

INTERIM REPORT  
30 SEPTEMBER 2020

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Rounding may result in minor deviations in the totals and percentages relative to the computed values.

Individual balance sheet and earnings items may increase within the scope of the winding-up activities.

To facilitate readability, only the masculine form of words is used. All personal designations apply to both genders, unless the content dictates otherwise.

EAA KEY FIGURES

## EAA key figures

<b>Income statement in EUR million</b>	<b>1/1-30/9/2020</b>	<b>1/1-30/9/2019</b>
Net interest result	42.7	59.0
Net fee and commission result	-13.8	-12.9
Net trading result	-3.8	-3.2
Total other operating expenses/income	-19.7	1.2
General administrative expenses	-88.9	-99.6
Results from financial assets and shareholdings	1.8	3.7
<b>Results prior to risk provisioning</b>	<b>-81.7</b>	<b>-51.8</b>
Loan loss provisions	55.0	43.9
<b>Results before taxes</b>	<b>-26.7</b>	<b>-7.9</b>
Taxes	-0.2	-0.6
<b>Net result for the year</b>	<b>-26.9</b>	<b>-8.5</b>

<b>Balance sheet in EUR billion</b>	<b>30/9/2020</b>	<b>31/12/2019</b>
Total assets	38.2	37.8
Business volume	39.9	39.8
Lending business	14.4	15.9
Trading assets	13.3	15.4
Equity	0.6	0.7

<b>Winding-up</b>	<b>30/9/2020</b>	<b>30/9/2019</b>
<b>Banking book</b>		
Notional value (before FX effect) in EUR billion	13.5	15.4
Winding-up activities (compared with previous year-end) in EUR billion	-1.4	-2.8
Winding-up activities (compared with previous year-end) in %	-9.4	-15.2
<b>Trading portfolio</b>		
Notional value (before FX effect) in EUR billion	101.6	147.2
Winding-up activities (compared with previous year-end) in EUR billion	-35.2	-23.8
Winding-up activities (compared with previous year-end) in %	-25.8	-13.9

<b>Employees</b>	<b>30/9/2020</b>	<b>31/12/2019</b>
Number of employees	134	159

<b>Issuer credit ratings</b>	<b>Short-term rating</b>	<b>Long-term rating</b>
Moody's Investors Service	P-1	Aa1
Standard & Poor's	A-1+	AA
Fitch Ratings	F1+	AAA

**FOREWORD**

# Foreword

Dear Ladies and Gentlemen,

The EAA concluded the third quarter of 2020 with a loss, too. As reported, shortfalls in this phase of the winding-up process are in line with expectations. The EAA still has a sufficient risk buffer. Equity and risk provisions add up to around EUR 1 billion, in addition to an equity capital drawing limit of around EUR 0.5 billion. The ratio of the risk buffer and the notional volume of the banking book portfolio is stable at the previous year's level.

There was no slowdown overall in the settlement of loans and securities during the first three quarters, despite the conditions presented by the corona pandemic. From January to September 2020, the portfolio declined in notional terms by EUR 1.4 billion (-9.4%) to EUR 13.5 billion. The reduction was balanced, thus maintaining the good quality of the portfolio with an investment grade rating share of 72%.

The reduction of derivatives in the trading portfolio also continued. Since January, the notional volume has declined by around a quarter or around EUR 35 billion to EUR 101.6 billion, mainly as a result of active measures. In response to the market situation, the EAA has created short-term liquidity reserves. This led to a 1% increase in total assets to EUR 38.2 billion at the end of the third quarter, despite the ongoing portfolio reduction.

In order to minimise the losses resulting from the inevitable decline in interest income and net fee and commission income, the EAA is focused on reducing its general administrative expenses. These declined by around EUR 11 million (-10.7%) to EUR 88.9 million as of 30 September 2020 compared with the same period of the previous year.

Although the EAA also expects a loss at the end of the 2020 financial year, it assumes at the same time that its reserves will continue to develop steadily relative to the portfolio volume and portfolio quality. From today's perspective, no significant impairment of the operating business is expected as a result of the corona pandemic.

Yours sincerely



**Christian Doppstadt**  
Member  
of the Managing Board



**Horst K pker**  
Member  
of the Managing Board

# Interim management report

For the period from 1 January to 30 September 2020

## Business and environment

### Operating activities of the EAA

The EAA operates as an asset manager pursuing a clear, public mandate that is enshrined in its charter: it is winding up the risk exposures and non-strategic business units (transferred assets) transferred from the former WestLB AG (now Portigon AG) and its domestic and foreign subsidiaries in a value-preserving and risk-minimising manner. This serves to stabilise the financial market.

It manages its business according to commercial and economic principles, in consideration of its winding-up objectives and the principle of minimising its losses. The EAA is not a credit or financial services institution within the meaning of the German Banking Act, an investment services firm as defined by the German Securities Trading Act or an insurance company pursuant to the German Insurance Supervision Act. In accordance with its charter, it does not conduct any transactions that require approval pursuant to Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 or Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, the amendment to Directives 85/611/EEC and 93/6/EEC of the Council and Directive 2000/12/EC of the European Parliament and of the Council and for the repeal of Directive 93/22/EEC of the Council, as amended.

The EAA is subject to regulation by the FMSA. The EAA is supervised by BaFin with regard to those provisions of banking law that are applicable to the EAA.

The EAA's work is principally carried out on the basis of section 8a StFG, its charter, the rules of procedure for the Supervisory Board and the Managing Board plus their committees, as well as its risk strategy and winding-up plan.

The winding-up plan describes the intended winding-up activities of the EAA by classifying its assets into sub-portfolios (clusters) and standard strategies, and contains a schedule for the winding up of assets. The standard strategies are oriented on an investor or disposal perspective, and take into consideration the "Self-monetisation", "Managed divestment" and "Hold" categories. The "Self-monetisation" strategy comprises assets that will be repaid in full by year-end 2020, while the "Managed divestment" strategy takes into account long-term assets for which active portfolio measures are possible from the EAA's perspective. The "Hold" strategy concerns positions that will probably be held until planned maturity owing to their specific features, although this does not preclude active portfolio management. The strategy for winding up the portfolio could include selling the assets prior to their maturity, holding them until maturity or restructuring the relevant items. The EAA reviews the winding-up plan at least once a quarter and makes adjustments when necessary, mainly in order to take account

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of changes in circumstances, for example current market developments. Changes or adjustments to the winding-up plan must be approved by the FMSA. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and the EAA stakeholders about the progress of the winding-up and the implementation of the winding-up plan, and documents the success of the wind-up strategy. The annual wind-up report must be adopted by a resolution of the Supervisory Board before being submitted to the FMSA.

The following stakeholders participate in the EAA's share capital: the State of NRW, with a stake of around 48.2%, Rheinische Sparkassen- und Giroverband and Sparkassenverband Westfalen-Lippe, each with around 25.0%, and Landschaftsverband Rheinland and Landschaftsverband Westfalen-Lippe, each with around 0.9%.

The governing bodies of the EAA are the Managing Board, the Supervisory Board and the Stakeholders' Meeting.

The Managing Board of the EAA must consist of at least two members. They are appointed by the Supervisory Board with the FMSA's approval for a maximum term of five years. Members of the Managing Board may be reappointed. The Managing Board manages the operations of the EAA and represents the EAA in and out of court.

The Supervisory Board consists of twelve members. Eleven members were appointed by the Stakeholders' Meeting. One member is delegated by the Bundesrepublik Deutschland - Finanzagentur GmbH, acting on behalf of the FMS. The members elect a Chairman and a Vice Chairman on the recommendation of the State of NRW. The Supervisory Board advises and consults with the EAA's Managing Board, monitors its activities and carries out additional duties set forth in the charter.

The Stakeholders' Meeting is composed of representatives who hold a stake in the EAA's share capital. It is responsible for adopting the annual financial statements of the EAA, among other things.

Since it began its operating activities, the EAA has repeatedly adjusted its organisational structure to manage changes and challenges in the corporate environment. The gradual takeover of multi-billion portfolios presented it with enormous challenges in developing an adequate organisation and recruiting the required experts. The gradual reduction of the portfolio required capacity and costs to be reduced, without compromising the expertise required to successfully complete the wind-up.

Ongoing optimisation of organisational and cost structures is part of the EAA's responsibility in view of the progressive reduction of the portfolio.

Against this background, the EAA and EFS have further outsourced a large proportion of the services rendered to a third party. Besides the IT and operational services, which EFS provides via IBM as an external service provider, the EAA receives portfolio management services from MSPA, a former subsidiary of the EAA. Within the scope of its long-term service strategy, the EAA largely outsourced the provision of portfolio services to third parties, with the objective of maintaining continuity and stability on the one hand and enabling flexibility on the other. The EAA will continue to optimise these structures in the future.

## Economic environment

The economy has deteriorated again since the end of this summer. Following a decline in the summer, the number of people positively tested for coronavirus increased again in autumn. Many governments are responding to this with renewed measures such as curfews and business closures.

### **US economy: Record growth of the US GDP in the third quarter is partly a base effect**

Economic performance in the US in the third quarter of 2020 rose by 8.25% over the previous quarter. This very strong economic growth partially offset the decline in US GDP that resulted from the corona pandemic and the containment efforts that were implemented in the first half of 2020. However, a comparison with the third quarter of 2019 shows that the damage has not been fully repaired despite the recovery over the summer. Economic output in the US is currently 3% lower than in autumn 2019.

The sharp jump in economic output in the US in the third quarter of 2020 was down to American consumers and private investment. Consumer spending rose by 10.2% in the third quarter of 2020, compared to the previous quarter, and private investment increased by as much as 20.75%. Talk on the labour market too is only of recovery at present, but not of a complete rebound. At 8.8%, the unemployment rate in the third quarter of 2020 fell by 4.2% compared with the previous quarter, but is still higher than before the outbreak of the corona pandemic. In the fourth quarter of 2019, for example, it stood at 3.5%.

How the US economy will develop in the coming months depends not least on the outcome of the US election. Due to the large number of postal votes and the expected lawsuits and counter-lawsuits from both parties, it is likely to take several days, if not weeks, before the final official result is determined. The electoral college is currently set to meet on 14 December 2020, this vote will be counted in Congress on 6 January 2021 and the president will be inaugurated for the new term of office on 20 January 2021.

But one thing was already certain shortly after the election. Whatever the outcome, it will not be able to remedy the blockade and polarisation of American politics, since the Democrats are likely to maintain their majority in the House of Representatives while the Senate remains in the hands of the Republicans. Depending on who becomes the new US president, this will not allow him to govern across the board. The stalemate between the chambers of Congress will limit the President's ability to act independently.

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The EAA expects real economic output to fall by 4% in the US in 2020. This compares with an increase of 3.8% anticipated for 2021. This growth forecast takes into account that the Fed has supported the economy this year with a variety of measures. After lowering US key interest rates to a range of between 0% and 0.25% in 2019, the Fed has taken further initiatives this year to ensure the real economy and the financial market are supplied with credit and liquidity. For the first time, a direct loan programme was launched to inject liquidity into the real economy. Even if the Fed continues to avoid negative key rates, other options for easing monetary policy further are being discussed. This includes restructuring communication with the markets (forward guidance) to better manage their expectations of interest rates and Fed policy measures. It is also being discussed whether the Fed should generally not be able to exercise control over the yield curve. All of this means that the EAA does not expect US yields to rise rapidly. Ten-year US government bonds should yield between 0.7% and 0.8% at year-end 2020 and 1.1% at the end of 2021. The EAA expects the yield at the short end to be 0.2% at the end of 2020 and 0.4% at year-end 2021.

**Eurozone: Brief recovery thwarted again by pandemic measures**

Economic performance in the eurozone in the third quarter of 2020 rose by 12.7% over the previous quarter. As in the US, this rapid rebound in economic output in the eurozone is explained by a sharp fall in activity in the first half of 2020 as a result of curfews and other pandemic containment measures. There was a backlog of consumption requirements among households, which were exploited over the summer. Companies also reported that some deferred investments were made.

However, this upturn and recovery is not expected to continue in the coming months. In most EU countries, containment measures are being introduced again in many places to control the spread of the coronavirus. Some countries, such as France and Spain, have in fact returned for the most part to the catalogue of measures of the first lockdown. It remains to be seen how devastating this will prove for economic development. In any event, the very robust growth rates of the third quarter of 2020 will unlikely be repeated in the fourth quarter of 2020.

Given that the German government, together with the federal state governments, has imposed a lockdown light on Germany, the consequences for the national economy are difficult to assess. Germany's economic output should increase in the fourth quarter of 2020 by 1.4% over the previous quarter, after +7.1% in the third quarter of 2020. However, the longer this lockdown lasts, the greater the decline in growth is likely to be, which is why the range of growth forecasts and therefore the uncertainty is very significant. It fluctuates between a very robust, rapid recovery (+4%) and stagnation (0%) in the fourth quarter of 2020. For the year 2020 as a whole, German GDP will very probably shrink considerably. The EAA expects economic output to fall by 5.8% (by comparison: German GDP declined by 5.6% in 2009). However, GDP is expected to increase by 4.5% in 2021.



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A similar picture can be seen in most EU countries. In France, Italy and Spain, economic output increased after the containment measures were relaxed. Sentiment among companies has noticeably improved following the EU agreement on providing aid under the Recovery and Resilience Facility. However, now that public life is largely subject to restrictions again, growth rates in the fourth quarter of 2020 are likely to be significantly lower. Even so, one is likely to only see little more than a stagnation of GDP. For the eurozone as a whole, the EAA expects economic output to slump by 7.8% in 2020. A recovery from the corona pandemic is expected to start in 2021 (+5.4%).

Easing growth momentum in the eurozone and lower inflation expectations prompted the ECB to review its monetary policy. Following this review, the ECB plans on recalibrating its strategy in December 2020. This includes, on the one hand, formulating and structuring the inflation target; rather than aiming at a point target, it will look at a longer period of time (for example two years) on average. This would mean that phases in which the inflation target is undershot would have to be offset by phases where inflation exceeds this target. On the other hand, the ECB is considering setting higher limits for its purchase programmes. The market view is that either the regular asset purchase programme or the pandemic emergency programme could be increased by up to EUR 500 billion. As the ECB's pandemic emergency programme allows greater freedom on the allocation of purchases and purchasable residual maturities, the EAA expects this will be the ECB's preferred option. These measures together with the deposit rate to -50 basis points signal that the current low interest rate environment is expected to last for a long time yet. The EAA therefore expects ten-year German government bonds to yield -0.5% at the end of 2020. A yield of -0.3% is likely at year-end 2021.

## Economic report

### Overview of economic development

The EAA's economic situation in the first three quarters of 2020 was largely determined by its wind-up mission.

The notional volume of the banking book fell 9.4% to EUR 13.5 billion. The notional volume of the trading portfolio declined by 25.8% to EUR 101.6 billion during the same period.

The results after taxes of EUR -26.9 million was due in particular to general administrative expenses of EUR 88.9 million, negative balance of other expenses and income of EUR -19.7 million, negative net fee and commission result of EUR -13.8 million and the negative net trading result of EUR -3.8 million. These were largely offset by income from the reversal of loan loss provisions which, together with the results from financial assets and shareholdings, amounted to EUR 56.8 million and the positive net interest result of EUR 42.7 million.

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The EAA's total assets rose from EUR 37.8 billion in the previous year to their current level of EUR 38.2 billion. This was largely attributable to liquidity management measures. The business volume, which also includes off-balance-sheet components, grew by 0.4% to EUR 39.9 billion (previous year: EUR 39.8 billion).

## Wind-up report

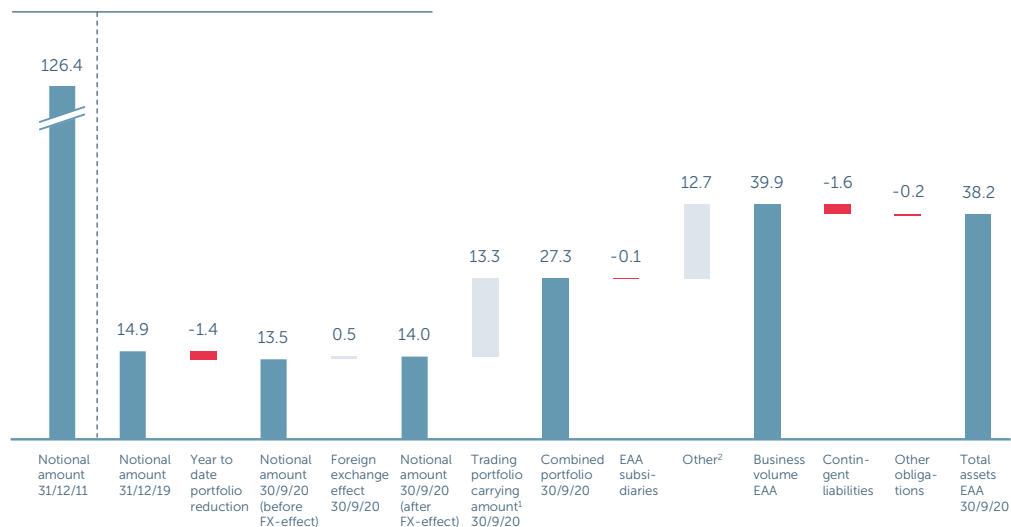
The figures and developments discussed in this section are regularly reported to the FMSA and to the EAA's governing bodies. They relate to the entire risk portfolio transferred to the EAA, regardless of whether these figures are recorded on- or off-balance-sheet in the EAA's separate financial statements or whether they are held via subsidiaries (look-through approach).

The following overview shows the changes in the portfolio's notional amounts since 1 January 2020 and the reconciliation to the EAA's total assets as of 30 September 2020.

### Reconciliation of the transferred notional volume to the balance sheet

in EUR billion

Notional values banking book



<sup>1</sup> Equates to the carrying amounts for trading portfolio assets.

<sup>2</sup> Contains the cash reserve, money market transactions, cash collateral and other assets not relevant for the wind-up portfolio.

Under the EAA's management strategy, the success of the winding-up plan is assessed on the basis of both the reduction in the notional volume before exchange rate effects (at constant exchange rates as of 31 December 2011 for the banking book and as of 30 June 2012 for the trading portfolio) as well as in terms of the effects on the winding-up plan. The latter takes into consideration the impact of sales proceeds, carrying amounts, expected losses, interest income and funding costs for the respective risk exposures, as well as transaction costs.

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**Wind-up success in the banking book**

From 1 January to 30 September 2020, the notional volume of the banking book was reduced from EUR 14.9 billion to EUR 13.5 billion (at exchange rates as of 31 December 2011, including the notional amounts of the guaranteed risk exposures and the risk exposures held by EAA's subsidiaries). That equated to a decline in notional volume of EUR 1.4 billion (9.4%). The volume at exchange rates as of 30 September 2020 was EUR 14.0 billion. The total banking book portfolio has decreased by EUR 112.9 billion or 89.3% since 1 January 2012.

Clusters	Notional 30/9/2020 EUR million	Notional 31/12/2019 EUR million	Notional volume (at exchange rates as of 31/12/2011)		Notional volume (at exchange rates as of 30/9/2020)	
			Change to 31/12/2019 EUR million	Change in %	Notional 30/9/2020 EUR million	FX effect <sup>1</sup> EUR million
Structured Securities	5,603.5	6,112.1	-508.6	-8.3	5,946.2	342.7
Public Finance & Financial Institutions	3,775.0	4,062.8	-287.8	-7.1	3,797.5	22.5
Real Assets	2,226.7	2,555.5	-328.8	-12.9	2,243.7	17.0
Structured Products	1,213.5	1,336.4	-122.9	-9.2	1,341.1	127.6
Corporates	611.4	755.1	-143.7	-19.0	626.9	15.5
Equity/Mezzanine	59.1	60.0	-0.9	-1.5	60.0	0.9
<b>Total</b>	<b>13,489.2</b>	<b>14,882.0</b>	<b>-1,392.8</b>	<b>-9.4</b>	<b>14,015.4</b>	<b>526.2</b>

<sup>1</sup> Change in notional volume due to exchange rate effects.

Note: As of 30 September 2020, the total NPL portfolio amounted to EUR 1.9 billion at current exchange rates.

The portfolio reduction in the Structured Securities cluster is primarily due to partial repayments of the Phoenix A (USD/EUR) notes.

The notional reduction in the other clusters is distributed over the rest of the portfolio, with the changes here attributable in particular to repayments in the Public Finance & Financial Institutions cluster.

There was a EUR +1.8 million effect on the winding-up plan in the first three quarters of 2020 associated with sales and early repayments in the banking book portfolio. A winding-up plan effect of EUR -11.0 million was achieved from other measures. This effect arose mainly from the increase in risk provisions.

**Wind-up success in the trading portfolio**

The notional volume of the trading portfolio represents the business volume underlying the derivatives, not the exposure at risk.

The notional volume of the trading portfolio amounted to EUR 101.6 billion as of 30 September 2020. The notional volume of the trading portfolio decreased by a total of EUR 35.2 billion during the period from 1 January to 30 September 2020 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 962.5 billion or 90.5%.

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Clusters	Notional	Notional	Notional volume (at exchange rates as of 30/6/2012)		Notional volume (at exchange rates as of 30/9/2020)	
	30/9/2020 EUR million	31/12/2019 EUR million	Change to 31/12/2019 EUR million	Change to 31/12/2019 in %	Notional 30/9/2020 EUR million	FX effect <sup>1</sup> EUR million
Rates	99,632.9	134,324.9	-34,692.0	-25.8	99,288.6	-344.3
Other	1,917.5	2,470.3	-552.8	-22.4	1,551.4	-366.1
<b>Total</b>	<b>101,550.4</b>	<b>136,795.2</b>	<b>-35,244.8</b>	<b>-25.8</b>	<b>100,840.0</b>	<b>-710.4</b>

<sup>1</sup> Change in notional volume due to exchange rate effects.

The reduction in the Rates cluster with a total notional decrease of EUR 34.7 billion resulted primarily from active wind-up measures of EUR 25.5 billion, maturities totalling EUR 17.3 billion and contrary, portfolio-increasing hedging transactions in the amount of EUR 8.1 billion.

The notional volume of the Other cluster fell by EUR 0.6 billion due to maturities.

## EAA's overall situation

### Earnings situation

The EAA's earnings situation was impacted by the net interest result of EUR 42.7 million, income from the reversal of loan loss provisions which, together with the results from financial assets and shareholdings, came to EUR 56.8 million, as well as by general administrative expenses of EUR 88.9 million, the negative balance of other expenses and income of EUR -19.7 million and the net fee and commission result of EUR -13.8 million. Personnel expenses totalled EUR 16.6 million. Other administrative expenses of EUR 72.3 million were comprised mainly of expenses for services rendered by EFS, as well as by IBM and MSPA.

The decline in the net interest result is due to the portfolio reduction. The results from financial assets and shareholdings develop positive. This was due in particular to the improved economic environment compared with when the corresponding assets were taken over. Risk provisions were reduced for the same reasons.

Fee and commission expenses as part of the net fee and commission result are attributable mainly to the fees for the equity capital drawing limit. The net trading result of EUR -3.8 million was down on the same period of the previous year, thanks to the decline in the valuation reserves.

Overall, the results after taxes amounted to EUR -26.9 million (previous year: EUR -8.5 million). Because of the advanced state of portfolio reduction, losses are also expected in the coming fiscal years.

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Income statement

	1/1-30/9/2020	1/1-30/9/2019	Change	
	EUR million	EUR million	EUR million	in %
Net interest result	42.7	59.0	-16.3	-27.6
Net fee and commission result	-13.8	-12.9	-0.9	-7.0
Net trading result	-3.8	-3.2	-0.6	-18.8
Total other operating expenses/income	-19.7	1.2	-20.9	>-100
Personnel expenses	-16.6	-17.7	1.1	6.2
Other administrative expenses	-72.3	-81.9	9.6	11.7
Results from financial assets and shareholdings	1.8	3.7	-1.9	-51.4
<b>Results prior to risk provisioning</b>	<b>-81.7</b>	<b>-51.8</b>	<b>-29.9</b>	<b>-57.7</b>
Loan loss provisions	55.0	43.9	11.1	25.3
<b>Results before taxes</b>	<b>-26.7</b>	<b>-7.9</b>	<b>-18.8</b>	<b>&gt;-100</b>
Taxes	-0.2	-0.6	0.4	66.7
<b>Net result for the year</b>	<b>-26.9</b>	<b>-8.5</b>	<b>-18.4</b>	<b>&gt;-100</b>
Net retained losses brought forward	-2,360.6	-2,358.0	-2.6	-0.1
Net retained losses	-2,387.5	-2,366.5	-21.0	-0.9

**Financial position and issuing activity**

The total notional amount of the portfolio of issued bearer bonds, promissory note loans and commercial paper was EUR 22.7 billion as of the reporting date. It included the global Commercial Paper Programme with a notional amount equivalent to EUR 12.6 billion.

During the reporting period, the notional volume of new issues for medium and long-term funding amounted to EUR 2.5 billion in bonds denominated in US dollars (USD 2.8 billion).

New issues were launched during the reporting period under the global Commercial Paper Programme, of which a notional amount equivalent to EUR 12.6 billion were outstanding at the reporting date. These consisted of USD 10.5 billion (EUR 9.0 billion), GBP 1.8 billion (EUR 1.9 billion) and EUR 1.6 billion.

As of the reporting date, the portfolio contained securities issued by the EAA with a notional volume of EUR 30 million that were repurchased from the market for liquidity management purposes.

In the liquidity stress test, the EAA had net liquidity above the internal established threshold value at all times during the reporting period.

**Asset position**

The EAA's total assets as of 30 September 2020 amounted to EUR 38.2 billion (previous year: EUR 37.8 billion), which, with the inclusion of off-balance-sheet components, amounted to a business volume of EUR 39.9 billion (previous year: EUR 39.8 billion).

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Assets

	30/9/2020	31/12/2019	Change	
	EUR million	EUR million	EUR million	in %
Cash reserve	6,170.4	1,768.9	4,401.5	>100
Loans and advances to banks	5,133.9	5,662.4	-528.5	-9.3
Loans and advances to customers	7,560.4	8,292.0	-731.6	-8.8
Securities (no trading portfolio)	5,007.6	5,432.1	-424.5	-7.8
Trading portfolio	13,325.6	15,392.5	-2,066.9	-13.4
Long-term equity investments and shares in affiliates	968.4	1,063.1	-94.7	-8.9
Other assets	30.0	204.0	-174.0	-85.3
<b>Total assets</b>	<b>38,196.3</b>	<b>37,815.0</b>	<b>381.3</b>	<b>1.0</b>

Liabilities and equity

	30/9/2020	31/12/2019	Change	
	EUR million	EUR million	EUR million	in %
Deposits from banks	1,581.1	2,119.0	-537.9	-25.4
Deposits from customers	1,865.2	1,953.1	-87.9	-4.5
Debt securities in issue	21,049.0	17,897.1	3,151.9	17.6
Trading portfolio	12,718.2	15,044.8	-2,326.6	-15.5
Provisions	112.6	105.6	7.0	6.6
Other liabilities	241.6	39.9	201.7	>100
Equity	628.6	655.5	-26.9	-4.1
<b>Total liabilities and equity</b>	<b>38,196.3</b>	<b>37,815.0</b>	<b>381.3</b>	<b>1.0</b>
Contingent liabilities	1,555.6	1,770.3	-214.7	-12.1
Other obligations/loan commitments	187.1	186.2	0.9	0.5
<b>Business volume</b>	<b>39,939.0</b>	<b>39,771.5</b>	<b>167.5</b>	<b>0.4</b>

Loans and advances to banks declined by EUR 0.5 billion as of 30 September 2020 compared with previous year-end. This decline was predominantly due to lower lending to the EAA CBB. The amount of deposits from banks decreased by around EUR 0.5 billion due to lower cash collateral received.

The decline in loans and advances to customers (EUR 0.7 billion) and the securities portfolio (EUR 0.4 million) is mainly due to repayments.

The decline of EUR 2.1 billion and EUR 2.3 billion in trading assets and liabilities respectively was mainly the result of the portfolio reduction.

For further information about these changes, please refer to the section "Wind-up report".

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**Lending business**

The lending business comprises loans and advances, payment obligations arising from irrevocable loan commitments, sureties and other guarantees. Contingent liabilities also include Portigon risk exposures that were transferred using the “guarantee” alternative. Loans and advances also contain registered and other non-marketable debt instruments.

**Lending business**

	<b>30/9/2020</b>	<b>31/12/2019</b>	<b>Change</b>	
	<b>EUR million</b>	<b>EUR million</b>	<b>EUR million</b>	<b>in %</b>
Loans and advances to banks	5,133.9	5,662.4	-528.5	-9.3
Loans and advances to customers	7,560.4	8,292.0	-731.6	-8.8
Contingent liabilities	1,555.6	1,770.3	-214.7	-12.1
Other obligations/loan commitments	187.1	186.2	0.9	0.5
<b>Lending business</b>	<b>14,437.0</b>	<b>15,910.9</b>	<b>-1,473.9</b>	<b>-9.3</b>

**Summary of the business situation**

As planned, the portfolio reduction generated a lower net interest result for the EAA. The fee and commission expenses, administrative expenses and other operating expenses incurred lead to a negative operating result. The income from the reversal of risk provisions did not offset this as of 30 September 2020, so that a loss was reported in the first three quarters of 2020.

The EAA’s assets are in good order. Its equity as of 30 September 2020 amounted to EUR 628.6 million. Adequate liquidity was available at all times.

No significant events requiring disclosure occurred after the balance sheet date and a statement to this effect is contained in the notes to the financial statements (“Subsequent events” section).

**Risk, opportunities and forecast report**

**Risk report**

A common objective of the liable stakeholders, the FMS and the EAA is to minimise its strategic wind-up risk, that is to say, the risk of a negative deviation from the economic targets in the winding-up plan and suffering higher-than-planned losses from winding up the portfolio. The EAA made further progress during the reporting period towards realising its wind-up mandate.

The figures and developments discussed in this section are regularly reported to the FMSA as part of its supervision of the EAA. They relate to the entire assets transferred to the EAA, regardless of whether these figures are recorded on- or off-balance-sheet in the EAA’s separate financial statements, or whether they are held via subsidiaries (look-through approach).

## **INTERIM MANAGEMENT REPORT**

### **Risk management organisation**

The Managing Board determines the risk strategy. The Risk Committee of the Supervisory Board discusses the risk strategy and the risk policy principles set down therein with the Managing Board. On the recommendation of the Risk Committee, the Supervisory Board will decide on the principles relating to risk assumption contained in the risk strategy.

The general risk management strategy forms the basis for the risk management framework. It contains the basic principles for risk management, defines the key risk categories and identifies the core elements of the risk management process. The general risk management strategy is supplemented by specific strategies for managing individual risks, including the related wind-up strategies. The key individual strategies relate to the risk categories of credit risks, market price risks, liquidity risks, longevity risks, operational risks and other risks. The risk management strategies are reviewed at least once a year.

The Managing Board has implemented a structure of various interdisciplinary committees throughout the institution and its departments to aid it in fulfilling its responsibility to manage risk. As Managing Board committees, these committees are permanent institutions of the EAA. They serve as central decision-making, management and information-gathering bodies which assist in dealing with strategic issues related to portfolio management and the winding-up plan.

The Risk Controlling department is responsible for the independent monitoring and communication of the EAA's risks. Its tasks include in particular the following:

- △ Supporting management in connection with all risk policy issues, especially in the development and implementation of the risk strategy as well as in the organisation of a system for mitigating risks,
- △ Conducting a risk inventory and preparing the overall risk profile; and
- △ Assisting management with the establishment and development of risk management and risk controlling processes.

The Risk Controlling department is responsible for monitoring market price, counterparty, liquidity and operational risks. The Credit Risk Management department comprises the back-office function in the lending business as defined by MaRisk. In particular, this department functions as the lending authority. It is also responsible for credit risk steering and credit risk controlling. The Risk Controlling and Credit Risk Management departments monitor and analyse risk exposures as well as the utilisation of the limits. They also take measures to reduce risks if necessary.

The risk management system is regularly reviewed by the EAA's Internal Audit department.

### **Risk reporting**

Risks can be controlled and monitored in a sustainable manner only if they are transparent, and the underlying analysis results are prepared and communicated in a manner that is conducive to decision-making processes. For this reason, risk reporting is among the key tasks of the Risk Controlling department. The FMSA, the responsible committees, the Managing Board as well as the Supervisory Board and its committees are informed on a regular basis of any and



**INTERIM MANAGEMENT REPORT**

all developments that might have an impact on the institution's risk or earnings situation. Risk reporting is a component of the monthly wind-up report and the quarterly risk report.

The Managing Board keeps the Supervisory Board and its committees regularly informed of the EAA's current wind-up status and the general risk situation, based on wind-up reports and a separate risk report that is adapted to fulfil the information requirements of the governing bodies.

**Credit risks**

**Credit risks – banking book**

The credit risk of the EAA and its subsidiaries is regularly analysed so as to identify, analyse, evaluate and manage all default risks within the portfolio. The EAA uses a variety of parameters – such as risk type, rating categories, maturities and regions – to identify risk concentrations.

The notional volume of the banking book portfolio (which primarily consists of loans and securities) declined by EUR 1.4 billion to EUR 13.5 billion during the first three quarters of 2020 (at constant exchange rates as of 31 December 2011). Please refer to the section "Wind-up report" for more detailed information on the wind-up success.

**Breakdown of notional volume by internal rating category<sup>1</sup>**

	<b>30/9/2020</b> EUR billion	<b>31/12/2019</b> EUR billion
A0-A2	0.3	0.8
A3-A5	2.2	3.8
B1-B3	0.4	0.6
B4-B5	4.8	1.8
C1-C2	1.9	3.3
C3-C5	1.3	1.4
D1-D3	0.5	0.6
D4-E	0.6	0.6
S.R.	1.3	1.4
N.R.	0.2	0.5
<b>Total</b>	<b>13.5</b>	<b>14.9</b>

<sup>1</sup> Excluding exchange rate effects (based on exchange rates as of 31 December 2011).  
 Note: Where possible, the internal rating categories are based on the guarantor's rating.

The quality of the banking book portfolio was reflected in an investment grade rating share (rating categories A0-C2) of around 72% (31 December 2019: 69%). About 19% (31 December 2019: 31%) of the notional volume had a very good rating (A0-A5) and around 53% (31 December 2019: 39%) is assigned to the mid-rating categories B1-C2. The rating category S.R. included the opening clauses of the rating process and has a share of around 9% of the total portfolio (31 December 2019: 9%).

**INTERIM MANAGEMENT REPORT**

The EAA continued to aim for a portfolio reduction across all rating categories. The changes in the first three quarters of 2020 were mainly the result of the abolition of a rating method. New non-rating reasons were also introduced to classify assets according to their fundamental value. This resulted mainly in shifts to the rating category B4-B5 from the rating categories A0-A2, A3-A5 and C1-C2.

The further reduction in the A3-A5 rating category was largely due to a guarantee drawdown of EUR 0.1 billion on the Phoenix B note.

The following table shows the reconciliation of the EAA's internal ratings to external ratings.

INTERNAL EAA	EXTERNAL			
	Moody's	S&P	Fitch	
A0	Aaa	AAA	AAA	
A1	Aaa	AAA	AAA	
A2	Aa1	AA+	AA+	
A3	Aa2	AA	AA	
A4	Aa3	AA-	AA-	
A5	Aa3	AA-	AA-	
B1	A1	A+	A+	Investment grade
B2	A2	A	A	
B3	A3	A-	A-	
B4	Baa1	BBB+	BBB+	
B5	Baa2	BBB	BBB	
C1	Baa2	BBB	BBB	Non-investment grade
C2	Baa3	BBB-	BBB-	
C3	Ba1	BB+	BB+	
C4	Ba2	BB	BB	
C5	Ba3	BB-	BB-	
D1	B1	B+	B+	
D2	B2	B	B	
D3	B3	B-	B-	
D4	B3	B-	B-	
D5	Caa1 to C	CCC+ to C	CCC+ to C	
E	C	C	C	

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**Breakdown of notional volume by clusters<sup>1,2</sup>**

	<b>30/9/2020</b> <b>in %</b>	<b>31/12/2019</b> <b>in %</b>
Structured Securities	41.6	41.0
Public Finance & Financial Institutions	28.0	27.3
Real Assets	16.5	17.2
Structured Products	9.0	9.0
Corporates	4.5	5.1
Equity/Mezzanine	0.4	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> 30 September 2020 = EUR 13.5 billion; 31 December 2019 = EUR 14.9 billion.

<sup>2</sup> Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

The EAA's banking book portfolio consists of six clusters. The largest cluster, Structured Securities, with a total share of 41.6%, consists of three sub-portfolios: Phoenix (59.0% – please refer to the section "Phoenix" for further details), ABS (31.5%) and Dritte EAA (9.5%).

**Breakdown of notional volume by maturities<sup>1,2</sup>**

	<b>30/9/2020</b> <b>EUR billion</b>	<b>31/12/2019</b> <b>EUR billion</b>
<= 6 M	0.3	0.5
> 6 M <= 1 Y	0.4	0.5
> 1 Y <= 5 Y	1.2	1.6
> 5 Y <= 10 Y	3.1	3.6
> 10 Y <= 20 Y	5.3	5.1
> 20 Y	3.2	3.6
<b>Total</b>	<b>13.5</b>	<b>14.9</b>

<sup>1</sup> For assets with no fixed or with very long maturities: expected repayment profile.

<sup>2</sup> Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

The reduction in the maturity band up to six months was mainly due to a repayment of the Phoenix A3 note (EUR 0.1 billion).

The other changes within the maturity ranges reflect the portfolio management measures undertaken and amortisation during the first three quarters of 2020.

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**Breakdown of notional volume by region<sup>1</sup>**

	<b>30/9/2020 EUR billion</b>	<b>31/12/2019 EUR billion</b>
Americas <sup>2</sup>	6.8	7.3
EMEA	5.4	6.0
Germany	1.1	1.4
APAC	0.2	0.2
<b>Total</b>	<b>13.5</b>	<b>14.9</b>

<sup>1</sup> Excluding exchange rate effects (based on exchange rates as of 31 December 2011). The regional breakdown by borrowers or for securitisations is based on the main risk country of the asset pool.

<sup>2</sup> Contains EUR 1.8 billion for the Phoenix B note guaranteed by the State of NRW.

The regional breakdown of the notional volume hardly changed compared with 31 December 2019. Approximately 51% of the notional volume was attributable to America (31 December 2019: 49%). Repayments were the main reason for a decline of EUR 0.5 billion in the Americas region, particularly in the Structured Securities cluster (largely Phoenix).

About 40% of the notional volume (31 December 2019: 40%) was attributable to the EMEA region.

The share of German borrowers and guarantors (share of portfolio: about 8%; 31 December 2019: 9%) is almost unchanged.

The APAC region represents around 1% (31 December 2019: 2%) and is also almost unchanged.

**Problem loans and risk provision**

Problem loan exposures are subject to special risk monitoring pursuant to MaRisk. The recoverability of loans and advances is reviewed by ad hoc and regular performances of an impairment test (a test to determine whether a loan or advance is non-performing or at risk of non-performance, therefore resulting in a risk provisioning requirement). The ratings of non-performing loans are also reviewed promptly and adjusted if necessary. The assessment of a possible need for a risk provision takes into account collateral values, company valuations, discounted cash flow analysis or observable market prices. It is reviewed on a regular basis.

The EAA forms general loan loss provisions based on the expected one-year loss for the deferred credit risk in the portfolio of receivables and contingent assets. This method is also being maintained in view of the corona crisis. Deteriorating credit qualities are reflected in rating downgrades.

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**Result of risk provisions**

	Provisions for loan losses EUR million	Charge-offs EUR million	Net change in loan loss provision EUR million	Other exp./inc. due to risk EUR million	Total allow. losses EUR million
<b>Acute counterparty default risk</b>	<b>13.8</b>	<b>60.2</b>	<b>46.4</b>	<b>7.7</b>	<b>54.1</b>
Credit risk	13.8	60.2	46.4	10.9	57.3
Other risk	-	-	-	-3.2	-3.2
<b>Contingent counterparty default risk</b>	<b>-</b>	<b>0.9</b>	<b>0.9</b>	<b>-</b>	<b>0.9</b>
<b>Total</b>	<b>13.8</b>	<b>61.1</b>	<b>47.3</b>	<b>7.7</b>	<b>55.0</b>

Other risk expenditure/income primarily include recoveries from written-off receivables.

**Special banking book issues**

**Phoenix**

The tranches of the Phoenix Light SF DAC securitisation constitute a major portion of the EAA's structured loan portfolio.

The majority of the securitised Phoenix portfolio is denominated in US dollars and represents US risks, primarily in the property market there.

**Phoenix notes capital structure**

Tranche	Amount as of 30/9/2020 in million		S&P rating	Legal maturity
Class A4	1,793.0	USD	B-	9/2/2091
	130.8	EUR	B-	9/2/2091
Class B	1,770.4	EUR	N.R.	9/2/2091

Repayments of EUR 0.2 billion and a guarantee drawdown of EUR 0.1 billion resulted in a decrease of the notional volume reported in euros in the reporting period to EUR 3.3 billion as of 30 September 2020 (at constant exchange rates as of 31 December 2011).

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**Rating breakdown by internal rating category for Phoenix notes<sup>1</sup>**

	<b>30/9/2020</b> <b>EUR billion</b>	<b>31/12/2019</b> <b>EUR billion</b>
A0-A2	-	-
A3-A5	1.8	2.0
B1-B3	-	-
B4-B5	1.5	0.1
C1-C2	-	1.5
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
<b>Total</b>	<b>3.3</b>	<b>3.6</b>

<sup>1</sup> Excluding exchange rate effects (based on exchange rates as of 31 December 2011).  
 Note: The presentation by internal rating category considers the rating (A3) of the guarantor, the State of NRW, for the Phoenix B note.

All of the Phoenix notes have an investment grade rating (rating categories A0-C2), taking into account the rating of the State of NRW (the guarantor for the Phoenix B note). About EUR 3.2 billion of this guarantee had been utilised up to 30 September 2020.

The rating distribution changed due to a change in methodology. The classification is based on the quarterly valuation of the underlying assets. This led to a shift of Phoenix A notes from rating category C1-C2 to rating category B4-B5. The Phoenix B note is not affected by this because of the guarantee of the State of NRW.

In addition to the ongoing sale of parts of the portfolio by taking advantage of market opportunities, the EAA continues to work with the parties involved in Phoenix to optimise the portfolio. These measures include both legal measures in relation to individual portfolio securities and the restructuring of non-performing securities.

**Public Finance**

The exposure to the public sector (including the liquidity portfolio) as of 30 September 2020 totals a notional amount of EUR 3.6 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 2.5 billion of this amount is attributable to the UK, Ireland, Italy, Portugal and Spain. Further information can be found in the section "Exposures to selected EU member states and the UK".

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Securities account for 83% of the total public-sector exposure (including regional and municipal borrowers). Some of these are held directly by the EAA and some by EAA CBB. Lending transactions involving federal, municipal or other public-law institutions account for a share of 16%, with derivatives accounting for 1% of the portfolio.

The largest part of the overall exposure, at 84%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from EMEA countries outside the eurozone (8%), America (7%) and APAC countries (1%).

**Credit risks – trading portfolio**

Trading portfolio credit risks are divided into counterparty risk (pre-settlement risk and settlement risk) from derivatives and issuer risk from securities.

Issuer risks from securities in the trading portfolio are calculated using market values, while those in the banking book are determined on the basis of carrying amounts. A distinction is drawn between collateralised and non-collateralised counterparties in order to determine the replacement risks (pre-settlement risks) from derivatives. The market value plus a regulatory premium is used as the replacement risk for non-collateralised counterparties. For collateralised counterparties, the market value, collateral and a premium based on VaR are calculated as the replacement risk. Settlement risks are determined using the payment due per value date. Credit risks from trading transactions are compared with the corresponding credit limits on a daily basis. Risk-mitigating measures, such as close-out netting (offsetting) and collateral in the OTC derivatives business, are used whenever possible. Active hedging of risk exposures takes place only with counterparties with whom corresponding master agreements are in place.

OTC derivative counterparty default risks are assessed independently from the front office using CVA. When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. The CVA in the trading portfolio amounted to EUR 4.3 million as of 30 September 2020 (31 December 2019: EUR 3.0 million). The EUR +1.3 million increase in CVA was attributable to changes in LGD and ratings (EUR +1.0 million), market fluctuations (EUR +0.2 million) and changes in credit spreads (EUR +0.1 million).

**Counterparty and issuer risks**

**Direct counterparty risks**

As the EAA concludes OTC derivatives both from the trading portfolio as well as the banking book, and as counterparty risks are measured and controlled per counterparty, the explanations and figures below relate to both the trading portfolio and the banking book. In accordance with an established management process, risks are managed by the Treasury/Capital Markets department, a front-office function, and the Credit Risk Management and Risk Controlling departments, which are back-office functions.

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The following table shows direct risks with active strategic counterparties. Direct risks are counterparty risks from those transactions which the EAA accounts for directly in its balance sheet and not those that have been transferred to it synthetically.

	<b>30/9/2020</b> <b>Exposure</b> <b>EUR million</b>	<b>30/9/2020</b> <b>Limit</b> <b>EUR million</b>	<b>31/12/2019</b> <b>Exposure</b> <b>EUR million</b>	<b>31/12/2019</b> <b>Limit</b> <b>EUR million</b>
Credit risk – money market positions <sup>1</sup>	1,011.7	4,551.5	1,549.8	5,183.5
Counterparty risk – OTC derivatives (pre-settlement risk)	453.4	2,310.0	372.2	2,358.0
Counterparty risk – repos	-	224.0	-	564.0

<sup>1</sup> All money market transactions with counterparties outside the EAA Group have a maximum maturity of up to six months.

Compared with year-end 2019, the changes in the credit risk for money market positions as of 30 September 2020 were driven primarily by active liquidity management for the purpose of reducing liquidity risks. Counterparty risks from OTC derivatives are driven by transactions for liquidity steering (foreign exchange swaps) and interest rate hedging instruments (interest rate swaps).

**Issuer risks**

Issuer risks are managed by the Treasury/Capital Markets department, a front-office function, and the Credit Risk Management and Risk Controlling departments, which are back-office functions.

The following table shows the issuer risks of the banking book, broken down by sub-portfolios.

	<b>&lt; 1 Y</b> <b>EUR million</b>	<b>1-4 Y</b> <b>EUR million</b>	<b>4-8 Y</b> <b>EUR million</b>	<b>8-15 Y</b> <b>EUR million</b>	<b>&gt; 15 Y</b> <b>EUR million</b>	<b>Total exposure</b> <b>EUR million</b>
Public Finance	560.0	359.0	883.0	1,057.0	588.0	3,447.0
Financial Institutions	-	-	18.0	-	-	18.0
Other securities	1.0	13.0	145.0	96.0	2,464.0	2,719.0
<b>Total 30/9/2020</b>	<b>561.0</b>	<b>372.0</b>	<b>1,046.0</b>	<b>1,153.0</b>	<b>3,052.0</b>	<b>6,184.0</b>
Total 31/12/2019	557.5	345.0	1,185.9	1,308.9	3,299.5	6,696.8

Other securities comprise mainly US student loans.

**Participation risks**

Participation risks result from the provision of subordinated capital and equity. Managing participations is mainly the responsibility of the participation management being part of the Legal & Compliance department. The Finance & Tax department supports the participation controlling process.



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Of the total portfolio of the EAA Group, a notional volume of EUR 2.6 billion (19.4%) was held by subsidiaries, mainly consisting of Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.1 billion (41.3%), EAA CBB with EUR 1.0 billion (38.4%) and Dritte EAA Anstalt & Co. KG with EUR 0.5 billion (20.3%).

Erste EAA Anstalt öffentlichen Rechts & Co. KG holds a portfolio of US life insurance contracts through partnerships under US law. This company is fully funded by the EAA (EUR 1.1 billion).

EAA CBB was included in the risk management and business management of the EAA. The subsidiary is subject to monitoring by the EAA and the EAA's approved internal limit system. A representative of the EAA exercises non-managerial control functions as a member of the governing bodies and committees of EAA CBB. The EAA CBB is in an accelerated winding-up process.

Dritte EAA Anstalt & Co. KG holds a portfolio of structured securities. The EAA manages the transactions of Dritte EAA Anstalt & Co. KG as its general partner. As the securities continue to fall within the EAA's scope of risk management, on the basis of the look-through approach, the internal reporting has remained virtually unchanged.

In some situations, the EAA will enter into new participations via restructuring if such an approach is deemed beneficial to preserve the value of the assets (for example with debt-to-equity swaps).

**Exposures to selected EU member states and the UK**

The banking book exposure of the EAA and its subsidiaries to the UK, Ireland, Italy, Portugal, Spain and Cyprus of around EUR 3.5 billion as of 30 September 2020 is shown in the table below.

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Country <sup>1</sup>	Debtor group	30/9/2020 Notional in EUR million <sup>2</sup>	31/12/2019 Notional in EUR million <sup>2</sup>
Greece	Corporates	-	0.0
<b>Greece</b>		<b>-</b>	<b>0.0</b>
UK	Corporates	435.2	510.9
	Public Finance	128.2	137.5
<b>UK</b>		<b>563.4</b>	<b>648.5</b>
Ireland	Corporates	9.6	15.2
	Financial Institutions	0.0	0.0
<b>Ireland</b>		<b>9.6</b>	<b>15.2</b>
Italy	Corporates	200.7	233.6
	Public Finance	1,467.5	1,476.6
<b>Italy</b>		<b>1,668.2</b>	<b>1,710.2</b>
Portugal	Financial Institutions	15.4	15.4
	Public Finance	628.6	709.1
<b>Portugal</b>		<b>643.9</b>	<b>724.4</b>
Spain	Corporates	335.9	383.1
	Public Finance	238.0	238.0
<b>Spain</b>		<b>573.9</b>	<b>621.1</b>
Cyprus	Corporates	46.4	49.1
<b>Cyprus</b>		<b>46.4</b>	<b>49.1</b>
<b>Total<sup>3</sup></b>		<b>3,505.5</b>	<b>3,768.5</b>
of which	Corporates	1,027.8	1,191.9
of which	Financial Institutions	15.4	15.4
of which	Public Finance	2,462.3	2,561.2

<sup>1</sup> Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).

<sup>2</sup> Based on current exchange rates. Presentation of the notional volume, including hedges (net).

<sup>3</sup> Of which EAA subsidiaries: EUR 1,011.3 million (31 December 2019: EUR 1,090.0 million).

This exposure has fallen by EUR 263.0 million from the beginning of 2020. The change was mainly attributable to the UK (EUR -85.1 million), Portugal (EUR -80.5 million) and Spain (EUR -47.2 million).

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The EAA's total trading portfolio and ALM exposure to banks, companies and governments in the UK, Italy and Spain is shown in the table below.

Product <sup>1</sup>	Value	Country <sup>2</sup>	30/9/2020 EUR million <sup>3</sup>	31/12/2019 EUR million <sup>3</sup>
Other derivatives and ALM	MtM	UK	249.4	222.8
		Italy	15.4	274.3
		Spain	6.0	5.9
<b>Other derivatives and ALM</b>			<b>270.8</b>	<b>503.0</b>
Other	Notional	UK	406.4	344.4
<b>Other<sup>4</sup></b>			<b>406.4</b>	<b>344.4</b>

<sup>1</sup> ALM = cluster ALM as part of the banking book is identified here as in the internal view and not as a banking book exposure; derivatives = replacement risks from OTC derivatives.

<sup>2</sup> Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).

<sup>3</sup> Based on current exchange rates. Presentation of the notional volume, including hedges (net).

<sup>4</sup> Includes mainly the HSBC nostro balances.

### Market price risks

The EAA pursues a strategy of lowering market price risks to the greatest extent possible. Market price risk is controlled via a system of limits. Market price risks in the trading portfolio and the banking book are limited separately. Market price risk exposures are controlled on a daily basis by the Treasury/Capital Markets department and are monitored and analysed by the Risk Controlling department.

### Market price risks – banking book

As a result of the portfolio structure, there are interest rate and foreign exchange risks (particularly in relation to the US dollar) that are largely hedged. In accordance with the risk profile, the EAA's hedging activities are mainly focused on the hedging of interest rate and foreign exchange risks.

These risks are hedged by refinancing with analogous currencies and matching maturities or by concluding derivatives transactions.

### Interest rate risk (EAA Group)

	30/9/2020 EUR thousand	31/12/2019 EUR thousand
< 1 Y	-41.6	-16.5
1-4 Y	-2.9	-1.1
4-8 Y	79.9	60.3
8-15 Y	-13.8	-22.8
> 15 Y	-55.8	-52.6
<b>Total</b>	<b>-34.2</b>	<b>-32.7</b>

**INTERIM MANAGEMENT REPORT**

Interest rate risk in the banking book is measured as the change in the present value when the yield rises by one basis point (interest rate sensitivity PV01).

The interest rate sensitivity PV01 was EUR -34.2 thousand compared with year-end 2019 (EUR -32.7 thousand), due to management and maturity effects. The utilisation is within the limits.

**Foreign exchange risk (EAA Group)**

	<b>30/9/2020</b> EUR thousand	<b>31/12/2019</b> EUR thousand
AUD	1,525.6	852.4
CAD	873.9	718.7
CHF	117.2	240.4
GBP	62.8	1,049.2
JPY	490.0	578.3
PLN	669.0	27.7
SGD	466.9	469.6
USD	3,399.6	7,675.3
Other	54.2	516.3
<b>Total</b>	<b>7,659.2</b>	<b>12,127.9</b>

Note: The presentation of the previous year's currencies has been restated.

The EAA's currency position is determined based on the principle of special cover in accordance with section 340h HGB. The positions in the various currencies are within the limits. They change as a result of market fluctuations and in the course of normal business operations.

The wind-up strategy aims to realise the intrinsic value of the exposure. The EAA does not take into account short-term capital market fluctuations and associated credit-spread changes when managing its exposures. The exposures are monitored and, if required, decisions are made to exit specific exposures. Therefore, no limits for credit spread risks are in place.

**Market price risks – trading portfolio**

The trading portfolio is exposed not only to interest rate and foreign exchange risks but also to a limited amount of credit spread risks. The trading portfolio predominantly includes derivatives as well as non-linear option risks. In line with market practice, risks in the trading portfolio are hedged at the portfolio level. This entails residual risks which change due to market movements and developments in the portfolio, and are hedged dynamically (dynamic hedging strategy).

The EAA applies both a VaR model and risk sensitivities to monitor and limit risks. A variety of stress scenarios is also used for risk management purposes. The VaR model calculates interest rate risks, equity risks and foreign exchange risks for the trading portfolio, including the respective volatility risks, on a daily basis. A confidence level of 99% and a one-day holding period are assumed when calculating the VaR.

## INTERIM MANAGEMENT REPORT

Historical and parametric stress tests are calculated on a daily basis. These also simulate the effects of market price risks not covered by the VaR, independently of statistically observed probabilities of occurrence.

The relevant market price risk exposures are continuously subjected to backtesting. This involves comparing the actual market value changes (hypothetical income statement) with the potential market value changes forecast by the VaR model on a daily basis. For the periods from the fourth quarter of 2019 to the third quarter of 2020, there were four backtesting breaches at the highest level of the portfolio structure of the trading portfolio. From a statistical perspective, two to three instances of exceeded limits must be expected per year for a VaR with a holding period of one trading day and a confidence level of 99%. The EAA believes that the backtesting process continues to confirm the VaR model. VaR plays only a minor role in EAA's management. Its effective risk management is based on risk sensitivities.

### Value at Risk by clusters

	30/9/2020 EUR thousand	31/12/2019 EUR thousand
EAA Trading	555.6	669.8
Rates	555.6	595.8
Other	130.0	127.7

Note: The presentation of the previous year's clusters has been restated.

As of 30 September 2020, the VaR for the trading portfolio fell to EUR 555.6 thousand due to the winding up of the Muni GIC portfolio (31 December 2019: EUR 669.8 thousand). The changes in the Rates cluster were due to market movements and hedging activities.

### Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

△ Tactical liquidity risk is the risk of not being able to generate sufficient liquidity over the short term (time horizon of up to one year) to meet contractual payment obligations.

△ Strategic liquidity risk is the risk of not being able to implement funding measures set out in the funding plan on the market, in whole or in part.

The EAA's affiliates are included in the liquidity planning and management process so as to ensure optimal access to liquidity. Due to the duty of the liable stakeholders and the FMS to offset losses incurred, as well as because of their creditworthiness, the EAA is perceived positively in the capital markets. As a result, there is less risk concerning the EAA's specific funding options than there is with regard to systemic market illiquidity.

**INTERIM MANAGEMENT REPORT**

The limited stress scenarios ("liquidity crisis and downgrade", "liquidity crisis and downgrade USD") demonstrated a viable net liquidity situation as of 30 September 2020 (defined as the total of cumulated cash flows and the liquidity reserve). The liquidity reserve comprises highly liquid securities that are very likely to be eligible for repo transactions to generate new liquidity. The liquidity reserve was around EUR 1.4 billion when the stress test was performed.

Owing to the good ratings of its liable stakeholders and the FMS, the EAA does not consider it necessary to limit the strategic liquidity risk.

**Longevity risks**

The EAA funds premium payments for US life insurance policies, which are known as life settlement engagements. The payouts from these policies flow to the EAA when the insured individual dies. These policies are bundled in subsidiaries of Erste EAA Anstalt öffentlichen Rechts & Co. KG.

Longevity risk is the risk that insured individuals live longer than originally calculated. In this respect, the insurance premiums must be paid longer than forecast. Changes to the assessment of the expenses to be borne by the EAA from longevity risks are due to higher premiums demanded by the insurance companies. The EAA believes the increases are legally inadmissible. Several lawsuits are currently pending against insurance groups.

Longevity risk is limited to the acquired portfolio. Due to the large number of policies, coupled with a correspondingly high financing volume and long maturities, longevity risk is a major risk for the EAA.

The actuaries and service providers engaged by the EAA provide monthly analyses on the life settlement exposure. Based on these analyses the EAA constantly monitors the relevant cash flows and thus the longevity risk so that deviations from the original forecast can be identified and taken into account in the valuation.

The EAA regularly monitors not only the present value of the expected cash flows (premiums, death benefits and service fees) from the policies but also the net present value of Erste EAA Anstalt öffentlichen Rechts & Co. KG. Besides the present value of the expected cash flows, this indicator takes into account the outstanding funding and cash on hand, making it possible to measure the performance over time of the entire life settlement portfolio.

**Operational risks**

The EAA differentiates between operational risks within the EAA Group (including its subsidiaries) and risks from the outsourcing of activities to service providers.

Operational risks within the EAA are determined using a risk inventory, which is performed on a regular basis. The EAA's last risk inventory from 2020 revealed five assessment objects with high risks in the availability of personnel category due to employee departures. This risk will be absorbed by using external employees if required. Of the assessment objects, 14% are medium risks and 84% low risk. The overall risk situation remains largely unchanged.

**INTERIM MANAGEMENT REPORT**

The aforementioned risk inventory of the EAA from 2020 was carried out together with the EFS and EAA CBB subsidiaries, and the key service providers IBM and MSPA. Owing to the outsourcing of key functions to IBM and the ongoing process of dismantling EFS, the risk situation at EFS continued to be assessed as low. IBM reported a slightly improved risk situation. The risk situation of MSPA remained largely unchanged. However, within the scope of this year's MSPA risk inventory, a high risk was reported in the category of staff motivation, due to the uncertain outcome of the ongoing tender of the EAA for the MSPA.

The EAA has established a service provider management system to monitor the interface between the subsidiaries and other service providers and the EAA, as the recipient of services, in terms of the content, form and quality of the services. Using a continuous and timely monitoring process, the EAA accordingly ensures that its requirements, which are defined in service level agreements, are fulfilled by the service providers in the agreed form. In this process, the EAA records the outsourcing risks and assesses them by applying a traffic light system. The monitoring and assessment process is supported by an online assessment system. Any necessary service and process adjustments are additionally taken into account in a process of continuous improvements.

The EAA has agreed protective measures for data and IT security, including the data centres, with its service providers. These measures are continuously reviewed and adjusted if necessary.

There were no elevated risks during the first three quarters of 2020, and the quality of the services rendered during the period was fundamentally stable in accordance with the service agreement.

**Other risks**

**Reputational risks**

Given the public interest in the EAA, reputational risks are especially relevant. The EAA also attaches special importance to its public image, since it impacts its funding options on the capital market.

The EAA has established behavioural rules for its employees in its "Code of Conduct". The EAA monitors all public media coverage intensely to further minimise reputational risks. This also includes public media coverage about its subsidiaries in the wind-up portfolio. Coordinated and active communication and public relations activities support the EAA's reputation.

**Legal risks**

The EAA is subject to legal supervision by the FMSA, which, in turn, is subject to legal and technical supervision by the German Ministry of Finance. The FMSA ensures in particular that the EAA complies with the requirements of statutory provisions and its charter.

**INTERIM MANAGEMENT REPORT**

Since April 2010 the authorities in the US and in the EU (particularly BaFin) had been investigating possible misconduct in the trading departments of several banks. The results of the investigation have not produced any evidence of wrongdoing at the former WestLB; the investigations by BaFin and the US supervisory authorities were terminated without any measures being undertaken against Portigon. A large number of investment banks active in the US, among these Portigon, were also sued in the US in various class action lawsuits due to alleged manipulative actions with regard to exchange rates. Certain aspects of these class actions were repeatedly rejected in the Court of First Instance with respect to Portigon. The plaintiffs launched an appeal against this, the outcome of which led in part to a referral back to the Court of First Instance and in part to an uncertain outcome as things currently stand. The Court of First Instance has yet to make a final ruling in favour of the plaintiffs. It is currently impossible to predict when this will be made and whether it will lead to a comprehensive taking of evidence. However, Portigon remains convinced that, in line with the results of the investigations by the supervisory authorities, it cannot be accused of misconduct. The EAA has no reason to doubt Portigon's claims.

Against the background of investigations by the public prosecution authorities into dividend arbitrage transactions, Portigon set aside provisions for capital gains tax and interest that may have been unjustifiably credited in previous years. Portigon has also written to the EAA requesting reimbursement of such expenses as it believes that, on the basis of the transfer contracts concluded in 2012 by the liable stakeholders within the scope of the refill, EAA would assume the risk in this respect. Following a detailed assessment of the asserted claim, the EAA considers this claim to be unfounded on the basis of the information available to it and with the assistance of external legal advisors and has therefore not set aside any provision to this end.

When necessary, the EAA has established sufficient financial reserves and initiated other measures to cover judicial and extra-judicial disputes.

**Tax risks**

Tax risks may arise from changes in tax legislation, case law or errors in the application of the law as well as the special tax regulations for winding-up agencies.

The EAA uses clearly defined governance structures and processes to analyse and manage tax risks. Tax risks are clarified through active communication with tax authorities and other government institutions. Where necessary, external specialists are engaged to consult on legal and tax issues.

**Summary of the risk situation**

The EAA was established to assume the risk exposures and non-strategic business units of the former WestLB and its domestic and foreign subsidiaries, and to wind these up in a value-preserving and risk-minimising manner, based on a winding-up plan. Value fluctuations in the interim are of less significance.



**INTERIM MANAGEMENT REPORT**

For that purpose, in particular, winding-up agencies in accordance with section 8a StFG are exempt from capital requirements, the obligation to prepare consolidated financial statements and other statutory provisions that apply to commercial banks.

The EAA strives in its risk management activities to reduce the risks resulting from the winding-up of the portfolio. To that end, the wind-up success and any deviations from the winding-up plan are continually monitored and compared against the plan (please refer to the section "Wind-up report").

Due to its good rating, the EAA has a stable funding situation. The stress scenarios demonstrated reasonable net liquidity as of 30 September 2020.

Market price risks are largely limited.

The EAA has a tight service provider management system and an internal control system in order to manage operational risks.

Longevity risk is the risk that insured individuals live longer than originally calculated or the insurance companies increase the premiums. They are limited to the acquired portfolio. The longevity risks in the portfolio are regularly analysed.

Risks resulting from the sovereign debt crisis, particularly for exposures in periphery euro-zone countries, and growing risks resulting from the corona crisis, are being monitored closely and in a timely fashion.

The EAA has made sufficient provision for all known risks. Its equity – before the loss offset guarantees – is initially available as aggregate risk cover for risks that are not yet foreseeable at present.

The requirements for risk-bearing capacity pursuant to section AT 4.1 MaRisk are not relevant for the EAA. Instead, the EAA performs a quarterly analysis of the changes in its equity to the end of the planning period using the winding-up plan as well as updated variables and market parameters. This involves, in particular, analysing the effects of changed framework conditions on equity in 2027. The winding-up plan shows positive equity capital as of the end of the planning period. This means that the only possibility of a loss occurring that would require the EAA's liability mechanism to be utilised in the period to the end of the planning horizon for the winding-up plan would be if adverse scenarios were to materialise which, from today's perspective, are unlikely to occur.

In summary, the EAA perceives the risks it has assumed to be adequately covered, given its capital resources as well as the existing guarantee, equity instruments and loss-offset obligations of the liable stakeholders and the FMS.

The EAA will continue to place a special focus on sustainable and consistent risk management.

## Opportunities report

The economic recovery in the eurozone entered into a recession in the first three months of 2020 as a result of the corona crisis. The EAA expects economic performance in the euro currency area to decline by 7.8% this year. In 2021, France and Germany will be among the fastest growing economies in the eurozone. Former crisis-hit countries such as Italy and Spain are impacted more by the crisis and will take longer to recover. Italy and Spain should benefit in particular from the EU's support package for member states particularly affected by the corona outbreak, which should help shore up the valuations of securities and loans.

A similar contribution could be expected from the ECB's monetary policy in 2020 and 2021. The purchase programme for euro government bonds (Public Sector Purchase Programme) and the newly launched pandemic programme will support euro government bond prices.

The combination of very loose monetary policy and fiscal stimulus from the EU reconstruction assistance will allow the eurozone states and the companies and project finance based there to service their debt on much better terms. This benefits the prices of euro government bonds and other financial products that are valued on the basis of their country's respective bonds. The process will not be limited to listed products only; it will also affect other segments of the euro credit market such as promissory note loans, traditional loans and project financing.

Besides exposures to the euro periphery, the EAA also has significant commitments in the US. US property prices in particular have largely recovered in the course of the economic recovery prior to the corona pandemic and are now only about 4% below the high of July 2006. This was already taken into account in the valuation of the exposures, so the positive effect of further economic recovery in the US should be limited.

Due to the monetary and fiscal measures taken to ward off the economic consequences of the corona pandemic, the EAA anticipates these developments will have a fundamentally beneficial effect on the portfolio (see also the "Forecast report" section).

## Forecast report

Active measures and contractual maturities are expected to reduce the notional volume of the banking book by around 14% compared with the previous year to less than EUR 13 billion in 2020.

The EAA's objective is to have wound up around 90% of the banking book as of 31 December 2011 (including the exposures held by subsidiaries and the exposures from the refill) by the end of 2021. As in previous years, the winding-up activities will focus on advance portfolio-reducing measures and active participation management.

**INTERIM MANAGEMENT REPORT**

For 2020, the notional volume of the trading portfolio is expected to decline significantly by more than 30% compared with the previous year, to less than EUR 100 billion. Since the transfer in 2012, the EAA has continued to target a reduction in the notional volume of over 90% by the end of 2021. The EAA will continue to analyse how the trading portfolios can be effectively and cost efficiently reduced at an accelerated pace.

The EAA expects to generate a total of EUR 90 million (including dividend income) from the net interest result, net fee and commission result, and results from financial assets and shareholdings for 2020, which is therefore just down on the previous year's level. A forecast for the net trading and risk provision result is difficult due to the imponderables with respect to developments on the global financial markets and other markets. The EAA is sticking with its strategy of winding up in a value-preserving manner. Losses are expected in the next few fiscal years because of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This possibility is taken into account in the EAA's winding-up planning.

Further forecasts regarding earnings in the next few fiscal years on the basis of the indicators described are subject to uncertainty and are reliable only to a limited extent. Based on its winding-up planning, however, the EAA does not currently foresee the need to utilise the equity capital drawing limit or the assumed loss-offset obligations.

The EAA fundamentally pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess early and profitable wind-up opportunities for the portfolio. To this end, an agreement was reached for example at the end of 2019 to reduce substantial portions of the derivatives portfolio, which should be implemented in several steps over the next one to two years.

The recession triggered by the corona crisis has only triggered temporary increases in the risk premiums so far. The ECB's euro government bond buying programme and the new pandemic programme have impacted positively on the EAA's portfolios. The ECB measures and the EU's reconstruction aid of EUR 750 billion appear to be reassuring market participants. Further easing by the ECB in the form of a boost to the pandemic programme or of relief for banks suffering from the costs of negative interest rates cannot be ruled out. The ECB will therefore continue to exert a significant influence on the market performance of euro government bonds in the years ahead. Because of the low interest rate environment, investors' will remain hungry for yield, which should support the EAA's sales activities and encourage investors to redeem holdings ahead of schedule.

Even if the various measures taken by central banks and governments are helping, one cannot turn a blind eye to the fact that the sharp economic downturn will cause the number of corporate insolvencies to rise. A study by Euler Hermes on 16 July 2020 predicts a 35% increase in the number of insolvencies worldwide by the end of 2021. In Europe, the authors expect insolvencies to peak in 2021. Only then should the situation improve again. The EAA is very aware of this threat. Exposures that could be negatively affected by the crisis and recession are closely monitored.

**ERSTE ABWICKLUNGSANSTALT**

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**INTERIM MANAGEMENT REPORT**

The tasks of the EAA include securing the acquired expertise for the ongoing successful winding-up activities. However, in parallel with winding up the portfolio, the EAA must also reduce costs and save on staff. It is a challenge for the management to deal with these conflicting priorities while retaining specialists for the work that remains. The EAA will optimise its structures on an ongoing basis in the coming years.

BALANCE SHEET

# Balance sheet

## Assets

	Notes	EUR	EUR	30/9/2020 EUR	31/12/2019 EUR
1. Cash reserve					
a) Balances with central banks			6,170,371,573		(1,768,925,648)
of which:					
with Deutsche Bundesbank					
EUR 6,170,371,573 (py: EUR 1,768,925,648)					
				6,170,371,573	1,768,925,648
2. Loans and advances to banks	4, 28				
a) Payable on demand			3,711,848,843		(3,701,112,381)
b) Other loans and advances			1,422,097,580		(1,961,320,101)
				5,133,946,423	5,662,432,482
3. Loans and advances to customers	5, 6, 14, 28			7,560,424,320	8,291,962,674
of which:					
secured by mortgage charges					
EUR 86,794,611 (py: EUR 89,241,193)					
Public-sector loans					
EUR 1,078,623,970 (py: EUR 1,157,451,085)					
4. Bonds and other fixed-income securities	7, 15, 28				
a) Money market instruments issued by					
aa) public issuers		95,249,584			(0)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 95,249,584 (py: EUR 0)					
			95,249,584		(0)
b) Bonds issued by					
ba) public issuers		1,161,169,193			(1,169,297,251)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 1,148,620,092					
(py: EUR 1,152,396,841)					
bb) other issuers		3,720,549,627			(4,231,792,730)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 259,180,328 (py: EUR 300,145,599)					
			4,881,718,820		(5,401,089,981)

**ERSTE ABWICKLUNGSANSTALT**  
 INTERIM REPORT 30 SEPTEMBER 2020

**BALANCE SHEET**

	Notes	EUR	EUR	30/9/2020 EUR	31/12/2019 EUR
c) Own bonds notional value: EUR 30,000,000 (py: EUR 30,000,000)			30,680,548		(31,018,033)
				5,007,648,952	5,432,108,014
5. Equities and other non-fixed-income securities				1	1
5a. Trading portfolio	8			13,325,554,396	15,392,548,233
6. Long-term equity investments	9			36,280,082	37,744,996
of which:					
in banks EUR 15,358,686 (py: EUR 15,358,686)					
7. Shares in affiliates	10			932,101,853	1,025,378,477
of which:					
in banks EUR 434,297,095 (py: EUR 434,297,095)					
8. Trust assets	11			22,317	22,789
of which:					
Trust loans EUR 22,317 (py: EUR 22,789)					
9. Intangible assets					
a) Paid concessions, trademarks and similar rights and values such as licences in such rights			2,856,000		(3,158,077)
				2,856,000	3,158,077
10. Tangible fixed assets				6,904	139,814
11. Other assets	12			7,527,545	177,566,344
12. Prepaid expenses/accrued income	13			19,585,866	22,979,999
<b>Total assets</b>				<b>38,196,326,232</b>	<b>37,814,967,548</b>

**ERSTE ABWICKLUNGSANSTALT**  
 INTERIM REPORT 30 SEPTEMBER 2020

**BALANCE SHEET**

**Liabilities and equity**

	Notes	EUR	EUR	30/9/2020 EUR	31/12/2019 EUR
1. Deposits from banks	16				
a) Payable on demand			1,198,321,777		(1,676,638,790)
b) With an agreed maturity or withdrawal notice			382,823,299		(442,351,061)
				1,581,145,076	2,118,989,851
2. Deposits from customers	17				
other deposits					
a) Payable on demand			195,347,498		(193,792,874)
b) With an agreed maturity or withdrawal notice			1,669,828,780		(1,759,321,428)
				1,865,176,278	1,953,114,302
3. Debt securities in issue	18				
a) Bonds issued			8,497,939,881		(8,686,458,830)
b) Other debt securities in issue			12,551,086,904		(9,210,679,392)
of which:					
money market instruments					
EUR 12,551,086,904 (py: EUR 9,210,679,392)					
				21,049,026,785	17,897,138,222
3a. Trading portfolio	19			12,718,210,623	15,044,828,511
4. Trust liabilities	20			22,317	22,789
of which:					
Trust loans					
EUR 22,317 (py: EUR 22,789)					
5. Other liabilities	21			227,204,594	21,389,230
6. Accrued expenses/deferred income	22			14,273,953	18,336,567
7. Provisions	23				
a) Tax provisions			2,007,798		(2,144,298)
b) Other provisions			110,624,684		(103,487,963)
				112,632,482	105,632,261

**ERSTE ABWICKLUNGSANSTALT**  
INTERIM REPORT 30 SEPTEMBER 2020

**BALANCE SHEET**

	Notes	EUR	EUR	30/9/2020 EUR	31/12/2019 EUR
8. Equity	24				
a) Called capital					
Subscribed capital		500,000			(500,000)
less uncalled outstanding capital		0			(0)
			500,000		(500,000)
b) Capital reserves			3,013,237,214		(3,013,237,214)
c) Revenue reserves					
other revenue reserves		2,431,408			(2,431,408)
			2,431,408		(2,431,408)
d) Net retained losses			-2,387,534,498		(-2,360,652,807)
				628,634,124	655,515,815
<b>Total liabilities and equity</b>				<b>38,196,326,232</b>	<b>37,814,967,548</b>
1. Contingent liabilities	25				
a) Liabilities from guarantees and warranties			1,555,610,176		(1,770,338,981)
				1,555,610,176	1,770,338,981
2. Other obligations	25				
a) Irrevocable loan commitments			187,052,236		(186,151,593)
				187,052,236	186,151,593



INCOME STATEMENT

# Income statement

	Notes	EUR	EUR	1/1-30/9/2020 EUR	1/1-30/9/2019 EUR
1. Interest income from	26				
a) Lending and money market transactions		241,671,476			(293,213,849)
b) Fixed-income securities and debt register claims		73,929,073			(107,206,796)
			315,600,549		(400,420,645)
2. Interest expenses			273,337,933		(343,783,960)
				42,262,616	56,636,685
3. Current income from	26				
a) Equities and other non-fixed-income securities			0		(0)
b) Long-term equity investments			466,188		(2,399,088)
c) Shares in affiliates			2,575		(2,556)
				468,763	2,401,644
4. Income from profit pooling, profit transfer or partial profit transfer agreements	26			0	0
5. Fee and commission income	26		1,461,171		(2,258,611)
6. Fee and commission expenses			15,216,757		(15,190,616)
				-13,755,586	-12,932,005
7. Net trading result				-3,760,594	-3,205,119
8. Other operating income	26, 27			1,898,820	4,295,200
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		14,594,185			(15,529,684)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		2,003,389			(2,147,079)
of which:					
for pensions EUR 508,924 (py: EUR 535,032)					
			16,597,574		(17,676,763)
b) Other administrative expenses			71,910,002		(81,554,376)
				88,507,576	99,231,139

**INCOME STATEMENT**

	Notes	EUR	EUR	1/1-30/9/2020 EUR	1/1-30/9/2019 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets				434,987	334,313
11. Other operating expenses	27			21,708,892	3,186,192
12. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	23, 28			55,000,088	43,894,881
13. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	28			1,815,023	3,717,223
14. Expenses from loss assumption	28			0	0
15. Result from ordinary activities				-26,722,325	-7,943,135
16. Taxes on income and earnings	29			158,049	553,602
17. Other taxes not reported under item 11	29			1,317	5,529
18. Net result for the year				-26,881,691	-8,502,266
19. Net retained losses brought forward				-2,360,652,807	-2,357,948,110
20. Net retained losses				-2,387,534,498	-2,366,450,376

CASH FLOW STATEMENT

# Cash flow statement

			1/1-30/9/2020 EUR	1/1-30/9/2019 EUR
1.	+/-	Result for the period	-26,881,691	-8,502,266
<b>Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities</b>				
2.	+/-	Allowances for losses on loans and advances and write-offs on certain securities, depreciation, amortisation on tangible fixed assets and long-term financial assets as well as the reversal thereof	-52,177,479	-47,155,691
3.	+/-	Increase/decrease in provisions	7,000,220	-12,824,663
4.	+/-	Other non-cash income/expenses	-216,451,244	244,933,538
5.	-/+	Gain/loss on disposal of long-term financial assets	-1,367,503	-918,094
6.	=	Subtotal	-289,877,697	175,532,824
<b>Change in operating assets and liabilities</b>				
7.	-/+	Increase/decrease in loans and advances to banks (no trading portfolio)	619,549,924	-1,419,238,620
8.	-/+	Increase/decrease in loans and advances to customers (no trading portfolio)	788,418,145	424,483,020
9.	-/+	Increase/decrease in securities (no financial assets and no trading portfolio)	416,456,416	1,537,519,375
10.	+/-	Trading assets	305,730,386	-70,411,577
11.	-/+	Increase/decrease in other operating assets	177,268,673	-325,341,639
12.	+/-	Increase/decrease in deposits from banks (no trading portfolio)	-538,509,934	586,768,489
13.	+/-	Increase/decrease in deposits from customers (no trading portfolio)	-17,107,946	-189,737,265
14.	+/-	Increase/decrease in debt securities in issue	3,199,204,217	1,056,328,558
15.	+/-	Trading liabilities	-348,903,192	-244,853,183
16.	+/-	Increase/decrease in other operating liabilities	197,690,394	-14,926,491
17.	+/-	Interest expenses/interest income	-42,731,379	-59,038,329
18.	+/-	Tax expenses/tax income	158,049	553,602
19.	+	Interest payments and dividend payments received	313,680,541	412,791,608
20.	-	Interest paid	-301,252,756	-314,860,345
21.	-/+	Income tax payments	-158,049	-553,602
22.	=	Cash flows from operating activities (sum of 6 to 21)	4,479,615,792	1,555,016,425
23.	+	Proceeds from disposal of long-term financial assets	2,123,659	35,157,432
24.	-	Purchase of long-term financial assets	-136,102	0
25.	-	Purchase of tangible fixed assets	0	-3,272
26.	-	Purchase of intangible assets	0	0
27.	=	Cash flows from investing activities (sum of 23 to 26)	1,987,557	35,154,160
28.	+/-	Changes in other capital (net)	0	0
29.	=	Cash flows from financing activities (sum of 28)	0	0
30.		Net change in cash funds (sum of 22, 27, 29)	4,481,603,349	1,590,170,585
31.	+	Cash funds at beginning of period	2,174,178,842	1,445,742,364
32.	=	Cash funds at end of period (sum of 30 to 31)	6,655,782,191	3,035,912,949

The cash flow statement is prepared in accordance with DRS 21. The cash funds include the current accounts maintained at HSBC and Deutsche Bundesbank (demand deposits). Further cash funds as defined by DRS 21 do not exist at the present time.

STATEMENT OF CHANGES IN EQUITY

## Statement of changes in equity

	Balance as of 1/1/2020 EUR	Appropriation of the result EUR	Balance as of 30/9/2020 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,360,652,807	-26,881,691	-2,387,534,498
<b>Equity under HGB</b>	<b>655,515,815</b>	<b>-26,881,691</b>	<b>628,634,124</b>

	Balance as of 1/1/2019 EUR	Appropriation of the result EUR	Balance as of 30/9/2019 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,357,948,110	-8,502,266	-2,366,450,376
<b>Equity under HGB</b>	<b>658,220,512</b>	<b>-8,502,266</b>	<b>649,718,246</b>

CONDENSED NOTES

# Condensed notes

For the period from 1 January to 30 September 2020

## General disclosures

### 1. Legal framework of the EAA

The EAA is a structurally and commercially independent public law entity with partial legal capacity operating under the umbrella of the FMSA. Its registered office is in Düsseldorf. The EAA was set up by the FMSA on 11 December 2009, and entered into the commercial register of the District Court of Düsseldorf (HRA 20869) on 23 December 2009.

The EAA is winding up the risk exposures and non-strategic business units (transferred assets) transferred from the former WestLB and its domestic and foreign subsidiaries. In doing so, it proceeds in a value-preserving and risk-minimising manner. This serves to stabilise the financial market. The risk exposures and non-strategic business units of the former WestLB were transferred to the EAA in the years 2009 and 2010 (first fill) as well as in 2012 (refill) using several different transfer methods. In an ongoing process, transactions that were initially synthetically transferred will be transferred legally and fully from Portigon to the EAA. For further information on the transfer methods, please refer to the section "Operating activities of the EAA" in the Annual Report 2019.

The EAA manages its business according to commercial and economic principles, in consideration of its winding-up objectives and the principle of minimising loss. It is not classified as a credit institution for the purposes of the German Banking Act, nor does it carry out activities requiring a permit for the purposes of EU Directive 2006/48/EC dated 14 June 2006. It is subject to regulation by the FMSA. The EAA is supervised by BaFin with regard to those provisions of banking law that are applicable to the EAA.

### 2. Basis of accounting

In accordance with section 8a (1a) StFG in conjunction with the additional guidance of the EAA's charter, the EAA's interim report has been prepared under the provisions of the HGB for large public companies and RechKredV. In particular, the condensed financial statements comply with the requirements of DRS 16 (half-year interim reporting).

The information contained in this interim report should be read in conjunction with the disclosures contained in the published and audited financial statements for the fiscal year from 1 January to 31 December 2019. All facts were considered up to the time these interim financial statements were prepared.

CONDENSED NOTES

### 3. Accounting and valuation principles

The same accounting and valuation principles were applied to the interim financial statements as to the financial statements for the fiscal year from 1 January to 31 December 2019.

The assumptions and estimates required, in particular in connection with illiquid portfolios, are based on the subjective judgement of the management and are subject to forecasting uncertainties. Even if the available information, historical experience and other evaluation factors have been relied upon to prepare the estimates, actual future events may differ from the estimates. This may also have a material impact on the asset position, financial position and earnings situation. In the EAA's opinion, the parameters used are appropriate and acceptable.

### Notes on the balance sheet and the income statement

#### 4. Loans and advances to banks

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>5,133.9</b>	<b>5,662.4</b>
of which:		
- to affiliates	507.2	334.1
Payable on demand due	3,711.8	3,701.1
- within 3 months	1,403.7	1,816.6
- 3 months to 1 year	1.2	126.3
- 1 to 5 years	6.0	6.1
- after 5 years	11.2	12.3

CONDENSED NOTES

5. Loans and advances to customers

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>7,560.4</b>	<b>8,292.0</b>
of which:		
- to affiliates	1,251.1	1,336.4
due		
- within 3 months	1,235.6	1,027.2
- 3 months to 1 year	1,293.9	1,581.5
- 1 to 5 years	1,128.0	1,410.7
- after 5 years	3,902.9	4,272.6

These loans and advances also include registered and other non-marketable bonds.

6. Loans and advances secured by mortgages

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>86.8</b>	<b>89.2</b>
Loans and advances to customers due		
- within 3 months	1.2	0.0
- 3 months to 1 year	0.1	0.1
- 1 to 5 years	0.1	0.1
- after 5 years	85.4	89.0

CONDENSED NOTES

7. Bonds and other fixed-income securities

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>5,007.6</b>	<b>5,432.1</b>
of which:		
Amounts due in the following year	133.9	136.6
Breakdown		
- Money market instruments	95.2	-
- Bonds issued by public issuers	1,161.2	1,169.3
- Bonds issued by other issuers	3,720.5	4,231.8
- Own bonds	30.7	31.0
Breakdown by marketability		
- Marketable securities	5,007.6	5,432.1
of which:		
- listed	1,438.4	1,509.9
- unlisted	3,569.2	3,922.2
Breakdown by type		
- Liquidity reserve	30.7	31.0
- Financial assets portfolio	4,976.9	5,401.1

Bonds and other fixed-income securities in the amount of EUR 5.0 billion (previous year: EUR 5.4 billion) were included in the financial assets portfolio. As of the reporting date, financial assets with a carrying amount of EUR 1.7 billion (previous year: EUR 1.9 billion) were recognised at EUR 0.1 billion (previous year: EUR 0.1 billion) above their fair value as the EAA expects to receive repayments totalling at least the carrying amount. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the financial assets. The difference is primarily attributable to structured credit products.

Of the aforementioned financial assets with a carrying amount of EUR 1.7 billion, none (previous year: EUR 0.0 billion (rounded up)) related to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the investment portfolio that was not hedged with asset swaps (EUR 3.5 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.



CONDENSED NOTES

8. Trading portfolio

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>13,325.6</b>	<b>15,392.5</b>
of which:		
- Derivative financial instruments	13,327.4	15,394.6
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-1.8	-2.1

9. Long-term equity investments

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>36.3</b>	<b>37.7</b>
of which:		
- in banks	15.4	15.4
Breakdown by marketability		
- Marketable securities	15.4	15.4
of which:		
- unlisted	15.4	15.4

10. Shares in affiliates

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>932.1</b>	<b>1,025.4</b>
of which:		
- in banks	434.3	434.3
Breakdown by marketability		
- Marketable securities	434.3	434.3
of which:		
- unlisted	434.3	434.3

11. Trust assets

The EAA's trust assets as of 30 September 2020 comprised loans and advances to customers amounting to EUR 22.3 thousand (previous year: EUR 22.8 thousand).

CONDENSED NOTES

12. Other assets

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>7.5</b>	<b>177.6</b>
of which:		
- Tax refund claims	7.5	11.7
- Currency translation adjustments	-	161.6
- Receivables from profit and loss pooling agreements	-	4.2

13. Prepaid expenses/accrued income

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>19.6</b>	<b>23.0</b>
of which:		
- Non-recurring payments on swaps	8.7	13.3
- Discounts from issuing business	6.0	5.6
- Discounts from liabilities	3.8	3.5
- Other	1.1	0.6

14. Subordinated assets

Subordinated assets are included in:

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Loans and advances to customers</b>	<b>651.8</b>	<b>666.3</b>
of which:		
- to affiliates	283.7	296.4

15. Assets sold under repurchase agreements

No assets were sold under repurchase agreements as of 30 September 2020 and at the previous year-end.

CONDENSED NOTES

16. Deposits from banks

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>1,581.1</b>	<b>2,119.0</b>
of which:		
- Deposits from affiliates	-	28.4
Payable on demand	1,198.3	1,676.6
due		
- within 3 months	72.1	120.4
- 3 months to 1 year	54.7	104.6
- 1 to 5 years	149.1	151.4
- after 5 years	106.9	66.0

17. Deposits from customers

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>1,865.2</b>	<b>1,953.1</b>
of which:		
- Deposits from affiliates	91.5	115.0
Other deposits	1,865.2	1,953.1
of which:		
- payable on demand	195.3	193.8
due		
- within 3 months	115.2	55.3
- 3 months to 1 year	95.0	154.3
- 1 to 5 years	498.3	551.3
- after 5 years	961.4	998.4

CONDENSED NOTES

18. Debt securities in issue

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>21,049.0</b>	<b>17,897.1</b>
Bonds issued	8,497.9	8,686.5
of which:		
Amounts due in the following year	3,811.5	3,303.5
Other debt securities in issue	12,551.1	9,210.7
of which due:		
- within 3 months	6,983.9	8,485.0
- 3 months to 1 year	5,567.1	725.7

19. Trading portfolio

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>12,718.2</b>	<b>15,044.8</b>
of which:		
- Derivative financial instruments	12,718.2	15,044.8

20. Trust liabilities

The EAA's trust liabilities as of 30 September 2020 comprised deposits from customers amounting to EUR 22.3 thousand (previous year: EUR 22.8 thousand).

21. Other liabilities

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>227.2</b>	<b>21.4</b>
of which:		
- Currency translation adjustments	216.1	-
- Deposits from loss assumptions	-	9.5
- Other	11.1	11.9

The "Other" item mostly included liabilities from invoices that are not yet paid and deposits from subsidiaries due to tax unities.

CONDENSED NOTES

22. Accrued expenses/deferred income

	30/9/2020 EUR million	31/12/2019 EUR million
<b>Carrying amount</b>	<b>14.3</b>	<b>18.3</b>
of which:		
- Premium on issuing business	7.8	12.3
- Non-recurring payments on swaps	6.1	5.5
- Premiums for sold interest rate caps and floors	0.3	0.5

23. Provisions

	Balance as of 31/12/2019 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 30/9/2020 EUR million
<b>Taxes</b>	<b>2.1</b>	-	-	-	-	-0.1	<b>2.0</b>
<b>Other provisions</b>	<b>103.5</b>	<b>28.2</b>	<b>0.4</b>	<b>17.5</b>	<b>3.6</b>	<b>-0.3</b>	<b>110.6</b>
- Loans	7.1	0.7	-	-	2.2	0.2	5.8
- Shareholdings	2.4	-	-	0.2	-	-	2.2
- Legal actions	2.7	2.5	-	0.5	-	-	4.6
- Personnel	0.5	-	-	-	-	-	0.5
- Other	90.8	25.0	0.4	16.8	1.4	-0.5	97.5
<b>Total</b>	<b>105.6</b>	<b>28.2</b>	<b>0.4</b>	<b>17.5</b>	<b>3.6</b>	<b>-0.4</b>	<b>112.6</b>

When loans previously guaranteed were transferred to the EAA, the provisions that had been recognised for the guaranteed exposures had to be converted into allowances. This effect is included in the category "Other changes" in provisions for loans in the table shown above.

"Other" provisions primarily include amounts for risks that cannot be classified under any other type of provision.

24. Equity

As of 30 September 2020, the EAA's subscribed capital amounted to EUR 500,000.

The capital reserve totalling EUR 3,013.2 million arose from the transfer of risk exposures and non-strategic business units of the former WestLB.

Other reserves amounted to EUR 2.4 million and originate from the reversal of provisions for which the reported amounts were reduced as a result of the change in the valuation of obligations under BilMoG.

CONDENSED NOTES

The net loss for the year for the first three quarters of 2020 amounted to EUR 26.9 million and increased net retained losses to EUR 2,387.5 million as of 30 September 2020.

## 25. Contingencies

### Contingent liabilities

Contingent liabilities amounting to EUR 1.6 billion (previous year: EUR 1.8 billion) primarily arose from guarantees for Portigon's risk exposures and the liabilities inherited from WestImmo. The volume of legacy WestImmo liabilities stood at EUR 1.5 billion as of 30 September 2020 (previous year: EUR 1.6 billion). This volume is constantly decreasing as a result of repayments. All material bank-related assets and liabilities were transferred to Aareal Bank AG as of 30 June 2017 by way of a spin-off and takeover agreement concluded between Aareal Bank AG and WestImmo.

The EAA has no detailed knowledge of whether, when or to what extent any contingencies will materialise. Provisions will be made as soon as there are sufficient concrete indications of probable losses resulting from a materialisation.

### Other obligations

The reported volume of EUR 187.1 million (previous year: EUR 186.2 million) was due to the lending business.

The EAA constantly reviews whether losses from other obligations are to be expected and if a provision needs to be made for impending losses from pending transactions.

## 26. Geographical breakdown of income components

The key income components of the EAA's income statement were generated in the following geographical markets.

	Interest income	Current income	Fees and commission income	Other operating income
	1/1-30/9/2020 EUR million	1/1-30/9/2020 EUR million	1/1-30/9/2020 EUR million	1/1-30/9/2020 EUR million
Germany	60.4	0.5	1.3	1.9
UK	62.8	-	-	-
Rest of Europe	134.1	-	0.1	-
Far East and Australia	14.9	-	0.1	-
North America	43.4	-	-	-
<b>IS amount</b>	<b>315.6</b>	<b>0.5</b>	<b>1.5</b>	<b>1.9</b>

The geographic split of income is generally based on where the business partner is domiciled. Current income also includes the income from profit and loss transfer and partial profit and loss transfer agreements if such income accrues.

CONDENSED NOTES

## 27. Other operating and prior-period expenses and income

As of 30 September 2020, the balance of other operating expenses and income comprised EUR 21.7 million (previous year: EUR 3.2 million) in expenses and EUR 1.9 million (previous year: EUR 4.3 million) in income.

The expenses included EUR 1.7 million (previous year: EUR 1.3 million) from the foreign exchange result in the banking book and reversals of provisions in the amount of EUR 0.1 million (previous year: EUR 0.5 million). Most of the expenses related to additions to provisions.

## 28. Risk provision

### Write-downs and allowances in accordance with section 340f (3) and section 340c (2) HGB

	1/1-30/9/2020 EUR million	1/1-30/9/2019 EUR million
<b>Risk provision and financial investment result including loss assumption (pursuant to RechKredV)</b>	<b>56.8</b>	<b>47.6</b>
<b>Loans and securities income/expense</b>	<b>55.0</b>	<b>43.9</b>
of which: - Lending operations	54.9	44.0
- Securities	0.1	-0.1
<b>Shareholdings and securities income/expenses</b>	<b>1.8</b>	<b>3.7</b>
of which: - Shareholdings	0.6	8.9
- Securities	1.2	-5.2
<b>Expenses from loss assumption</b>	<b>-</b>	<b>-</b>
<b>Risk provision and financial investment result including loss assumption (pursuant to risk report)</b>	<b>56.8</b>	<b>47.6</b>
<b>Result of risk provisions – loans and advances/securities due to credit risk</b>	<b>55.0</b>	<b>43.9</b>
of which: - Lending operations	55.0	43.9
<b>Results from financial assets, shareholdings and loss assumption</b>	<b>1.8</b>	<b>3.7</b>

The EAA always makes use of the options available under section 340f (3) and section 340c (2) HGB. Under section 340f (3) HGB, income and expenses resulting from the valuation in the lending business may be reported on a net basis with risk provisions for securities and income from the reversal of risk provisions on securities of the liquidity reserve. Net income amounted to EUR 55.0 million (previous year: net income EUR 43.9 million). According to section 340c (2) HGB, the expenses for long-term equity investments, shares in affiliates and long-term investment securities may be offset against the corresponding income. Overall, the EAA posted income of EUR 1.8 million (previous year: income of EUR 3.7 million) as the risk result for shareholdings and securities.

**CONDENSED NOTES**

## 29. Taxes

Taxes on income and earnings amounting to EUR 0.2 million (previous year: EUR 0.6 million) primarily related to foreign taxes.

In the current fiscal year, other taxes of EUR 1.3 thousand (previous year: EUR 5.5 thousand) were incurred, consisting primarily of insurance tax.

## Other disclosures

## 30. Forward contracts/derivative financial instruments

The EAA enters into the following types of forward contracts and derivative financial instruments:

### △ Interest rate-related products

Interest rate swaps, interest rate futures, forward rate agreements, interest rate caps, interest rate floors, interest rate collars, swaptions and interest rate options

### △ Currency-related products

Interest rate/cross-currency swaps, forward interest rate/cross-currency swaps, forward exchange contracts and currency option contracts

### △ Equity- and other price-related products

Share options, index options, share and index warrants in issue

### △ Credit derivatives

Credit default swaps, total return swaps and credit-linked notes

The total volume of forward transactions and derivatives transactions as of the reporting date amounted to EUR 146.2 billion based on notional values (previous year: EUR 168.6 billion). The focus remained on interest-rate-related products, whose share stood at 81.2% (previous year: 85.2%) of the total volume.

If they are exchange-traded, derivative financial instruments are calculated at the market price on the reporting date. For non-exchange-traded derivatives, market values were determined on the basis of actuarial measurement models as well as valuation parameters available on the market (including interest rates, interest rate volatilities and exchange rates).



CONDENSED NOTES

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	30/9/2020 EUR million	31/12/2019 EUR million	30/9/2020 EUR million	31/12/2019 EUR million	30/9/2020 EUR million	31/12/2019 EUR million
<b>Interest rate-related products</b>	<b>118,721.9</b>	<b>143,683.3</b>	<b>13,215.3</b>	<b>15,328.2</b>	<b>13,761.2</b>	<b>15,924.6</b>
OTC products	118,721.9	143,683.3	13,215.3	15,328.2	13,761.2	15,924.6
Exchange-traded products	-	-	-	-	-	-
<b>Currency-related products</b>	<b>26,025.6</b>	<b>22,958.7</b>	<b>383.0</b>	<b>587.8</b>	<b>532.8</b>	<b>320.3</b>
OTC products	26,025.6	22,958.7	383.0	587.8	532.8	320.3
<b>Equity- and other price-related products</b>	<b>1,422.1</b>	<b>1,972.1</b>	<b>0.8</b>	<b>8.5</b>	<b>0.6</b>	<b>8.0</b>
OTC products	1,422.1	1,972.1	0.8	8.5	0.6	8.0
<b>Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
OTC products	-	-	-	-	-	-
<b>Total</b>	<b>146,169.6</b>	<b>168,614.1</b>	<b>13,599.1</b>	<b>15,924.5</b>	<b>14,294.6</b>	<b>16,252.9</b>
OTC products	146,169.6	168,614.1	13,599.1	15,924.5	14,294.6	16,252.9
Exchange-traded products	-	-	-	-	-	-

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 156.7 billion in fiscal year 2020 (previous year: EUR 192.8 billion).

CONDENSED NOTES

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	30/9/2020 EUR million	31/12/2019 EUR million	30/9/2020 EUR million	31/12/2019 EUR million	30/9/2020 EUR million	31/12/2019 EUR million
<b>Interest rate-related products</b>	<b>129,647.0</b>	<b>164,310.6</b>	<b>14,407.5</b>	<b>16,074.1</b>	<b>15,154.2</b>	<b>16,759.2</b>
OTC products	129,647.0	164,077.0	14,407.5	16,074.1	15,154.2	16,759.2
Exchange-traded products	-	233.6	-	-	-	-
<b>Currency-related products</b>	<b>25,183.0</b>	<b>26,546.5</b>	<b>487.8</b>	<b>649.0</b>	<b>430.8</b>	<b>361.5</b>
OTC products	25,183.0	26,546.5	487.8	649.0	430.8	361.5
<b>Equity- and other price-related products</b>	<b>1,834.6</b>	<b>1,972.1</b>	<b>24.9</b>	<b>29.5</b>	<b>24.6</b>	<b>28.9</b>
OTC products	1,834.6	1,972.1	24.9	29.5	24.6	28.9
<b>Credit derivatives</b>	<b>-</b>	<b>12.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.1</b>
OTC products	-	12.0	-	-	-	0.1
<b>Total</b>	<b>156,664.6</b>	<b>192,841.2</b>	<b>14,920.2</b>	<b>16,752.6</b>	<b>15,609.6</b>	<b>17,149.7</b>
OTC products	156,664.6	192,607.6	14,920.2	16,752.6	15,609.6	17,149.7
Exchange-traded products	-	233.6	-	-	-	-

Without exception, forward contracts and derivatives transactions are concluded for hedging purposes.

The received and paid option premiums for derivative financial instruments of the non-trading portfolio are reported in other assets or other liabilities.

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity- and other price-related products		Credit derivatives	
	30/9/2020 EUR million	31/12/2019 EUR million	30/9/2020 EUR million	31/12/2019 EUR million	30/9/2020 EUR million	31/12/2019 EUR million	30/9/2020 EUR million	31/12/2019 EUR million
Due								
- within 3 months	15,552.2	13,484.9	9,502.7	6,508.4	-	-	-	-
- 3 months to 1 year	33,215.6	15,084.9	6,586.1	3,032.3	-	-	-	-
- 1 to 5 years	11,466.1	41,594.5	4,802.8	7,819.2	1,422.1	1,972.1	-	-
- after 5 years	58,488.0	73,519.0	5,134.0	5,598.8	-	-	-	-
<b>Total</b>	<b>118,721.9</b>	<b>143,683.3</b>	<b>26,025.6</b>	<b>22,958.7</b>	<b>1,422.1</b>	<b>1,972.1</b>	<b>-</b>	<b>-</b>

**CONDENSED NOTES**

**31. Number of employees**

The average number of employees during the reporting period was as follows:

	Male	Female	Total 1/1-30/9/2020	Total 1/1-30/9/2019
Number of employees	87	59	146	163

As of 30 September 2020 the EAA employed 125 (30 September 2019: 148) full-time equivalents.

**32. Stakeholders in the EAA**

	30/9/2020 in %	31/12/2019 in %
State of NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
<b>Total</b>	<b>100.000</b>	<b>100.000</b>

**33. Memberships of other bodies held by Managing Board members**

The following members of the Managing Board of the EAA are members of a supervisory board or other supervisory bodies of large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB. Details of the memberships of other bodies marked with \* are provided on a voluntary basis as the companies are not classed as large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB.

**Christian Doppstadt**

Mount Street Portfolio Advisers GmbH \* (until 30 April 2020)

Erste Financial Services GmbH (until 9 April 2020)

**Horst K pker**

EDD AG i.L. \*

Erste Financial Services GmbH (until 9 April 2020)

Westdeutsche Spielbanken GmbH \*

**CONDENSED NOTES**

### 34. Memberships of other bodies held by employees

The following employees of the EAA are members of a supervisory board or other supervisory bodies of large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB.

**Dr Hartmut Schott**  
EAA Covered Bond Bank Plc

### 35. Executive bodies of the EAA

#### **Members of the Managing Board of the EAA**

**Christian Doppstadt**  
**Horst K pker**

#### **Members of the Supervisory Board of the EAA**

**Dr Patrick Opdenh vel**  
Chairman  
State Secretary in the Ministry of Finance of NRW

**Joachim Stapf**  
Vice Chairman  
Senior Assistant Secretary (Leitender Ministerialrat) in the Ministry of Finance of NRW

**Michael Breuer**  
President of the Rheinischer Sparkassen- und Giroverband

**Hans Buschmann**  
Former Deputy Association Director of the Rheinischer Sparkassen- und Giroverband

**Rolf Einmahl**  
Lawyer,  
Member of the Landschaftsversammlung of the Landschaftsverband Rheinland

**Henning Giesecke**  
Managing Director of GSW Capital Management GmbH,  
Former Chief Risk Officer of HypoVereinsbank AG and UniCredit Group

**Wilfried Groos**  
Chairman of the Managing Board of the Sparkasse Siegen

**Frank Hellwig (since 1 May 2020)**  
Former Member of the Managing Board of FMS Wertmanagement A R

**Dr Achim Kopf**  
Head of Risk Control of the Bundesrepublik Deutschland - Finanzagentur GmbH

**CONDENSED NOTES**

**Matthias Löb**

Director of the Landschaftsverband Westfalen-Lippe

**Angelika Marienfeld (until 30 April 2020)**

Former State Secretary in the Ministry of Finance of NRW

**Klaus Rupprath (since 1 November 2020)**

Senior Managing Director,  
Head of Capital Markets of the NRW.BANK

**Michael Stölting (until 30 September 2020)**

Member of the Managing Board of NRW.BANK

**Jürgen Wannhoff**

Vice President and Member of the Managing Board of the Sparkassenverband Westfalen-Lippe

**Stakeholders' Meeting of the EAA**

The Stakeholders' Meeting is made up of representatives of the stakeholders (see Note 32).

CONDENSED NOTES

36. Information on shareholdings

Supplementary disclosures pursuant to section 285 (11) and (11a) and section 340a (4)  
No. 2 HGB

Shareholdings in a foreign currency converted into EUR using the balance sheet rate

Disclosure of capital share and voting rights in %, amounts in EUR thousand

Disclosure of voting rights only if the percentage share differs from the share of capital

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Achte EAA-Beteiligungs GmbH <sup>9)</sup>	Düsseldorf	100.00		EUR	19	-9
2	ANC Handels GmbH & Co. KG <sup>1)</sup>	Mörfelden-Walldorf	1.00			n. s.	n. s.
3	CBAL S.A. <sup>2) 7)</sup>	Brussels, Belgium	100.00		EUR	1,736	175
4	COREplus Private Equity Partners GmbH & Co. KG <sup>1) 9)</sup>	Frankfurt am Main	36.52	0.00	EUR	868	-159
5	COREplus Private Equity Partners II - Diversified Fund, L. P. <sup>9)</sup>	Wilmington, US	24.75	0.00	USD	2,498	66
6	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n. s.	n. s.
7	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n. s.	n. s.
8	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG i.L. <sup>1) 9)</sup>	Aschheim	92.20	91.82	EUR	75	-59
9	Deutsche Anlagen-Leasing Service & Co. Sparkassenneubau Teltow-Fläming KG <sup>1) 9)</sup>	Aschheim	78.49	77.70	EUR	239	1,119
10	Dritte EAA Anstalt & Co. KG <sup>2) 9)</sup>	Düsseldorf	100.00		EUR	579,802	800
11	EAA Charity LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	19,732	1,311
12	EAA Covered Bond Bank Plc <sup>9) 10)</sup>	Dublin 1, Ireland	100.00		EUR	525,395	-4,391
13	EAA DLP I LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	108,479	22,673
14	EAA DLP II LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	86,113	185
15	EAA DLP III LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	141,679	-2,184
16	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. <sup>9)</sup>	Sao Paulo, Brazil	100.00		BRL	569	-9
17	EAA Europa Holding GmbH <sup>3) 9)</sup>	Düsseldorf	100.00		EUR	731	0
18	EAA Greenwich LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	117,625	-6,242
19	EAA LAT ABC LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	153,054	4,214
20	EAA LAT II LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	174,840	12,438
21	EAA LS Holdings LLC <sup>1) 9)</sup>	Wilmington, US	100.00		USD	0	n. s.
22	EAA PF LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	151,996	3,938
23	EAA Triskele LLP <sup>1) 9)</sup>	Wilmington, US	100.00		USD	183,027	-6,336
24	EAA US Holdings Corporation <sup>9)</sup>	Wilmington, US	100.00		USD	7,547	7,138
25	ECP Funding LLC <sup>1) 9)</sup>	Dover, US	100.00		USD	0	0
26	EDD AG i.L. <sup>8)</sup>	Düsseldorf	22.82		EUR	21,601	n. s.

CONDENSED NOTES

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
27	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH <sup>5)</sup>	Potsdam	47.50		EUR	0	414
28	Erste EAA Anstalt öffentlichen Rechts & Co. KG <sup>2) 3) 9)</sup>	Düsseldorf	100.00		EUR	49	0
29	Erste Financial Services GmbH <sup>9)</sup>	Düsseldorf	100.00		EUR	23,983	-6,021
30	Garnet Real Estate LLC <sup>1) 9)</sup>	Wilmington, US	100.00		USD	0	0
31	Indigo Holdco LLC <sup>1) 9)</sup>	Dover, US	100.00		USD	2,575	0
32	Indigo Land Groveland LLC <sup>1)</sup>	Wilmington, US	100.00			n. s.	n. s.
33	Leasing Belgium N.V. <sup>1) 9)</sup>	Antwerp, Belgium	100.00		EUR	316	-18
34	MCC SB Condo LLC <sup>1) 9)</sup>	Wilmington, US	100.00		USD	0	0
35	MCC SB Unit 144 LLC <sup>1) 9)</sup>	South Bend, US	100.00		USD	0	0
36	MCC SB Unit 145 LLC <sup>1) 9)</sup>	South Bend, US	100.00		USD	0	0
37	MCC SB Unit 146 LLC <sup>1) 9)</sup>	South Bend, US	100.00		USD	0	0
38	MCC SB Unit 147 LLC <sup>1) 9)</sup>	South Bend, US	100.00		USD	0	0
39	MCC Tern Landing LLC <sup>1) 9)</sup>	Wilmington, US	100.00		USD	1,025	0
40	Meritech Capital Partners II L.P. <sup>1) 5)</sup>	Palo Alto, US	0.06	0.00	USD	40,999	9,027
41	MFC Holdco LLC <sup>1) 9)</sup>	Dover, US	100.00		USD	1,025	0
42	MFC Pincrest LLC <sup>1)</sup>	Wilmington, US	100.00			n. s.	n. s.
43	MFC Real Estate LLC <sup>1) 9)</sup>	Dover, US	100.00		USD	0	0
44	MFC SB BAR, LLC <sup>1) 9)</sup>	South Bend, US	100.00		USD	0	0
45	Mod CapTrust Holding LLC <sup>1) 9)</sup>	Dover, US	100.00		USD	0	0
46	Monolith Grundstücksverwaltungsgesellschaft mbH i.L. <sup>1) 9)</sup>	Mainz	100.00		EUR	-32	-4
47	New NIB Partners LP <sup>9)</sup>	New York, US	0.94	0.00	EUR	518,361	2,098
48	S-Chancen-Kapitalfonds NRW GmbH i.L. <sup>9)</sup>	Haan	50.00		EUR	2,011	-30
49	Sechste EAA-Beteiligungs GmbH <sup>9)</sup>	Düsseldorf	100.00		EUR	19	-9
50	Siebte EAA-Beteiligungs GmbH <sup>9)</sup>	Düsseldorf	100.00		EUR	42	-8
51	thyssenkrupp Aufzugswerke GmbH <sup>9)</sup>	Neuhausen auf den Fildern	0.50		EUR	13,951	0
52	thyssenkrupp Electrical Steel GmbH <sup>6)</sup>	Gelsenkirchen	0.42		EUR	96,922	0
53	thyssenkrupp Materials Processing Europe GmbH <sup>6)</sup>	Krefeld	0.42		EUR	57,903	0
54	thyssenkrupp Materials Services GmbH <sup>6)</sup>	Essen	0.16		EUR	745,235	0
55	ThyssenKrupp Rasselstein GmbH <sup>6)</sup>	Andernach	0.50		EUR	247,021	0
56	West Life Markets GmbH & Co. KG <sup>3) 9)</sup>	Düsseldorf	100.00		EUR	1,312	0
57	West Merchant Limited <sup>5)</sup>	London, UK	100.00		GBP	8	-15
58	West Zwanzig GmbH <sup>3) 9)</sup>	Düsseldorf	100.00		EUR	25	0
59	Westdeutsche ImmobilienHolding GmbH <sup>3) 9)</sup>	Düsseldorf	100.00		EUR	5,539	0
60	WestInvest Gesellschaft für Investmentfonds mbH <sup>1) 9)</sup>	Düsseldorf	0.00		EUR	11,339	0
61	WestLeasing International GmbH <sup>1) 9)</sup>	Düsseldorf	100.00		EUR	235	-10
62	WestLeasing Westdeutsche Leasing Holding GmbH <sup>3) 9)</sup>	Düsseldorf	100.00		EUR	3,625	0
63	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. <sup>1) 4)</sup>	Düsseldorf	100.00		EUR	224	0

CONDENSED NOTES

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
64	Windmill Investments Limited <sup>9)</sup>	George Town, Cayman Islands	5.07	0.00	USD	36,589	-148
65	WIV GmbH & Co. Beteiligungs KG <sup>9)</sup>	Frankfurt am Main	5.10		EUR	12,835	735

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
66	Banco Finantia S.A. <sup>9)</sup>	Lisbon, Portugal	8.93		EUR	462,024	35,972

Other companies for which the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
67	GLB GmbH & Co. OHG	Frankfurt am Main	15.47			n. s.	n. s.

<sup>1</sup> Indirect shareholdings.

<sup>2</sup> Including indirectly held shares.

<sup>3</sup> A profit and loss transfer agreement is in place with this company.

<sup>4</sup> Data as of 31 December 2017.

<sup>5</sup> Data as of 31 December 2018.

<sup>6</sup> Data as of 30 September 2019.

<sup>7</sup> Data as of 31 October 2019.

<sup>8</sup> Data as of 30 November 2019.

<sup>9</sup> Data as of 31 December 2019.

<sup>10</sup> A global guarantee exists.

Subsequent events

No significant events requiring disclosure have occurred after the reporting date.



**RESPONSIBILITY STATEMENT**

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for the interim report, the interim financial statements give a true and fair view of the asset position, financial position and earnings situation of the institution, and the interim management report includes a true and fair review of the development and performance of the business and the position of the institution, together with a description of the material opportunities and risks associated with the expected development of the institution for the remainder of the fiscal year.

Düsseldorf, 17 November 2020

Erste Abwicklungsanstalt



**Christian Doppstadt**  
Member  
of the Managing Board



**Horst K pker**  
Member  
of the Managing Board

**LIST OF ABBREVIATIONS**

## List of abbreviations

<b>ABS</b>	Asset backed securities
<b>ALM</b>	Asset liability management
<b>APAC</b>	Asia-Pacific economic area
<b>AT</b>	General part
<b>AUD</b>	Australian dollar
<b>BaFin</b>	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
<b>BilMoG</b>	German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)
<b>BRL</b>	Brazilian real
<b>CAD</b>	Canadian dollar
<b>CCY</b>	Currency code
<b>CHF</b>	Swiss franc
<b>CVA</b>	Credit valuation adjustments
<b>DAC</b>	Designated activity company
<b>DRS</b>	German Accounting Standard (Deutscher Rechnungslegungsstandard)
<b>EAA</b>	Erste Abwicklungsanstalt, Düsseldorf
<b>EAA CBB</b>	EAA Covered Bond Bank Plc, Dublin/Ireland
<b>EC</b>	European Community
<b>ECB</b>	European Central Bank
<b>EEC</b>	European Economic Community
<b>EFS</b>	Erste Financial Services GmbH, Düsseldorf (Portigon Financial Services GmbH until 28 June 2016)
<b>EMEA</b>	Europe, Middle East and Africa economic area
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>Fed</b>	US Federal Reserve
<b>Fitch</b>	Fitch Ratings
<b>FMS</b>	German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds)
<b>FMSA</b>	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
<b>FX effect</b>	Foreign exchange effect
<b>GBP</b>	Pound sterling
<b>GDP</b>	Gross domestic product
<b>HGB</b>	German Commercial Code (Handelsgesetzbuch)
<b>HRA</b>	Commercial register department A (Handelsregister Abteilung A)
<b>HSBC</b>	HSBC Trinkaus & Burkhardt AG, Düsseldorf
<b>IBM</b>	IBM Deutschland GmbH, Ehningen

**LIST OF ABBREVIATIONS**

<b>IS</b>	Income statement
<b>IT</b>	Information technology
<b>JPY</b>	Japanese yen
<b>KWG</b>	German Banking Act (Kreditwesengesetz)
<b>LGD</b>	Loss Given Default
<b>MaRisk</b>	German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)
<b>Moody's</b>	Moody's Investors Service
<b>MSPA</b>	Mount Street Portfolio Advisers GmbH, Düsseldorf (EAA Portfolio Advisers GmbH until 15 November 2017)
<b>MtM</b>	Mark to market
<b>Muni GIC</b>	Municipal guaranteed investment contracts
<b>NPL</b>	Non-performing loans
<b>n. s.</b>	Not specified
<b>N.R.</b>	Not rated
<b>No.</b>	Number
<b>NRW</b>	North Rhine-Westphalia
<b>OTC</b>	Over the counter
<b>PLN</b>	Polish zloty
<b>Portigon</b>	Portigon AG, Düsseldorf (WestLB AG until 2 July 2012)
<b>py</b>	Previous year
<b>RechKredV</b>	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
<b>S&amp;P</b>	Standard and Poor's Corporation
<b>S.R.</b>	Special rating
<b>SGD</b>	Singapore dollar
<b>StFG</b>	German Financial Market and Economic Stabilisation Fund Act – Stabilisation Fund Act (until 17 July 2020 abbreviated as FMStFG)
<b>UK</b>	United Kingdom
<b>US</b>	United States
<b>USD</b>	US dollar
<b>VaR</b>	Value at Risk
<b>WestImmo</b>	Westdeutsche ImmobilienBank AG, Mainz (Westdeutsche Immobilien Servicing AG since 30 June 2017)
<b>WestLB</b>	WestLB AG, Düsseldorf (Portigon AG since 2 July 2012)

**IMPRINT**

# Imprint

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