNBERGER Lebensversicherung AG (3.1) |
| Condor Lebensversicherungs-Aktiengesellschaft (0.5) | Öffentliche Lebensversicherung Berlin Brandenburg AG (0.1) |
| Continental Lebensversicherung AG (0.4) | Öffentliche Lebensversicherung Braunschweig (0.2) |
| Cosmos Lebensversicherungs-Aktiengesellschaft (0.2) | Öffentliche Lebensversicherungsanstalt Oldenburg (0.1) |
| ERGO Lebensversicherung AG (10.2) | Provinzial NordWest Lebensversicherung AG (1.2) |
| Familienfürsorge Lebensversicherung AG im Raum der Kirchen (0.2) | Provinzial Rheinland Lebensversicherung AG (1.4) |
| Generali Lebensversicherung AG (9.5) | R+V Lebensversicherung AG (2.8) |
| Gothaer Lebensversicherung AG (2.7) | RheinLand Lebensversicherung AG (0.2) |
| Hannoversche Lebensversicherung AG (0.7) | SAARLAND Lebensversicherung AG (0.1) |
| HanseMercur Lebensversicherung AG (0.5) | Swiss Life AG, Niederlassung für Deutschland (1.0) |
| | Stuttgarter Lebensversicherung a.G. (0.7) |
| | SV Sparkassenversicherung Lebensversicherung AG (2.0) |
| | VGH Provinzial Lebensversicherung Hannover (0.6) |
| | VOLKSWOHL-BUND Lebensversicherung a.G. (0.8) |
| | Württembergische Lebensversicherung AG (5.0) |
| | WWK Lebensversicherung a. G. (1.2) |
| | Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft (5.2) |

The executive insurer of the Consortium for the PSVaG is Allianz Lebensversicherungs-AG, Stuttgart.