Annual Report 2022

Portigon
Aktiengesellschaft

Portigon Key Figures

Key Figures Year-on-Year Comparison

	1. 1.–31. 12. 2022	1. 1.–31. 12. 2021	Change absolute	%
Performance figures in € millions				
Net interest income	20.3	13.2	7.1	53.8
Net commission income	–0.3	0.1	–0.4	>–100.0
Other operating expenses and income	–17.7	–52.5	34.8	66.3
Personnel expenses	–14.3	–13.3	–1.0	–7.5
Other administrative expenses	–40.1	–30.8	–9.3	–30.2
Result of securities and participations	–13.7	–0.2	–13.5	>–100.0
Extraordinary result	–1.4	11.0	–12.4	>–100.0
Profit/loss before income tax	–67.0	–72.6	5.6	7.7
Taxes on income and revenues	0.0	21.8	–21.8	–100.0
Profit/loss after taxes	–67.0	–50.8	–16.2	–31.9

	31. 12. 2022	31. 12. 2021	Change absolute	%
Balance sheet figures in € millions				
Total assets	2,037.2	2,175.3	–138.1	–6.3
Business volume	2,037.2	2,178.7	–141.5	–6.5
Credit volume	1,352.0	1,126.7	225.3	20.0
Equity capital	278.4	345.5	–67.1	–19.4
Bank regulatory ratios according to CRR/CRD IV				
Common Equity Tier 1 capital in € millions	136.1	168.8	–32.7	–19.4
Tier 1 capital in € millions	136.1	171.0	–34.9	–20.4
Own funds in € millions	223.3	634.0	–410.7	–64.8
Risk-weighted assets in € millions	40.4	32.7	7.7	23.5
Common Equity Tier 1 capital ratio in %	336.8	516.1	–179.3	–34.7
Tier 1 capital ratio in %	336.8	522.7	–185.9	–35.6
Total capital ratio in %	552.6	1,938.3	–1,385.7	–71.5
Employees				
Number of employees	51	60	–9	–15.0
Full-time equivalent	49	56	–7	–13.1

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

Contents

Management Report as at December 31, 2022

Performance at a Glance

The company's transformation, i.e. the downsizing of Portigon AG in accordance with the conditions set by the European Commission, continued in the 2022 fiscal year.

Total assets of Portigon AG came to € 2,037.2 million at December 31, 2022 (previous year: € 2,175.3 million). Of that amount, € 290.3 million (previous year: € 36.8 million) is attributable to claims on banks, € 1,061.8 million (previous year: € 1,086.5 million) to claims on customers and € 336.9 million (previous year: € 572.1 million) to securities.

The balance of net interest income, net commission income and the other operating result came to € 2.3 million for Portigon AG (previous year: € –39.2 million). The positive change is mainly attributable to lower expenses from the interest cost on provisions.

Portigon AG's administrative expenses rose by € 10.3 million in the year under review to € 54.4 million (previous year: € 44.1 million) due in particular to higher consulting expenses.

Portigon AG is showing an extraordinary result of € –1.4 million (previous year: € 11.0 million).

Overall, Portigon AG is reporting a result before taxes of € –67.0 million (previous year: € –72.6 million) and a net loss for the year of € 67.0 million (previous year: € 50.8 million). The net loss for the year is partly offset by loss participation on the silent contributions to capital (€ 34.2 million) pursuant to the respective terms of issue. The remaining amount (€ 32.8 million), together with the loss carried forward from the previous year, is being reported as a retained loss (€ 522.6 million).

Portigon AG's Tier 1 capital ratio is 336.8% (previous year: 522.7%) and the total capital ratio fell to 552.6% (previous year: 1,938.3%). Risk-weighted assets stand at € 40.4 million, up from € 32.7 million in the previous year.

Structural Changes

As in the preceding years, the year under review was dominated by the further downsizing of Portigon AG in accordance with the approval decision taken by the European Commission on December 20, 2011. The progress in restructuring can be seen, inter alia, in the development of total assets. These fell by 6.3% to € 2,037.2 million in 2022 (previous year: € 2,175.3 million), mainly as a result of final maturities and various termination agreements with transaction partners, as well as a result of efforts to buy back outstanding bonds (subordinated registered bonds and bearer bonds).

On February 9, 2022, Portigon AG approved with immediate effect a buy-back programme enabling it to repurchase bonds issued by Portigon AG and by its subsidiary Portigon Finance Curaçao N.V. on the open market or in private transactions. In the process of the Bank's further restructuring, Portigon Finance Curaçao N.V. was substituted as issuer by the substitute debtor Portigon AG as of September 1, 2022 (substitution of the issuer). This substitution did not affect Portigon AG's buy-back programme, which remains in effect. The substitution of the issuer is intended to reduce administration costs and fulfil the EU requirements with regard to the closure of branches and subsidiaries. In addition, Portigon AG as the sole shareholder resolved the liquidation of Portigon Finance Curaçao N.V. on October 7, 2022 with effect from the same date. The company's complete dissolution is expected to be finalised in the second quarter of 2023.

The formal investigation launched by the Düsseldorf Public Prosecutor's Office in June 2016 and transferred to the Cologne Public Prosecutor's Office in May 2020 into a small number of former Managing Board members of WestLB in connection with dividend arbitrage transactions has still not been concluded. Portigon AG remains in contact with the investigating authorities and cooperates closely with a view to clarifying the matter. When the investigations will be completed is not known.

On September 29, 2022, the Supervisory Board appointed Ernst-Albrecht Brockhaus as a new member of the Managing Board of Portigon AG with effect from January 1, 2023. He resigned his mandate as Deputy Chairman of the Supervisory Board of Portigon AG with the expiry of September 29, 2022. In view of this, the shareholders' meeting elected Gerhard Heilgenberg as a member of the Supervisory Board on September 30, 2022. Barbara Glaß, who has been a member of the Managing Board since 2020, retires as at March 31, 2023 at her own request and on the best of terms with the Supervisory Board.

Network of Locations

Based on the European Commission's decision of December 20, 2011, the branches of Portigon AG have been downsized since this date.

The downsizing of the international locations was successfully completed in the 2022 fiscal year with the closure of the branches in London and New York.

At December 31, 2022, Portigon AG is therefore solely represented at its location in Düsseldorf.

Employees

The number of employees decreased from 60 (56 full-time equivalent) to 51 (49 full-time equivalent). The downsizing was implemented on the basis of the enterprise-level collective agreement as well as a reconciliation of interests and redundancy scheme, with comparative regulations outside Germany. The number of employees will continue to be reduced in the coming years.

Statement of Income

Portigon AG is reporting a result before taxes of € –67.0 million (previous year: € –72.6 million) and a net loss of also € 67.0 million (previous year: € 50.8 million) for the 2022 fiscal year. Because of this, the silent contributions to capital cannot be serviced and participate in the loss pursuant to the terms on which they were issued.

Statement of Income from January 1 to December 31, 2022

	1. 1.–31. 12. 2022 € millions	1. 1.–31. 12. 2021 € millions	Change € millions	%
Net interest income	20.3	13.2	7.1	53.8
Net commission income	–0.3	0.1	–0.4	>–100.0
Other operating expenses and income	–17.7	–52.5	34.8	66.3
Personnel expenses	–14.3	–13.3	–1.0	–7.5
Other administrative expenses	–40.1	–30.8	–9.3	–30.2
Result of securities and participations	–13.7	–0.2	–13.5	>–100.0
Extraordinary result	–1.4	11.0	–12.4	>–100.0
Profit/loss before income tax	–67.0	–72.6	5.6	7.7
Taxes on income and revenues	0.0	21.8	–21.8	–100.0
Profit/loss after taxes	–67.0	–50.8	–16.2	–31.9
Loss carried forward from the previous year	–489.8	–465.0	–24.8	–5.3
Withdrawals from silent contributions to capital	34.3	26.0	8.3	31.9
Retained loss	–522.6	–489.8	–32.8	–6.7

Net Interest Income

The net interest income of Portigon AG amounting to € 20.3 million (previous year: € 13.2 million) is mainly attributable to the promissory note loan from the State of North Rhine-Westphalia recognised under claims on customers and held for hedging pension obligations.

Net interest income also includes negative interest from lending and money market transactions of € –1.1 million (previous year: € –2.6 million).

Net Commission Income

Portigon AG's net commission income amounts to € –0.3 million (previous year: € 0.1 million) and results in particular from expenses for portfolio management and payment transaction services.

Other Operating Expenses and Income

Portigon AG is reporting a balance of other operating expenses and income of € –17.7 million (previous year: € –52.5 million).

The balance is principally due to the lower expenses for the interest cost on provisions in the amount of € 24.3 million (previous year: € 67.1 million). In particular, income from the reversal of other provisions had an opposite effect in the fiscal year.

General Administrative Expenses

General administrative expenses rose to € 54.4 million (previous year: € 44.1 million).

Personnel expenses increased by € 1.0 million to € 14.3 million (previous year: € 13.3 million). As a result of the transformation of Portigon AG, the average number of employees over the year declined from 64 to 55.

Other administrative expenses of Portigon AG came to € 40.1 million (previous year: € 30.8 million). The increase is mainly attributable to higher consulting costs.

Result of Financial Investments

Financial investments yielded a net result of € –13.7 million (previous year: € –0.2 million) due to the sale of a security.

Extraordinary Result

Portigon AG's extraordinary result amounted to € –1.4 million (previous year: € 11.0 million) and is attributable to the addition to provisions for restructuring.

Net Loss for the Year

Portigon AG is reporting a net loss of € 67.0 million for the 2022 fiscal year (previous year: € 50.8 million). Accordingly, the silent contributions to capital were not serviced.

Balance Sheet and Business Volume

As in the previous year, Portigon AG's balance sheet as at December 31, 2022 was shaped by further structural changes and downsizing (see the chapter entitled "Structural Changes").

At December 31, 2022, Portigon AG had total assets and total equity and liabilities of € 2,037.2 million.

In particular, Portigon AG still has claims on banks in the amount of € 290.3 million (previous year: € 36.8 million), claims on customers in the amount of € 1,061.8 million (previous year: € 1,086.5 million), securities in the amount of € 336.9 million (previous year: € 572.1 million) and cash/liquid debt issues in the amount of € 274.5 million (previous year: € 385.5 million). None of these asset items are guaranteed by EAA (previous year: € 4.7 million).

Assets

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Cash/liquid debt issues	274.5	385.5
Claims on banks	290.3	36.8
Claims on customers	1,061.8	1,086.5
Securities not held for trading	336.9	572.1
Equity investments in affiliated and non-affiliated companies	1.0	1.0
Trust assets	50.7	50.7
Tangible/intangible assets	0.0	0.0
Other assets	22.2	42.7
Total assets	2,037.2	2,175.3

Liabilities

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Liabilities to banks	1.2	–
Liabilities to customers	44.3	39.5
Trust liabilities	50.7	50.7
Other liabilities	1,232.5	1,219.9
Subordinated liabilities/Profit participation capital	430.2	519.7
Equity capital	278.4	345.5
Total liabilities	2,037.2	2,175.3
Contingent liabilities	–	3.4
Business volume	2,037.2	2,178.7

Credit Volume on the Balance Sheet

The credit volume on the balance sheet was € 1,352.0 million at December 31, 2022 (previous year: € 1,126.7 million).

The amounts for claims on customers included therein were reduced by € 24.7 million in the fiscal year now ended to € 1,061.8 million (previous year: € 1,086.5 million). By contrast, the amounts for claims on banks rose by € 253.5 million to € 290.3 million (previous year: € 36.8 million). This increase is mainly attributable to the conclusion of money market transactions in the amount of € 225.0 million.

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Claims on banks	290.3	36.8
Claims on customers	1,061.8	1,086.5
Contingent liabilities	–	3.4
Credit volume carried in the balance sheet	1,352.0	1,126.7

Securities Holdings

Portigon AG's securities portfolio totalled € 336.9 million at December 31, 2022 (previous year: € 572.1 million). Most of the items in this portfolio are bonds and other interest-bearing securities from public-sector issuers that are not guaranteed by EAA.

Liabilities to Banks and Customers

At December 31, 2022, liabilities to banks and customers at Portigon AG totalled € 45.5 million (previous year: € 39.5 million).

Risk-Weighted Assets and Capital Ratios

Portigon AG calculates its capital adequacy figures according to the Regulation on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation, CRR/CRR II) and the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV/V, CRD IV/V).

The regulatory capital ratios shown below are based on the CRR/CRD regulations applicable on the relevant reporting date. Portigon's own funds recognised for regulatory purposes consist of the sum of Tier 1 capital and Tier 2 capital and were as follows at December 31, 2022:

Own Funds

	Dec. 31, 2022 € millions CRR/CRD after result for the year	Dec. 31, 2021 € millions CRR/CRD after result for the year
Common Equity Tier 1 capital (CET 1): instruments and reserves	136.1	168.8
Capital instruments and the related share premium accounts	658.6	658.6
thereof subscribed capital (shares)	658.6	658.6
thereof capital reserves/reserves from retained earnings (incl. profit/loss)	–522.6	–489.8
Regulatory adjustments to CET 1	–0.0	–0.0
Common Equity Tier 1 capital (CET 1)	136.1	168.8
Additional Tier 1 capital (AT 1): instruments	0.0	2.2
thereof instruments as defined by Article 484 (4) CRR that do not constitute state aid (silent contribution to capital – issued 2005)	0.0	2.2
Regulatory adjustments to AT 1	–	–
Additional Tier 1 capital (AT 1)	0.0	2.2
Tier 1 capital (T 1 = CET 1 + AT 1)	136.1	171.0
Tier 2 capital (T 2)	87.2	463.0
Own funds	223.3	634.0

At the reporting date, Tier 1 capital amounted to € 136.1 million, down € 34.9 million on the figure at December 31, 2021.

The decrease is predominantly due to the distribution of the HGB loss for 2022 among the capital components absorbing the loss.

Common Equity Tier 1 capital declined from € 168.8 million to € 136.1 million due to the proportionate loss for 2022.

At December 31, 2022, the eligible capital of Portigon AG amounted to € 223.3 million, a decrease of € 410.7 million year-on-year. This change is due to the ineligibility of the subordinated issues for continued inclusion in the regulatory capital.

The subordinated liabilities of Portigon AG included in the regulatory capital meet the requirements for qualification as Tier 2 instruments in Article 63 CRR II. There can be no premature repayment obligation on the subordinated liabilities. In the event of bankruptcy or liquidation, subordinated liabilities will not be repaid until all non-subordinated claims have been satisfied.

The subordinated liabilities are included in Tier 2 capital in the amount of € 87.2 million and serviced in accordance with the terms on which they were issued.

The following ratios were determined at December 31, 2022 on the basis of the eligible capital and taking into account the bottom line for the year:

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

	Dec. 31, 2022 € millions CRR/CRD after result for the year	Dec. 31, 2021 € millions CRR/CRD after result for the year
Risk-weighted assets		
Counterparty credit risks	4.4	17.5
Credit valuation adjustment (CVA)	–	2.2
Operational risks	24.0	13.0
Total risk exposure amount for position, foreign-exchange and commodities risks	12.0	–
Total risk-weighted assets	40.4	32.7
Capital ratios %		
Common Equity Tier 1 capital ratio	336.8	516.1
Tier 1 capital ratio	336.8	522.7
Total capital ratio	552.6	1,938.3

Portigon AG had risk-weighted assets of € 40.4 million at the reporting date, an increase of € 7.7 million compared with December 31, 2021.

The counterparty credit exposures fell by € 13.1 million to € 4.4 million compared with the end of 2021.

At December 31, 2022, foreign exchange risk amounted to € 12.0 million and therefore, in contrast to the previous year, required equity backing.

The € 11.0 million increase in the operational risk exposure to € 24.0 million is attributable to a return to positive gross income resulting from the positive net interest income. In the two preceding years, gross income was zero as a result of the negative net interest income.

The Tier 1 capital ratio declined by 179.3% to 336.8%. This is still above the minimum capital ratios as well as the minimum ratio of 7% stipulated in the framework agreements with Germany's Financial Market Stabilisation Authority (FMSA).

The Common Equity Tier 1 ratio came to 336.8% (previous year: 516.1%).

Against this backdrop, the total capital ratio decreased from 1,938.3% to 552.6%.

Concluding Statement from the Affiliated Company Report

As at December 31, 2022, the State of North Rhine-Westphalia (NRW) held 76.90% of the shares of Portigon AG directly and 23.10% indirectly via NRW.BANK, which is wholly owned by NRW.

Therefore, Portigon AG's Managing Board makes the following statement pursuant to § 312 (3) of the German Stock Corporation Act (AktG):

"Based on circumstances known to us at the time the company entered into the transactions and undertook or refrained from undertaking the acts discussed in the report on relations with affiliated companies, our company received adequate consideration for each such transaction and did not suffer any disadvantage by reason of undertaking or refraining from undertaking such acts."

Risk Report

Based on the results of the risk inventory process conducted at the end of 2022, Portigon AG classifies strategic risk, operational risk (including legal risk) and pension risk as its remaining material risks.

Market price risk, liquidity risk, counterparty default risk and HGB discount rate risk are considered immaterial risks for purposes of the Minimum Requirements for Risk Management (MaRisk).

Risk Management System

The goal of Portigon AG's risk management system is to ensure that the risk profile is aligned with the institution's risk-bearing capacity and that all relevant risks are presented transparently and steered with foresight. The core processes of risk management are determining, monitoring, analysing, steering and reporting on risks on an autonomous basis.

Portigon AG's risk strategy, grounded in the business strategy, forms the basis for monitoring and steering risk. It contains the principles and core elements of risk management, defines the types of risk that are material and immaterial in accordance with MaRisk and provides reasons for this classification. The Managing Board determines the business strategy and Portigon AG's risk strategy on an annual basis and discusses these with the Supervisory Board.

In the interests of a sustainable system of risk steering and monitoring, all risks are identified and the results processed in a transparent manner. Through the quarterly "Risk Situation Report", the Managing Board and Supervisory Board regularly receive timely, unbiased, targeted information about all developments which are significant from the perspective of capital and risks. This report meets MaRisk requirements for risk reports.

Strategic Risk

Strategic risk, which has been classified as a material risk, is defined as the unexpected failure to meet revenue and cost targets and the risk that planning assumptions might not materialise or might prove to be inaccurate. This risk also includes risks arising from strategically important past decisions.

As significant portions of the strategic risk exposure are not quantified at present, this exposure is currently weighed against the unallocated risk cover amount in both the going-concern approach and the liquidation approach. Experts are assessing whether this is considered sufficient on the whole or whether a more precise approximation of the risk exposure is needed.

The downsizing progressed further in 2022, for the most part according to plan. The number of transactions still reported on the balance sheet and partially requiring a licence has been significantly reduced. The licences for the guarantee business and payment services business were returned in the reporting period.

In a letter addressed to the German Federal Financial Supervisory Authority (BaFin) dated February 6, 2023, Portigon AG declared that it was waiving its licence for the deposit business (§1 (1) No. 1 of the German Banking Act (KWG)). BaFin confirmed the cancellation of the licence to conduct deposit business in a letter dated March 6, 2023.

Strategic risks also include risks in connection with the dividend arbitrage transactions of the former WestLB. Portigon AG's claim that it has a right to reimbursement from the EAA in relation to the expenses incurred in connection with these transactions was dismissed by the Frankfurt/Main Higher Regional Court in December 2022. In a letter dated January 17, 2023, Portigon AG lodged an appeal with the Federal Court of Justice against refusal of leave to appeal.

Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems at Portigon AG or from external events. The definition includes legal risks, but no reputational risks. However, strategic risks may in turn lead to operational risks.

Portigon AG defines operational risk (OpRisk) as a material risk for MaRisk purposes, to be monitored in conjunction with its risk-bearing capacity.

Material operational risks at Portigon AG are:

- risks arising from the restructuring of Portigon AG (e.g. personnel risks);
- further development of the legal risks arising from current and any future lawsuits;
- risks arising from major outsourcing arrangements (e.g. management of the outsourcing company by Portigon AG, reduced capacity or default of the current outsourcing company).

Among other things, operational risks may arise from business activities of the former WestLB. These include risks arising from tax issues as well as risks that may arise from disputes with hybrid capital investors regarding the extent of loss participation.

The Operational Risk & Data Protection unit in the Risk Controlling business unit is in charge of defining the OpRisk management framework as well as related instruments and guidelines. It ensures that operational risk steering activities are consistent, records these and provides its expert opinion on them. Management of the operational risks in the business units is supported by the Operational Risk & Data Protection unit. This ensures that the analysis, measurement, steering and monitoring of operational risks meet uniform standards of quality.

Operational Risk & Data Protection cooperates closely with the specialist units, for example Auditing, Legal and IT/Outsourcing Management, on issues such as contingency planning, insurance, IT security and non-IT security.

For the remainder of the downsizing process, the analysis and assessment of operational risks using instruments like the loss event database and risk self-assessment for bank processes and major outsourcing arrangements will be continued in order to introduce measures to minimise losses in a timely fashion.

Portigon AG uses the standardised approach pursuant to Article 317 of the Capital Requirements Regulation (CRR) to determine the own funds for its operational risks.

Alignment of the economic OpRisk capital with the regulatory capital commitment is the approach used for Portigon AG. The risks calculated for regulatory purposes (risk-weighted assets) continue to be used for internal steering (economic capital commitment). For Portigon AG, the economic capital charge and the capital in stress testing for operational risk stood at € 1.9 million and € 2.4 million, respectively, as per December 31, 2022 (previous year: € 1 million and € 1.25 million, respectively).

The identification of legal risks, considered a subset of operational risks, is carried out in close cooperation between the individual specialist units and Legal unit, which primarily steers these risks. Legal risks that materialise or are imminent are reduced or prevented to the greatest extent possible by implementing defined measures. In addition, suitable preventive countermeasures are introduced.

Adequate provisions have been made for legal risks arising from ongoing litigation.

Pension Risk

Pension risk consists in particular in the potential need to increase pension provisions, i.e. in the risk that pension obligations based on expert opinions over the years will be higher than the figures determined by modelling mortality rates and the trend in salary increases for non-exempt employees and civil servants.

Portigon AG considers pension risk a material risk within the meaning of MaRisk. Longevity risk and the risk presented by the trend in salary increases for non-exempt employees and civil servants are considered major risk factors that are taken into account in the risk-bearing capacity through a common risk exposure.

Longevity risk lies in the fact that the mortality rates modelled might not reflect reality in the future and the beneficiaries from Portigon AG might have a higher life expectancy and thus have longer de facto pension entitlements from Portigon AG than projected.

The risk presented by the trend in salary increases for non-exempt employees and civil servants lies in the fact that, in the commitments under the benevolent fund and the overall provision for old age, the pension increase is tied to the salary increases for non-exempt employees and civil servants and the actual increases might exceed the trend in the salary increases for civil servants or non-exempt employees assumed in the modelling of the payment obligations.

In accordance with the resolution of the Managing Board on March 15, 2022, the economic capital charge was € 134 million in the base scenario and € 165 million in the stress scenario. For pension risk it remained unchanged as a result of the scenario calculations performed by Mercer and the validation process.

Market Price Risk

Portigon AG's market price risks primarily arise from the investment of equity and excess liquidity, which follows strict investment guidelines.

In addition, regulatory market risks arise from future payments under pension obligations. Because the assumptions underlying the modeled payment obligations change over time, the bond structure selected to hedge these cash flows is no longer congruent with them. The resulting interest rate risk is covered by market risk measurement, monitoring and management.

Portigon AG classifies the remaining market price risk as immaterial within the meaning of MaRisk.

Liquidity Risk

Due to its close cooperation with the State of North Rhine-Westphalia, Portigon AG treats liquidity risk as an immaterial risk pursuant to MaRisk.

The Treasury unit in the Corporate Steering business unit is responsible for managing Portigon AG's liquidity. Over and above that, Risk Controlling independently monitors liquidity risks and prepares the regulatory reports on the liquidity position.

The liquidity management differentiates between operating, tactical and strategic liquidity. The risk strategy defines the reporting instruments and steering goals for these individual time bands. The Managing Board sets the risk tolerance for the individual steering goals on this basis.

Operational liquidity management is intended to ensure Portigon AG's solvency in the short term and at all times. This is achieved through stringent monitoring of all of the Bank's remaining external nostro accounts.

Tactical liquidity management helps ensure the availability of sufficient liquidity for up to one year. In order to steer the tactical liquidity, the contractual maturity profile of all assets and liabilities having an impact on liquidity is determined on a monthly basis and supplemented by information concerning the potential inflows and outflows from the liquidity reserve as well as effects from contingent liabilities and other drains on liquidity.

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

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

Counterparty Credit Risk

Portigon AG classifies counterparty credit risk as an immaterial risk pursuant to MaRisk. In accordance with the decision taken by the European Commission on December 20, 2011, Portigon AG may hold a limited volume of risk-weighted assets (RWA) only for a limited period of time. The investment of excess liquidity follows strict investment guidelines without any significant credit risk (RWA weighting of zero, rating (long-term issuer rating) of at least AA– (Standard & Poor's) or Aa3 (Moody's), investments denominated in EUR and USD).

There are no counterparty credit exposures from the traditional lending and guarantee business.

The review, evaluation, monitoring, steering and decision-making in respect of counterparty credit risks are based on documented uniform standards and processes. Internal credit risk steering is based on the Credit Risk Standard Approach (CRSA); Portigon AG uses a simplified risk classification procedure that complies with MaRisk.

Capital Utilisation

Usage of Regulatory Capital

Portigon AG calculates its ratios according to the applicable CRR/CRD framework. CRD and CRR are the EU directives and EU regulations through which the rules on the prudential supervision of banks attributable mainly to Basel III are being implemented at European level. Pursuant to Article 92 (1) CRR, the minimum Common Equity Tier 1 ratio is 4.5% and the minimum Tier 1 ratio is 6%; the capital requirement for the total capital ratio remains at 8%.

Taking into account the additional capital buffer requirements under the German Banking Act (KWG) and the additional capital requirement (surcharge for interest rate risks in the banking book), the minimum requirements are 7.0% for the Common Equity Tier 1 ratio and 13.1% for the total capital ratio.

Portigon AG exceeded the minimum requirements at all times in 2022.

	Dec. 31, 2022 € millions after result for the year	Dec. 31, 2021 € millions after result for the year
Risk-weighted assets	40.4	32.7
Counterparty credit risks	4.4	17.5
Credit valuation adjustment (CVA)	0.0	2.2
Operational risks	24.0	13.0
Total risk exposure amount for position, foreign-exchange and commodities risks	12.0	–
Own funds	223.3	634.0
Total capital ratio in %	522.6	1,938.3
Tier 1 capital	136.1	171.0
Tier 1 capital ratio in %	336.8	522.7
Common Equity Tier 1 capital	136.1	168.8
Common Equity Tier 1 capital ratio in %	336.8	516.1

For more detailed information please refer to the section entitled "Risk-Weighted Assets and Capital Ratios".

Usage of Economic Capital (Risk-Bearing Capacity)

Portigon AG's risk-bearing capacity concept continues to distinguish between two steering frameworks. Here, Portigon AG makes use of BaFin's provision allowing conventional going-concern approaches to be applied until further notice even after publication of the final version of the guidelines for risk-bearing capacity in 2018. As a result, the going-concern approach remains the primary steering framework. In addition, the liquidation approach is used to measure the risk-bearing capacity annually. The risk-bearing capacity is examined in both approaches over a period of twelve months from the respective reporting date.

In both the going-concern approach and the liquidation approach, regulatory capital is taken as the starting point for determining the risk-taking potential. Depending on which approach is used – the going-concern or liquidation approach – various amounts are deducted from the risk-taking potential to arrive at the available risk cover. Strategic risk, which is classified in the risk strategy as material for purposes of MaRisk, is currently not quantified in the risk-bearing capacity in the going-concern approach and in the liquidation approach, but is covered by the unallocated risk cover.

The risks classified in the reporting period as material for Portigon AG – operational risk and pension risk – were weighed against the risk appetite directly and monitored as part of regular reporting. Strategic risk is covered by the unallocated risk cover. This also serves to cover adverse business developments and risks that are not considered material. The risks defined as immaterial were monitored using separate operating limits or suitable processes such as the investment strategy.

In the liquidation approach, the risk cover was measured in the reporting period against the material operational risk and pension risk as well as the immaterial market price risk and counterparty credit risk. Operational risks and pension risk were determined the same way as the stress scenario in the going-concern approach. The regulatory interest rate shock was used for market price risk, while counterparty credit risks were derived from the regulatory capital. The total risk exposure was calculated as the sum of the individual risks. Strategic risk is also covered by the unallocated risk cover in the liquidation approach. In addition to determining the risk cover over a twelve-month period, a forward-looking analysis identifying the risk cover through year-end 2024 was also performed.

In the going-concern approach, stress tests on the risk-bearing capacity were run on the operational risk and pension risk. On the basis of expert opinions and taking historical trends into account, the stress scenarios are calculated for operational risk and pension risk by adding a premium (factor of 1.25) to the basis risk and deriving the base scenario by calculating 80% of the stress value. The risk appetite was sufficient to cover potential negative developments in 2022.

Inverse stress testing is limited to the scenario of an EAA default. Were EAA to default, the market price risks guaranteed by EAA as well as legal risks could revert back to Portigon AG. The risk of a default by EAA is deemed to be very low, since the only conceivable way would be if either the State of North Rhine-Westphalia or the Federal Republic of Germany defaulted. Moreover, because the State of North Rhine-Westphalia is Portigon AG's main investor, a default by it would pose a direct risk to Portigon AG as a going concern. It does not make economic sense to hedge against the EAA default risk.

Overall Assessment of the Risk Situation

Portigon AG classified strategic risk, operational risk and pension risk as material risks for purposes of MaRisk. All other types of risk were considered immaterial.

In the analysis of the risk-bearing capacity, the going-concern approach was still the primary steering framework for Portigon AG. Of the risks classified as material, pension risk and operational risk were weighted against the risk appetite directly and even under the assumptions made in the stress scenario did not put Portigon AG's risk-bearing capacity in jeopardy (twelve-month risk horizon), whereas strategic risk is not quantified and is weighted directly against the unallocated risk cover.

Portigon AG exceeded the own funds requirement according to the CRR at all times in 2022.

Opportunities Report

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

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

Events after the Reporting Period

No significant events occurred after the close of the fiscal year that are required to be disclosed in the notes pursuant to § 285 No. 33 of the German Commercial Code (HGB).

Outlook

The further structural changes within Portigon AG will continue to have an effect on the company's cash flows, financial condition and results of operations in the coming years. There will be a further reduction in Portigon AG's total assets attributable to final maturities and various termination agreements.

In summary, it should be noted that both the further transformation process and the aforementioned risks remain replete with uncertainty. This may have an adverse effect on the company's cash flows, financial condition and results of operations. Medium-term expectations for Portigon AG indicate that income will remain insufficient to cover the administrative expenses which continue to be incurred at this time. We are proceeding on the assumption that for the 2023 fiscal year Portigon AG will show a loss of around € 30 to € 60 million. The occurrence of additional restructuring expenses and possible expenses arising from risks materialising depends on the further course of the transformation and, among other things, on the development of pension obligations.

Portigon AG Balance Sheet as at December 31, 2022

Assets

	€	€	31. 12. 2022 €	31. 12. 2021 € thousands
1. Cash				
a) balances with central banks		274,473,834.98		385,489
thereof:			274,473,834.98	385,489
with Deutsche Bundesbank				
€ 274,473,834.98 (2021: € 385,489 thousand)				
2. Claims on banks				
a) payable on demand		52,430,575.43		20,784
b) other		237,826,194.15		16,054
			290,256,769.58	36,838
3. Claims on customers			1,061,775,476.19	1,086,473
thereof:				
loans to public authorities and entities				
under public law				
€ 1,061,513,103.99 (2021: € 1,085,338 thousand)				
4. Bonds and other interest-bearing securities				
a) bonds and notes				
aa) of public institutions	336,872,678.57			565,547
thereof:				
eligible as collateral for				
Deutsche Bundesbank advances				
€ 290,038,322.68 (2021: € 520,223 thousand)				
ab) of other issuers	0.00			6,595
		336,872,678.57		572,142
			336,872,678.57	572,142
5. Equity investments in affiliated companies			955,348.23	955
thereof:				
financial services				
€ 180,000.00 (2021: € 180 thousand)				
6. Trust assets			50,657,787.00	50,668
7. Tangible assets			2,005.99	31
8. Other assets			5,973,422.43	24,119
9. Deferred items			16,249,601.33	18,597
Total assets			2,037,216,924.30	2,175,312

Liabilities

	€	€	31. 12. 2022 €	31. 12. 2021 € thousands
1. Liabilities to banks				
a) payable on demand		1,180,000.00		0
			1,180,000.00	0
2. Liabilities to customers				
a) other liabilities				
aa) payable on demand	0.00			24
ab) with agreed maturity or period of notice	44,257,998.23			39,494
		44,257,998.23		39,518
			44,257,998.23	39,518
3. Trust liabilities			50,657,787.00	50,668
4. Other liabilities			244,705,609.80	59,537
5. Deferred items			14,318,150.22	18,911
6. Provisions				
a) for pensions and similar obligations after offsetting against plan assets		742,936,139.82		766,248
b) tax reserve		8,701,008.43		130,811
c) other		221,807,601.48		244,433
			973,444,749.73	1,141,492
7. Subordinated liabilities			430,210,729.90	519,696
8. Equity capital				
a) subscribed capital divided into				
Class A registered shares	658,649,024.01			658,649
Class B registered shares	0.00			0
		658,649,024.01		658,649
b) silent contributions to capital		142,350,546.26		176,629
c) retained loss		–522,557,670.85		–489,787
			278,441,899.42	345,491
Total liabilities			2,037,216,924.30	2,175,312
1. Contingent liabilities				
a) liabilities from guarantees and indemnity agreements		0.00		3,360
			0.00	3,360

Portigon AG Statement of Income

for the Period January 1 to December 31, 2022

	€	€	1. 1.–31. 12. 2022 €	1. 1.–31. 12. 2021 € thousands
1. Interest from				
a) lending and money market transactions	37,120,950.75			31,927
b) interest-bearing securities and				
book-entry securities	2,646,533.32			2,974
		39,767,484.07		34,901
2. Negative interest from				
a) lending and money market transactions		1,059,659.01		2,552
3. Interest paid		18,374,701.50		19,168
			20,333,123.56	13,180
4. Commission income		193,532.72		840
5. Commission paid		448,561.60		776
			–255,028.88	65
6. Other operating income			16,261,028.06	34,877
7. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	6,615,960.92			6,733
ab) compulsory social security				
contributions and expenses for				
pensions and other employee benefits	7,688,138.14			6,573
thereof:		14,304,099.06		13,306
for pensions				
€ 5,481,635.89 (2021: € 3,296 thousand)				
b) other administrative expenses		40,112,805.10		30,779
			54,416,904.16	44,085
8. Depreciation and value adjustments				
on tangible and intangible assets			8,426.38	24
9. Other operating expenses			34,949,478.24	88,651
		To be carried forward:	–53,035,686.04	–84,638

for the Period January 1 to December 31, 2022

	€	€	1. 1.–31. 12. 2022 €	1. 1.–31. 12. 2021 € thousands
		Carried forward:	–53,035,686.04	–84,638
10. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets			13,663,093.52	196
11. Profit or loss on ordinary activities			–66,698,779.56	–84,834
12. Extraordinary income		0.00		11,172
13. Extraordinary expenses		1,371,618.33		177
14. Extraordinary result			–1,371,618.33	10,995
15. Taxes on income and revenues		375.20		–21,761
16. Other taxes not shown under item 10		–1,021,738.42		–1,267
			–1,021,363.22	–23,029
17. Net loss for the year			–67,049,034.67	–50,810
18. Loss carried forward from the previous year			489,786,762.89	464,953
19. Withdrawals from silent contributions to capital			34,278,126.71	25,976
20. Retained loss			–522,557,670.85	–489,787

Notes to the Financial Statements at December 31, 2022

General Information

1. Mandatory Disclosures in Accordance with § 264 (1a) HGB

Portigon AG, which is domiciled in Düsseldorf, Germany, is entered in the commercial register of the Düsseldorf Local Court under No. HRB 42975.

2. Preparation of the Annual Financial Statements

Portigon AG is required to prepare annual financial statements and a management report in accordance with § 242 in conjunction with § 264 of the German Commercial Code (HGB).

The annual financial statements of Portigon AG are prepared in accordance with the provisions of the German Commercial Code (HGB), the Accounting Ordinance for Banks and Financial Services Institutions (RechKredV) and the relevant provisions of the German Stock Corporation Act (AktG). Information which may appear either on the balance sheet or in the Notes has been included in the Notes.

The annual financial statements are submitted to Bundesanzeiger Verlag GmbH, which operates the company register (www.unternehmensregister.de), and are published in accordance with § 325 and § 328 of the German Commercial Code (HGB).

3. Accounting Policies

Assets, liabilities and pending transactions are measured in accordance with §§ 252 et seq. and §§ 340 et seq. of the German Commercial Code (HGB).

Claims are reported at their outstanding principal balances less any unamortised discounts. Liabilities are carried at their settlement amounts, with any related discounts reported as assets under deferred items. Premiums on claims and liabilities are reported under deferred items as an asset or liability, respectively. Beginning with the reporting year, premiums and discounts from issues and lending will be spread over the respective term using the straight-line method due to a lack of materiality. The accrued interest on a claim or liability at year-end is included with the claim or liability to which it applies, except in the case of subordinated liabilities. Issued zero-coupon bonds are carried as liabilities at their issue price plus interest accrued using the straight-line method.

Discernible risks with claims are adequately covered by individual value adjustments and provisions. Latent risks from claims are covered by provision reserves formed in accordance with § 340f of the German Commercial Code (HGB). Due to the lack of future exposures and as a result of a corresponding waiver, Portigon AG's cancellation of its licence to conduct lending business (§1 (1) No. 2 of the German Banking Act (KWG)) was confirmed by the German Federal Financial Supervisory Authority (BaFin) with effect from November 4, 2021. As the volume of exposures established in the past and still existing at the balance sheet date is low, a possibly risk-bearing tranche is of minor significance, which means that for reasons of materiality a general value adjustment within the meaning of Accounting Practice Statement IDW RS BFA 7 is not recognised.

For claims that can be allocated to fixed assets (here: promissory note loan), write-downs to the lower fair value are only recognised if the impairment is expected to be permanent. Where any such claims from long-term investments are recognised at a value above their fair value because of application of the modified lower of cost or market principle, the carrying amount and fair value are disclosed in the Notes.

Securities treated as fixed assets (long-term investments) are measured at cost. Any difference between cost and the redemption amount is recognised on a pro rata basis in income. Where a decline in value is expected to be permanent, they are written down to the lower fair value. Where securities held as long-term investments are carried at a value above their fair value because of application of the modified lower of cost or market principle, the carrying amount and fair value are disclosed separately in the Notes. This information is subject to change over time because of portfolio changes, as well as movements in interest rates and/or market value. Securities held in the liquidity reserve are measured strictly at the lower of cost or market value on the reporting date.

Repurchase agreements and reverse repurchase agreements are combinations of a spot purchase or sale of securities with a simultaneous forward sale or repurchase transaction entered into with the same party. Securities purchased with an obligation to sell (reverse repurchase agreements), and securities sold with an obligation to repurchase (repurchase agreements), are generally regarded as collateralised financial transactions. The securities pledged under repurchase agreements (spot sale) are still recognised as part of the securities portfolio. The cash deposit received as part of the repurchase agreement, including accrued interest, is recognised as a liability. In the case of reverse repurchase agreements, a corresponding receivable is recognised including accrued interest. The underlying securities received in pledge (spot purchase) are not recognised on the balance sheet.

The accounting treatment of structured financial instruments follows the accounting practice statement issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) concerning when and when not to treat the components of structured financial instruments separately for accounting purposes (IDW RS HFA 22).

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

Trust assets and corresponding trust liabilities exclusively comprise investments in closed-end real estate funds that are held in trust and operated in the legal form of a limited partnership. They are recognised as a noted item in the amount of the fixed capital of the limited partners as the respective trustors.

The measurement of financial instruments sometimes requires that management make assumptions and estimates which are based on subjective assessments and inevitably entail forecasting uncertainties. Even when the estimates are based on available information, past experience and other criteria, actual future events may still vary, which can have a not insignificant impact on cash flows, financial condition and results of operations. Portigon AG believes the employed parameters are appropriate and justifiable.

Portigon AG does not have any valuation unit within the meaning of § 254 of the German Commercial Code (HGB) at this time.

In view of the fact that the Bank's downsizing is well advanced, in the context of which the credit licence was returned in November 2021, the accounting practice statement issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) concerning the loss-free valuation of interest-based banking book transactions (IDW RS BFA 3, new version) is no longer applicable to Portigon AG.

Shares in subsidiaries are presented under equity investments in affiliated companies. As the other shares held by Portigon AG do not serve to create a long-term relationship with another company, they are presented under other assets.

Equity investments in affiliated companies are carried at cost. Where a decline in value is expected to be permanent, they are written down to the lower fair value. Existing collateral, particularly guarantees, is taken into account in the measurement of the write-downs. Pursuant to § 340c (2) of the German Commercial Code (HGB), expenses arising from write-downs of equity investments in affiliated companies and securities treated as fixed assets are offset by the income from write-ups as well as by the expenses and income from transactions with such assets.

Tangible assets and intangible assets acquired against payment are depreciated or amortised over their expected useful lives. Low-value assets are measured using the simplification rules under German tax regulations.

As a rule, the other assets are recognised at the lower of cost or market. Claims arising from reinsurance policies included in this item that meet the requirements for offsetting plan assets in accordance with § 246 (2) Sentence 2 of the German Commercial Code (HGB) are measured at their fair value in accordance with § 253 (1) Sentence 4 HGB, which pursuant to Accounting Practice Statement IDW RH FAB 1.021 concerning the commercial-law measurement of provisions for post-employment benefit obligations arising from reinsured direct pension commitments matches the proportionate settlement amount of the corresponding post-employment benefit obligations, and are offset against these.

Liabilities, including subordinated liabilities, are carried at their settlement amount. Securitised liabilities are also reported under subordinated liabilities.

Provisions are recognised at the settlement amount that is required by prudent business judgement. When measuring provisions, companies are required to recognise increases in costs and prices. In the case of pension provisions, this especially means wage and salary increases as well as a pension index. The discounting of provisions with a residual term of over one year is to be done using the average market interest rate of the previous seven fiscal years, taking into consideration the residual maturity of the provisions or their underlying liabilities. In contrast, the ten-year average interest rate is relevant for the discounting of provisions for post-employment benefit obligations. Yield curves are published at the end of each month on the Deutsche Bundesbank website. IDW RH FAB 1.021 defines a matching measurement of the pension provisions and the claims arising from the pension liability reinsurance policies taken out to finance them. For commitments that are only partly reinsured, which is the case for Portigon AG, matching measurement is limited to the amount of the reinsured portion of the pension provisions. The general valuation rules apply to the other portions. Under the valuation option provided for in IDW RH FAB 1.021, Portigon AG decided to measure the claim arising from the pension liability insurance policies at the necessary settlement amount of the corresponding pension provisions (method known as the so-called primacy of liabilities side). Please refer to Note 17 for more information.

As none of Portigon AG’s provisions stem from the banking business, income or expenses arising from changes in the relevant discount rate over the previous year are reported in the other operating result, to the extent that they cannot be ascribed to the extraordinary result.

Any gains or losses arising on the transfer of liabilities in return for consideration in connection with the downsizing of Portigon AG are presented under interest income or interest paid because the difference between the carrying amount of the liability transferred and the consideration arising from the transfer is frequently attributable to interest rates.

The negative interest paid for cash holdings is reported separately in the statement of income in an item added after interest income.

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

All of the transactions in the reporting period and in the previous year between Portigon AG and related parties were conducted on an arm’s length basis. Therefore, there was no need for any disclosures pursuant to § 285 No. 21 of the German Commercial Code (HGB).

Foreign currency translation for assets and liabilities is handled in accordance with the provisions of § 256a and § 340h of the German Commercial Code (HGB). For risk management purposes, Portigon AG places foreign currency positions in specially designated books where they are centrally managed and thus classified as specifically covered. The corresponding expenses and income from translating these specifically covered transactions into the reporting currency are reported on a net basis in other operating expenses or income.

Assets and liabilities denominated in foreign currencies, as well as unsettled spot deals, are translated using the average spot exchange rate effective on the reporting date. Unsettled forward contracts are carried at the market value on that date. Hedged income and expenses are translated at the respective hedging rate. Swap premiums on balance sheet items hedged for foreign exchange risk are deferred and amortised over time. The amortisation amounts are included in the interest result.

Differences between the carrying amounts of assets, liabilities or deferred items and their tax base that are expected to reverse in future fiscal years induce deferred taxes. Any resulting aggregate tax liability must be carried as deferred tax liabilities, whereas any resulting tax benefit may be recognised as deferred tax assets. In addition to the temporary differences, tax loss carryforwards are taken into consideration when calculating deferred tax assets. Portigon generally exercises the option of carrying deferred tax assets in accordance with § 274 (1) Sentence 2 of the German Commercial Code (HGB). However, as it is not sufficiently probable that the tax benefit will be realised in accordance with the forecast of future tax results, no deferred tax asset is actually recognised. Otherwise, use would not be made of the option to present the resulting deferred tax assets and liabilities gross in accordance with § 274 (1) Sentence 3 of the German Commercial Code (HGB).

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

Notes to the Balance Sheet

4. Claims on Banks

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Payable on demand	52.4	20.8
With residual maturities of		
– up to 3 months	150.8	–
– between 3 months and 1 year	75.0	–
– between 1 and 5 years	12.1	16.1
– more than 5 years	–	–
Book value	290.3	36.8

The increase of € 253.5 million in claims on banks is attributable to the conclusion of money market transactions in the amount of € 225.0 million. None of the claims on banks reported on the balance sheet are guaranteed by EAA (previous year: € 4.7 million).

5. Claims on Customers

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
With residual maturities of		
– up to 3 months	13.9	23.0
– between 3 months and 1 year	–	–
– between 1 and 5 years	–	–
– more than 5 years	1,047.8	1,063.5
Book value	1,061.8	1,086.5

Claims on customers include a promissory note loan from the State of North Rhine-Westphalia allocated to fixed assets that is carried at the modified lower of cost or market at the balance sheet date in the amount of € 1,049.6 million (previous year: € 1,065.3 million). The fair value of this holding is € 796.5 million (previous year: € 1,274.0 million). This led to hidden liabilities in the amount of € 253.1 million. Since a default risk of the public issuers is not probable and Portigon AG intends to hold the promissory note loan until maturity, no impairment is recognised.

6. Bonds and Other Interest-Bearing Securities

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Book value	336.9	572.1
thereof:		
amounts becoming due before December 31 of the following fiscal year	–	2.1
Breakdown by product		
– bonds and notes of public-sector issuers	336.9	565.5
– bonds and notes of other issuers	–	6.6
Breakdown by marketability		
– marketable securities	336.9	572.1
thereof:		
– listed on a stock exchange	290.0	526.8
– not listed on a stock exchange	46.8	45.3

The decrease is mainly attributable to the sale of a position in the course of the year.

The bonds and other interest-bearing securities have been assigned to the investment portfolio, which makes them part of fixed assets. At the balance sheet date, financial investments in the amount of € 336.9 million (previous year: € 1.9 million) were carried at the modified lower of cost or market. The fair value of these holdings is € 309.1 million (previous year: € 1.9 million). This led to hidden liabilities in the amount of € 27.8 million. Since a default risk of the public issuers is not probable and Portigon AG intends to hold the bonds until maturity, no impairment is recognised.

There are no securities issued by affiliated companies (previous year: € 6.6 million).

7. Equity Investments in Affiliated Companies

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Book value	1.0	1.0
thereof:		
– financial services institutions	0.2	0.2

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

8. Trust Assets

Trust assets exclusively comprise investments in closed-end real estate funds that are held in trust and allocated to other assets in the amount of € 50.7 million (previous year: € 50.7 million).

9. Fixed Assets

€ millions	Bonds and other interest-bearing securities	Equity investments in non-affiliated companies	Equity investments in affiliated companies	Intangible assets	Office equipment
Acquisition/production costs Dec. 31, 2021	572.1	–	1.0	–	0.1
Additions				–	–
Retirements				–	0.1
Reclassifications				–	–
Effects from currency conversion				–	–
Acquisition/production costs Dec. 31, 2022				–	–
Cumulated write-downs Dec. 31, 2021	Net change pursuant to § 34 (3) Sentence 2 RechKredV; € –235.3 million			–	0.1
Depreciation in the fiscal year				–	–
Appreciation				–	–
Retirements				–	0.1
Reclassifications				–	–
Effects from currency conversion				–	–
Cumulated write-downs Dec. 31, 2022				–	–
Book value Dec. 31, 2022	336.9	–	1.0	–	–
Book value Dec. 31, 2021	572.1	–	1.0	–	–

There were no write-downs of any securities treated as fixed assets in 2022, since no permanent impairment was expected.

10. Other Assets

Other assets totalling € 6.0 million are reported at December 31, 2022 (previous year: € 24.1 million) and consist primarily of tax refund claims.

11. Deferred Items

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Deferred items from reclassification of trading positions	12.5	15.7
Discounts from liabilities	–	0.7
Other	3.7	2.3
Book value	16.2	18.6

The deferred items resulting from the reclassification of trading positions at Portigon AG in 2012 are predominantly the amortising market values of swaps previously assigned to the trading portfolio as well as the amortising premiums and discounts from money market transactions that were assigned to the trading portfolio prior to the reclassification.

12. Assets Sold under Repurchase Agreements

There were no assets sold under repurchase agreements reported under any item in the balance sheet at the reporting date.

13. Liabilities to Customers

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Payable on demand		
With residual maturities of		
– up to 3 months	4.0	3.4
– between 1 and 5 years	40.3	36.1
Book value	44.3	39.5
thereof:		
– liabilities to affiliated companies	–	0.0

14. Trust Liabilities

Trust liabilities comprise only the compensation liabilities to trust assets.

15. Other Liabilities

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Book value	244.7	59.5
thereof:		
– loan State of North Rhine-Westphalia	192.0	–
– tax liabilities	48.7	48.8
– accrued interest for subordinated liabilities	3.9	9.7
– offsetting item from the valuation of currency transactions	–	0.9

The increase in other liabilities of € 185.2 million to € 244.7 million mainly results from the drawdown of the revolving loan facility granted to Portigon AG by the State of North Rhine-Westphalia in a loan agreement dated April 15, 2021.

16. Deferred Items

The deferred items in the amount of € 14.3 million (previous year: € 18.9 million) resulting in particular from the reclassification of trading positions at Portigon AG in 2012 largely correspond to the amortising market values of swaps previously assigned to the trading portfolio as well as the amortising premiums and discounts from money market transactions that were assigned to the trading portfolio prior to the reclassification.

17. Provisions

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

	Dec. 31, 2022
Discount rate	1.79%
Wage and salary index	3.50%
Pension index	2.00%
Fluctuation	5.00%
Mortality tables	Heubeck-Richttafeln 2018 G

Pension liability insurance policies have been concluded to hedge in part the post-employment benefit obligations and other pension obligations reported under other provisions to individual beneficiaries of Portigon AG. Insofar as the entitlements under these pension liability insurance policies are exempt from access by all other creditors and serve exclusively to settle liabilities from post-employment benefit obligations and similar long-term liabilities, these plan assets are offset against the liabilities in accordance with § 246 (2) Sentence 2 of the German Commercial Code (HGB). In accordance with Accounting Practice Statement IDW RH FAB 1.021, which requires a matching measurement of reinsured pension provisions and claims arising from the pension liability insurance policies taken out to finance them, Portigon AG measures the claims arising from the pension liability insurance policies at the necessary settlement amount of the corresponding pension provisions. The so-called primacy of liabilities side method was used for the measurement. Please refer to Note 3 for more information. The liabilities in question were carried in the amount of the excess of liabilities over assets remaining after offsetting as follows:

	Plan Assets		Associated Liabilities	
€ millions	Acquisition cost	Fair value	before offsetting	after offsetting
Post-employment benefit obligations	47.4	34.8	777.7	742.9
Other pension liabilities	0.4	0.4	89.3	88.9
Total	47.7	35.1	867.0	831.9

At the balance sheet date, the fair value of the plan assets of € 35.1 million calculated by applying IDW RH FAB 1.021 is lower than their cost of € 47.7 million. As in the previous year, there were consequently no non-distributable amounts pursuant to Section 268 (8) of the German Commercial Code (HGB).

Provisions for post-employment benefit obligations are measured using the average market interest rate for the past ten fiscal years (1.79%) in accordance with § 253 (2) Sentence 1 of the German Commercial Code (HGB). Measurement applying the seven-year average interest rate (1.45%) leads to the following difference at the balance sheet date in accordance with § 253 (6) of the German Commercial Code (HGB) (based on the obligations before offsetting against plan assets within the meaning of § 246 (2) Sentence 2 of the German Commercial Code (HGB)):

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Measurement of obligations using the ten-year average interest rate	777.7	798.5
Measurement of obligations using the seven-year average interest rate	815.9	860.3
Difference in accordance with § 253 (6) HGB	38.3	61.9

The entire difference is non-distributable in accordance with § 253 (6) Sentence 3 of the German Commercial Code (HGB). Please refer to Note 20.

Income of € 2.5 million from the adjustment of plan assets from ongoing valuation in accordance with IDW RH FAB 1.021 (previous year: expense of € 16.1 million on initial application) was partially offset against interest cost on provisions (€ 0.8 million) and partially against expenses for post-employment benefit obligations (€ 1.7 million).

Tax provisions of € 8.7 million (previous year: € 130.8 million) relate exclusively to tax audit risks in Germany and abroad.

Portigon AG's other provisions consist of provisions for restructuring of € 43.1 million (previous year: € 54.4 million), personnel-related provisions of € 89.4 million (previous year: € 107.0 million) and miscellaneous provisions of € 89.4 million (previous year: € 82.9 million).

The item miscellaneous provisions contains, among other things, € 50.8 million (previous year: € 51.5 million) for the obligation to indemnify arising from an assumption of the obligation to perform vis-à-vis Erste Financial Services GmbH (EFS). By way of an agreement dated February 17, 2016, Portigon AG transferred all interests in its service subsidiary EFS to EAA. By way of an assumption of an obligation to perform in an agreement dated April 4, 2016 and with effect from the transfer date (December 31, 2015), Portigon AG assumed for EFS's benefit the pension liabilities from entitlements under pension plans vested up until the expiry of the termination date (but not beyond December 31, 2020) arising from pension commitments by EFS in existence at the transfer date. By way of an agreement dated December 11, 2017, the obligation to indemnify vis-à-vis the employment contracts of EFS employees transferred to a third party as of December 1, 2017 in accordance with § 613a of the German Civil Code (BGB) was reversed in some cases. All liabilities incurred by Portigon AG to cover the post-employment benefit obligations of the employees affected by the transfer of the EFS business expire from this date. Portigon AG's obligation to indemnify that was assumed against payment and arose from the assumption of the obligation to perform does not constitute a pension obligation or a similar obligation. Consequently, this shall be measured using the general principles for provisions. The one-time fee received was recognised at the acquisition date. In subsequent measurement, the obligation will be added to the carrying amount by applying the interest rate underlying this consideration. At the balance sheet date, the measurement in accordance with actuarial principles using the projected unit credit method and discounted using the seven-year average interest rate exceeded the amortised cost plus accrued interest. The liability was carried at this higher amount.

Furthermore, the item miscellaneous provisions contains, among other amounts, € 2.2 million (previous year: € 1.8 million) for reimbursement commitments relating to the pension obligations transferred to NRW.BANK in 2013 (service cost) and € 15.7 million (previous year: € 1.7 million) for potential litigation risks.

The € 24.3 million (previous year: € 67.1 million) in interest cost on provisions unrelated to banking operations of Portigon AG is reported in other operating expenses.

18. Subordinated Liabilities

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Book value	430.2	519.7
thereof:		
– to affiliated companies	–	341.9

On February 9, 2022, Portigon AG approved with immediate effect a buy-back programme enabling it to repurchase bonds issued by Portigon AG itself or by its subsidiary Portigon Finance Curaçao N.V. on the open market or in private transactions. In the process of the Bank's further restructuring, Portigon Finance Curaçao N.V. was substituted as issuer by the substitute debtor Portigon AG with effect from September 1, 2022 (substitution of the issuer). This substitution does not affect Portigon AG's buy-back programme, which remains in effect. This resulted in an increase in liabilities arising from bonds combined with a disposal of the total amount of liabilities to affiliated companies shown under the item subordinated liabilities. The reason for this is that the substitution of issuer was effected by means of an assumption of debt with full discharge by way of compensation. As consideration for the obligations assumed by Portigon AG under the bearer bonds issued by Portigon Finance Curaçao N.V. at the time, the latter waived its claims under the subordinated loans (deposits) that it had awarded to Portigon AG by transferring the proceeds from the issue.

Of the total subordinated liabilities, € 22.7 million (previous year: € 65.7 million) at Portigon AG have a residual maturity of less than two years. The original maturities range from 15 to 35 years.

Portigon AG incurred interest expense of € 15.5 million in connection with its subordinated liabilities (previous year: € 13.7 million). The subordinated liabilities carried by Portigon AG itself comply with the requirements of Article 63 of the CRR; the right to terminate the liabilities without notice has not been reserved.

The following raised funds exceed 10% of the total subordinated liabilities at December 31, 2022:

Currency	Amount	Interest rate	Maturity
JPY	10,000,000,000	4.360%	March 23, 2029
EUR	58,440,000	0.962%	January 24, 2041

The terms of issue prohibit a premature repayment obligation for these subordinated liabilities. A premature termination option has not been granted to either Portigon AG or the creditors.

19. Equity Capital

The share capital of Portigon AG amounted to € 658.6 million as at December 31, 2022 (previous year: € 658.6 million). As in the previous year, it was divided into 29,977,481 no-par value registered Class A shares at the reporting date. The notional portion of each no-par value share is around € 21.97 (previous year: € 21.97). All shares carry the same voting rights. For information concerning our current shareholder structure, please see Note 37.

Portigon AG is reporting a net loss for the 2022 fiscal year of € 67.0 million (previous year: € 50.8 million).

Portigon AG issued silent contributions to capital in 2005, with one tranche totalling USD 300.0 million and the other € 240.0 million (for a combined total of € 469.4 million). The agreements concerning these silent contributions to capital provide that the silent partners shall share in an annual balance sheet loss in the proportion which the book value of the silent contribution bears to the aggregate book value of all loss-sharing components of the Bank's liable core capital. The silent partners are being allocated a portion of the relevant loss for 2022 equal to € 4.2 million (previous year: € 3.2 million).

Pursuant to the agreement of December 12, 2009 concerning a silent participation, the Financial Market Stabilisation Fund (FMS) paid its entire silent contribution to capital in the amount of € 3,000.0 million in three instalments over the course of the 2009 and 2010 fiscal years. The parties executed agreements that were dated August 22, 24 and 25, 2012 and had an effective transfer date of September 1, 2012, under which they agreed to a partial sale of FMS's silent contribution to capital to the State of North Rhine-Westphalia (NRW) with a prorated original nominal value of € 1,000.0 million and an actual prorated nominal value of € 893.2 million due to loss participations in prior years. The original agreement on establishing the silent partnership was not amended and still provides for the silent partner's participation in any annual balance sheet loss, in proportion to the share the nominal value of the contribution bears to the total carrying value of all liable capital elements participating in the loss (§ 10 (2a), (4) and (5) of the old version of the German Banking Act (KWG)). The total amount the silent partners can absorb from losses is limited to the amount of their silent contributions to the capital. The silent partners are being allocated a portion of the relevant loss for 2022 equal to € 30.0 million (previous year: € 22.8 million). Portigon AG's Managing Board was authorised by the extraordinary shareholders' meeting held on April 23, 2010 to grant FMS the option of converting all or part of the silent contribution to capital into shares of Portigon AG. To this end, a new class of shares was created (originally Class C, now Class B), with a preferred dividend of 10%, a preferred stake in any proceeds from the sale of divisions and subsidiaries, and senior ranking in the event of liquidation. FMS's stake may not exceed 49.9% of the share capital. The agreement on the granting of the conversion right was signed in April 2010. As a result of the partial sale of the silent contribution to capital to NRW, the agreement on the conversion right was amended by an agreement of August 26, 2012, including the restated agreement between FMS and Portigon AG concerning the granting of a conversion right. The amended agreements are consistent with previous agreements. This includes, in particular, the provisions on the possibility of exercising the conversion right, on determining the number of new shares to be issued and their relationship to the shares issued prior to the conversion, on the maximum stake in the share capital of 49.9% and the new Class B, formerly Class C, preferred shares. FMS is the only party that can exercise the conversion right. Thus far, it has not been exercised.

On the basis of a loss carryforward from the previous year of € 489.8 million, a loss of € 522.6 million remains after loss allocation, including the loss participation of the profit participation certificate holders and silent partners.

	Balance Dec. 31, 2021 € millions	Capital increase € millions	Withdrawals/ loss allocation € millions	Other appropriation € millions	**Balance Dec. 31, 2022 € millions**
Subscribed capital	658.6	–	–	–	658.6
Capital reserves	–	–	–	–	–
Revenue reserves	–	–	–	–	–
Silent contributions to capital					
– issued in 2005	21.8	–	–4.2	–	17.6
– issued in 2009/2010	154.8	–	–30.0	–	124.8
Retained loss	–489.8	–	–32.8	–	–522.6
Equity capital pursuant to the German Commercial Code (HGB)	345.5	–	–67.0	–	278.4

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

20. Non-Distributable Amounts

An amount of € 38.3 million (previous year: € 61.9 million) resulting from the difference between the recognition of provisions for post-employment benefit obligations with the average market interest rate of the past ten fiscal years and the corresponding average market interest rate of the previous seven fiscal years is barred from distribution. Please refer to Note 17.

21. Liability for Pre-Existing Commitments – Grandfathering

In line with the agreement reached between the German government and the European Commission on July 17, 2001, Article 1 § 11 of the Act on Redefining the Legal Status of Public-Law Banking Institutions in North Rhine-Westphalia (Gesetz zur Neuregelung der Rechtsverhältnisse der öffentlich-rechtlichen Kreditinstitute in Nordrhein-Westfalen) stipulated that the public-law liability mechanisms of institutional liability and guarantor liability would no longer apply to new liabilities and commitments entered into by Portigon AG after a transitional period which ended on July 18, 2005.

The grandfathering rules for guarantor liability on commitments agreed to prior to July 19, 2005 are as follows:

- All liabilities incurred by Portigon AG on or before July 18, 2001 are fully covered by guarantor liability until the time they mature.

- Guarantor liability will remain in effect in its original form for all liabilities incurred by Portigon AG from July 19, 2001 to July 18, 2005, so long as the liabilities mature by December 31, 2015; if they mature after the deadline, guarantor liability will not apply.

The guarantors of the former Westdeutsche Landesbank Girozentrale will completely satisfy the obligations arising from their guarantor liability with respect to Portigon AG as soon as they have properly determined and set forth in writing at the time a liability matures that the creditor of such liability cannot be satisfied from Portigon AG's assets. That explicitly includes the possibility of servicing debts precisely at the same time they fall due. The giving of a notice as normally required under aid law is not necessary.

Portigon AG had € 475.7 million (previous year: € 506.4 million) in liabilities which were still grandfathered at December 31, 2022. A € 43.1 million (previous year: € 38.7 million) portion of that relates to a liability that is economically hedged by EAA through a guarantee agreement.

22. Foreign Currency Assets/ Foreign Currency Liabilities

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Foreign currency assets	105.6	101.4
Foreign currency liabilities	258.4	279.1

Notes to the Statement of Income

23. Geographic Breakdown of Income Components

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

1. 1.–31. 12. 2022 € millions	Interest Income	Current Income	Commission Income	Other Operating Income
Germany	37.7	–	0.2	16.1
Abroad	2.1	–	–	0.2
Amount reported on the Statement of Income	39.8	–	0.2	16.3

Following the closure of the branches in New York and London in the reporting year, revenue is now broken down into country groups instead of a geographical allocation by the branch's location.

24. Administrative and Custodial Services

The services rendered on behalf of third parties entail trust management services for investment portfolios.

25. Interest Income

Interest income of € 39.8 million (previous year: € 34.9 million) results from interest rate swaps of € 17.9 million (previous year: € 17.2 million) and an amount of € 14.7 million (previous year: € 15.0 million) that was mainly attributable to the promissory note loan from the State of North Rhine-Westphalia recognised under claims on customers and held for hedging pension obligations.

26. Interest Paid

Interest paid of € 18.4 million (previous year: € 19.2 million) mostly arises from subordinated liabilities in the amount of € 15.5 million (previous year: € 13.7 million).

27. Other Operating Result

Other operating income	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Amount reported on the Statement of Income	16.3	34.9
thereof:		
Income from reversal of other provisions	8.8	14.4
Income from foreign-exchange forward contracts	5.1	1.1
Result from foreign currency translation	0.2	11.8

Other operating expenses	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Amount reported on the Statement of Income	34.9	88.7
thereof:		
Expenses from the discounting of provisions	24.3	67.4
Expense from repurchase of subordinated bond issues	6.3	–
Effect from pension liability insurance	–	14.9

The net figure for other operating expenses and income came to € –18.6 million at the reporting date (previous year: € –53.8 million) and is principally due to the interest cost on provisions, which is lower than in the previous year, as well as to expenses for repurchases of subordinated bonds.

28. Extraordinary Result

Portigon AG reported an extraordinary result of € –1.4 million (previous year: € 11.0 million).

The result is attributable to the addition to provisions in connection with the company’s restructuring.

Other Information

29. Contingent Liabilities

Contingent Liabilities and Other Commitments

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Liabilities from guarantees and indemnity agreements	–	3.4

30. Off-Balance-Sheet Items

Provision of Collateral for Own Liabilities

Portigon AG has assigned or pledged the following asset volumes to third parties in order to secure its own liabilities:

	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions
Pledged pension liability insurance policies for hedging of pension and similar obligations	35.1	32.6
Own securities pledged to other banks or customers	–	1.9
Total assets pledged	35.1	34.5

Outsourcing

Portigon AG outsourced the maintenance, operation and development of the IT infrastructure and applications to EFS until December 31, 2022. By June 30, 2022, the IT applications had been largely discontinued and were definitively archived by the end of 2022. Datagroup BIT Düsseldorf GmbH took over the IT infrastructure services until October 31, 2022.

Portigon AG also outsourced activities in relation to loan administration, operations including security settlement, regulatory reporting and risk services. These services were outsourced until October 31, 2022 as well, but were mostly discontinued by June 30, 2022 (with the exception of regulatory reporting until September 30, 2022).

Portigon AG subsequently outsourced banking activities in the form of market valuations for financial instruments, stress tests and reporting to Mount Street Portfolio Advisers GmbH as at July 1, 2022.

In addition to stability in operations, the aim of outsourcing is, on the basis of a comprehensive analysis of profitability and risk, to improve efficiency and cut costs on a sustainable basis. All outsourcing satisfies the requirements of § 25b of the German Banking Act (KWG) and MaRisk. The outsorcing procedures are regularly reviewed for potential risks and adjusted as required.

31. Other Financial Obligations

Deposit Insurance and Other Insurance Mechanisms

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

The insurance scheme of the Sparkassen-Finanzgruppe consists of eleven funds belonging to the regional savings banks and giro associations, the security reserve (guarantee fund) of the Landesbanken and Girozentralen and the security fund of the Landesbausparkassen, which together form a system of joint liability. There are rules and regulations governing the relationships between regional and national funds which provide for offsetting in cases where coverage is claimed (so-called overflow agreements). Based on the current legal environment, on the assumption that there will be no further cases in which coverage is claimed and on the contribution system of the security reserve (guarantee fund), Portigon AG, having completed the transfer of the imputable sums to the affiliated fund, had no additional funding obligation at the end of the 2022 fiscal year nor for the foreseeable future and will not have to make additional contributions until further notice.

Other Contingent Liabilities

The deficit resulting from indirect pension obligations not carried on the balance sheet within the meaning of Article 28 (2) of the Introductory Act to the German Commercial Code (EGHGB) was € 235.7 million (previous year: € 209.3 million).

Portigon AG has rental and leasing obligations and other obligations totalling € 3.0 million (previous year: € 12.1 million). The agreements have residual maturities of a maximum of twelve years.

32. Forward Transactions/Derivatives

The derivative transactions break down into the following product categories:

- Products based on interest rates
- Products based on exchange rates

The total volume in nominal terms is € 411 million (previous year: € 495 million).

OTC Products, thereof:	Nominal Values		Positive Market Values		Negative Market Values	
	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions	**Dec. 31, 2022 € millions**	Dec. 31, 2021 € millions	**Dec. 31, 2022 € millions**	Dec. 31, 2021 € millions
Products based on interest rates	159	226	20	66	–	–
Products based on exchange rates	252	269	19	22	1	1
Total derivatives	411	495	39	88	1	1

We capture book values of derivatives (non-trading-portfolio items), which are relevant only with respect to interest payment components, as claims on banks and customers and assets under deferred items as well as liabilities to banks and customers and liabilities under deferred items.

Nominal Amounts	Products Based on Interest Rates		Products Based on Exchange Rates	
	Dec. 31, 2022 € millions	Dec. 31, 2021 € millions	**Dec. 31, 2022 € millions**	Dec. 31, 2021 € millions
Residual maturity				
– up to 3 months	–	36	171	193
– 1 to 5 years	–	9	–	–
– more than 5 years	159	181	81	76
Total	159	226	252	269

33. Remuneration of the Governing Bodies

	2022 € millions	2021 € millions
Total remuneration of the Managing Board	0.7	0.7
fixed	0.7	0.7
performance-based	–	–
departure-related	–	–
from holding supervisory board seats at Group subsidiaries	–	–
Total remuneration of former Managing Board members and their survivors	6.3	6.2
Total remuneration of Supervisory Board members	0.1	0.1
fixed	0.1	0.1
performance-based	–	–
performance-based with long-term incentive effects	–	–
Pension provisions for Managing Board members who actively served during the fiscal year[1]	3.4	3.2
Pension provisions for former Managing Board members and their survivors[1]	115.4	117.4

[1] before offsetting against the related plan assets

The members of the Supervisory Board received total remuneration of € 84,000 in the year under review (previous year: € 85,000), which was disbursed in the following fiscal year.

Remuneration of the Members of the Managing Board

	Period	Fixed remune-ration[1] €	Perfor-mance-based remune-ration €	Remune-ration with long-term incentive effects €	Remune-ration from seats at Group subsidiaries €	**Total remune-ration €**	Obligation/ present value of pension commitments as of Dec. 31, 2022 €	**Additions to/ subtractions from pension commitments in 2022 €**
Seyfert, Frank	1. 1.–31. 12. 2022	361,236	–	–	–	361,236	2,866,719	163,865
Glaß, Barbara	1. 1.–31. 12. 2022	340,722	–	–	–	340,722	497,818	33,790
Managing Board total	1. 1.–31. 12. 2022	701,958	–	–	–	701,958	3,364,537	197,655

[1] including non-cash compensation, taxes and the employer portion of social security contributions

Remuneration of the Members of the Supervisory Board

	Period	Fixed remuneration €	Performance-based remuneration €	Total remuneration €
Brockhaus, Ernst-Albrecht	1. 1.–29. 9. 2022	12,296	–	12,296
Forst, Eckhard	1. 1.–31. 12. 2022	21,500	–	21,500
Heilgenberg, Gerhard	30. 9.–31. 12. 2022	4,204		4,204
Hock, Gudrun	1. 1.–31. 12. 2022	11,500	–	11,500
Huth, Jutta M.	1. 1.–31. 12. 2022	11,500	–	11,500
Möbius, Christian	1. 1.–31. 12. 2022	11,500	–	11,500
Stemper, Dr. Peter	1. 1.–31. 12. 2022	11,500	–	11,500
Subtotal		84,000	–	84,000
Lump-sum reimbursement of out-of-pocket expenses				–
Value-added tax on amounts paid				–
Supervisory Board total				84,000

34. Loans to Members of the Governing Bodies

No advances or loans were granted to members of the Managing Board or Supervisory Board of Portigon AG.

35. Audit Fees

	2022 € millions	2021 € millions
Auditing the annual financial statements	0.4	0.4
Other auditing services	0.0	0.0
Total	0.4	0.4

In addition to the expenses for statutory audits, the audit fees include in particular the expenditure for the audit of the reporting in connection with the risk monitoring of the security reserve (guarantee fund) of the Landesbanken and Girozentralen.

36. Number of Employees

The average number of employees in 2021 was as follows:

	Male	Female	Total 2022	Total 2021
Domestic companies/branches	29	23	52	53
Foreign companies/branches	2	1	3	11
Total	31	24	55	64

37. Shareholdings in Portigon AG

Shareholders	Investment Quota	
	Dec. 31, 2022 in %	Dec. 31, 2021 in %
State of North Rhine-Westphalia	76.90	76.90
NRW.BANK	23.10	23.10
Total	100.00	100.00

The State of North Rhine-Westphalia notified us pursuant to § 20 (4) of the German Stock Corporation Act (AktG) that it directly holds a majority stake in our company. The State of North Rhine-Westphalia also notified us that the shares in Portigon AG held by NRW.BANK, which is an enterprise that the State of North Rhine-Westphalia controls, are to be attributable to it pursuant to § 16 (4) of the German Stock Corporation Act (AktG).

38. Seats Held by Members of the Managing Board

In 2022, no members of the Managing Board of Portigon AG were chairpersons or members of a large corporation's supervisory body within the meaning of § 340a of the German Commercial Code (HGB).

39. Seats Held by Employees

Seats held by employees of Portigon AG

In 2022, no employees were chairpersons or members of a large corporation's supervisory body within the meaning of § 340a (4) No. 1, in conjunction with § 267 (3), of the German Commercial Code (HGB).

40. Governing Bodies of Portigon AG

Portigon AG Managing Board

Frank Seyfert
Chairman

Ernst-Albrecht Brockhaus
Since January 1, 2023

Barbara Glaß
Until March 31, 2023

Portigon AG Supervisory Board

Eckhard Forst
Chairman
Chairman of the Managing Board
NRW.BANK
Düsseldor

Gerhard Heilgenberg
Deputy Chairman
Ministerialdirigent (retired)
Düsseldorf
Since September 30, 2022

Ernst-Albrecht Brockhaus
Deputy Chairman
Banker
Gummersbach
Until September 29, 2022

Gudrun Hock
Consultant
Düsseldorf

Jutta M. Huth
Banker
Portigon AG
Düsseldorf

Christian Möbius
Lawyer
Cologne

Dr. Peter Schad
Lawyer
Munich
Since February 1, 2023

Dr. Peter Stemper
Bank Director
NRW.BANK
Düsseldorf

41. Shareholdings

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

No.	Name	Place	Stake in %	Voting Rights in %[1]	Currency Code	Share Capital € thousands	Result € thousands
1	Portigon Europe (UK) Holdings Limited[3]	London, United Kingdom	100.00		GBP	0.84	–7.26
2	Portigon Finance Curaçao N.V.[4]	Willemstad, Curaçao	100.00		EUR	205.90	–61.58
3	Portigon Property Services Limited[2 3]	London, United Kingdom	100.00		GBP	0.00	0.00
4	Portigon Versorgungskasse GmbH[3]	Düsseldorf	100.00		EUR	25.00	0.00
5	Treuhand- und Finanzierungsgesellschaft für Wohnungs- und Bauwirtschaft mit beschränkter Haftung, Treufinanz[3]	Düsseldorf	65.41	66.37	EUR	1,433.72	–192.62

[1] insofar as this deviates from the stake in the capital
[2] indirectly held
[3] data as of Dec. 31, 2021
[4] data as of Sept. 30, 2022, company in liquidation

Düsseldorf, March 9, 2023

Portigon AG
The Managing Board

Frank Seyfert Ernst-Albrecht Brockhaus Barbara Glaß

Independent Auditor’s Report

To Portigon AG

Opinions

We have audited the annual financial statements of Portigon AG, Düsseldorf, which comprise the balance sheet as at December 31, 2022, the statement of income for the fiscal year from January 1, 2022 to December 31, 2022 and the notes to the annual financial statements, including a summary of the accounting policies. In addition, we have audited the management report of Portigon AG for the fiscal year from January 1, 2022 to December 31, 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and, in compliance with German accepted accounting principles, give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2022, and of its financial performance for the fiscal year from January 1, 2022 to December 31, 2022, and

- the accompanying management report as a whole provides an appropriate view of the company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Other Information

The supervisory board is responsible for the “Report of the Supervisory Board”. The executive directors are responsible for the other information. The other information comprises the following parts of the annual report, of which we obtained a copy prior to issuing this auditor’s report, in particular: “Report of the Supervisory Board”, “Portigon Key Figures”, “Corporate Governance at Portigon AG” and the overview entitled “Locations”.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions and that the annual financial statements, in compliance with German accepted accounting principles, give a true and fair view of the assets, liabilities, financial position and financial performance of the company. In addition, the executive directors are responsible for such internal control as they have determined necessary in accordance with German accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless actual or legal conditions require otherwise.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions; The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German accepted accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, March 9, 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Mai	Vogt
Wirtschaftsprüfer (German public auditor)	Wirtschaftsprüfer (German public auditor)

Report of the Supervisory Board

The 2022 fiscal year, as in the case of the preceding years, was dominated by the downsizing of Portigon AG in accordance with the conditions set by the European Commission in 2011. Total assets fell by 6.3% year-on-year to € 2,037.2 million at December 31, 2022. The average number of employees declined by 13.1%, from 56 (full-time equivalent) at the end of 2021 to 49 (full-time equivalent) at December 31, 2022.

Portigon AG is no longer represented outside Germany. The branches in London and New York were completely closed in the first half of 2022.

As in the previous years, the downsizing measures were regularly discussed by the Supervisory Board.

The investigation launched by the Düsseldorf Public Prosecutor's Office in 2016 and transferred to the Cologne Public Prosecutor's Office in 2020 in connection with dividend arbitrage transactions of the former WestLB significantly shaped the Supervisory Board's work again in the 2022 fiscal year. In addition to the regular, intensive discussions in the Supervisory Board with the participation of internal and external legal advisors, there were also regular written and telephone exchanges on this topic. The members of the Supervisory Board held extraordinary meetings as needed.

In the 2022 financial year, the Supervisory Board comprised six members: Eckhard Forst (Chairman), Ernst-Albrecht Brockhaus until September 29 (member and Deputy Chairman), Gerhard Heilgenberg since September 30 (member and Deputy Chairman), Gudrun Hock, Jutta M. Huth, Christian Möbius and Dr. Peter Stemper. Ernst-Albrecht Brockhaus, Jutta Huth and Christian Möbius were reappointed by the shareholders' meeting on March 30, 2022; Ernst-Albrecht Brockhaus was confirmed by the Supervisory Board in his capacity as Deputy Chairman. In view of his appointment on September 29 as a member of the Managing Board of Portigon AG effective January 1, 2023, Ernst-Albrecht Brockhaus stepped down from the Supervisory Board with immediate effect. The shareholders' meeting thereupon appointed Gerhard Heilgenberg as the new Supervisory Board member on September 30, 2022; the Supervisory Board elected him as its Deputy Chairman. On January 27, 2023, the shareholders' meeting of Portigon AG resolved to increase the number of Supervisory Board members from six to seven and to appoint Dr. Peter Schad as a further member of the Supervisory Board with effect from the entry of the corresponding amendment to the Articles of Association in the commercial register of Portigon AG, which took place on February 1, 2023. Jutta Huth subsequently stepped down from the Supervisory Board at her own request with effect from the end of the annual shareholders' meeting on March 29, 2023; the Supervisory Board thereupon proposed to the shareholders' meeting at its meeting on March 29, 2023 to appoint Dr. Winfred Bernhard, Ministerialdirigent, as her successor at its next meeting.

Supervision and Advising of Management

In the 2022 fiscal year, the Supervisory Board held a total of six meetings for the purposes of advising the Managing Board, supervising its management of the company, adopting the necessary resolutions and actively supporting the company within the scope of the tasks required of supervisory boards by law. These meetings were held on March 30, June 15, September 2, September 29, November 21 and December 14. In addition, the Supervisory Board adopted a resolution on the topic of D&O insurance of Portigon AG on August 12 by means of a written circular resolution.

The Supervisory Board consistently performed its duties in relation to the supervision and advising of the Managing Board in full keeping with the statutory provisions as well as the Bank's Articles and Bylaws. The Managing Board provided the Supervisory Board with detailed reports on a continuous basis so that the latter could fulfil these tasks. All important aspects of planning, the course of business, company management and strategy, particularly the business, risk and IT strategy, the investigation in connection with dividend arbitrage transactions and related aspects, as well as material events and transactions, were covered. Decisions and transactions requiring the Supervisory Board's approval were given. The Chairman and Deputy Chairman of the Supervisory Board and the Chairman of the Managing Board also regularly discussed current issues and Managing Board decisions. Furthermore, the Supervisory Board regularly discussed issues with relevance for risk and auditing based on the quarterly reports on the risk situation and the annual and quarterly information provided by Internal Audit pursuant to § 25c of the German Banking Act (KWG). It also regularly discussed matters relating to the Managing Board and received continuous updates on the company's planned further transformation and downsizing process.

At its meeting on March 30, the Supervisory Board adopted the 2021 annual financial statements in addition to the usual meeting topics following the corresponding report by the external auditors, Ernst & Young GmbH. It also resolved on the "Report of the Supervisory Board for 2021" and the "Corporate Governance Report in the 2021 Annual Report" of Portigon AG. Furthermore, the Supervisory Board gave its recommendation to the shareholders' meeting to appoint Ernst & Young GmbH as the external auditors for the 2022 fiscal year and to ratify the acts of the Managing Board and Supervisory Board for the 2021 fiscal year. In addition, the Supervisory Board gave its recommendation to the shareholders' meeting to resolve an amendment to the Articles of Association and an adjustment of the remuneration structure for the Supervisory Board for the 2022 fiscal year onwards.

At its meeting on June 15, the Supervisory Board addressed ongoing issues and also discussed the outcome of the Supervisory Board's efficiency review. At its meeting on September 2, the Supervisory Board discussed matters relating to the Managing Board. On September 29, the Supervisory Board discussed audit matters, among other things, and was briefed by the Managing Board on the preparatory work for the award of the annual financial statement audit for the 2023 to 2026 fiscal years. A further extraordinary Supervisory Board meeting was held on November 21 to discuss the topic of dividend arbitrage transactions, mostly the pursuit of recourse claims. At the meeting on December 14, in addition to the usual reporting items, the Supervisory Board took cognizance of the updated planning for the years 2022 to 2026 and received a progress report on the award of the annual financial statement audit for the years 2023 to 2026.

Audit of the Affiliated Company Report

Pursuant to § 313 (1) of the German Stock Corporation Act (AktG), Ernst & Young GmbH, as the statutory auditor, submitted an audit report on the report on relations with affiliated companies for the period from January 1 to December 31, 2022. The external auditors confirmed that the factual statements made in the report on relations with affiliated companies prepared by the Managing Board of Portigon AG in accordance with § 312 of the German Stock Corporation Act (AktG) are accurate and that Portigon AG received appropriate consideration for the transactions specified in the report and did not suffer any disadvantages.

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

Audit and Adoption of the Annual Financial Statements for the 2022 Fiscal Year

At its meeting on March 29, 2023, the Supervisory Board adopted the annual financial statements for the 2022 fiscal year and gave its recommendation to the shareholders' meeting to ratify the acts of the Managing Board and Supervisory Board for the 2022 fiscal year at its meeting on the same day and to appoint KPMG AG Wirschaftsprüfungsgesellschaft as the external auditors for the 2023 fiscal year.

Supervisory Board members received copies, in a timely manner, of the Bank's annual financial statements and management report prepared by the Managing Board, the external auditors' reports on the annual financial statements, as well as the annual summary report prepared by Internal Audit pursuant to the Minimum Requirements for the Internal Audit Function of Banks. The external auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, attended the audit-related meeting of the Supervisory Board. The external auditors audited the annual financial statements including the management report for the 2022 fiscal year. The annual financial statements and management report of Portigon AG, as well as the bookkeeping on which they are based, received the external auditors' unqualified audit opinion.

The Supervisory Board examined the financial statements and the management report and discussed the reports of the external auditors on the findings of their audit. Based on the final result of this review, no objections were raised.

Düsseldorf, March 29, 2023

Eckhard Forst

The Chairman of the Supervisory Board

Corporate Governance at Portigon AG

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

Portigon AG observes the rules of the Public Corporate Governance Code (the "Code") of the State of North Rhine-Westphalia and the related obligations.

The Code is seen as a yardstick for good and responsible management and supervision. The aim is to ensure transparent management and supervision and to clearly define the role of the state as a shareholder or stakeholder.

Pursuant to the Code, Portigon AG provides annual reports on the company's corporate governance in its Corporate Governance Report. The report is part of the Annual Report and is also published on Portigon AG's website at www.portigon.de. As in the previous years, a remuneration report likewise forms part of the Corporate Governance Report.

Remuneration Report

Portigon AG has aligned its remuneration system with the "Principles for Sound Compensation Practices". Portigon AG discloses the remuneration of the Managing Board both in the notes to the annual financial statements and in this remuneration report in accordance with the Code, with reference to the North Rhine-Westphalia State Budget Regulation (Landeshaushaltsordnung Nordrhein-Westfalen, LHO NRW) and the North Rhine-Westphalia Remuneration Disclosure Act (Vergütungsoffenlegungsgesetz Nordrhein-Westfalen, VergütungsOG NRW), which, as part of the Corporate Governance Report, also explains the main features of the remuneration system for Managing Board members. Moreover, the remuneration report includes information about the composition and amount of remuneration paid to the Supervisory Board.

In all other respects, the publication of information relating to the remuneration paid to members of the governing bodies is handled pursuant to the German Financial Market Stabilisation Fund Act (FMStFG) and the agreements entered into with Germany's Financial Market Stabilisation Authority (FMSA, formerly SoFFin).

Remuneration of the Managing Board

The Supervisory Board determines the remuneration for the Managing Board members of Portigon AG in accordance with the statutory requirements, including the FMStFG and the Regulation Concerning Supervisory Requirements for Remuneration Systems at Institutions (InstitutsVergV), as well as FMSA requirements. This applies, in particular, to salaries and other components of remuneration, including pension commitments. Employment agreements detailing the remuneration are concluded with the members of the Managing Board.

The fixed component, a basic remuneration not linked to performance, is paid on a monthly basis as salary. It is typically reviewed when employment agreements are renewed. It also includes remuneration in kind to the customary extent. Essentially, this covers the payment of insurance premiums, to the extent such benefits are part of the member's employment agreement.

As fringe benefits Portigon AG has granted its Managing Board members organisational job-related benefits such as reimbursement of their expenses for annual medical check-ups and business trips.

In order to stabilise the Bank, the former WestLB AG entered into extensive agreements with SoFFin which took effect on November 1, 2009. In this context, the total monetary remuneration for each Managing Board member has been capped at € 500,000 per year since November 1, 2009.

Remuneration of the Supervisory Board

The appropriate remuneration of the Supervisory Board of Portigon AG, which members receive after the close of the fiscal year, was set by a resolution of the shareholders' meeting held on March 30, 2022.

Remuneration of the Governing Bodies in 2022

The remuneration of the governing bodies of Portigon AG in the 2022 fiscal year was as follows:

	1. 1. – 31. 12. 2022 € millions	1. 1. – 31. 12. 2021 € millions
Total remuneration of the Managing Board	0.7	0.7
– fixed	0.7	0.7
– performance-based	–	–
– departure-related	–	–
– from holding supervisory board seats at Group subsidiaries	–	–
Total remuneration of former Managing Board members and their survivors	6.3	6.2
Total remuneration of Supervisory Board members	0.1	0.1
– fixed	0.1	0.1
– performance-based	–	–
– performance-based with long-term incentive effects	–	–
Pension provisions for Managing Board members who actively served during the fiscal year	3.4	3.2
Pension provisions for former Managing Board members and their survivors[1]	115.4	117.4

[1] before offsetting against the related plan assets

For further details please refer to Note 33 of the Annual Report.

Declaration of Compliance 2022

The Managing Board and Supervisory Board of Portigon AG herewith declare for 2022 that Portigon AG complied with the recommendations of the Public Corporate Governance Code of the State of North Rhine-Westphalia, with the following exceptions:

- **Article 3.1.2 of the Code** states that rules of procedure to be approved by the Supervisory Board shall govern the allocation of duties and cooperation among individual Managing Board members. To ensure maximum flexibility – especially because the Managing Board comprised only two members in the 2022 fiscal year – Portigon AG refrains from establishing the allocation of duties of the members of the Managing Board in the rules of procedure for the Managing Board. The duties of the Managing Board members are regulated in a schedule of responsibilities.

- **Article 3.3.4 of the Code** sets out that particularly when appointing the company's executives the Managing Board shall consider the principle of diversity and endeavour to achieve the appropriate consideration of members of both genders for such positions. Given Portigon AG's special situation, defined by the company's systematic and complete downsizing, targeted appointment of company executives, as envisaged in the Code, is impossible to implement in practice. In the course of the downsizing of Portigon AG, many executive positions were also permanently eliminated in years past.

- **Article 3.4.2 (4)** of the Public Corporate Governance Code stipulates that when contracts are entered into with Managing Board members, it shall be ensured that payments, including fringe benefits, made to a Managing Board member on early termination of their Managing Board contract without good cause do not exceed twice the annual remuneration (severance payment cap) and do not constitute remuneration for more than the remaining term of the employment contract. Portigon AG's older Managing Board contracts did not provide for a severance payment cap of this nature, but new contracts include this stipulation.

- **Article 3.4.3 (2) of the Code** sets out that if the Supervisory Board establishes the remuneration system for the Managing Board or the principal features of the contract, the Chair of the Supervisory Board shall inform the shareholders' meeting about the structure of the remuneration system for the Managing Board and about the principal features of the contract as well as any amendments. The shareholders' meeting of Portigon AG is not informed in this regard because there is close dialogue with the owners in advance of resolutions on changes to the remuneration system.

- Since 2016, the company has no longer followed the recommendation in **Article 4.4.2 (1) of the Code** setting out that, depending on the number of Supervisory Board members and the specific economic circumstances of the company, the Supervisory Board shall particularly establish an Audit Committee. Considering the already well-advanced downsizing of Portigon AG and the fact that the Supervisory Board comprised only six members in the 2022 fiscal year, the Supervisory Board decided against forming any committees also in the 2022 fiscal year. The duties of an Audit Committee are performed by the full Supervisory Board itself.

- **Article 4.8.2 (3) of the Code** proposes that the corporation take out a D&O (directors' and officers' liability insurance) policy only with the consent of the shareholders' meeting. At Portigon AG, the Supervisory Board regularly approves the taking out of a D&O insurance policy following a prior exchange of information at owner level.

- **Article 6.2.6 of the Code** sets out that the company shall appoint a new auditor when the auditor has audited five consecutive sets of the company's annual financial statements, provided that there are no grounds for an earlier change. The entire audit firm, not just the auditor of the financial statements, must be changed. At the time of the bidding process for the statutory audit of the 2022 financial statements, Portigon AG was a CRR credit institution within the meaning of § 1 (3d) Sentence 1 of the German Banking Act (KWG) and, as a public interest entity (PIE), must therefore comply in particular with the provisions of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, as well as with the provisions of the German Audit Reform Act (AReG). Based on the transitional provision of Article 41 (2) of the Regulation (EU) No. 537/2014, the existing auditor had not to be excluded from the selection procedure for the audit engagement. As the current auditor submitted the most cost-effective quotation in the bidding process, there was no change in auditor for the 2022 fiscal year. In December 2022, the Supervisory Board resolved to engage a different audit firm for the 2023 fiscal year.

The declaration of compliance is available in German at www.portigon.de/Unternehmensinformationen/Corporate Governance.

Report on the Gender Balance in the Governing Bodies and in Management Functions

With regard to Article 5.2 of the Code, the Corporate Governance Report shall also address the gender balance in the governing bodies and in the company's management functions. When appointing the company's executives in the past, the Managing Board also gave particular consideration to the principle of diversity and thus to an appropriate gender balance. However, in the course of the downsizing of Portigon AG in recent years, many executive positions were permanently eliminated. The company's restructuring will also be systematically continued in the coming years, accompanied by a reduction in the number of executives.

In light of this situation, the Managing Board of Portigon AG had two members as at December 31, 2022: Barbara Glaß and Frank Seyfert. This means the composition of the Managing Board is 50% female and 50% male. At December 31, 2022, the Supervisory Board had a total of six members, two female and four male. Owing to the advanced downsizing, there is now effectively only one management level below the Managing Board. The Bank's German operations had only five business unit managers left at the reporting date December 31, 2022, all of whom are male. The executive functions remaining below the level of business unit manager, most of which are relatively minor, are performed by two women and seven men.

Düsseldorf, March 29, 2023

Representing the Supervisory Board	Representing the Managing Board
Eckhard Forst	Frank Seyfert

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

Production
valido, Düsseldorf

Disclaimer
Reservation regarding forward-looking statements

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

Portigon
Aktiengesellschaft

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