ERSTE ABWICKLUNGS ANSTALT

INTERIM REPORT
30 SEPTEMBER 2019

Contents

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

Income statement in EUR million	1/1-30/9/2019	1/1-30/9/2018
Net interest result	59.0	86.7
Net fee and commission result	-12.9	-13.9
Net trading result	-3.2	19.7
Total other operating expenses/income	1.2	64.2
General administrative expenses	-99.6	-114.6
Results from financial assets and shareholdings	3.7	-3.1
Results prior to risk provisioning	**-51.8**	**39.0**
Loan loss provisions	43.9	-36.4
Results before taxes	**-7.9**	**2.6**
Taxes	-0.6	-1.3
Net result for the year	**-8.5**	**1.3**

Balance sheet in EUR billion	30/9/2019	31/12/2018
Total assets	44.7	39.7
Business volume	46.9	44.2
Lending business	18.5	19.8
Trading assets	18.4	14.6
Equity	0.6	0.7

Winding-up	30/9/2019	30/9/2018
Banking book		
Notional value (before FX effect) in EUR billion	15.4	19.4
Winding-up activities (compared with previous year-end) in EUR billion	-2.8	-3.5
Winding-up activities (compared with previous year-end) in %	-15.2	-15.3
Trading portfolio		
Notional value (before FX effect) in EUR billion	147.2	186.7
Winding-up activities (compared with previous year-end) in EUR billion	-23.8	-19.3
Winding-up activities (compared with previous year-end) in %	-13.9	-9.4

Employees	30/9/2019	31/12/2018
Number of employees	160	160

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

Foreword

Dear Ladies and Gentlemen,

The EAA continued its wind-up success in the first three quarters of the fiscal year. The wind-up volume in both the banking book and the trading portfolio is ahead of the pro-rata plan as of 30 September 2019. The notional volume of loans and securities in the banking book fell to EUR 15.4 billion, while the notional volume in the trading portfolio fell to EUR 147.2 billion during the same period. The EAA expects this trend, whereby the risk exposures are being wound up ahead of schedule, to continue up to year-end 2019.

While the result of EUR -8.5 million at the end of the third quarter is negative, as expected, it is nonetheless better than planned. This is down to a further reduction in general administrative expenses, among other things. As of the reporting date, these were around EUR 15.0 million or roughly 13% lower than in the same period of the previous year.

The EAA's total assets rose by EUR 5.0 billion over the end of the previous year to around EUR 45.0 billion, mainly due to liquidity management measures and an increase in the market values of positions held in the trading portfolio, owing the further reduction in interest rates.

The investment grade share of the total portfolio remains high. This is rewarded by rating agency Standard & Poor's, which upgraded the long-term rating of the State of NRW in mid-September 2019. It justified this by saying, among other things, that the progress made by the EAA in winding up its portfolio and the associated reduction in the State of NRW's contingent liabilities would not lead to any more significant risks that could have long-term negative implications for the state's budget.

As already reported on a regular basis, the challenge the EAA faces in the current winding-up phase is that future costs can no longer be reduced in proportion to the declining portfolio. While operating losses therefore cannot be avoided, this is taken into account in the EAA's wind-up planning and does not threaten the wind-up targets. In line with its mission to wind up assets in a way that minimises loss, the EAA is therefore working hard on arriving at solutions so that the winding-up mission can be carried out with more sustainable cost structures and accelerate the reduction in the portfolio, if necessary.

The main objective continues to be not having to use the liability shield that the investors have made available for the EAA, which is not currently expected.

Yours sincerely

Matthias Wargers
Spokesman
of the Managing Board

Christian Doppstadt
Member
of the Managing Board

Horst Küpker
Member
of the Managing Board

Interim management report

For the period from 1 January to 30 September 2019

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 FMStFG, 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 2020, while the “Managed divestment” strategy takes into consideration 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 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 German 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 consists of three 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 FMSA previously held this right to delegate. 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. EFS's remaining function is expected to be integrated into the EAA in the medium term.

Economic environment

There was little change in general economic developments in the last quarter. None of the much-debated topics that have weighed on the global economy this year were resolved in the previous quarter. Despite a new government in London and a new withdrawal agreement between the EU and the UK, the Brexit issue is yet to be solved. It might be clarified after the UK general election on 12 December 2019. The smouldering trade dispute between the US and China and the associated slowdown in the Chinese economy are lowering growth outlooks the world over. The decline in many sentiment indicators, such as the purchasing managers' indices in Europe and Asia, confirm this spread of economic weakness.

US economy: Strong dollar, weak exports and a lack of investment – the US consumer and the Fed are trying to rescue the recovery
US third quarter 2019 GDP posted growth of 0.5% over the previous quarter. Although US economic recovery is now in its eleventh year, there is no evidence of any late-cycle phenomenon. The rates of wage growth are moderate. Yields and inflation rates are not excessive as measured by historical expectations.

The US growth engine is powered largely by consumers. Their spending in the third quarter of 2019 was up by 0.7 to 0.8% over the previous quarter, thus offsetting weak investment in this quarter (-0.4% after -1.5% in the second quarter – quarter on quarter in both cases). Consumer sentiment is a reflection of the good situation on the US labour market. Full employment, continued robust job creation and rising wages can be observed, which has strengthened employees' bargaining power. The labour market report as of the end of October 2019 suggests that this situation should continue in both 2019 and 2020. 128,000 new jobs were created in October. At the same time, employment in September was revised upwards by 95,000 jobs. Although the strike by United Auto Workers Union at General Motors appears to burden sentiment among enterprises in the manufacturing industry, it has not yet had any negative impact on the labour market. The EAA expects real economic output to rise by 2.3% in the US in 2019 and by 1.7% in 2020.

This growth forecast takes into account that the Fed has already cut key interest rates three times by 25 bps each this year. These cuts were shown by the very flat and meanwhile inverse yield curve, where short-term yields are higher than their long-term counterparts. An inverted yield curve is a signal of a looming recession. This indicator has correctly predicted the US recessions of the previous 40 years. Nonetheless, the Fed is unlikely to cut rates further this year. Rising wages are expected to drive US inflation back into the Fed's comfort zone of 2%. Inflation rates of 1.8% and 2.1% are expected for 2019 and 2020 respectively. At the same time, the yield curve has returned to normal again as a result of the rate cuts. For this reason, the Fed is likely to refrain from another rate cut in December 2019 in order to retain some opportunities for intervention if the US economy does deteriorate. Ten-year US Treasuries are expected to yield 1.6% at the end of 2019 with a yield of 1.9% expected for 2020. The EAA expects yields at the short end to rise to 1.5% at the end of 2019 and to 1.8% at the end of 2020. A return to an inverted US yield curve is therefore not expected.

Eurozone: Eurozone growth now below trend

Economic performance in the eurozone in the third quarter of 2019 succeeded in growing by only 0.2% over the previous quarter. A hoped-for recovery thus failed to materialise. Various problems slowed economic growth down noticeably. The uncertainly about the unclear outcome of the Brexit debate, growing protectionism as a brake on global trade, a worldwide reluctance to invest and the trade disputes between the US and the EU and China have dampened sentiment among companies in Europe.

The German economy in particular is affected by these developments and by the problems in the German automotive industry. This led to a renewed decline in German economic performance in the third quarter of 2019. Germany is therefore in a technical recession. Given that these factors are likely to continue to weigh on sentiment among German companies in the fourth quarter of 2019 as well as in 2020, growth is expected to pick up at a very slow pace. The EAA therefore expects very weak GDP growth of only 0.5% for 2019 as a whole. It anticipates growth of 0.7% for 2020.

In Spain it will be difficult to form a government following the elections held at the start of November 2019. The social democrats, who emerged as the strongest party with 28% of the votes and 120 seats, are still looking for a coalition party. The social democrats and conservatives (Partido Popular with 20.8% and 88 seats) have ruled out a grand coalition. The social democrats are therefore dependent on the tolerance of various smaller parties and the Catalan separatists (3.6% and 13 seats). However, it is not certain whether support from the Catalan separatists will be forthcoming. Spain's economic performance is expected to improve by 2.1% in 2019, while Portugal should be able to achieve growth of 1.8% during the same period. In addition to these frontrunners, there are quite a number of euro member states that will remain below their potential growth. France's GDP is expected to rise by only 1.3% this year compared with 1.7% previous year. Italy's economy is expected to stagnate with GDP predicted at 0.1%.

Easing growth momentum in the eurozone and lower inflation expectations prompted the ECB to reverse its monetary policy in the third quarter of 2019. The original decision to end active purchases of euro government bonds from January 2019 onwards was reversed in the third quarter of 2019 at one of the last Executive Board meetings under Mario Draghi's leadership. The ECB has been actively buying government bonds since November 2019, within the scope of its existing limits of EUR 20 billion per month. At the same time, the ECB linked a first interest rate hike with a sustained and long-term increase in inflation. These measures together with a reduction in the deposit rate to -50 bps signal that the current low interest rate environment is expected to last for a long time yet. The EAA expects a ten-year Bund yield of -0.4% by the end of 2019 and of -0.3% by the end of 2020.

Economic report

Overview of economic development

The EAA's economic performance in the first three quarters of 2019 was largely determined by its winding-up mission.

The notional volume of the banking book fell 15.2% to EUR 15.4 billion. The notional volume of the trading portfolio declined by 13.9% to EUR 147.2 billion during the same period.

The net result for the year of EUR -8.5 million is defined in particular by the negative net fee and commission result of EUR 12.9 million and general administrative expenses of EUR 99.6 million. These are largely offset by positive net interest result of EUR 59.0 million and loan loss provisions which together with the results from financial assets and shareholdings came to EUR 47.6 million.

The EAA's total assets rose from EUR 39.7 billion in the previous year to their current level of EUR 44.7 billion, mainly due to liquidity management measures and an increase in the market values of positions held in the trading portfolio. The business volume, which also includes off-balance-sheet components, grew by 6.0% to EUR 46.9 billion (previous year: EUR 44.2 billion).

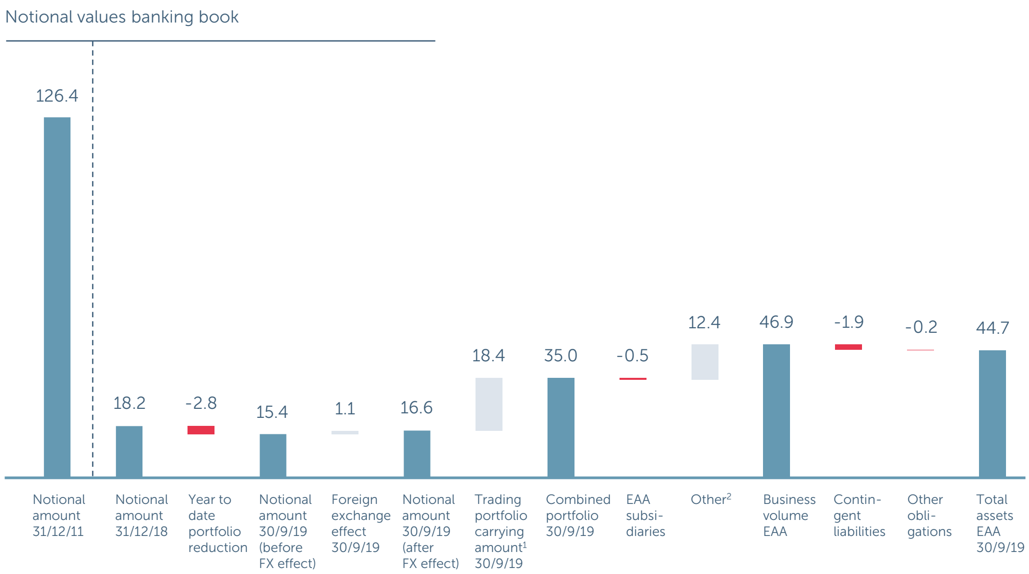
Wind-up report

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 2019 and the reconciliation to the EAA's total assets as of 30 September 2019.

Reconciliation of the transferred notional volume to the balance sheet

in EUR billion



[1] Equates to the carrying amounts for trading portfolio assets.
[2] Contains 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.

Wind-up success in the banking book

From 1 January to 30 September 2019, the notional volume of the banking book was reduced from EUR 18.2 billion to EUR 15.4 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 equates to a decline in notional volume of EUR 2.8 billion (15.2%). The volume at exchange rates as of 30 September 2019 is EUR 16.6 billion. The total banking book portfolio has decreased by EUR 111.0 billion or 87.8% since 1 January 2012.

Clusters	Notional 30/9/2019 EUR million	Notional 31/12/2018 EUR million	Notional volume (at exchange rates as of 31/12/2011) EUR million	Change to 31/12/2018 in %	Notional volume (at exchange rates as of 30/9/2019) Notional 30/9/2019 EUR million	FX effect[1] EUR million
Structured Securities	6,200.7	7,646.5	-1,445.8	-18.9	6,889.1	688.4
Public Finance & Financial Institutions	4,158.1	4,749.5	-591.4	-12.5	4,226.9	68.8
Real Assets	2,890.6	3,464.0	-573.4	-16.6	3,012.2	121.6
Structured Products	1,352.9	1,389.9	-37.0	-2.7	1,573.1	220.2
Corporates	780.2	880.6	-100.4	-11.4	817.1	36.9
Equity/Mezzanine	49.2	58.9	-9.7	-16.5	50.9	1.7
Total	**15,431.7**	**18,189.4**	**-2,757.7**	**-15.2**	**16,569.3**	**1,137.6**

[1] Change in notional volume due to exchange rate effects.
Note: As of 30 September 2019, the total NPL portfolio amounted to EUR 2.5 billion at current exchange rates.

The EAA significantly reduced the portfolio in the Structured Securities cluster in the current fiscal year. This decrease was primarily due to partial repayments of the Phoenix A notes (EUR/USD) and guarantee drawings of the Phoenix B note (EUR).

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 and Real Assets clusters.

There was a EUR -9.9 million effect on the winding-up plan in the first three quarters of 2019 associated with sales and early repayments in the banking book portfolio. A positive winding-up plan effect of EUR +8.2 million was achieved from other measures. This effect was mainly the result of reversals of 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 147.2 billion as of 30 September 2019. The notional volume of the trading portfolio decreased by a total of EUR 23.8 billion during the period from 1 January to 30 September 2019 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 916.8 billion or 86.2%.

			Notional volume (at exchange rates as of 30/6/2012)		Notional volume (at exchange rates as of 30/9/2019)	
	Notional	Notional		Change	Notional	FX effect[1]
	30/9/2019	31/12/2018		to 31/12/2018	30/9/2019	
Clusters	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Rates	144,733.3	168,413.2	-23,679.9	-14.1	146,785.0	2,051.7
Other	2,503.0	2,648.3	-145.3	-5.5	2,223.9	-279.2
Total	**147,236.3**	**171,061.5**	**-23,825.2**	**-13.9**	**149,008.8**	**1,772.5**

[1] Change in notional volume due to exchange rate effects.

The reduction was largely as a result of maturities. The principal driving force was the Rates cluster with a total notional decrease of EUR 23.7 billion. This decline resulted primarily from maturities of around EUR 23.1 billion, active reduction measures totalling EUR 2.4 billion and offsetting hedging transactions in the amount of EUR 1.7 billion.

The notional volume of the remaining cluster ("Other") did not change significantly.

EAA's overall situation

Earnings situation

The EAA's earnings situation was impacted by the net interest result of EUR 59.0 million, loan loss provisions which together with the result from financial assets and shareholdings came to EUR +47.6 million, as well as by general administrative expenses of EUR 99.6 million and the net fee and commission result of EUR -12.9 million. Personnel expenses totalled EUR 17.7 million. Other administrative expenses of EUR 81.9 million were comprised mainly of expenses for services rendered by EFS as well as by IBM and MSPA.

The year-on-year decline in the net interest result is attributable to the declining interest-bearing business arising from the portfolio reduction as well as to a non-recurring effect. The results from financial assets and shareholdings and the risk provisioning were positive. This is due in particular to the improved economic environment compared with when the corresponding assets were taken over.

The net trading result of EUR -3.2 million was down on the same period of the previous year, thanks to the change in the valuation reserves. The net fee and commission result is mainly attributable to the fees payable on the equity capital drawing limit.

Overall, the results after taxes amounted to EUR -8.5 million (previous year: EUR 1.3 million). Because of the advanced state of portfolio reduction, losses cannot be ruled out in the next few fiscal years and have been taken into account in the EAA's winding-up planning.

Income statement

	1/1-30/9/2019 EUR million	1/1-30/9/2018 EUR million	Change EUR million	in %
Net interest result	59.0	86.7	-27.7	-31.9
Net fee and commission result	-12.9	-13.9	1.0	7.2
Net trading result	-3.2	19.7	-22.9	>-100
Total other operating expenses/income	1.2	64.2	-63.0	-98.1
Personnel expenses	-17.7	-18.0	0.3	1.7
Other administrative expenses	-81.9	-96.6	14.7	15.2
Results from financial assets and shareholdings	3.7	-3.1	6.8	>100
Results prior to risk provisioning	**-51.8**	**39.0**	**-90.8**	**>-100**
Loan loss provisions	43.9	-36.4	80.3	>100
Results before taxes	**-7.9**	**2.6**	**-10.5**	**>-100**
Taxes	-0.6	-1.3	0.7	53.8
Net result for the year	**-8.5**	**1.3**	**-9.8**	**>-100**
Net retained losses brought forward	-2,358.0	-2,360.6	2.6	0.1
Net retained losses	-2,366.5	-2,359.3	-7.2	-0.3

Financial position and issuing activity

The total notional amount of the portfolio of issued bearer bonds, promissory note loans and commercial paper was EUR 23.2 billion as of the reporting date. It included the global Commercial Paper Programme with a notional amount equivalent to EUR 12.2 billion.

The notional volume of new issues for medium and long-term funding amounted to USD 2.3 billion (EUR 2.1 billion) during the reporting period.

New notes were issued during the reporting period under the global Commercial Paper Programme, of which a notional amount equivalent to EUR 12.2 billion was outstanding at the reporting date. These consisted of USD 9.4 billion (EUR 8.7 billion), GBP 1.0 billion (EUR 1.1 billion) and EUR 2.5 billion.

As of the reporting date, the portfolio contained securities issued by the EAA with a notional volume of around EUR 30.0 million that were repurchased from the market for liquidity management purposes.

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

Asset position

The EAA's total assets as of 30 September 2019 amounted to EUR 44.7 billion (previous year: EUR 39.7 billion), which, with the inclusion of off-balance-sheet components, amounted to a business volume of EUR 46.9 billion (previous year: EUR 44.2 billion).

Assets

	30/9/2019 EUR million	31/12/2018 EUR million	Change EUR million	in %
Cash reserve	2,981.9	1,400.9	1,581.0	>100
Loans and advances to banks	7,462.7	6,023.1	1,439.6	23.9
Loans and advances to customers	8,930.1	9,305.3	-375.2	-4.0
Securities (no trading portfolio)	5,487.1	7,050.0	-1,562.9	-22.2
Trading portfolio	18,412.5	14,560.9	3,851.6	26.5
Long-term equity investments and shares in affiliates	1,066.1	1,280.4	-214.3	-16.7
Other assets	407.4	76.8	330.6	>100
Total assets	**44,747.8**	**39,697.4**	**5,050.4**	**12.7**

Liabilities and equity

	30/9/2019 EUR million	31/12/2018 EUR million	Change EUR million	in %
Deposits from banks	2,460.9	1,872.0	588.9	31.5
Deposits from customers	2,174.9	2,526.8	-351.9	-13.9
Debt securities in issue	21,255.5	20,192.5	1,063.0	5.3
Trading portfolio	18,105.0	14,323.8	3,781.2	26.4
Provisions	80.3	93.1	-12.8	-13.7
Other liabilities	21.5	31.0	-9.5	-30.6
Equity	649.7	658.2	-8.5	-1.3
Total liabilities and equity	**44,747.8**	**39,697.4**	**5,050.4**	**12.7**
Contingent liabilities	1,906.2	2,540.7	-634.5	-25.0
Other obligations/loan commitments	207.4	1,970.5	-1,763.1	-89.5
Business volume	**46,861.4**	**44,208.6**	**2,652.8**	**6.0**

Loans and advances to banks increased by EUR 1.4 billion as of 30 September 2019 compared with the year-end 2018 amount, while deposits from banks increase by EUR 0.6 billion. The increases are largely due to cash collateral provided and received for derivative transactions.

The decline in loans and advances to customers of around EUR 0.4 billion is mostly attributable to principal repayments in the lending business. In addition, the residential construction credit portfolio was spun off retroactively as of 1 January 2019 to a subsidiary, which was disposed of in the third quarter of 2019.

The reduction of around EUR 1.6 billion in the securities portfolio is largely accounted for by principal repayments.

The increase of EUR 3.9 billion and EUR 3.8 billion in the balance sheet values of trading assets and trading liabilities is explained mainly by the decline in interest rates, so that the general wind-up of the trading portfolio was more than offset.

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

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

	30/9/2019	31/12/2018	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	7,462.7	6,023.1	1,439.6	23.9
Loans and advances to customers	8,930.1	9,305.3	-375.2	-4.0
Contingent liabilities	1,906.2	2,540.7	-634.5	-25.0
Other obligations/loan commitments	207.4	1,970.5	-1,763.1	-89.5
Lending business	**18,506.4**	**19,839.6**	**-1,333.2**	**-6.7**

Summary of the business situation

As planned, the reduction of the portfolio generated a lower net interest result for the EAA. The fee and commission expenses and administrative expenses incurred led to a negative result. The income from the reversal of risk provisions did not offset this as of 30 September 2019, so that a loss was reported in the first three quarters of 2019.

The EAA’s assets are in good order. Its equity as of 30 September 2019 amounted to EUR 649.7 million. Adequate liquidity was available at all times.

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).

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 established a framework of various interdisciplinary committees throughout the institution to aid it in fulfilling its responsibility to manage risks. 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, and is supported by the Controlling & Planning department. 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. Accordingly, risk reporting is among the key tasks of the Risk Controlling department, which fulfils this responsibility together with the Controlling & Planning 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 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 2.8 billion to EUR 15.4 billion during the first three quarters of 2019 (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[1]

	30/9/2019 EUR billion	31/12/2018 EUR billion
A0-A2	0.8	1.0
A3-A5	3.9	5.2
B1-B3	0.6	0.7
B4-B5	1.8	2.9
C1-C2	3.4	2.7
C3-C5	1.6	1.8
D1-D3	0.6	0.9
D4-E	1.9	0.9
S.R.	0.3	1.5
N.R.	0.6	0.6
Total	**15.4**	**18.2**

[1] 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 is reflected by an investment grade rating share (rating categories A0-C2) of around 68% (31 December 2018: 69%). About 30% (31 December 2018: 34%) of the notional volume has a very good rating (A0-A5) and around 38% (31 December 2018: 35%) is assigned to the mid-rating categories B1-C2. The rating category S.R. includes the opening clauses of the rating process and has a share of around 2% of the total portfolio (31 December 2018: 8%).

The EAA continues to aim for a portfolio reduction across all rating categories. The EUR 1.3 billion reduction in the A3-A5 rating category is largely due to repayments of EUR 1.2 billion for Phoenix notes in this rating category. The EUR 1.1 billion reduction in rating category B4-B5 is mainly due to a rating downgrade of one issuer, which led to an increase in rating category C1-C2. The increase in rating category D4-E is as a result of the reallocation of a subsidiary from rating category S.R. to this rating category.

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

INTERNAL	**EXTERNAL**			
EAA	**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	
C2	Baa3	BBB-	BBB-	
C3	Ba1	BB+	BB+	
C4	Ba2	BB	BB	
C5	Ba3	BB-	BB-	
D1	B1	B+	B+	
D2	B2	B	B	Non-investment grade
D3	B3	B-	B-	
D4	B3	B-	B-	
D5	Caa1 to C	CCC+ to C	CCC+ to C	
E	C	C	C	

Breakdown of notional volume by clusters[1,2]

	30/9/2019 in %	31/12/2018 in %
Structured Securities	40.2	42.0
Public Finance & Financial Institutions	26.9	26.1
Real Assets	18.7	19.0
Structured Products	8.8	7.6
Corporates	5.1	4.8
Equity/Mezzanine	0.3	0.3
Total	**100.0**	**100.0**

[1] 30 September 2019 = EUR 15.4 billion; 31 December 2018 = EUR 18.2 billion.
[2] 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 40.2%, consists of three sub-portfolios: Phoenix (58.5% – please refer to the section "Phoenix" for further details), ABS (31.2%) and Dritte EAA (10.3%).

Breakdown of notional volume by maturities[1,2]

	30/9/2019 EUR billion	31/12/2018 EUR billion
<= 6 M	0.2	0.2
> 6 M <= 1 Y	0.5	0.3
> 1 Y <= 5 Y	2.0	3.0
> 5 Y <= 10 Y	3.7	4.4
> 10 Y <= 20 Y	5.4	6.3
> 20 Y	3.6	4.0
Total	**15.4**	**18.2**

[1] For assets with no fixed or with very long maturities: expected repayment profile.
[2] Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

The reduction in the maturity range of one year to five years arises mainly from the partial repayment of the Phoenix A3 note and its allocation to the maturity range of six months to one year, which therefore increases accordingly.

The reduction in the maturity range of ten to 20 years relates in particular to the guarantee drawings of the Phoenix B note.

The other changes within the maturity ranges reflect the portfolio management measures undertaken and amortisation during the first three quarters of 2019.

Breakdown of notional volume by region[1]

	30/9/2019 EUR billion	31/12/2018 EUR billion
Americas[2]	7.5	9.1
EMEA	6.2	7.1
Germany	1.5	1.7
APAC	0.2	0.3
Total	**15.4**	**18.2**

[1] 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.
[2] 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 2018. Approximately 48% of the notional volume was attributable to the Americas region (31 December 2018: 50%). Repayments were the main reason for a decline of EUR 1.6 billion in the Americas region, particularly in the Structured Securities cluster (largely Phoenix).

About 40% of the notional volume (31 December 2018: 39%) was attributable to the EMEA region – Europe (excluding Germany), Middle East and Africa.

The share of German borrowers and guarantors (share of portfolio: about 10%; 31 December 2018: 10%) is almost unchanged.

The APAC region represents around 2% (31 December 2018: 1%) and was 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 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.

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
Acute counterparty default risk	**18.4**	**46.4**	**28.0**	**17.6**	**45.6**
Credit risk	18.4	46.4	28.0	17.8	45.8
Other risk	-	-	-	-0.2	-0.2
Contingent counterparty default risk	**1.7**	**-**	**-1.7**	**-**	**-1.7**
Total	**20.1**	**46.4**	**26.3**	**17.6**	**43.9**

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 30/9/2019 in million		S&P rating	Legal maturity
Class A3	186.3	USD	BBB+	9/2/2091
Class A4	1,909.0	USD	B-	9/2/2091
	136.5	EUR	B-	9/2/2091
Class B	1,849.3	EUR	N.R.	9/2/2091

Repayments of EUR 0.5 billion and guarantee drawings totalling EUR 0.8 billion resulted in a decrease of the notional volume reported in euros in the reporting period to EUR 3.6 billion as of 30 September 2019 (at constant exchange rates as of 31 December 2011).

Rating breakdown by internal rating category for Phoenix notes[1]

	30/9/2019 EUR billion	31/12/2018 EUR billion
A0-A2	-	-
A3-A5	2.0	3.2
B1-B3	-	-
B4-B5	0.1	-
C1-C2	1.5	1.7
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
Total	**3.6**	**4.8**

[1] 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). Roughly EUR 3.2 billion of this guarantee had been utilised up to 30 September 2019. Thanks to the lower average residual maturity and coverage through the remaining assets combined with the guaranteed Phoenix B note, the internal rating of the A4 EUR tranche improved from C1 to B4.

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 2019 totals a notional amount of EUR 3.9 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”.

Securities account for 82% 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%. Derivative transactions involving federal, municipal or other public-law institutions account for 2% of the portfolio.

The largest part of the overall exposure, at 81%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from other European countries outside the eurozone, Africa and the Middle East (10%), North and South America (7%), and Asia and Australia (2%).

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 5.6 million as of 30 September 2019 (31 December 2018: EUR 7.9 million). The EUR -2.3 million decline in CVA is attributable to market fluctuations (EUR +0.6 million), credit spread changes (EUR -0.3 million), matured derivative transactions /sales (EUR -0.4 million), and novations (EUR -2.2 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.

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.

	30/9/2019 Exposure EUR million	30/9/2019 Limit EUR million	31/12/2018 Exposure EUR million	31/12/2018 Limit EUR million
Credit risk – money market positions[1]	3,320.0	5,208.5	2,876.4	5,223.5
Counterparty risk – OTC derivatives (pre-settlement risk)	449.7	2,358.0	293.0	2,433.0
Counterparty risk – repos	2.0	544.0	2.0	604.0

[1] All money market transactions with counterparties outside the EAA Group have a maximum maturity of up to six months.

Compared with year-end 2018, the changes in the credit risk for money market positions as of 30 September 2019 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

In accordance with an established management process, 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.

	< 1 Y EUR million	1-4 Y EUR million	4-8 Y EUR million	8-15 Y EUR million	> 15 Y EUR million	Total exposure EUR million
Public Finance	237.7	613.3	833.5	1,361.9	628.9	3,675.3
Financial Institutions	30.3	-	-	20.3	-	50.6
Other securities	1.4	25.2	229.7	178.3	2,754.6	3,189.2
Total 30/9/2019	**269.4**	**638.5**	**1,063.2**	**1,560.5**	**3,383.5**	**6,915.1**
Total 31/12/2018	136.4	880.8	1,102.0	1,610.2	3,659.6	7,389.0

The Public Finance sub-portfolio accounts for a significant share at just under EUR 3.7 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, comprising 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 EAA's Legal & Strategy department. The EAA's Controlling & Planning department supports the participation controlling process.

Of the total portfolio of the EAA Group, a notional volume of EUR 2.9 billion (18.9%) is held by subsidiaries, mainly consisting of EAA CBB with EUR 1.2 billion (40.9%), Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.1 billion (37.1%) and Dritte EAA Anstalt & Co. KG with EUR 0.6 billion (22.0%).

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. Representatives of the EAA exercise non-managerial control functions as members of the governing bodies and committees of EAA CBB. EAA CBB was sold at the start of 2017. The sale will not be effective until approval is received from the supervisory authorities. This approval has not yet been given.

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 1.2 billion).

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

The banking book exposure of the EAA and its subsidiaries to Greece, the UK, Ireland, Italy, Portugal, Spain and Cyprus of around EUR 3.9 billion as of 30 September 2019 is shown in the table below.

Country[1]	Debtor group	30/9/2019 Notional in EUR million[2]	31/12/2018 Notional in EUR million[2]
Greece	Corporates	0.0	0.0
Σ Greece		**0.0**	**0.0**
UK	Corporates	538.4	584.5
	Public Finance	132.1	130.8
Σ UK		**670.4**	**715.3**
Ireland	Corporates	16.8	30.4
	Financial Institutions	0.0	0.0
	Public Finance	-	30.0
Σ Ireland		**16.8**	**60.4**
Italy	Corporates	236.9	281.6
	Public Finance	1,484.6	1,602.6
Σ Italy		**1,721.5**	**1,884.2**
Portugal	Financial Institutions	15.4	11.2
	Public Finance	709.8	711.9
Σ Portugal		**725.1**	**723.2**
Spain	Corporates	491.6	507.1
	Public Finance	238.0	338.0
Σ Spain		**729.6**	**845.1**
Cyprus	Corporates	54.4	56.0
Σ Cyprus		**54.4**	**56.0**
Total[3]		**3,917.8**	**4,284.1**
of which	Corporates	1,338.0	1,459.5
of which	Financial Institutions	15.4	11.3
of which	Public Finance	2,564.4	2,813.3

[1] Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
[2] Based on current exchange rates. Presentation of the notional volume, including hedges (net).
[3] Of which EAA subsidiaries: EUR 1,118.5 million (31 December 2018: EUR 1,170.1 million).

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[1]	Value	Country[2]	30/9/2019 EUR million[3]	31/12/2018 EUR million[3]
Other derivatives and ALM	MtM	UK	245.0	261.2
		Italy	16.9	25.1
		Spain	17.1	168.0
Σ Other derivatives and ALM			**278.9**	**454.2**
Other	Notional	UK	14.6	29.6
Σ Other[4]			**14.6**	**29.6**

[1] 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.
[2] Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
[3] Based on current exchange rates. Presentation of the notional volume, including hedges (net).
[4] 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)

	30/9/2019 EUR thousand	31/12/2018 EUR thousand
< 1 Y	22.1	30.4
1-4 Y	8.8	28.0
4-8 Y	67.3	21.2
8-15 Y	1.8	-2.4
> 15 Y	-64.6	-31.2
Total	**35.4**	**45.9**

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 is now EUR 35.4 thousand compared with year-end 2018 (EUR 45.9 thousand), due to management and maturity effects. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	30/9/2019 EUR thousand	31/12/2018 EUR thousand
AUD	671.6	2,082.1
CAD	486.7	2,862.2
CHF	-233.8	957.3
GBP	840.4	1,439.8
JPY	909.5	2,172.7
PLN	2,322.1	1,123.8
SGD	471.0	452.2
USD	2,623.4	-5,838.2
Other	2,020.9	1,169.5
Total	**10,111.8**	**6,421.3**

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 number of stress scenarios are 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.

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. There were eight backtesting breaches in the current fiscal year 2019 at the highest level of the portfolio structure of the trading portfolio. Significantly higher market volatility resulted in five backtesting breaches in the third quarter of 2019. 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%.

Value at Risk by clusters

	30/9/2019 EUR thousand	31/12/2018 EUR thousand
EAA Trading	523.3	361.0
Interest Rate Exotics	465.5	248.6
Interest Rate Flow	346.5	209.4
Muni GIC Portfolio	41.6	146.0
Credit and Equities	4.0	4.5
Interest Rate Options	-	50.8
Foreign Exchange Options and Hybrids	-	22.5

As of 30 September 2019, the VaR for the trading portfolio rose to EUR 523.3 thousand due to market movements and hedging activities (31 December 2018: EUR 361.0 thousand).

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.

The limited stress scenarios ("liquidity crisis and downgrade", "liquidity crisis and downgrade USD") demonstrated a viable net liquidity situation as of 30 September 2019 (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 3.2 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 misjudgements made when the insurance policies were originally purchased by Portigon as well as to higher premiums demanded by the insurance companies. The EAA is currently reviewing whether such premium increases are legally permitted and has filed initial suits in this respect.

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 2019 revealed one assessment item 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 items, 16.3% are medium risks and 83.3% low risk. The overall risk situation remains largely unchanged.

The aforementioned risk inventory of the EAA from 2019 was carried out together with the EFS and 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 is assessed as low. IBM reports a largely unchanged risk situation, while the risk situation at MSPA has improved slightly, where no further high risks were reported.

The EAA has established a service provider management 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 2019, 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.

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 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 decision in favour of the plaintiffs. This is currently rather unlikely, however, given the facts and the evidence. The EAA has no reason to doubt Portigon's claims that there are no indications of any misconduct.

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.

For that purpose, in particular, winding-up agencies in accordance with section 8a FMStFG 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 2019.

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 eurozone countries, 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

Economic growth in the eurozone is currently being restricted by a variety of factors and special developments. While economic growth in Germany is lower due to the switch in production in the German automotive industry, less economic growth in China and the threat of a trade dispute between the EU and the US, the yellow vest protests in France and the high government debt in Italy are holding back economic growth.

Former crisis-hit countries (Spain, Portugal and Ireland) should continue to be among the fastest-growing economies in the eurozone in 2019 and 2020. The euro crisis was a key catalyst for reforms in Spain and Portugal. The structural problems were addressed and the reforms improved the international competitiveness of these countries. The situation in Italy is the only cause for concern at present. To fulfil its election promises, the Italian government has significantly loosened the budgetary discipline, leading to a marked increase in Italy's funding costs. It remains to be seen if the pressure exerted by the European Commission and members of the eurozone, as well as the higher funding costs, will have an impact on the Italian government's budgetary policy.

The ECB's monetary policy is likely to support the valuations of euro government bonds in 2019 and 2020. It will restart its bond-buying programme for euro government bonds and other securities in the fourth quarter of 2019. It will continue to have a positive influence on valuations through these purchases. This should limit price and spread volatility.

The combination of very loose monetary policy and continued, albeit somewhat lower, economic recovery is allowing the eurozone countries and the companies and project finance established there to service their debt on much better terms. 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 recovered in line with the economic trend and are now only just short of 4% below the high of July 2006. This was already taken into account in the valuation of the exposures, so the positive effect of the continued economic recovery in the US should be limited.

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 18% compared with the previous year to around EUR 15 billion in 2019.

The EAA's objective is to wind 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 2020. As in previous years, the winding-up activities will focus on advance portfolio-reducing measures and active participation management.

For 2019, the plan calls for a reduction in the notional volume of the trading portfolio by around 17% compared with the previous year to about EUR 142 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 2020. 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 84.0 million (including dividend income) from the net interest result, net fee and commission result, and the results from financial assets and shareholdings in 2019, which is therefore on par with the previous year. 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 cannot be ruled out 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 wind-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 wind-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. It is currently intensely reviewing whether it can reach the winding-up objectives ahead of schedule.

The EAA's objectives are supported by current economic developments. In particular, the ECB's programme to purchase euro government bonds had a positive impact on the EAA's portfolios. It will continue to exert significant influence on the market performance of euro government bonds in the years ahead. The effect of the ECB purchases is not limited to just government bonds. It is also radiating out to other segments, as investors are looking for investment alternatives in the current environment of low interest rates and yields.

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

Assets

	Notes	EUR	EUR	30/9/2019 EUR	31/12/2018 EUR
1. Cash reserve					
a) Balances with central banks			2,981,914,665		(1,400,857,958)
of which:					
with Deutsche Bundesbank EUR 2,981,914,665 (py: EUR 1,400,857,958)					
				2,981,914,665	1,400,857,958
2. Loans and advances to banks	4, 28				
a) Payable on demand			4,142,845,467		(2,725,111,353)
b) Other loans and advances			3,319,887,205		(3,298,010,024)
				7,462,732,672	6,023,121,377
3. Loans and advances to customers	5, 6, 14, 28			8,930,127,826	9,305,300,760
of which:					
secured by mortgage charges EUR 93,383,942 (py: EUR 165,274,724)					
Public-sector loans EUR 1,234,514,663 (py: EUR 1,214,134,196)					
4. Bonds and other fixed-income securities	7, 15, 28				
a) Bonds issued by					
aa) public issuers		1,169,959,329			(1,429,092,334)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,153,095,036 (py: EUR 1,411,264,143)					
ab) other issuers		4,286,416,445			(5,570,376,204)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 307,569,122 (py: EUR 373,772,908)					
			5,456,375,774		(6,999,468,538)
b) Own bonds notional value: EUR 30,000,000 (py: EUR 49,000,000)			30,678,689		(50,570,932)
				5,487,054,463	7,050,039,470
5. Equities and other non-fixed-income securities				1	1
5a. Trading portfolio	8			18,412,508,681	14,560,941,901

BALANCE SHEET

	Notes	EUR	EUR	30/9/2019 EUR	31/12/2018 EUR
6. Long-term equity investments	9			38,478,923	37,828,058
of which:					
in banks EUR 15,358,686 (py: EUR 12,421,102)					
7. Shares in affiliates	10			1,027,554,959	1,242,626,044
of which:					
in banks EUR 434,297,095 (py: EUR 434,297,095)					
8. Trust assets	11			22,789	23,728
of which:					
trust loans EUR 22,789 (py: EUR 23,728)					
9. Intangible assets					
a) Paid concessions, trademarks and similar rights and values such as licences in such rights			3,258,769		(3,560,846)
				3,258,769	3,560,846
10. Tangible fixed assets				148,881	177,845
11. Other assets	12			386,501,769	50,199,007
12. Prepaid expenses/accrued income	13			17,496,621	22,697,383
Total assets				**44,747,801,019**	**39,697,374,378**

BALANCE SHEET

Liabilities and equity

	Notes	EUR	EUR	30/9/2019 EUR	31/12/2018 EUR
1. Deposits from banks	16				
a) Payable on demand			2,035,921,467		(1,448,880,318)
b) With an agreed maturity or withdrawal notice			424,959,846		(423,133,242)
				2,460,881,313	1,872,013,560
2. Deposits from customers	17				
other deposits					
a) Payable on demand			159,648,584		(236,826,516)
b) With an agreed maturity or withdrawal notice			2,015,243,829		(2,289,971,903)
				2,174,892,413	2,526,798,419
3. Debt securities in issue	18				
a) Bonds			9,053,207,002		(10,843,361,166)
b) Other debt securities in issue			12,202,323,409		(9,349,108,428)
of which:					
money market instruments EUR 12,202,323,409 (py: EUR 9,349,108,428)					
				21,255,530,411	20,192,469,594
3a. Trading portfolio	19			18,105,041,624	14,323,806,066
4. Trust liabilities	20			22,789	23,728
of which:					
trust loans EUR 22,789 (py: EUR 23,728)					
5. Other liabilities	21			10,404,602	14,486,505
6. Accruals/deferred income	22			11,005,393	16,427,103
7. Provisions	23				
a) Tax provisions			2,084,841		(8,525,904)
b) Other provisions			78,219,387		(84,602,987)
				80,304,228	93,128,891

BALANCE SHEET

	Notes	EUR	EUR	30/9/2019 EUR	31/12/2018 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			-2,366,450,376		(-2,357,948,110)
				649,718,246	658,220,512
Total liabilities and equity				**44,747,801,019**	**39,697,374,378**
1. Contingent liabilities	25				
a) Liabilities from guarantees and warranties			1,906,156,732		(2,540,683,323)
				1,906,156,732	2,540,683,323
2. Other obligations	25				
a) Irrevocable loan commitments			207,410,620		(1,970,541,413)
				207,410,620	1,970,541,413

Income statement

	Notes	EUR	EUR	1/1-30/9/2019 EUR	1/1-30/9/2018 EUR
1. Interest income from	26				
a) Lending and money market transactions		293,213,849			(263,165,983)
b) Fixed-income securities and debt register claims		107,206,796			(114,983,713)
			400,420,645		(378,149,696)
2. Interest expense			343,783,960		(294,513,889)
				56,636,685	83,635,807
3. Current income from	26				
a) Equities and other non-fixed-income securities			0		(0)
b) Long-term equity investments			2,399,088		(3,092,463)
c) Shares in affiliates			2,556		(2,556)
				2,401,644	3,095,019
4. Income from profit pooling, profit transfer or partial profit transfer agreements	26			0	0
5. Fee and commission income	26		2,258,611		(1,508,326)
6. Fee and commission expense			15,190,616		(15,370,828)
				-12,932,005	-13,862,502
7. Net trading result				-3,205,119	19,706,536
8. Other operating income	26, 27			4,295,200	68,901,636
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		15,529,684			(15,829,329)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		2,147,079			(2,134,533)
of which:					
for pensions EUR 535,032 (py: EUR 565,984)					
			17,676,763		(17,963,862)
b) Other administrative expenses			81,554,376		(96,227,150)
				99,231,139	114,191,012

INCOME STATEMENT

	Notes	EUR	EUR	1/1-30/9/2019 EUR	1/1-30/9/2018 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets				334,313	349,865
11. Other operating expenses	27			3,186,192	4,710,990
12. Depreciation and write-offs on claims and certain securities as well as additions to provisions in the lending business	23, 28			0	36,423,371
13. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	23, 28			43,894,881	0
14. Depreciation and write-offs on long-term equity investments, shares in affiliates and long-term securities	28			0	3,135,292
15. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	28			3,717,223	0
16. Expenses from loss assumption	28			0	0
17. Result from ordinary activities				-7,943,135	2,665,966
18. Taxes on income and earnings	29			553,602	1,314,942
19. Other taxes not reported under item 11	29			5,529	30,889
20. Net result for the year				-8,502,266	1,320,135
21. Net retained losses brought forward				-2,357,948,110	-2,360,573,941
22. Net retained losses				-2,366,450,376	-2,359,253,806

Cash flow statement

			1/1-30/9/2019 EUR	1/1-30/9/2018 EUR
1.	+/-	Result for the period	-8,502,266	1,320,135
		Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities		
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	-47,155,691	25,348,493
3.	+/-	Increase/decrease in provisions	-12,824,663	-118,895,252
4.	+/-	Other non-cash income/expense	244,933,538	-193,734,953
5.	+/-	Gain/loss on disposal of long-term financial assets	-918,094	6,939,392
6.	=	Subtotal	175,532,824	-279,022,185
		Change in operating assets and liabilities		
7.	+/-	Increase/decrease in loans and advances to banks (no trading portfolio)	-1,419,238,620	-1,554,090,971
8.	+/-	Increase/decrease in loans and advances to customers (no trading portfolio)	424,483,020	1,166,175,233
9.	+/-	Increase/decrease in securities (no financial assets and no trading portfolio)	1,537,519,375	2,015,097,924
10.	+/-	Trading assets	-70,411,577	4,909,185,850
11.	+/-	Increase/decrease in other operating assets	-325,341,639	-8,780,220
12.	+/-	Increase/decrease in deposits from banks (no trading portfolio)	586,768,489	-329,200,529
13.	+/-	Increase/decrease in deposits from customers (no trading portfolio)	-189,737,265	-289,078,922
14.	+/-	Increase/decrease in debt securities in issue	1,056,328,558	-246,836,781
15.	+/-	Trading liabilities	-244,853,183	-4,417,665,367
16.	+/-	Increase/decrease in other operating liabilities	-14,926,491	-167,585,202
17.	+/-	Interest expenses/interest income	-59,038,329	-86,730,827
18.	+/-	Tax expenses/tax income	553,602	1,314,942
19.	+	Interest payments and dividend payments received	412,791,608	376,580,912
20.	-	Interest paid	-314,860,345	-263,855,349
21.	+/-	Income tax payments	-553,602	-1,314,942
22.	=	Cash flows from operating activities (sum of 6 to 21)	1,555,016,425	824,193,566
23.	+	Proceeds from disposal of long-term financial assets	35,157,432	72,479,581
24.	-	Purchase of long-term financial assets	0	-69,493,014
25.	-	Purchase of tangible fixed assets	-3,272	0
26.	-	Purchase of intangible assets	0	0
27.	=	Cash flows from investing activities (sum of 23 to 26)	35,154,160	2,986,567
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)	1,590,170,585	827,180,133
31.	+	Cash funds at beginning of period	1,445,742,364	2,108,360,651
32.	=	Cash funds at end of period (sum of 30 to 31)	3,035,912,949	2,935,540,784

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

	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
Equity under HGB	**658,220,512**	**-8,502,266**	**649,718,246**

	Balance as of 1/1/2018 EUR	Appropriation of the result EUR	Balance as of 30/9/2018 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	-2,360,573,940	1,320,135	-2,359,253,806
Equity under HGB	**655,594,682**	**1,320,135**	**656,914,816**

Condensed notes

For the period from 1 January to 30 September 2019

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 2018.

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) FMStFG in conjunction 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 2018. All facts were considered up to the time these interim financial statements were prepared.

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 2018.

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

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**7,462.7**	**6,023.1**
of which:		
- to affiliates	276.0	330.3
Payable on demand	4,142.8	2,725.1
due		
- within 3 months	2,860.0	3,029.7
- 3 months to 1 year	441.1	241.5
- 1 to 5 years	6.1	8.0
- after 5 years	12.7	18.8

5. Loans and advances to customers

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**8,930.1**	**9,305.3**
of which:		
- to affiliates	1,365.6	1,327.4
- to long-term equity investments	2.6	5.5
due		
- within 3 months	1,260.3	1,159.1
- 3 months to 1 year	1,602.7	1,563.5
- 1 to 5 years	1,495.5	1,820.8
- after 5 years	4,571.6	4,761.9

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

6. Loans and advances secured by mortgages

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**93.4**	**165.3**
Loans and advances to customers due		
- within 3 months	1.3	2.6
- 3 months to 1 year	0.1	3.4
- 1 to 5 years	0.2	18.1
- after 5 years	91.8	141.2

7. Bonds and other fixed-income securities

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**5,487.1**	**7,050.0**
of which:		
Amounts due in the following year	144.7	132.3
Breakdown		
- Bonds issued by public issuers	1,170.0	1,429.1
- Bonds issued by other issuers	4,286.4	5,570.3
- Own bonds	30.7	50.6
Breakdown by marketability		
- Marketable securities	5,487.1	7,050.0
of which:		
- listed	1,517.4	1,836.6
- unlisted	3,969.7	5,213.4
Breakdown by type		
- Liquidity reserve	30.7	50.6
- Investment securities	5,456.4	6,999.4

Bonds and other fixed-income securities in the amount of EUR 5.5 billion (previous year: EUR 7.0 billion) are included in the financial assets portfolio. As of the reporting date, financial assets with a carrying amount of EUR 2.1 billion (previous year: EUR 2.6 billion) were recognised above their fair value of EUR 2.0 billion (previous year: EUR 2.5 billion) because 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 2.1 billion, EUR 0.0 billion (previous year: EUR 0.1 billion) relates 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 2.1 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.

8. Trading portfolio

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**18,412.5**	**14,560.9**
of which:		
- Derivative financial instruments	18,414.2	14,562.1
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-1.7	-1.2

9. Long-term equity investments

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**38.5**	**37.8**
of which:		
- in banks	15.4	12.4
Breakdown by marketability		
- Marketable securities	15.4	11.2
of which:		
- unlisted	15.4	11.2

10. Shares in affiliates

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**1,027.6**	**1,242.6**
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 2019 comprise loans and advances to customers amounting to EUR 22.8 thousand (previous year: EUR 23.7 thousand).

12. Other assets

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**386.5**	**50.2**
of which:		
- Currency translation adjustments	376.9	34.0
- Tax refund claims	9.5	10.8
- Receivables from profit and loss pooling agreements	-	5.1
- Guarantee fees and commissions	-	0.2

13. Prepaid expenses/accrued income

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**17.5**	**22.7**
of which:		
- Discounts from issuing business	7.1	7.1
- Non-recurring payments on swaps	5.8	12.0
- Discounts from liabilities	3.4	3.1
- Other	8.3	7.6

14. Subordinated assets

Subordinated assets are included in:

	30/9/2019 EUR million	31/12/2018 EUR million
Loans and advances to customers	**671.8**	**665.7**
of which:		
- to affiliates	301.6	285.3

15. Assets sold under repurchase agreements

As of 30 September 2019 and as at the end of the previous year, no assets were sold under repurchase agreements.

16. Deposits from banks

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**2,460.9**	**1,872.0**
of which:		
- Deposits from affiliates	31.9	13.7
Payable on demand	2,035.9	1,448.9
due		
- within 3 months	139.9	105.0
- 3 months to 1 year	63.2	43.1
- 1 to 5 years	150.3	188.1
- after 5 years	71.6	86.9

17. Deposits from customers

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**2,174.9**	**2,526.8**
of which:		
- Deposits from affiliates	77.7	229.4
Other deposits	2,174.9	2,526.8
of which:		
- payable on demand	159.6	236.8
due		
- within 3 months	299.9	410.8
- 3 months to 1 year	95.9	122.2
- 1 to 5 years	621.6	700.6
- after 5 years	997.9	1,056.4

The reduction in deposits from affiliates is mainly the result of offsetting in the first quarter of 2019 of interest and principal payments received by the EAA that are attributable to a subsidiary.

18. Debt securities in issue

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**21,255.5**	**20,192.5**
Bonds	9,053.2	10,843.4
of which:		
Amounts due in the following year	4,578.5	5,233.9
Other debt securities in issue	12,202.3	9,349.1
of which due:		
- within 3 months	5,712.8	7,241.5
- 3 months to 1 year	6,489.5	2,107.6
- 1 to 5 years	-	-
- after 5 years	-	-

19. Trading portfolio

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**18,105.0**	**14,323.8**
of which:		
- Derivative financial instruments	18,105.0	14,323.8

20. Trust liabilities

The EAA's trust liabilities as of 30 September 2019 comprise deposits from customers amounting to EUR 22.8 thousand (previous year: EUR 23.7 thousand).

21. Other liabilities

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**10.4**	**14.5**
of which:		
- Deposits from the assumption of losses	-	2.0
- Other	10.4	12.5

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

22. Accrued expenses/deferred income

	30/9/2019 EUR million	31/12/2018 EUR million
Carrying amount	**11.0**	**16.4**
of which:		
- Non-recurring payments on swaps	7.1	8.4
- Premium on issuing business	3.4	7.4
- Premiums for sold interest rate caps and floors	0.5	0.6

23. Provisions

	Balance as of 31/12/2018 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 30/9/2019 EUR million
Taxes	**8.5**	**-**	**-**	**0.1**	**6.3**	**-**	**2.1**
Other provisions	**84.6**	**14.8**	**0.6**	**11.7**	**10.8**	**0.6**	**78.2**
- Loans	9.1	2.2	-	0.2	5.9	0.5	5.7
- Shareholdings	2.4	-	-	0.1	-	-	2.2
- Legal actions	1.2	-	-	-	0.2	-	1.0
- Personnel	0.5	-	-	-	-	-	0.5
- Other	71.4	12.6	0.6	11.4	4.7	0.1	68.7
Total	**93.1**	**14.8**	**0.6**	**11.8**	**17.1**	**0.6**	**80.3**

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 2019, 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.

The net loss for the year for the first three quarters of 2019 amounted to EUR 8.5 million and increases net retained losses to EUR 2,366.5 million as of 30 September 2019.

25. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 1.9 billion (previous year: EUR 2.5 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 1.7 billion as of 30 September 2019 (previous year: EUR 2.2 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 0.2 billion (previous year: EUR 2.0 billion) was due to the lending business. The decline was largely the result of the termination of a USD 2.0 billion credit facility.

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 1/1-30/9/2019 EUR million	Current income 1/1-30/9/2019 EUR million	Fees and commission income 1/1-30/9/2019 EUR million	Other operating income 1/1-30/9/2019 EUR million
Germany	49.5	0.3	1.8	4.3
UK	41.0	-	0.1	-
Rest of Europe	202.1	1.7	0.1	-
Far East and Australia	28.1	-	-	-
North America	79.7	0.4	0.3	-
IS amount	**400.4**	**2.4**	**2.3**	**4.3**

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.

27. Other operating and prior-period expenses and income

Net other operating expenses and income as of 30 September 2019 comprised EUR 3.2 million (previous year: EUR 4.7 million) in expenses and EUR 4.3 million (previous year: EUR 68.9 million) in income.

Expenses and income include EUR 0.0 million (previous year: EUR 2.6 million) and EUR 1.3 million (previous year: EUR 0.0 million) respectively from the foreign exchange result in the banking book. Income includes reversals of provisions in the amount of EUR 0.5 million (previous year: EUR 66.4 million).

28. Risk provision

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

	1/1-30/9/2019 EUR million	1/1-30/9/2018 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	**47.6**	**-39.5**
Loans and securities income/expense	**43.9**	**-36.4**
of which: - Lending operations	44.0	-36.4
- Securities	-0.1	-
Shareholdings and securities income/expenses	**3.7**	**-3.1**
of which: - Shareholdings	8.9	-9.0
- Securities	-5.2	5.9
Expenses from loss assumption	**-**	**-**
Risk provision and financial investment result including loss assumption (pursuant to risk report)	**47.6**	**-39.5**
Result of risk provisions – loans and advances/securities due to credit risk	**43.9**	**-36.4**
of which: - Lending operations	43.9	-36.4
Results from financial assets, shareholdings and loss assumption	**3.7**	**-3.1**

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 43.9 million (previous year: net expenses of EUR 36.4 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 reported income of EUR 3.7 million (previous year: expenses of EUR 3.1 million) as the risk result for shareholdings and securities.

29. Taxes

Taxes on income and earnings amounting rounded up to EUR 0.6 million (previous year: EUR 1.3 million) primarily related to foreign taxes.

In the current fiscal year, the EAA incurred other taxes rounded up to EUR 0.0 million (previous year: EUR 0.0 million).

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 182.8 billion based on notional values (previous year: EUR 211.7 billion). The focus remains on interest-rate-related products, whose share stands at 84.3% (previous year: 85.8%) 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).

Derivative financial instruments – volume as of the reporting date

	Notional amount		Positive market values		Negative market values	
	30/9/2019 EUR million	31/12/2018 EUR million	30/9/2019 EUR million	31/12/2018 EUR million	30/9/2019 EUR million	31/12/2018 EUR million
Interest rate-related products	**154,029.4**	**181,654.1**	**18,327.3**	**14,440.5**	**19,174.8**	**15,044.0**
OTC products	153,708.0	181,292.1	18,327.3	14,440.5	19,174.8	15,044.0
Exchange-traded products	321.4	362.0	-	-	-	-
Currency-related products	**26,797.4**	**27,985.4**	**861.7**	**547.0**	**365.7**	**377.0**
OTC products	26,797.4	27,985.4	861.7	547.0	365.7	377.0
Equity and other price-related products	**1,972.1**	**1,972.1**	**18.3**	**63.9**	**17.8**	**63.1**
OTC products	1,972.1	1,972.1	18.3	63.9	17.8	63.1
Credit derivatives	**-**	**60.0**	**-**	**0.2**	**-**	**0.7**
OTC products	-	60.0	-	0.2	-	0.7
Total	**182,798.9**	**211,671.6**	**19,207.3**	**15,051.6**	**19,558.3**	**15,484.8**
OTC products	182,477.5	211,309.6	19,207.3	15,051.6	19,558.3	15,484.8
Exchange-traded products	321.4	362.0	-	-	-	-

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 198.9 billion in the current fiscal year 2019 (previous year: EUR 234.4 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	30/9/2019 EUR million	31/12/2018 EUR million	30/9/2019 EUR million	31/12/2018 EUR million	30/9/2019 EUR million	31/12/2018 EUR million
Interest rate-related products	**169,461.1**	**201,442.4**	**16,260.5**	**15,540.3**	**16,967.8**	**16,068.6**
OTC products	169,157.6	199,877.7	16,260.5	15,540.3	16,967.8	16,068.6
Exchange-traded products	303.5	1,564.7	-	-	-	-
Currency-related products	**27,443.5**	**30,930.0**	**664.3**	**641.6**	**371.9**	**485.0**
OTC products	27,443.5	30,930.0	664.3	641.6	371.9	485.0
Equity and other price-related products	**1,972.1**	**1,972.1**	**34.7**	**49.4**	**34.1**	**48.8**
OTC products	1,972.1	1,972.1	34.7	49.4	34.1	48.8
Credit derivatives	**15.0**	**68.0**	**0.1**	**0.5**	**0.2**	**0.9**
OTC products	15.0	68.0	0.1	0.5	0.2	0.9
Total	**198,891.7**	**234,412.5**	**16,959.6**	**16,231.8**	**17,374.0**	**16,603.3**
OTC products	198,588.2	232,847.8	16,959.6	16,231.8	17,374.0	16,603.3
Exchange-traded products	303.5	1,564.7	-	-	-	-

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	
	30/9/2019 EUR million	31/12/2018 EUR million	30/9/2019 EUR million	31/12/2018 EUR million	30/9/2019 EUR million	31/12/2018 EUR million	30/9/2019 EUR million	31/12/2018 EUR million
Due								
- within 3 months	9,326.0	18,131.7	5,316.7	7,255.5	-	-	-	60.0
- 3 months to 1 year	18,883.1	22,283.9	6,238.8	3,916.7	-	-	-	-
- 1 to 5 years	47,905.4	57,959.7	9,332.5	9,393.8	1,972.1	1,972.1	-	-
- after 5 years	77,914.9	83,278.8	5,909.4	7,419.4	-	-	-	-
Total	**154,029.4**	**181,654.1**	**26,797.4**	**27,985.4**	**1,972.1**	**1,972.1**	**-**	**60.0**

31. Number of employees

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

	Male	Female	Total 1/1-30/9/2019	Total 1/1-30/9/2018
Number of employees	93	70	163	170

As of 30 September 2019 the EAA employed 148 (30 September 2018: 153) full-time equivalents. This figure includes the transfer of employees from EFS to the EAA.

32. Stakeholders in the EAA

	30/9/2019 in %	31/12/2018 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
Total	**100.000**	**100.000**

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 *
Erste Financial Services GmbH

Horst Küpker
EDD AG i.L. * (formerly Börse Düsseldorf AG)
Erste Financial Services GmbH
Westdeutsche Spielbanken GmbH *

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.

Hartmut Rahner
EAA Covered Bond Bank Plc (until 4 October 2019)

Dr Hartmut Schott
AKA Ausfuhrkredit-Gesellschaft mbH (until 18 April 2019)
EAA Covered Bond Bank Plc (since 3 October 2019)

35. Executive bodies of the EAA

Members of the Managing Board of the EAA
Matthias Wargers (Spokesman)
Christian Doppstadt
Horst Küpker

Members of the Supervisory Board of the EAA
Dr Patrick Opdenhövel
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

Dr Jutta A. Dönges (until 17 June 2019)
Member of the Executive Board of the Bundesrepublik Deutschland - Finanzagentur GmbH

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

Dr Achim Kopf (since 17 June 2019)
Head of Risk Control of the Bundesrepublik Deutschland - Finanzagentur GmbH

Matthias Löb
Director of the Landschaftsverband Westfalen-Lippe

Angelika Marienfeld
Former State Secretary in the Ministry of Finance of NRW

Michael Stölting
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).

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 [8)]	Düsseldorf	100.00		EUR	28	-9
2	ANC Handels GmbH & Co. KG [1)]	Mörfelden-Walldorf	1.00			n. s.	n. s.
3	BNYM GCS 2 GP Investors, LLC [8)]	Wilmington, US	50.00	0.00	USD	39	-4
4	CBAL S.A. [2) 7)]	Brussels, Belgium	100.00		EUR	1,561	-99
5	COREplus Private Equity Partners GmbH & Co. KG [1) 8)]	Frankfurt am Main	36.52	0.00	EUR	1,578	1,327
6	COREplus Private Equity Partners II - Diversified Fund, L. P. [8)]	Wilmington, US	24.75	0.00	USD	7,041	-1,550
7	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n. s.	n. s.
8	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n. s.	n. s.
9	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG i.L. [1) 5)]	Aschheim	92.20	91.82	EUR	194	5,555
10	Deutsche Anlagen-Leasing Service & Co. Sparkassenneubau Teltow-Fläming KG [1) 8)]	Aschheim	76.35	75.58	EUR	-489	756
11	Dritte EAA Anstalt & Co. KG [2) 8)]	Düsseldorf	100.00		EUR	767,131	7,323
12	Dusskapital Zwanzig Beteiligungsgesellschaft mbH [8)]	Düsseldorf	100.00		EUR	39	1
13	EAA Charity LLP [1) 8)]	Wilmington, US	100.00		USD	19,430	1,771
14	EAA Covered Bond Bank Plc [8) 9)]	Dublin 1, Ireland	100.00		EUR	528,400	-830
15	EAA DLP I LLP [1) 8)]	Wilmington, US	100.00		USD	110,413	517
16	EAA DLP II LLP [1) 8)]	Wilmington, US	100.00		USD	88,511	3,651
17	EAA DLP III LLP [1) 8)]	Wilmington, US	100.00		USD	142,016	-8,542
18	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. [8)]	Sao Paulo, Brazil	100.00		BRL	847	-11
19	EAA Europa Holding GmbH [3) 8)]	Düsseldorf	100.00		EUR	5,731	0
20	EAA Greenwich LLP [1) 8)]	Wilmington, US	100.00		USD	147,464	1,626
21	EAA LAT ABC LLP [1) 8)]	Wilmington, US	100.00		USD	151,863	18,564
22	EAA LAT II LLP [1) 8)]	Wilmington, US	100.00		USD	194,283	15,008
23	EAA LS Holdings LLC [1) 8)]	Wilmington, US	100.00		USD	0	n. s.
24	EAA PF LLP [1) 8)]	Wilmington, US	100.00		USD	142,113	-12,330
25	EAA Spyglass Holdings LLC [1) 8)]	Wilmington, US	100.00		USD	13,036	0
26	EAA Triskele LLP [1) 8)]	Wilmington, US	100.00		USD	209,661	9,612
27	EAA US Holdings Corporation [8)]	Wilmington, US	100.00		USD	42,542	-3,248

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
28	ECP Funding LLC [1) 8)]	Dover, US	100.00		USD	0	0
29	EDD AG i.L. [5)]	Düsseldorf	21.95		EUR	27,792	-3,009
30	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH [8)]	Potsdam	47.50		EUR	0	414
31	Entertainment Asset Holdings C.V. [1) 5)]	Amsterdam, Netherlands	36.36		USD	1,805	-1,376
32	Erste EAA Anstalt öffentlichen Rechts & Co. KG [2) 3) 8)]	Düsseldorf	100.00		EUR	49	0
33	Erste Financial Services GmbH [8)]	Düsseldorf	100.00		EUR	33,004	-30,831
34	Garnet Real Estate LLC [1) 8)]	Wilmington, US	100.00		USD	0	0
35	GKA Gesellschaft für kommunale Anlagen mbH i.L. [1) 5)]	Düsseldorf	100.00		EUR	130	0
36	Indigo Holdco LLC [1) 8)]	Dover, US	100.00		USD	2,769	0
37	Indigo Land Groveland LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
38	Leasing Belgium N.V. [1) 8)]	Antwerp, Belgium	100.00		EUR	334	-62
39	MCC SB Condo LLC [1) 8)]	Wilmington, US	100.00		USD	0	0
40	MCC SB Unit 144 LLC [1) 8)]	South Bend, US	100.00		USD	0	0
41	MCC SB Unit 145 LLC [1) 8)]	South Bend, US	100.00		USD	0	0
42	MCC SB Unit 146 LLC [1) 8)]	South Bend, US	100.00		USD	0	0
43	MCC SB Unit 147 LLC [1) 8)]	South Bend, US	100.00		USD	0	0
44	MCC Tern Landing LLC [1) 8)]	Wilmington, US	100.00		USD	1,102	0
45	Meritech Capital Partners II L.P. [1) 5)]	Palo Alto, US	0.06	0.00	USD	123,727	30,235
46	MFC Holdco LLC [1) 8)]	Dover, US	100.00		USD	1,102	0
47	MFC Pinecrest LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
48	MFC Real Estate LLC [1) 8)]	Dover, US	100.00		USD	0	0
49	MFC SB BAR, LLC [1) 8)]	South Bend, US	100.00		USD	0	0
50	Mod CapTrust Holding LLC [1) 8)]	Dover, US	100.00		USD	0	0
51	Monolith Grundstücksverwaltungsgesellschaft mbH [1) 8)]	Mainz	100.00		EUR	-28	-141
52	New NIB Partners LP [8)]	New York, US	1.59	0.00	EUR	688,475	-135,807
53	S-Chancen-Kapitalfonds NRW GmbH i.L. [8)]	Haan	50.00		EUR	2,041	0
54	Sechste EAA-Beteiligungs GmbH [8)]	Düsseldorf	100.00		EUR	28	-10
55	Siebte EAA-Beteiligungs GmbH [8)]	Düsseldorf	100.00		EUR	50	-9
56	Special Private Equity Partners II, L.P. [8)]	Wilmington, US	18.79	0.00	USD	3,476	-473
57	ThyssenKrupp Aufzugswerke GmbH [6)]	Neuhausen auf den Fildern	0.50		EUR	13,951	0
58	thyssenkrupp Electrical Steel GmbH [6)]	Gelsenkirchen	0.42		EUR	96,922	0
59	thyssenkrupp Materials Processing Europe GmbH [6)]	Krefeld	0.42		EUR	57,903	0
60	thyssenkrupp Materials Services GmbH [6)]	Essen	0.16		EUR	745,235	0
61	ThyssenKrupp Rasselstein GmbH [6)]	Andernach	0.50		EUR	247,021	0
62	West Life Markets GmbH & Co. KG [3) 8)]	Düsseldorf	100.00		EUR	1,312	0
63	West Merchant Limited [8)]	London, UK	100.00		GBP	8	-15
64	West Zwanzig GmbH [3) 8)]	Düsseldorf	100.00		EUR	25	0
65	Westdeutsche ImmobilienHolding GmbH [3) 8)]	Düsseldorf	100.00		EUR	5,539	0

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
66	WestGKA Management Gesellschaft für kommunale Anlagen mbH i.L. [2) 5) 10)]	Düsseldorf	100.00		EUR	642	0
67	WestInvest Gesellschaft für Investmentfonds mbH [1) 8)]	Düsseldorf	0.00		EUR	11,339	0
68	WestLeasing International GmbH [1) 8)]	Düsseldorf	100.00		EUR	845	683
69	WestLeasing Westdeutsche Leasing Holding GmbH [3) 8)]	Düsseldorf	100.00		EUR	6,625	0
70	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. [1) 5)]	Düsseldorf	100.00		EUR	224	0
71	Windmill Investments Limited [8)]	George Town, Cayman Islands	5.07	0.00	USD	39,500	-147
72	Winoa Steel Co. S.A. [4)]	Luxembourg, Luxembourg	3.12		EUR	1,288	-135
73	WIV GmbH & Co. Beteiligungs KG [8)]	Frankfurt am Main	5.10		EUR	12,845	745

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
74	Banco Finantia S.A. [8)]	Lisbon, Portugal	8.93		EUR	390,973	38,568

Other companies for which the EAA assumes unlimited liability

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

[1] Indirect shareholdings.
[2] Including indirectly held shares.
[3] A profit and loss transfer agreement is in place with this company.
[4] Data as of 31 December 2016.
[5] Data as of 31 December 2017.
[6] Data as of 30 September 2018.
[7] Data as of 31 October 2018.
[8] Data as of 31 December 2018.
[9] A global guarantee exists.
[10] A profit and loss transfer agreement is in place between the company and its immediate parent; a profit and loss transfer agreement is also in place between the parent company and the EAA.

Subsequent events

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

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, 19 November 2019

Erste Abwicklungsanstalt

Matthias Wargers	Christian Doppstadt	Horst Küpker
Spokesman	Member	Member
of the Managing Board	of the Managing Board	of the Managing Board

List of abbreviations

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

LIST OF ABBREVIATIONS

MaRisk	German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)
Moody's	Moody's Investors Service
MSPA	Mount Street Portfolio Advisers GmbH, Düsseldorf (EAA Portfolio Advisers GmbH until 15 November 2017)
MtM	Mark to market
Muni GIC	Municipal guaranteed investment contracts
N.R.	Not rated
n.s.	Not specified
No.	Number
NPL	Non-performing loans
NRW	North Rhine-Westphalia
OTC	Over the counter
PLN	Polish zloty
Portigon	Portigon AG, Düsseldorf (WestLB AG until 2 July 2012)
py	Previous year
RechKredV	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
S&P	Standard and Poor's Corporation
S.R.	Special rating
Section	Paragraph
SGD	Singapore dollar
US	United States
USD	US dollar
VaR	Value at Risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz (Westdeutsche Immobilien Servicing AG since 30 June 2017)
WestLB	WestLB AG, Düsseldorf (Portigon AG since 2 July 2012)
WpHG	German Securities Trading Act (Wertpapierhandelsgesetz)

Imprint

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