ERSTE ABWICKLUNGS ANSTALT

ANNUAL REPORT 2021

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.
The generic masculine form will be used in the interests of readability and ease of comprehension. All genders are hereby implied equally.

EAA key figures

Income statement in EUR million	1/1-31/12/2021	1/1-31/12/2020
Net interest result	47.0	104.7
Net fee and commission result	-18.8	-18.4
Net trading result	2.1	3.2
Total other operating expenses/income	20.9	-17.2
General administrative expenses	-106.2	-125.0
Results from financial assets and shareholdings	49.4	21.9
Results prior to risk provisioning	**-5.6**	**-30.8**
Loan loss provisions	7.5	29.1
Results before taxes	**1.9**	**-1.7**
Taxes	-0.2	-0.2
Net result for the year	**1.7**	**-1.9**

Balance sheet in EUR billion	31/12/2021	31/12/2020
Total assets	24.2	32.2
Business volume	25.7	34.1
Lending business	9.7	12.3
Trading assets	6.8	11.9
Equity	0.7	0.7

Winding-up	31/12/2021	31/12/2020
Banking book		
Notional value (before FX effect) in EUR billion	10.6	12.7
Winding-up activities (compared with previous year-end) in EUR billion	-2.1	-2.2
Winding-up activities (compared with previous year-end) in %	-16.5	-14.7
Trading portfolio		
Notional value (before FX effect) in EUR billion	65.5	94.6
Winding-up activities (compared with previous year-end) in EUR billion	-29.1	-42.2
Winding-up activities (compared with previous year-end) in %	-30.8	-30.9

Employees	31/12/2021	31/12/2020
Number of employees	102	130

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

Report of the Supervisory Board

The Erste Abwicklungsanstalt (EAA) continued to successfully fulfil its wind-up mission in fiscal year 2021. The impact of the corona pandemic on the operating business was marginal. In exercising the rights and obligations incumbent upon it under the statutory provisions and its charter in the fiscal year from 1 January 2021 to 31 December 2021, the Supervisory Board of the EAA convened five times. Its permanent committee, the Audit and Risk Committee, convened four times.

The deliberations of the Supervisory Board in fiscal year 2021 dealt with various matters, including the winding-up plan for 2022, the projects as part of the efficient further development of the EAA and the claim by Portigon AG (Portigon) against the EAA in connection with dividend arbitrage transactions of the former WestLB AG. The claim was granted in the first instance by the Regional Court of Frankfurt am Main, against which the EAA has launched an appeal.

Furthermore, the Supervisory Board conducted another self-assessment of the effectiveness of its activities and those of its Audit and Risk Committee in fiscal year 2021.

The Supervisory Board advised the Managing Board in fiscal year 2021, monitored its management of the company and was involved in decisions that are of fundamental importance for the EAA. The members of the Supervisory Board were kept regularly informed about the situation at the EAA – also outside of meetings – through the wind-up reports and other reports submitted to it, and was able to discuss it critically.

The Supervisory Board followed a recommendation made by the Audit and Risk Committee and appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as the auditors of the EAA. PwC audited the annual financial statements and the management report of the EAA for the fiscal year ending on 31 December 2021 and issued an unqualified audit opinion. The Supervisory Board and the Audit and Risk Committee discussed in detail the auditor's report on the findings of its audit and raised no objections. The Supervisory Board approved the annual financial statements and the management report prepared by the Managing Board at its meeting on 8 April 2022 and proposes to the Stakeholders' Meeting to ratify the annual financial statements for fiscal year 2021.

The Supervisory Board would like to thank the EAA's employees for their commitment and their achievements in the winding-up process in this financial year.

Düsseldorf, 8 April 2022

Dr Patrick Opdenhövel
Chairman of the Supervisory Board

Foreword

Dear Ladies and Gentlemen,

Fiscal year 2021 went well for the EAA in operational terms. As in previous years, the winding-up activities were focused on measures for reducing the portfolio ahead of schedule and an active participation management. The corona pandemic has hardly affected the EAA's winding-up activities and has not had any serious negative financial impact to date. The portfolio of loans and securities was reduced by EUR 2.1 billion to EUR 10.6 billion as of 31 December 2021, and the notional volume of the trading portfolio declined by 30.8% to EUR 65.5 billion.

In contrast to the two previous years, the EAA reported a positive result after taxes of EUR 1.7 million. The positive result is largely due to the capital repatriation of Erste EAA Ireland plc, the former EAA CBB. This one-off effect does not alter the fact that the EAA's earnings are bound to decline at the well-advanced stage of the portfolio wind-up.

The EAA can continue to draw on a solid risk buffer to wind up the remaining portfolio. Its equity as of 31 December 2021 amounted to EUR 655 million. The buffer of equity, equity capital drawing limit and risk provisions in relation to the remaining portfolio has increased further by 1.6 percentage points to 13.9% compared to year-end 2020. The portfolio's investment grade share remains stable at around 75%.

During the reporting period, the judgement was delivered by the Regional Court of Frankfurt am Main, whereby Portigon's claim against the EAA in connection with WestLB's dividend arbitrage trades was granted by the court of first instance. The EAA considers this decision to be legally erroneous and believes it has a very good chance of success in an appeal. Accordingly, it has filed an appeal against the judgement within the time allowed. In light of this, the EAA continues to see no need to create provisions for the event of ultimate defeat in this legal dispute.

The EAA continues to optimise and variabilise administrative expenses as part of its efficient further development. This also means that the EAA will rely on a flexible servicer landscape in the medium term. Awards for four new servicers were made in the second half of the fiscal year. The transition to the new servicer structure is planned for the first quarter of 2023, and the EAA will then focus on its key functions monitoring, managing and decision-making.

On the basis of current information, the EAA does not expect the war in Ukraine to have any significant overall impact on credit risk and liquidity. As a result of the successful reduction in recent years, it currently only has one direct net exposure to Russia in the low single-digit million range.

The Managing Board would like to thank the EAA's employees for their commitment and performance in the past fiscal year.

Yours sincerely

Christian Doppstadt Member of the Managing Board	Horst Küpker Member of the Managing Board

Management report

For the period from 1 January to 31 December 2021

Principles of the EAA

Operating activities of the EAA

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

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

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

The EAA's work is principally carried out on the basis of section 8a StFG, its charter, the rules of procedure for the Supervisory Board and the Managing Board plus their committees, and 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 contains a schedule for the complete winding up of assets within an appropriate winding-up timeframe. From fiscal year 2021 onwards, the risk positions of the banking book will no longer be broken down by wind-up strategies. 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. The annual wind-up report must be adopted by a resolution of the Supervisory Board before being submitted to the FMSA.

The following stakeholders participate in the EAA's share capital: the State of NRW, with a stake of around 48.2%; the Rheinische Sparkassen- und Giroverband and the Sparkassenverband Westfalen-Lippe, each with around 25.0%, and the Landschaftsverband Rheinland and the 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 at least two members. They are appointed by the Supervisory Board with the FMSA's approval for a maximum term of five years. Members of the Managing Board may be reappointed. The Managing Board manages the operations of the EAA and represents the EAA in and out of court.

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

The Stakeholders' Meeting is composed of the institutions which hold a stake in the EAA's share capital. It is responsible for adopting the annual financial statements of the EAA, and for discharging the members of the Managing Board and the Supervisory Board, among other things.

Methods of transfer

Several methods were used to transfer the risk exposures and non-strategic business units of the former WestLB to the EAA in the years 2009, 2010 (first fill), and in 2012 (refill). The method that was chosen in each case was based on the respective domestic legal, supervisory and tax provisions.

In some cases, a spin-off process was used to transfer assets and liabilities in rem to the EAA, whereas in other cases, different transfer methods (sub-participation, guarantees) were used to create a synthetic transfer of the inherent risks and rewards contained in these portfolios.

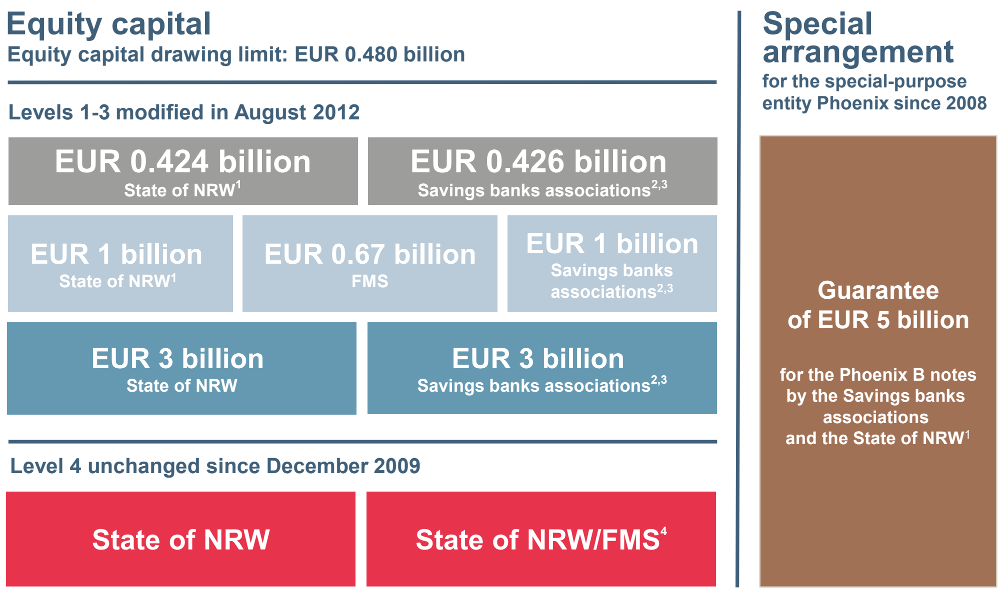
When spin-offs, sub-participations, crossings (transfer of exchange-traded derivatives via the exchange) and risk assumption agreements are used to transfer the legal or beneficial ownership of derivatives, the portfolios are reported in the balance sheet based on the portfolio classification as stipulated under commercial law. When guarantees are used, the legal and economic ownership remains with Portigon, while the EAA assumes the economic risks of the portfolio. In this case, Portigon pays a guarantee fee to the EAA for the assumption of the risks. The risks assumed by the EAA are taken into account by recognising contingent liabilities or provisions.

Equity base and liability

The EAA's share capital amounted to EUR 500,000. The first fill created equity totalling around EUR 3.1 billion.

As part of the refill the EAA received equity drawing rights in the amount of EUR 480 million. If necessary, the liable stakeholders of the EAA and the FMS will provide these funds in specified instalments in the event that the EAA's balance sheet equity should fall below EUR 50 million.

In addition to the EAA's equity base, a factor that is particularly important for the EAA's credit standing is the duty to offset the EAA's losses that the EAA's liable stakeholders and the FMS have assumed. They are individually liable to the EAA to offset all losses in accordance with section 7 of the EAA's charter. To that end, they must provide the EAA with such funds at such times as are necessary in order to ensure that it has sufficient cash and cash equivalents at all times to meet its liabilities as they become due, even after its equity has been used up. The EAA is obligated to assert this loss-offset claim against the liable stakeholders and the FMS in the appropriate volume and before any pending insolvency takes effect, in order to ensure it remains solvent at all times.



[1] For purposes of simplification, the relatively low stake of the Landschaftsverbände (Landschaftsverband Rheinland and Landschaftsverband Westfalen-Lippe) is included in the figure shown for the State of NRW.
[2] Rheinischer Sparkassen- und Giroverband and Sparkassenverband Westfalen-Lippe, at 50% each.
[3] Default liability assumed by the State of NRW.
[4] The State of NRW and the FMS will reach an agreement on the apportionment of the associated financial burden on the basis of the StFG.

Funding

The EAA was initially funded in the first fill through the nearly complete transfer of all issues and deposits of the former WestLB with guarantor liability. The EAA raised its own funds in the period thereafter. In the future, the EAA will continue to obtain funding primarily by issuing bearer bonds, by short-term borrowing and through repurchase transactions. The EAA's ratings correspond to those of the State of NRW. The risk weighting can therefore be set according to the weighting for the State of NRW. The EBA includes the EAA on the list of public-sector entities which, pursuant to Article 116 (4) CRR, may be treated for exposure purposes as exposure to the relevant regional government (in this case: the State of NRW). The good ratings received from Moody's, Standard & Poor's and Fitch Ratings, as well as the duty to offset losses on the part of the liable stakeholders and the FMS, form the foundation for the EAA's successful presence on the capital market.

Accounting

The EAA prepares its annual financial statements in accordance with HGB. It is exempt from the requirement to prepare consolidated financial statements pursuant to section 8a (1a) sentence 3 StFG. However, the significant participations, particularly Erste EAA Anstalt öffentlichen Rechts & Co. KG and Dritte EAA Anstalt & Co. KG, are included in the wind-up success and risk planning, risk monitoring and risk reporting.

Organisation

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 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 mission in view of the ongoing portfolio wind-up. To take this into account and to have recourse to a flexible servicer landscape from the first quarter of 2023 onwards, the EAA issued invitations in four Europe-wide tender procedures for the provision of portfolio services, financial data services, compliance services, and office/IT and communication infrastructure services (ITK services). These were awarded at the end of September 2021 and at the beginning of October 2021. To ensure long-term servicing and a stable business relationship, the respective service agreements were awarded with a term of 14 years (including extension options).

The portfolio services put out to tender comprise the products on the asset side (loans, securities and derivatives) as well as on the liability side. They can be divided into the three core blocks of portfolio management/credit risk management, treasury and risk management and administration (back office). The EAA awarded the tender to BlackRock (Netherlands) B.V. - Frankfurt Branch.

The financial data services put out to tender can be divided into the two core blocks of IT platform services and regulatory reporting services. In this tender procedure, the contract was awarded to SKS Solutions GmbH.

The compliance services put out to tender can be divided into the two core blocks of KYC services and monitoring services. The EAA awarded the tender to Accenture GmbH.

The ITK services put out to tender can be divided into the four core blocks of workplace service, infrastructure, service & support and security & emergency planning. In this tender procedure, the contract was awarded to matrix technology GmbH.

Within the scope of its long-term service strategy, the EAA had previously 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. Until the transition phase is concluded and the transfer to the new four service providers is completed, EFS will continue to provide the IT and operations services via IBM as external service provider. MSPA, a former subsidiary of the EAA, will provide the portfolio management services, while BlackRock will provide services as part of the engagement assessments.

Due to the importance of the outsourced activities, the EAA has implemented a central function for an integrated service provider management system. Under this system, the service relationships between the EAA and the EFS, MSPA, BlackRock and in the future the four new service providers, are systematically managed and monitored from a legal, substantive, processual and financial perspective.

Control system

The EAA draws up a winding-up plan regularly (at least once a year) and evaluates at least as of the end of each quarter whether the plan needs to be adjusted. The winding-up plan details the intended unwinding measures, including a schedule for winding up the EAA portfolio and the resulting implications for EAA's equity capital and financial situation.

One of the EAA's key control metrics is the decline in the notional volume of the portfolio. Aside from volume reduction, other control metrics are also relevant. According to section 5 (3) of the EAA's charter, the primary requirements are to minimise losses and ensure that the EAA is solvent at all times. As a result, the earnings situation, the change in equity and ensuring solvency at all times are also major performance indicators for the EAA. Each of the EAA's decisions is made in consideration of the aforementioned control metrics, and their contribution to the wind-up success is assessed.

Administrative expenses are highly important, too. The costs of the planned reduction of portfolio volume are controlled within the scope of budget planning and ongoing cost controlling. Cost controlling plays a key role within the EAA because, due to legal provisions, it is not possible for winding-up agencies to offset operating costs through profitable new business.

Alongside planning, controlling is supported by ongoing monitoring. The reporting process provides the members of the Managing Board and the department heads with a regular summary of all portfolio measures taken, as well as all relevant data regarding the EAA's control metrics. Alongside reporting, actual-to-plan analyses are performed to identify deviations from the winding-up plan, to explain them in detail and derive corresponding recommendations for action.

The EAA's locations

The EAA has its registered office in Düsseldorf. The EAA does not maintain any other locations. The EAA holds stakes in domestic and foreign subsidiaries, which do not have their own active employees themselves.

Economic report

Economic environment

The global economy was characterised in 2021 on the one hand by a recovery from the pandemic measures in the second half of the year, and on the other hand by supply bottlenecks and renewed pandemic measures toward the end of the year. Economists also expect a trend following this pattern for 2022 and, after a restrained start (or even decline), a strong recovery phase from the middle of the year onwards. Overall, according to IMF data, the world's gross domestic product grew by 5.9% in 2021; this should be followed by an increase of 4.4% in 2022 and 3.8% in 2023.

The US economy grew by 5.6% in 2021, driven by private consumption and foreign trade, especially in the second half of the year. Despite a monthly inflation rate of 7% in December 2021, the Fed will initially continue its expansionary monetary policy before tapering leads to a decrease in bond purchases by the central bank in the course of 2022. In this respect, US gross domestic product could rise by 4.4% in 2022 and by around 3.8% in 2023.

China's economy is expected to have grown by 8.1% over the full year 2021. Growth came to a halt at the end of 2021. The reasons are likely to be a no-covid strategy, an energy crisis and an overheated real estate market. It remains to be seen whether China will relax its corona policy after the end of the Winter Olympics. The bubble in the real estate market will certainly not be remedied in the short term. China has partially reformed the energy market. However, price limits are still in place for private households as well as a reference price for domestic coal, which will be significantly lower from 2022 than the prices traded now. In this respect, it remains to be seen whether economic growth in China can pick up again in the short term. The IMF expects 4.8% for 2022 and 5.2% for 2023.

The economy in Europe also recovered in 2021, growing by 5.2% according to the IMF. However, as the Omicron variant of the coronavirus will lead to restrictive policy measures here again in 2022, gross domestic product will probably increase only by around 3.9% and by 2.5% in 2023. According to the ECB's official estimate, after an inflation rate of 5.0% in December 2021, prices are expected to rise by 3.2% in 2022 and by 1.8% in 2023. However, the ECB has announced that it will revise these forecasts upwards in March 2022. Implications for monetary policy and a near-term termination of the Pandemic Emergency Purchase Programme are expected, according to the Executive Board of the ECB quoted in the press.

Besides the pandemic, the UK continues to be impacted by Brexit. While economic growth of 7.2% in 2021 and 4.7% in 2022 will exceed the eurozone average, the IMF expects economic growth to lag slightly behind in 2023 at 2.3%.

The emerging pattern of economic recovery worldwide following a slowdown in incidence rates after the end of winter should also have a positive impact in Germany. While almost all other countries have proclaimed and implemented their "Freedom Days", German policy makers are currently discussing basic protective measures that will remain in place, depending on the number and date of corona vaccinations, even after the current restrictions on freedom of movement are lifted on 20 March 2022. Furthermore, the Bundestag is still expected to decide on mandatory vaccination, which is understandable given BioNTech SE's contribution of 0.5 percentage points to the overall economic growth of 2.7% in 2021. The IMF believes that falling corona-related hospitalisation and mortality rates should lead to an economic recovery, in parallel with the seasonal progression of corona, so that growth of around 4% can be expected for 2022 and just over 3% for 2023. Risks to this scenario are, of course, inflation developing beyond expectations (the annual inflation rate soared from 0.4% in 2020 to 3.2% in 2021; in December 2021 alone, it was 5.3% compared to the same month of the previous year), which is also likely to reinforce the emerging bubble on the real estate market, the effect of (price) policy regulations in the energy market, and prospective restrictions to curb an increase in incidences expected next winter due to a possible new corona variant.

The Russian military crossed the Ukrainian border on 24 February 2022. This escalated the conflict that has been smouldering since 2014 over the territories of Crimea, Donetsk and Lugansk claimed or annexed by Russia into a war. The US and the EU in particular reacted with economic sanctions against Russia. In addition to the human tragedies among the soldiers and Ukrainian civilians, this war is likely to place a significant strain on the global economy, so that the aforementioned predictions of economic growth and inflation are no longer reliable.

Ukraine is among the world's top five wheat exporters, and Russia is the largest fertiliser exporter. If these quantities are no longer available on the world market, there is a threat of severe adverse effects on food prices. Russia is also the world's largest exporter of oil, natural gas and coal. Together with the political price influences in connection with the transition to sustainable energies, war and sanctions have already led to clearly noticeable energy price increases, especially in Germany. The same applies to the generally prevailing price level. In addition to energy and food prices, other Russian exports are also likely to be in short supply, further straining the already tight supply chains, which will probably lead to excess demand and price increases for more products. The impact on inflation and economic growth cannot be predicted at present and will depend largely on the duration of the war and related sanctions.

Overview of economic development

In fiscal year 2021, the EAA's economic performance was largely determined by its wind-up mission.

The notional volume of the banking book fell 16.5% to EUR 10.6 billion. The notional volume of the trading portfolio declined by 30.8% to EUR 65.5 billion during the same period.

The results after taxes of EUR 1.7 million are defined in particular by the results from financial assets and shareholdings, and the income from the reversal of loan loss provisions, which together account for EUR 56.9 million, the positive net interest result of EUR 47.0 million and the positive balance of other expenses and income of EUR 20.9 million. This is mainly offset by general administrative expenses of EUR 106.2 million and the negative net fee and commission result of EUR -18.8 million.

The EAA's total assets declined from EUR 32.2 billion in the previous year to EUR 24.2 billion. This is mainly due to the reduction in the trading portfolio and the associated reduction in cash collateral provided, as well as the winding-up of the banking book. It was mainly offset by the increase in the cash reserve to reduce liquidity risks and smooth the liquidity outflow profile as part of active liquidity management and the currency translation adjustment, which is included in other assets. The business volume, which also includes off-balance-sheet components, fell 24.6% to EUR 25.7 billion (previous year: EUR 34.1 billion).

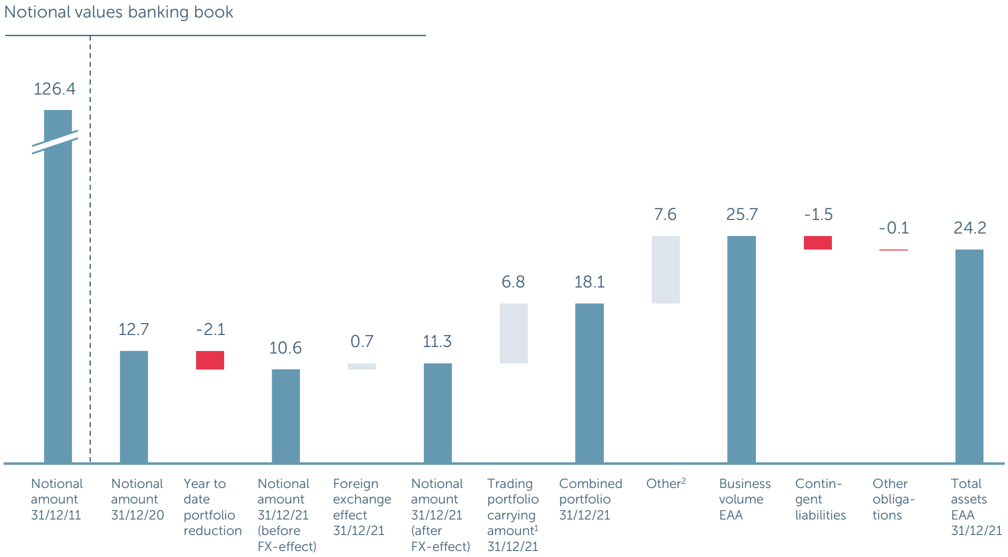
Wind-up report

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 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).

The following overview shows the changes in the portfolio's notional amounts since 1 January 2021 and the reconciliation to the EAA's total assets as of 31 December 2021.

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 the cash reserve, money market transactions, cash collateral and other assets not relevant for the wind-up portfolio.

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

Wind-up success in the banking book

From 1 January to 31 December 2021, the notional volume of the banking book was reduced from EUR 12.7 billion to EUR 10.6 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 2.1 billion (16.5%). The volume at exchange rates as of 31 December 2021 is EUR 11.3 billion. The total banking book portfolio has decreased by EUR 115.8 billion or 91.6% since 1 January 2012.

			Notional volume (at exchange rates as of 31/12/2011)		Notional volume (at exchange rates as of 31/12/2021)	
	Notional	Notional		Change	Notional	FX effect[1]
	31/12/2021	31/12/2020		to 31/12/2020	31/12/2021	
Clusters	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Structured Securities	4,992.5	5,531.7	-539.2	-9.7	5,394.0	401.5
Public Finance & Financial Institutions	2,626.9	3,324.6	-697.7	-21.0	2,675.4	48.5
Real Assets	1,233.0	1,995.9	-762.9	-38.2	1,270.2	37.2
Structured Products	1,213.7	1,213.6	0.1	0.0	1,386.6	172.9
Corporates	511.5	571.6	-60.1	-10.5	525.1	13.6
Equity/Mezzanine	29.7	61.4	-31.7	-51.6	30.6	0.9
Total	**10,607.3**	**12,698.7**	**-2,091.4**	**-16.5**	**11,281.9**	**674.6**

[1] Change in notional volume due to exchange rate effects.
Note: As of 31 December 2021, the total NPL portfolio amounted to EUR 2.1 billion at current exchange rates.

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

The notional volume in the Public Finance & Financial Institutions cluster was mainly reduced by sales of securities.

The portfolio reduction in the Real Assets cluster is due to sales and repayments.

The notional reduction in the other clusters is distributed over the rest of the portfolio.

There was a EUR +9.4 million effect on the winding-up plan in fiscal year 2021 associated with sales and early repayments from the banking book portfolio. A winding-up plan effect of EUR -0.7 million was achieved from other measures. This effect arose mainly from the increase in risk provisions.

Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 65.5 billion as of 31 December 2021. The notional volume of the trading portfolio decreased by a total of EUR 29.1 billion during the period from 1 January to 31 December 2021 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 998.6 billion or 93.8%.

Clusters	Notional 31/12/2021 EUR million	Notional 31/12/2020 EUR million	Notional volume (at exchange rates as of 30/6/2012) EUR million	Change to 31/12/2020 in %	Notional volume (at exchange rates as of 31/12/2021) Notional 31/12/2021 EUR million	FX effect[1] EUR million
Rates	65,474.0	92,647.9	-27,173.9	-29.3	66,551.0	1,077.0
Other	0.0	1,917.5	-1,917.5	-100.0	0.0	0.0
Total	**65,474.0**	**94,565.4**	**-29,091.4**	**-30.8**	**66,551.0**	**1,077.0**

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

The reduction in the Rates cluster with a total notional decrease of EUR 27.2 billion resulted primarily from active wind-up measures of EUR 22.3 billion, maturities totalling EUR 10.0 billion and contrary, portfolio-increasing hedging transactions in the amount of EUR 5.1 billion.

The notional volume of the Other cluster fell significantly by EUR 1.9 billion due to maturities. The Other cluster was thus almost completely reduced.

EAA's overall situation

Earnings situation

The EAA's earnings situation was impacted by the net interest result of EUR 47.0 million, the results from financial assets and shareholdings, and the income from the reversal of loan loss provisions, which together account for EUR 56.9 million, as well as general administrative expenses of EUR 106.2 million, the positive balance of other expenses and income of EUR 20.9 million and the net fee and commission result of EUR -18.8 million. Personnel expenses totalled EUR 18.6 million. Other administrative expenses of EUR 87.6 million were comprised mainly of expenses for services rendered by EFS, as well as by IBM and MSPA.

The decrease in the net interest result is mainly due to an above-average profit transfer received in the previous year from Erste EAA Anstalt öffentlichen Rechts & Co. KG and the ongoing portfolio reduction. The results from financial assets and shareholdings are impacted by a profit from the capital repatriation of Erste EAA Ireland plc, the former EAA CBB. Due to the improved economic environment, it was possible to reduce the risk provisions compared with when the corresponding assets were taken over.

Fee and commission expenses as part of the net fee and commission result are attributable mainly to the commitment fee for the equity capital drawing limit. The net trading result of EUR 2.1 million was down EUR 1.1 million on the same period of the previous year.

Overall, the results after taxes amounted to EUR 1.7 million (previous year: EUR -1.9 million).

Income statement

	1/1-31/12/2021	1/1-31/12/2020	Change	
	EUR million	EUR million	EUR million	in %
Net interest result	47.0	104.7	-57.7	-55.1
Net fee and commission result	-18.8	-18.4	-0.4	-2.2
Net trading result	2.1	3.2	-1.1	-34.4
Total other operating expenses/income	20.9	-17.2	38.1	>100
Personnel expenses	-18.6	-21.6	3.0	13.9
Other administrative expenses	-87.6	-103.4	15.8	15.3
Results from financial assets and shareholdings	49.4	21.9	27.5	>100
Results prior to risk provisioning	**-5.6**	**-30.8**	**25.2**	**81.8**
Loan loss provisions	7.5	29.1	-21.6	-74.2
Results before taxes	**1.9**	**-1.7**	**3.6**	**>100**
Taxes	-0.2	-0.2	0.0	0.0
Net result for the year	**1.7**	**-1.9**	**3.6**	**>100**
Net retained losses brought forward	-2,362.6	-2,360.7	-1.9	-0.1
Net retained losses	-2,360.9	-2,362.6	1.7	0.1

Net interest result
At EUR 47.0 million, the net interest result was down on the previous year (EUR 104.7 million).

In addition to net interest income (EUR 43.5 million [previous year: EUR 58.0 million]), the net interest result also included current income from equities, other non-fixed-income securities, long-term equity investments and shares in affiliates (EUR 0.3 million [previous year: EUR 4.9 million]) as well as income from profit pooling, profit transfer and partial profit transfer agreements (EUR 3.2 million [previous year: EUR 41.8 million]), in particular the EUR 1.4 million [previous year: EUR 40.1 million] profit transfer of Erste EAA Anstalt öffentlichen Rechts & Co. KG.

The interest income arose from lending and money market transactions totalling EUR 194.7 million (previous year: EUR 300.7 million) and from fixed-income securities and debt register claims in the amount of EUR 76.4 million (previous year: EUR 96.2 million).

The interest income was offset by interest expenses of EUR 227.6 million (previous year: EUR 338.9 million).

Net fee and commission result
The net fee and commission result of EUR -18.8 million (previous year: EUR -18.4 million) is primarily due to the commitment fee payable for the equity capital drawing limit.

Net trading result
The net trading result amounted to EUR 2.1 million (previous year: EUR 3.2 million) and is composed of the interest, foreign exchange and valuation result in the amount of EUR -7.1 million (previous year: EUR -5.1 million) and the recognition in the income statement of the reversal of the model reserves totalling EUR 9.2 million (previous year: EUR 8.3 million).

Total other operating expenses/income
The balance of other operating expenses and income amounted to EUR 20.9 million (previous year: EUR -17.2 million), largely as a result of the reversal of provisions.

General administrative expenses
General administrative expenses in the past fiscal year totalled EUR 106.2 million (previous year: EUR 125.0 million). The EAA's personnel expenses accounted for EUR 18.6 million of this amount (previous year: EUR 21.6 million).

Of the other administrative expenses amounting to EUR 87.6 million (previous year: EUR 103.4 million), EUR 40.9 million (previous year: EUR 44.1 million) was due to the cooperation agreement with EFS and EUR 9.7 million (previous year: EUR 12.5 million) to the service agreement with MSPA to support the EAA with portfolio management and all associated activities. Additional costs of EUR 1.4 million (previous year: EUR 1.7 million) were incurred in connection with asset-sustaining measures. These include, in particular, expenses relating to the restructuring of exposures at risk of default.

Loan loss provisions
There was a net release of EUR 7.5 million (previous year: EUR 29.1 million) from loan loss provisions in fiscal year 2021. The EAA has appropriately taken into account all recognisable risks.

Results from financial assets and shareholdings
Financial assets and shareholdings produced net income totalling EUR 49.4 million (previous year: EUR 21.9 million). This included net income in the amount of EUR 73.9 million from shareholdings in the financial investment portfolio and net expenses of EUR -24.5 million from securities. The expense from securities is mainly the result of price losses.

The result from shareholdings arose essentially from payments above the respective carrying amounts (EUR 74.7 million) and capital gains (EUR 0.4 million). This was offset mainly by expenses from loss assumptions (EUR 0.9 million) and expenses from write-offs (EUR 0.3 million).

Taxes
Taxes comprise taxes on income and earnings in the amount of EUR 0.2 million (previous year EUR 0.2 million), which mainly relate to foreign withholding taxes.

Net result for the year
The net result for the year amounted to EUR 1.7 million (previous year: EUR -1.9 million) and reduced net retained losses carried forward to EUR 2,360.9 million.

Financial position and issuing activity

Key tasks in the refinancing process

The EAA is an issuer of securities and operates on the capital market as an independent legal entity with its own rating for the purposes of refinancing and winding-up activities. The EAA commissions financial institutions to distribute its issues to suitable investors.

The EAA's management and ALCO make strategic decisions regarding the issuing schedule, the issuing prospectus, markets and pricing, while the commissioned financial institutions act as advisors.

Prior to conducting an issuance, the EAA calculates its liquidity needs in preparation for the strategic and operational decision-making process. When doing so, it factors in the maturity structure of liabilities as well as the inflow of liquidity from the repayment of assets.

The EAA draws up a long-term issuing strategy, which is regularly reviewed – supported by consultations with banks and feedback from investors – and then modified if necessary. The documentation for the issuing prospectuses is prepared jointly with the commissioned financial institutions and external legal advisors.

Current funding volume

The total notional amount of the portfolio of issued bearer bonds, promissory note loans and commercial paper was EUR 15.7 billion as of the reporting date. It includes the global Commercial Paper Programme with a notional amount equivalent to EUR 5.9 billion.

During the reporting period, the notional volume of new issues for medium and long-term funding amounted to EUR 2.6 billion in three US dollar-denominated bonds (USD 3.0 billion).

New issues were launched during the reporting period under the global Commercial Paper Programme, of which a notional amount equivalent to EUR 5.9 billion was outstanding at the reporting date. These consisted of USD 6.1 billion (EUR 5.4 billion), GBP 0.1 billion (EUR 0.1 billion) and EUR 0.4 billion.

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

During the reporting period, the EAA had net liquidity at all times to meet all of its receivables on time.

Asset position

The EAA's total assets as of the reporting date amounted to EUR 24.2 billion (previous year: EUR 32.2 billion), which, with the inclusion of off-balance-sheet components, amounted to a business volume of EUR 25.7 billion (previous year: EUR 34.1 billion).

Assets

	31/12/2021 EUR million	31/12/2020 EUR million	Change EUR million	 in %
Cash reserve	3,724.5	3,450.7	273.8	7.9
Loans and advances to banks	2,191.8	3,188.4	-996.6	-31.3
Loans and advances to customers	5,965.2	7,172.9	-1,207.7	-16.8
Securities (no trading portfolio)	4,645.5	5,439.7	-794.2	-14.6
Trading portfolio	6,834.1	11,858.6	-5,024.5	-42.4
Long-term equity investments and shares in affiliates	398.3	970.6	-572.3	-59.0
Other assets	391.9	85.2	306.7	>100
Total assets	**24,151.3**	**32,166.1**	**-8,014.8**	**-24.9**

Liabilities and equity

	31/12/2021 EUR million	31/12/2020 EUR million	Change EUR million	 in %
Deposits from banks	1,283.6	1,733.1	-449.5	-25.9
Deposits from customers	1,402.7	1,720.2	-317.5	-18.5
Debt securities in issue	14,376.2	16,259.1	-1,882.9	-11.6
Trading portfolio	6,297.6	11,350.6	-5,053.0	-44.5
Provisions	83.5	114.5	-31.0	-27.1
Other liabilities	52.4	335.0	-282.6	-84.4
Equity	655.3	653.6	1.7	0.3
Total liabilities and equity	**24,151.3**	**32,166.1**	**-8,014.8**	**-24.9**
Contingent liabilities	1,465.8	1,812.6	-346.8	-19.1
Other obligations/loan commitments	113.3	137.4	-24.1	-17.5
Business volume	**25,730.4**	**34,116.1**	**-8,385.7**	**-24.6**

Cash reserve

The cash reserve increased by EUR 0.3 billion compared with the end of the previous year, due to an increased holding of balance held with the Bundesbank to reduce liquidity risks and smooth the liquidity outflow profile as part of active liquidity management.

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

	31/12/2021	31/12/2020	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	2,191.8	3,188.4	-996.6	-31.3
Loans and advances to customers	5,965.2	7,172.9	-1,207.7	-16.8
Contingent liabilities	1,465.8	1,812.6	-346.8	-19.1
Other obligations/loan commitments	113.3	137.4	-24.1	-17.5
Lending business	**9,736.1**	**12,311.3**	**-2,575.2**	**-20.9**

Loans and advances to banks declined by EUR 1.0 billion as of the reporting date compared with the end of the previous year, largely due to the decrease in cash collateral provided (EUR 0.8 billion).

Loans and advances to customers declined by EUR 1.2 billion, with the majority being attributable to lower cash collateral provided.

Securities

The securities portfolio declined compared with the end of the previous year, due to portfolio management measures and repayments of EUR 0.8 billion. EUR 31.0 million (previous year: EUR 31.0 million) was allocated to the liquidity reserve.

The EAA had not concluded any securities lending transactions, either in the fiscal or in the previous year.

Trading portfolio

Trading assets are recognised in the balance sheet at fair value less a risk discount, or, in the case of trading liabilities, plus a valuation premium. As of the reporting date, the EAA reported trading assets and liabilities with carrying amounts of EUR 6.8 billion (previous year: EUR 11.9 billion) and EUR 6.3 billion (previous year: EUR 11.4 billion) respectively. These relate almost entirely to derivative transactions.

The decline of EUR 5.0 billion and EUR 5.1 billion in trading assets and liabilities respectively was mainly the result of the portfolio reduction. To this end, an agreement was reached for example at the end of 2019 to reduce substantial portions of the derivatives portfolio. Since then, implementation has taken place in several steps.

Long-term equity investments and shares in affiliates

The EAA has taken over shares of a large number of companies from the former WestLB. As of the reporting date, the carrying amount of long-term equity investments amounted to EUR 32.2 million (previous year: EUR 36.0 million) and shares in affiliates totalled EUR 366.1 million (previous year: EUR 934.6 million).

The carrying amounts of the long-term equity investments decreased mainly due to capital repatriations (EUR 4.3 million) and currency effects (EUR 0.5 million). This was offset mainly by capital injections of EUR 0.1 million.

The carrying amount of long-term equity investments fell by EUR 568.5 million. The reduction was due mainly to the capital repatriation of Erste EAA Ireland plc, the former EAA CBB, in March 2021 and to capital withdrawals at domestic companies (EUR 134.1 million). The capital repatriation of Erste EAA Ireland plc exceeded the carrying amount of the company (EUR 434.3 million).

The balance sheet items long-term equity investments and shares in affiliates also include equity interests from loan restructuring (debt-to-equity swap).

Deposits from banks and customers

As of the reporting date, deposits from banks totalled EUR 1.3 billion (previous year: EUR 1.7 billion). Of this total, EUR 0.9 billion (previous year: EUR 0.9 billion) was accounted for by cash collateral received. The change in deposits from banks is largely attributable to lower term deposits (EUR 0.5 billion).

The deposits from customers in the amount of EUR 1.4 billion (previous year: EUR 1.7 billion) mainly consisted of issued registered bonds equalling EUR 1.2 billion (previous year: EUR 1.5 billion).

Issuing business

The portfolio of debt securities in issue totalled EUR 14.4 billion (previous year: EUR 16.3 billion) as of the reporting date.

Please refer to the “Financial position and issuing activity” section for more information on issuing activities.

Provisions

Provisions amounted to EUR 83.5 million (previous year: EUR 114.5 million) as of the reporting date. The predominant part of the existing provisions is attributable to winding-up activities. A provision of EUR 7.1 million was established for risks from legal disputes. The EAA also created provisions of EUR 2.0 million for tax liabilities.

Equity

The EAA’s subscribed capital remained unchanged at EUR 500,000 as of the reporting date. In addition, the first transfer of risk exposures and non-strategic business units of the former WestLB created a capital reserve in the amount of EUR 3,013.2 million.

As of the reporting date, the equity capital under HGB stood at EUR 655.3 million (previous year: EUR 653.6 million). Besides the net retained losses, this amount included other retained earnings of EUR 2.4 million resulting from the reversal of provisions whose values decreased due to revisions in the method to measure liabilities under BilMoG.

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

Summary of the business situation

As planned, the EAA achieved a lower net interest result due to the portfolio reduction. The fee and commission expenses and the administrative expenses are partially offset by the positive financial investment result, other operating result and income from the reversal of risk provisions, so that a profit was reported for fiscal year 2021.

The EAA's assets are in good order. Its equity as of the reporting date amounted to EUR 655.3 million. Adequate liquidity was available at all times.

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

Financial and non-financial performance indicators

Financial performance indicators

As the EAA's aim is to wind up transferred assets in a manner that preserves value and minimises risk, the financial performance indicators used for the EAA's internal management purposes are not comparable with the performance indicators normally used by banks.

Return on equity, for instance, is not in the foreground of the EAA's business strategy. Instead, the EAA is managed by performance indicators that show the effects on its earnings situation or on its wind-up result. These performance indicators include the portfolio reduction in the banking book or the trading portfolio, as well as the net interest and the net fee and commission result. These performance indicators are reported in the wind-up reports on a regular basis in both absolute and relative terms. The starting point for the analysis of the overall portfolio's wind-up success is 31 December 2011 for the banking book and 30 June 2012 for the trading portfolio (see also the "Wind-up report" section).

The specifics of the financial performance indicators are set out in the "Wind-up report" and "EAA's overall situation" sections.

Non-financial performance indicators

Employees

Highly qualified, motivated, creative and loyal employees with a willingness to perform and personal responsibility are a major success factor of the EAA.

Thanks to their identification with the EAA and their commitment, these employees make a pivotal contribution to the fulfilment of the public mandate of the EAA. When doing so, their talent, skills and potential are supported and encouraged through a high level of individual responsibility as well as targeted training measures. The manager responsible for each employee conducts a structured personnel development meeting once a year, at the employee's request. This meeting aims to assess the performance of the past year on the one hand and to set the target agreement for the coming months on the other.

Human resources work creates an environment in which the employees are able to develop and enhance their qualifications as best as possible, based on their current phase of life. In winding up the portfolio, the EAA has taken on a complex public mandate and therefore has high standards when it comes to its employees. To secure this expertise, personnel management measures are offered, such as multidisciplinary projects, job rotation and programmes for developing personal skills.

The EAA maintains a performance-oriented culture characterised by mutual respect.

As of 31 December 2021, the EAA employed 102 members of staff (excluding two Managing Board members). The number was lower compared with the previous year (31 December 2020: 130 employees excluding two Managing Board members). The development of employee numbers represents a non-financial performance indicator for the EAA, which is reviewed annually as part of the winding-up planning and adjusted to present circumstances during the year, if necessary.

Reputation and acceptance

As a public institution, the EAA needs the acceptance and trust of governments and the general public in order to successfully fulfil its mandate. The EAA also attaches special importance to its public image since it impacts its funding options on the capital market. With this in mind, potential reputational risks are extremely important for the EAA.

The EAA mitigates these risks through media and public relations activities that are designed to deliver the greatest possible transparency. Aside from regular publications such as annual and interim reports or the latest information on the EAA’s website, this also includes contact with representatives of business and financial publications as well as the public media.

Furthermore, the employees foster an understanding for the special features of the EAA’s wind-up mandate by maintaining contact with multiplier groups, for example by holding talks with political and financial representatives and with investors.

The EAA also boosts awareness of the EAA and its local anchoring in the Düsseldorf region by encouraging its employees to get involved in their communities.

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 EAA is supervised by BaFin with regard to those provisions of banking law that are applicable to the EAA. MaRisk are almost entirely applied by the EAA.

The EAA is different from a commercial bank. This has a significant impact on its risk strategy. As the EAA does not acquire new business, but rather only increases lines of credit in exceptional instances in connection with restructuring measures and manages liquidity, the EAA does not have the same functions that are normally included in a bank's risk strategy for managing new business. Nor does the EAA have to apply capital adequacy rules. The requirement to fulfil the wind-up mandate based exclusively on the existing equity and not having to call upon any other equity instruments or the liable stakeholders' duty to offset losses is a significant challenge for the quality and capability of the risk management.

The aim of the EAA's risk management is therefore to minimise strategic wind-up risk. The risk management's task is to map, analyse, manage and monitor the EAA's risks using a comprehensive risk reporting system.

The Managing Board determines the risk strategy. The Audit and 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 Audit and 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. It is substantiated by specific strategies for managing individual risk. The key individual strategies relate to the risk categories of credit risks, market price risks, liquidity risks, longevity risks and operational risks (including reputational, legal and tax risks). The risk management strategies are reviewed at least once a year.

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

The committees which make decisions regarding risk management strategies and methods are the:

- RiskCo – covers portfolio management and in particular the management of credit risks
- ALCO – covers the optimisation of asset/liability management, monitoring and managing operational liquidity, funding, interest rate and foreign exchange risks, the trading portfolio as well as the operational risks (including reputational, legal and tax risks)

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

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

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

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

Risk reporting

Risks can be controlled and monitored in a sustainable manner only if they are transparent, and the underlying analysis results are prepared and communicated in a manner that is conducive to decision-making processes. For this reason, risk reporting is among the key tasks of the Risk Controlling department. The FMSA, the responsible committees, the Managing Board as well as the Supervisory Board and its Audit and Risk Committee are informed on a regular basis of 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 Audit and Risk Committee regularly informed of the EAA's current wind-up status and the general risk situation, with wind-up reports and a separate risk report that is adapted to fulfil the information requirements of the governing bodies.

Risks from the corona pandemic

Financial risks

The corona pandemic had no serious negative financial consequences for the EAA so far.

Liquidity was raised to the extent required, and market risk positions continued to be held within the tight limits.

Due to the structure of the EAA's remaining portfolio, the coronavirus has had little impact on credit risk to date. The EAA has reviewed all exposures for potential impact of the corona pandemic. Rating downgrades reflect the deteriorating credit quality due to the corona crisis.

Non-financial risks

Due to the corona pandemic, the EAA has established a task force that meets once a week under the direction of the Managing Board. The task force informs the EAA's crisis unit of its decisions to protect the EAA's employees. Employees are given timely and practical guidance on conduct and protective measures. For this purpose, a webpage containing all the important information has been set up on the intranet, which is continuously adapted and supplemented. External employees and visitors receive information about the rules to be observed. Opportunities for working-from-home capabilities, including teleconferencing and web conferencing, have been put in place since March 2020. As a measure taken in the corona pandemic, the department heads took a flexible approach to determining the on-site presence until the end of February 2022. The minimum required on-site staffing is always based on ensuring that the respective department is fully operational. Developments are reassessed regularly and the approach adjusted accordingly. The existing telework agreements remain valid until further notice. As an additional element of protection, a maximum of three personal self-quick tests per week is offered to employees of the EAA and to external persons working on site at the EAA. These are to be used at home before starting work, to achieve the highest possible level of protection for the employees and external persons working on site at the EAA that day. This offer also applies to fully-vaccinated people or those recovered from the coronavirus. In addition, all registered EAA employees interested in a corona vaccination were offered vaccination appointments, so that the vaccination offer could be successfully completed via the external company doctor. Additional vaccination opportunities were offered in December 2021 and January 2022. Since 24 November 2021, the building may only be entered in compliance with the 3G rule. The status or corresponding proof must be presented before entering the building. EAA employees and external people who do not present a certificate of vaccination or recovery must submit a valid, negative test certificate before starting work.

In addition, IBM and MSPA, and BlackRock since the first quarter of 2021, as the EAA's primary service providers, have provided their services without being impaired in any way by the corona pandemic.

The success of the measures can be seen by the fact that the EAA's operations were stable throughout the entire pandemic period.

Credit risks

Under credit risks, the EAA distinguishes between default risks, migration risks, counterparty risks, issuer risks, participation risks and country risks:

- Default risk comprises potential losses incurred if a borrower is unable or unwilling to comply, in part or in full, with his contractual obligations, specifically the obligation to repay his loan.
- Migration risk comprises potential losses calculated mathematically if the amount of the expected loss on interest and principal payments increases as a result of a deterioration in a borrower's creditworthiness.
- Counterparty risk comprises potential losses from the default of counterparties of derivatives transactions or where their creditworthiness deteriorates. Counterparty risk also includes settlement risk. Counterparty risk is determined for both the banking book and the trading portfolio.
- Issuer risk comprises potential losses that arise if issuers of securities held in the portfolio fail to perform or if their creditworthiness deteriorates.
- Participation risk includes potential losses due to omission of dividends, impairments, losses on disposals and a reduction in hidden reserves from the EAA's long-term equity investments.
- Country risk comprises the inability of a borrower to meet its obligations, essentially due to sovereign acts.

Analysis and assessment of credit risks

The EAA's Risk Controlling department in conjunction with the Credit Risk Management department continuously analyses and monitors the loan portfolio and its default and migration risks. In order to assess the potential consequences of systemic crises, stress tests are performed regularly to monitor how a portfolio-wide rating downgrade of several rating categories would impact the expected loss. The amount of loan loss provisions and changes to that amount are estimated at the general portfolio level. Two stress scenarios for default risks as well as one inverse stress test for the exposure of the eurozone periphery are applied when preparing the winding-up plan. Moreover, the portfolio is monitored for concentration risks in individual sub-portfolios, asset classes and regions.

The EAA assesses credit risk in terms of both the overall portfolio and individual exposures. Credit quality and default probabilities are regularly assessed on the basis of balance sheet analyses and ratings. A clearly defined process facilitates the analysis of problematic exposures and the determination of alternative options, which are presented to the relevant competent individuals or bodies of the EAA for approval. The ratings of the performing loans are also reviewed regularly (at least annually) and adjusted if necessary. The effects of the corona crisis are also taken into account in this way in the rating of individual borrowers, if they are affected by it. As of 31 December 2021, all ratings of the banking book were reviewed at least on an annual basis. Additional cluster and portfolio analyses are performed separately for significant individual exposures.

A central focus of portfolio analysis also includes problem loans. These are intensively monitored and actively managed. The EAA GW provides a mechanism for monitoring problem loans and exposures under intensive supervision. Additional details are provided in the "Problem loans and risk provision" section. The appropriateness of risk provisioning is determined by analysing the recoverable value of the loan/advance, the expected cash flow and the existing collateral.

Management of credit risks

The most important tools used to manage credit risk are the restructuring or – if corresponding opportunities arise – the sale of loans, the latter taking into account the effect of the winding-up plan. Additionally, the EAA can enter into credit default swaps and other credit derivatives to hedge individual exposures.

Default risks are generally limited to the amount of the credit lines that Portigon had provided prior to the date the portfolio was transferred. Increases are permitted exceptionally only in connection with restructuring measures, provided they contribute to the loss reduction. When borrowers repay portions of their loans, the committed credit lines and the limits are reduced by a corresponding amount.

Migration risks and rating distributions within the portfolio are monitored regularly and reported to the EAA's relevant supervisory bodies. Deteriorating credit quality – also insofar as it is caused by the corona crisis – is reflected by rating downgrades. Rating downgrades for individual exposures are assessed as part of the credit process and the exposures concerned are reviewed to check for alternative courses of action; these options may include restructuring or sale. The approach towards the borrower is then approved by the relevant individuals with the appropriate level of authority according to the authority rules.

The EAA analyses counterparty risks by monitoring and assessing the exposures using internal calculations. The method used to determine the exposure for OTC derivatives takes collateral and netting into account. Master agreements with netting and symmetrical collateralisations are used to mitigate counterparty risks.

Issuer risks from the trading portfolio are limited to the amount of the transferred exposures towards individual issuers as part of the refill. Issuer risks are monitored and managed in the same manner as default 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 2.1 billion during fiscal year 2021 to EUR 10.6 billion (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]

	31/12/2021 EUR million	31/12/2020 EUR million
A0-A2	196.4	315.1
A3-A5	1,854.7	1,889.9
B1-B3	397.1	491.3
B4-B5	3,652.5	4,077.1
C1-C2	1,801.9	2,369.2
C3-C5	208.2	1,248.0
D1-D3	856.0	297.4
D4-E	307.0	529.0
S.R.	1,224.5	1,253.8
N.R.	108.9	227.8
Total	**10,607.3**	**12,698.7**

[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 in an investment grade rating share (rating categories A0-C2) of around 75% (31 December 2020: 72%). About 19% (31 December 2020: 17%) of the notional volume had a very good rating (A0-A5) and around 55% (31 December 2020: 55%) is assigned to the mid-rating categories B1-C2. The rating category S.R. included the opening clauses of the rating process and has a share of around 12% of the total portfolio (31 December 2020: 10%).

The EUR 1.0 billion decrease in rating class C3-C5 resulted from the sale of securities, repayments and the rating downgrade of a borrower to rating category D1-D3.

The other rating changes are based on rating migrations and repayments. The EAA continues to aim for a portfolio reduction across all rating categories.

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]

	31/12/2021 in %	31/12/2020 in %
Structured Securities	47.1	43.6
Public Finance & Financial Institutions	24.8	26.2
Real Assets	11.6	15.7
Structured Products	11.4	9.5
Corporates	4.8	4.5
Equity/Mezzanine	0.3	0.5
Total	**100.0**	**100.0**

[1] 31 December 2021 = EUR 10.6 billion; 31 December 2020 = EUR 12.7 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 47.1%, consists of three sub-portfolios: Phoenix (61.3% – please refer to the section "Phoenix" for further details), ABS (30.9%) and Dritte EAA (7.8%).

Breakdown of notional volume by maturities[1,2]

	31/12/2021 EUR million	31/12/2020 EUR million
<= 6 M	29.8	167.5
> 6 M <= 1 Y	135.7	138.4
> 1 Y <= 5 Y	2,636.7	1,328.4
> 5 Y <= 10 Y	675.1	2,926.7
> 10 Y <= 20 Y	4,735.3	5,051.4
> 20 Y	2,394.7	3,086.3
Total	**10,607.3**	**12,698.7**

[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 five to ten years and the increase in the maturity range of one to five years result in particular from the maturity-related postponement of the Phoenix A4 USD note (EUR 1.3 billion).

The other changes within the maturity ranges reflect the portfolio management measures undertaken and amortisation during fiscal year 2021.

Breakdown of notional volume by region[1]

	31/12/2021 EUR million	31/12/2020 EUR million
Americas[2]	6,189.3	6,779.6
EMEA	3,534.1	4,656.9
Germany	833.8	1,100.6
APAC	50.1	161.7
Total	**10,607.3**	**12,698.7**

[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 2020. Approximately 58% of the notional volume was attributable to America (31 December 2020: 53%).

About 33% of the notional volume (31 December 2020: 37%) was attributable to the EMEA region.

The share of German borrowers and guarantors (share of portfolio: about 8%; 31 December 2020: 9%) is almost unchanged.

The APAC region represents around 1% (31 December 2020: 1%) and is also almost unchanged.

The EAA's banking book portfolio is offset by collateral of EUR 4.0 billion, comprising mainly guarantees (EUR 2.4 billion) and other collateral (EUR 1.4 billion) – the latter including the market values for the Phoenix A notes.

Problem loans and risk provision

Problem loan exposures are subject to special risk monitoring pursuant to MaRisk. Loan exposures with notable risk profiles are subject to intensive monitoring. Loan exposures with increased risk profiles or which have already experienced actual defaults, as well as non-performing loans, are transferred to the Problem Loans Processing function.

Problem loan exposures are recorded centrally in the EAA GW. It serves as a core basis for the risk control and risk management of credit risks. The EAA GW is defined as an early warning system in accordance with MaRisk. It serves to record, monitor and report on individual loan exposures that have a notable or heightened risk profile, expected or actual defaults, or for which a specific risk provision has been recognised.

Exposures are included in the EAA GW in different categories based on defined risk indicators. The information and data recorded in the EAA GW are managed, monitored and regularly reported to facilitate tight control. The EAA GW also forms the basis for regular reporting to the EAA's governing bodies and to the FMSA on the current risk situation with regard to these loans and to the corresponding risk provisioning.

The recoverability of loans and advances is reviewed by ad hoc and regular performance 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.

The EAA forms general loan loss provisions based on the expected one-year loss for the deferred credit risk in the portfolio of receivables and contingent assets. The computation is performed using individual company-specific loss rates and conversion factors as well as ratings, after taking into account the transfer-stop risk of the funding. This means that a separate model for country risk is not necessary. The general allowance for the derivatives of the banking book is calculated through the computation of the CVA of this sub-portfolio.

Result of risk provisions

	Provisions for loan losses	Charge-offs	Net change in loan loss provision	Other exp./inc. due to risk	Total allow. losses
	EUR million	EUR million	EUR million	EUR million	EUR million
Acute counterparty default risk	**-21.4**	**26.8**	**5.4**	**-4.9**	**0.5**
Credit risk	-21.4	26.8	5.4	-4.1	1.3
Other risk	-	-	-	-0.8	-0.8
Contingent counterparty default risk	**-**	**7.0**	**7.0**	**-**	**7.0**
Total	**-21.4**	**33.8**	**12.4**	**-4.9**	**7.5**

Other risk expenditure/income primarily includes 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 31/12/2021 in million		S&P rating	Legal maturity
Class A4	1,528.4	USD	B-	9/2/2091
	103.7	EUR	B-	9/2/2091
Class B	1,770.4	EUR	N.R.	9/2/2091

Repayments in the reporting period amounting to EUR 0.2 billion resulted in a decrease of the notional volume reported in euros to EUR 3.1 billion as of 31 December 2021 (at constant exchange rates as of 31 December 2011).

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

	31/12/2021 EUR billion	31/12/2020 EUR billion
A0-A2	-	-
A3-A5	1.8	1.8
B1-B3	-	-
B4-B5	1.3	1.5
C1-C2	-	-
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
Total	**3.1**	**3.3**

[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). Some EUR 3.2 billion of this guarantee had been utilised up to 31 December 2021.

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 31 December 2021 totals a notional amount of EUR 2.5 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 1.7 billion of this amount was attributable to the UK, Italy, Portugal and Spain. Further information can be found in the section "Exposures to selected EU member states and the UK".

Securities account for 74% of the total public-sector exposure (including regional and municipal borrowers). Lending transactions involving federal, municipal or other public-law institutions account for a share of 26%.

The largest part of the overall exposure, at 73%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from EMEA countries outside the eurozone (15%), America (10%) and APAC countries (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 3.7 million as of 31 December 2021 (31 December 2020: EUR 3.8 million). The change in CVA is attributable to LGD/rating changes and market fluctuations.

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.

	31/12/2021 Exposure EUR million	31/12/2021 Limit EUR million	31/12/2020 Exposure EUR million	31/12/2020 Limit EUR million
Credit risk – money market positions[1]	-	3,419.0	199.9	4,151.5
Counterparty risk – OTC derivatives (pre-settlement risk)	226.8	1,830.0	348.1	2,310.0
Counterparty risk – repos	-	120.0	-	224.0

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

Compared with year-end 2020, the changes in the credit risk for money market positions as of 31 December 2021 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).

When evaluated by risk country, the country concentrations for money market positions, OTC derivatives and repos are as follows.

Money market positions

Risk country	31/12/2021 Exposure EUR million	31/12/2021 Limit EUR million
Germany	-	1,615.0
France	-	835.0
Switzerland	-	500.0
Other countries	-	469.0
Total	**-**	**3,419.0**

OTC derivatives

Risk country	31/12/2021 Exposure EUR million	31/12/2021 Limit EUR million
Germany	164.2	1,065.0
France	56.5	715.0
Ireland	6.0	50.0
Total	**226.8**	**1,830.0**

Repos

Risk country	31/12/2021 Exposure EUR million	31/12/2021 Limit EUR million
France	-	65.0
Germany	-	55.0
Total	**-**	**120.0**

Issuer risks

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

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

	< 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	128.0	159.4	501.3	942.9	565.9	2,297.5
Financial Institutions	-	-	15.8	-	-	15.8
Other securities	1.4	20.1	49.1	280.3	2,009.1	2,360.0
Total 31/12/2021	**129.4**	**179.5**	**566.2**	**1,223.2**	**2,575.0**	**4,673.3**
Total 31/12/2020	142.3	388.8	946.9	1,139.6	2,906.7	5,524.3

Other securities comprise mainly US student loans.

Participation risks

Participation risks result from the provision of equity. Managing participations is mainly the responsibility of the participation management in the Legal & Compliance department and the Credit Risk Management department. The Finance & Tax department supports the participation controlling process.

Of the total portfolio of the EAA Group, a notional volume of EUR 1.5 billion (13.9%) was held by subsidiaries, mainly consisting of Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.1 billion (73.5%) and Dritte EAA Anstalt & Co. KG with EUR 0.4 billion (26.5%).

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.

The EAA CBB, which has been operating as Erste EAA Ireland plc since 15 March 2021, is in liquidation (Members Voluntary Liquidation) since 29 June 2021. The return of the full banking licence and the licence as a so-called designated credit institution – comparable to a covered bond bank licence – which was applied for in October 2020, was approved in March 2021. Following the transfer of almost all assets to the EAA in the second half of 2020 and capital repatriations in March 2021 and September 2021, the company essentially only reports bank balances, provisions and equity.

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

Exposures to selected EU member states and the UK

The banking book exposure of the EAA and its subsidiaries to the UK, Ireland, Italy, Portugal, Spain and Cyprus of around EUR 2.3 billion as of 31 December 2021 is shown in the table below.

Country[1]	Debtor group	31/12/2021 Notional in EUR million[2]	31/12/2020 Notional in EUR million[2]
UK	Corporates	335.5	406.2
	Public Finance	139.2	130.1
UK		**474.7**	**536.4**
Ireland	Corporates	13.6	12.5
	Financial Institutions	-	0.0
Ireland		**13.6**	**12.5**
Italy	Corporates	69.5	138.5
	Public Finance	928.8	1,457.5
Italy		**998.2**	**1,596.1**
Portugal	Financial Institutions	15.4	15.4
	Public Finance	450.0	502.9
Portugal		**465.4**	**518.2**
Spain	Corporates	116.8	273.9
	Public Finance	213.0	213.0
Spain		**329.8**	**486.9**
Cyprus	Corporates	32.4	45.0
Cyprus		**32.4**	**45.0**
Total[3]		**2,314.3**	**3,195.0**
of which	Corporates	567.9	876.1
of which	Financial Institutions	15.4	15.4
of which	Public Finance	1,731.0	2,303.5

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 204.9 million (31 December 2020: EUR 291.8 million).

This exposure has fallen by EUR 880.8 million from the beginning of 2021. The change is mainly attributable to Italy (EUR -597.9 million), Spain (EUR -157.1 million) and the UK (EUR -61.7 million).

The total trading portfolio and ALM exposure of the EAA and its subsidiaries to banks, companies and governments in the UK, Ireland, Italy and Spain is shown in the table below.

Product[1]	Value	Country[2]	31/12/2021 EUR million[3]	31/12/2020 EUR million[3]
Other derivatives and ALM	MtM	UK	90.8	183.2
		Ireland	6.0	-
		Italy	9.8	14.3
		Spain	3.3	5.6
Other derivatives and ALM			**109.9**	**203.1**
Other	Notional	UK	1.9	12.7
		Ireland	-	18.5
Other[4]			**1.9**	**31.2**

[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 portfolios.

With the UK's withdrawal from the EU on 31 January 2020 (Brexit), there could have been a risk that strategic counterparties for financial market transactions (especially derivative transactions for hedging market price risks) based in the UK would no longer be available as business partners in the EU. The EAA therefore transferred such business relationships to entities domiciled in the EU, mostly companies from the same groups as the original counterparties, by the end of 2021. The EAA's credit risks did not deteriorate as a result of the transfer; existing guarantees were replicated in equivalent form to the new EU entities. In addition, the EAA had sufficient not utilised limits with counterparties domiciled in the EU to compensate for the loss of limits.

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.

In terms of market price risks, the EAA distinguishes between interest rate risks, foreign exchange risks, equity risks, and credit spread risks:

△ Interest rate risk describes the risk to the portfolio's net interest result or present value from changes in market interest rates.

△ Foreign exchange risk describes the risk of losses from changes in exchange rates.

△ Equity risk describes the risk of losses from changes in prices on the stock market.

△ Credit spread risk describes the fluctuation in the value of securities resulting from a change in credit risk premiums (for example, on foreign government bonds in the Public Finance portfolio).

Market price risks – banking book
As a result of the portfolio structure, there are interest rate and foreign exchange risks 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)

	31/12/2021 EUR thousand	31/12/2020 EUR thousand
< 1 Y	-14.0	-24.2
1-4 Y	-24.7	-16.1
4-8 Y	15.9	83.9
8-15 Y	-25.4	-16.6
> 15 Y	-48.5	-53.3
Total	**-96.7**	**-26.3**

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

The interest rate sensitivity PV01 was EUR -96.7 thousand due to management and maturity effects (31 December 2020: EUR -26.3 thousand). The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	31/12/2021 EUR thousand	31/12/2020 EUR thousand
AUD	194.2	1,257.4
CAD	322.4	884.3
CHF	58.2	91.1
GBP	-64.2	679.1
HKD	59.6	55.3
JPY	730.7	1,131.9
PLN	221.7	667.3
SGD	-	461.7
USD	576.1	-3,234.9
Other	-1.0	-44.1
Total	**2,097.7**	**1,949.1**

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

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

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

Market price risks – trading portfolio

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

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

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

The relevant market price risk exposures are continuously subjected to backtesting. This involves comparing the actual market value changes (hypothetical income statement) with the potential market value changes forecast by the VaR model on a daily basis. For the periods from the first quarter of 2021 to the fourth quarter of 2021, there were six backtesting breaches at the highest level of the portfolio structure of the trading portfolio. From a statistical perspective, two to three instances of exceeded limits must be expected per year for a VaR with a holding period of one trading day and a confidence level of 99%. The EAA believes that the backtesting process continues to confirm the VaR model. VaR plays only a minor role in the EAA's management. Its effective risk management is based on risk sensitivities.

Value at Risk by clusters

	31/12/2021 EUR thousand	31/12/2020 EUR thousand
EAA Trading	713.5	647.6
Rates	713.5	647.6
Other	0.0	0.1

The VaR for the trading portfolio as of 31 December 2021 increased to EUR 713.5 thousand (31 December 2020: EUR 647.6 thousand). The changes in the Rates cluster were due to market movements and hedging activities.

Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

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

- Strategic liquidity risk is the risk of not being able to implement the necessary 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.

In order to assess its liquidity, the EAA analyses in detail its funding position, liquidity reserve and funding needs. On the liabilities side, liquidity is assessed by type, volume and time horizon of the funding instruments. The EAA creates a monthly capital commitment balance by comparing the expected cash flows used for liabilities with those arising from assets, taking into account the use of derivatives. This provides information on its need for net funding. To this end, the EAA considers both tactical and long-term strategic liquidity. The tactical liquidity risk is regularly assessed using stress tests.

In order to manage and monitor its liquidity risks, the EAA has implemented a system to closely monitor the implementation of the funding plan. It also maintains a liquidity reserve. Securities with short terms and the best possible credit ratings may be purchased (subject to strict limits) in order to maintain the necessary volume of the liquidity reserve. A significant portion of the EAA's assets are invested in foreign currencies (particularly the US dollar) for longer terms. Foreign currency assets are refinanced using a mixture of foreign currency liabilities, which are issued via the Commercial Paper and Debt Issuance Programme, and using liabilities in euros in combination with long and medium-term cross-currency swaps and short-term foreign exchange swaps.

The stress scenarios ("liquidity crisis and downgrade", "liquidity crisis and downgrade USD") demonstrated a viable net liquidity situation as of 31 December 2021 (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 2.0 billion when the stress test was performed.

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

Longevity risks

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

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

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

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

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

Operational risks

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

Operational risks in the EAA comprise all risks arising from inappropriate reactions or from the failure of internal processes, systems, and individuals, as well as risks resulting from external events.

Outsourcing risks in respect to the service providers encompass possible losses from procuring services from third-parties. These include, in particular, the risk that contractually agreed services are not provided or do not meet the stipulated quality.

Operational risks arise from errors made by employees or service providers in processing the business or through fraud. Alternatively, they may arise from the surrounding environment, such as cybercrime. The management of operational risks is therefore the direct responsibility of the individual departments under the leadership of the respective department heads. The EAA's Risk Controlling department monitors this effort.

Operational risks within the EAA

The EAA's management has established a sustainable risk management culture within the organisation in order to avoid operational risks. The EAA's Risk Controlling department is responsible for developing and introducing methods for identifying, measuring, analysing, monitoring and reporting on operational and other risks.

Operational risks are managed in the EAA and its subsidiaries using uniform methods and procedures. The operational risks of other service providers are managed using consistent methods. They are aggregated into an overview of overall risk.

Its activity focuses on the regular analysis and identification of weaknesses, and on ways to optimise all business procedures and processes. The EAA focuses on managing or mitigating material individual risks. To that end, it has established an internal system – depending on the type and scope of the operational risks – to record and measure the operational risks for the EAA as a whole. The recording of operational risk incidents and the annual risk inventory are key elements to measure operational risks. Based on the findings obtained, appropriate measures are decided upon and implemented.

On the one hand, losses and near losses are recorded and evaluated, and potential or actual losses are quantified. In addition to documenting operational losses and near losses, an extensive ex-post analysis of operational risk incidents offers information on weaknesses and facilitates the initiation of risk-reducing measures on the basis of this information.

On the other hand, an annual risk inventory is performed to identify risks and assess their significance for the EAA. Appropriate risk-mitigating measures are decided upon and implemented based on the findings obtained. The Risk Controlling department gathers the information on the operational risk incidents and performs the risk inventory for the EAA. The processes at the service providers that are relevant to the EAA are also subjected to an annual risk inventory by the relevant Operational Risk Management department, which then reports the results to the EAA. If an operational risk incident occurs in these processes, it will also be reported to the EAA, including the associated risk-reducing measures and their status.

The EAA's last risk inventory from 2021 revealed six assessment objects with high risks in the personnel category due to the progressive reduction in employee numbers and increased workload due to projects. This risk will be absorbed by using external employees if required. Of the assessment objects, 18% are medium risks and 80% low risk. The overall risk situation remains largely unchanged.

The aforementioned risk inventory of the EAA from 2021 was carried out together with the subsidiaries EFS and EAA CBB (operating as Erste EAA Ireland plc since March 2021) and the key service providers IBM, MSPA and BlackRock. Due to the change in service provider from MSPA to BlackRock for servicing the structured credit portfolio, this service provider was included for the first time in the analysis. Owing to the outsourcing of key functions to IBM and the ongoing process of dismantling EFS, the risk at EFS continues to be assessed as low. IBM reported an unchanged risk situation. MSPA's risk situation improved slightly compared to 2020. BlackRock demonstrates consistently good valuations and therefore low risks.

Service provider management

The outsourcing of key business processes requires that the EAA controls and monitors the operating infrastructure in order to ensure proper business operations. The monitoring requirements for the EAA are far-reaching and result from both the EAA's original task and its accountability to the liable stakeholders and the FMSA as well as from supervisory and statutory requirements in terms of transparency, correctness and the adequacy of control systems.

The EAA is also subject to the legal and supervisory regulations pursuant to section 25a KWG and applies MaRisk AT 9 (outsourcing) and AT 4.3.1 note 2, which require the management and monitoring of outsourced activities.

As a result, an adequate monitoring system is a key success factor for the EAA. The EAA has selected a needs-based approach to structure its service provider management in order to create a structure that fulfils the requirements, reflects its business model, meets its supervisory and reporting obligations, and minimises the operational risks associated with outsourcing. The selected approach is also innovative because it brings together the unusually broad coverage of highly different services and assessment criteria using a simple analysis matrix. The EAA's concept combines a flexible technical solution with a holistic, integrated, multidimensional and pragmatic management approach that focuses on business processes and the end product.

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 fiscal year 2021, and the quality of the services rendered during the period was fundamentally stable in accordance with the service agreement.

Other risks

Reputational risks

Reputational risks express the risk that public reporting on the EAA or the transactions in which it engages will result in damage to its reputation.

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

Legal risks comprise risks arising from contractual agreements or statutory conditions which harbour the risk of negative effects within and outside the EAA.

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. In connection with the quotations of reference interest rates, 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. In addition, Portigon, together with a large number of banks also active in the US, was sued in this context in various class action lawsuits in the US for alleged manipulative actions with regard to reference interest rates. Certain aspects of these class actions were repeatedly rejected in the court of first instance also with respect to Portigon. Some plaintiffs launched an appeal against this, which led in part to a referral back to the court of first instance. The court of first instance has yet to make a final ruling. However, Portigon remains convinced that, in line with the results of the investigations by the supervisory authorities, it cannot be accused of misconduct. The EAA has no reason to doubt Portigon's claims. Furthermore, the authorities have accused Portigon of misconduct in the trading departments. Portigon is taking legal action against this.

The EAA is currently in a legal dispute with Portigon, who is the legal successor of WestLB. In connection with dividend arbitrage transactions in the years 2005 to 2008, WestLB may have been unjustifiably credited with capital gains tax, which the competent tax authorities have been trying to reclaim with interest from Portigon since 2019. Portigon has made payments to the tax authorities in relation to this, but appealed against the underlying recovery orders. In addition, it has requested the EAA to reimburse or release it from these expenses totalling around EUR 1 billion plus statutory default interest, in each case from the date of assertion against the EAA.

According to the EAA, tax liabilities were never a part of the transfer of the portfolio to the EAA in the course of the restructuring of WestLB. The transfer of tax liabilities did not comply with the party's wishes that only certain risk exposures would be assessed and transferred at risk-adjusted carrying amounts. Similarly, a transfer of tax liabilities contradicts the legal purpose of the Financial Market Stabilisation Fund Act (FMStFG), on whose basis the risks were transferred from WestLB to the EAA. According to this, the bank to be stabilised should be relieved of (bank-typical) risks subject to capital adequacy rules, which did not include recoveries of evaded taxes.

With judgement dated 29 September 2021, the Frankfurt am Main Regional Court of first instance upheld Portigon's action against the EAA requesting reimbursement of or release from the aforementioned expenses for the assessment periods 2005 to 2011. The EAA considers this decision to be wrong and has lodged an appeal against the judgement within the prescribed time. According to the EAA, the Regional Court did not take sufficient consideration of the EAA's legal position that the tax liabilities were not transferred at all.

Furthermore, within the scope of the refill at the expense of the EAA, Portigon wilfully violated the pre-contractual duty to inform the EAA about the risk of cum-ex tax liabilities. The Regional Court recognised this in a first-instance decision. According to the EAA, this already results in a counterclaim for damages in the full amount of the sum claimed.

Given that no new facts or new or developed legal considerations were raised either in the course of the hearings before the Regional Court or in its judgement that could change the EAA's previous evaluation of the prospect of a successful outcome, the EAA continues to adhere to its legal assessment of not having to make any payments to Portigon. Accordingly, the EAA believes the ruling of the Frankfurt am Main Regional Court contains ample evidence that the established facts are incorrect and incomplete, and violations of law, each of which the EAA has addressed in the grounds of appeal. Accordingly, the EAA believes it has a very good chance of success in connection with the appeal. In light of this, the EAA continues to see no need to create provisions for the event of ultimate defeat in this legal dispute.

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.

Russia/Ukraine risk

Following the successful reduction of significant exposure to Russia and Ukraine in recent years, the EAA now only has one notable Russia credit risk. After deducting recoverable export insurance, it is in the low single-digit millions.

It is difficult to quantify second-round effects of possible consequences of tougher sanctions against Russia on the EAA's portfolio. The credit quality of banks with which the EAA cooperates could be impaired, for example, if they were in turn exposed to a high level of Russia risk. However, no data are available on this to date.

Based on current information, the EAA therefore does not expect any significant impact overall on its credit risk.

Similarly, the EAA expects only minor effects, if any, on market price and liquidity risks, as risks in the banking book and the trading portfolio are largely hedged. The EAA expects hardly any negative effects, even in stress scenarios. Liquidity is currently adequate and no significant effects are expected for the EAA in this regard either.

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, pursuant to 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 StFG are exempt from capital requirements, the obligation to prepare consolidated financial statements and other statutory provisions that apply to commercial banks.

The EAA strives in its risk management activities to reduce the risks resulting from the winding-up of the portfolio. To this 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" for more detailed information).

Due to its good rating, the EAA has a stable funding situation. The stress scenarios demonstrated reasonable net liquidity as of 31 December 2021.

Market price risks are largely limited.

The EAA has a tight service provider management 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, and equally the risks resulting from the corona pandemic, are being monitored closely and in a timely fashion.

The EAA has made sufficient provision for all known risks. Its equity – before the equity instruments and the loss-offset obligation – 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 development of its equity to the end of the planning period using the winding-up plan as well as updated variables and market parameters. The winding-up plan shows positive equity capital as of the end of the planning period. This means that the only possibility of a loss occurring that would require the EAA's liability mechanism to be utilised in the period to the end of the planning horizon for the winding-up plan would be if adverse scenarios were to materialise which, from today's perspective, are unlikely to occur.

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

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

Opportunities report

The year 2022 will probably be characterised by a global economic recovery from the pandemic measures with inflation significantly higher than in previous years. The Fed has already announced monetary policy countermeasures. It remains to be seen whether the ECB manages to shield the eurozone from any resulting interest rate increases. However, this seems rather unrealistic overall. The equity markets are expected to respond accordingly; at the very least, the sustained bull market of recent years is likely to slow down significantly.

As a winding-up agency without the ability to enter into new business, the EAA has no opportunities to take advantage of interest rate increases and heightened market volatility. Due to the positions largely closed against market price risks, the overall impact, so also in a negative sense, should be limited.

Forecast report

Active measures and contractual maturities are expected to reduce the notional volume of the banking book by more than 20% compared with the previous year to around EUR 8 billion in fiscal year 2022.

The EAA's objective is to have wound up around 95% 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 2023. As in previous years, the winding-up activities will focus on advance portfolio-reducing measures and active participation management.

For fiscal year 2022, the notional volume of the trading portfolio is expected to decline by around 10% compared with the previous year, to around EUR 60 billion. Since the transfer in 2012, the EAA has continued to target a reduction in the notional volume of around 95% by the end of 2023. The EAA will continue to analyse how the trading portfolios can be effectively and cost efficiently reduced at an accelerated pace, using opportunities available to it where appropriate.

With regard to the change in notional volumes in the banking book, in the previous year the EAA anticipated that this would be reduced to under EUR 12 billion in fiscal year 2021. Thanks to active measures in particular, this forecast was surpassed by a substantial margin. With regard to the development of the notional volume of the trading portfolio in fiscal year 2021, a target corridor in the mid-double-digit billion range was envisaged in the previous year. This forecast was met, thanks in particular to active measures.

The EAA expects to generate a total of EUR -7 million (including dividend income) from the net interest result, net fee and commission result, and the results from financial assets and shareholdings for 2022, which is therefore below the previous year's level. A forecast for the net trading and risk provision result is difficult due to the imponderables with respect to developments on the global financial markets and other markets. The EAA is sticking with its strategy of winding up in a value-preserving manner. Losses cannot be ruled out in the next few fiscal years either because of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This possibility is taken into account in the EAA's winding-up planning.

In the previous year, the EAA anticipated that its net interest result, net fee and commission result and the results from financial assets and shareholdings would decline in fiscal year 2021. However, the decline compared to the previous year amounted to EUR 31 million and therefore significantly exceeded forecasts due to a one-off effect (income from a capital repatriation). No forecast for the net trading and risk provision result was made the year before due to the imponderables with respect to developments on the global financial markets and other markets.

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 the winding-up planning, however, the EAA does not currently foresee the need to utilise the equity capital drawing limit or the assumed loss-offset obligations.

The EAA fundamentally pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess early and profitable wind-up opportunities for the portfolio.

Credit risk premiums are likely to benefit from the economic recovery on the one hand, but come under pressure from rising interest rates on the other. It is currently not possible to predict which effect will predominate. However, the EAA expects that the portfolio will essentially react robustly to these changes.

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.

Accounting-based internal control and risk management system

The objective of an accounting-based internal control and risk management system (ICS/RMS) is to ensure compliance with financial reporting standards and regulations and to guarantee the integrity of the financial reporting.

Within the framework of the service agreements concluded, the EAA, the MSPA and the EFS (together with IBM since December 2017) have implemented an ICS and an RMS that are appropriate for the financial reporting processes and business activities of the EAA. The accounting-related ICS/RMS consists primarily of guidelines and processes which offer reasonable assurance that business transactions are fully, promptly and accurately measured and recorded on an accrual basis in accordance with statutory and other provisions so that

- △ public financial reporting provides a true and fair view of the EAA's financial standing (integrity and reliability of financial reporting);
- △ decision-makers and governing bodies are regularly and promptly informed of financial reporting data relevant to the management of the institution (internal reporting);
- △ appropriate control procedures are in place so that unauthorised purchases, use or sales of assets having a material impact on the financial reporting can be prevented or identified early on;
- △ an appropriate control and documentation environment is created (such as the segregation of functions, compliance with established approval or authority levels, dual control principle when recording business transactions, orderly documentation); and
- △ the archiving and storage of documents and accounting-relevant data is regulated concerning information that provides accurate, sufficiently detailed and appropriate data on business transactions and the use of assets.

The EAA monitors the entire accounting-based ICS/RMS on an ongoing basis. Existing professional and technical controls are examined regularly by the Internal Audit department of the EAA (with the support of its external service provider) and the auditor of the EAA as well as, in cases pertaining to outsourcing to the EFS, the MSPA and the IBM, by their Internal Audit departments and their auditors.

The EAA's Internal Audit department also monitors audit activities at IBM and the MSPA for effectiveness and appropriateness, and can also perform audits there.

Moreover, the financial reporting processes are included in EAA's general risk management process with regard to operational risks. This is intended to prevent errors or misstatements to the greatest extent possible, or to uncover them early on. All processes are documented in the EAA's written rules of procedure, which are available to all employees.

The accounting policies are documented in electronic manuals. Annual, quarterly and monthly financial statements are prepared in accordance with a coordinated schedule.

New statutory and supervisory requirements are implemented and communicated promptly, depending on their respective scope and significance to the EAA. This is carried out in projects and via written instructions. All relevant business units and management levels are involved in accordance with internal project guidelines.

Employees of the Finance & Tax department participate in the meetings of the relevant risk and management committees. This participation helps ensure that strategic and risk-related developments are included promptly in the financial accounting and reporting. Transactions with new products or in new markets, which the EAA may carry out only within the scope of the portfolio wind-up and not to operate new businesses, are handled through the new product process intended for that purpose, in which the Finance & Tax department is also integrated.

Balance sheet

Assets

	Notes	EUR	EUR	31/12/2021 EUR	31/12/2020 EUR
1. Cash reserve					
a) Balances with central banks			3,724,544,727		(3,450,702,273)
of which:					
with Deutsche Bundesbank EUR 3,724,544,727 (py: EUR 3,450,702,273)					
				3,724,544,727	3,450,702,273
2. Loans and advances to banks	4, 28				
a) Payable on demand			2,143,244,147		(2,919,409,258)
b) Other loans and advances			48,522,538		(269,024,574)
				2,191,766,685	3,188,433,832
3. Loans and advances to customers	5, 6, 14, 28			5,965,198,357	7,172,892,618
of which:					
secured by mortgage charges EUR 88,365,785 (py: EUR 81,643,155)					
Public-sector loans EUR 889,386,323 (py: EUR 1,075,871,226)					
4. Bonds and other fixed-income securities	7, 11, 15, 28				
a) Money market instruments issued by					
aa) public issuers		0			(95,148,324)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 0 (py: EUR 95,148,324)					
			0		(95,148,324)
b) Bonds issued by					
ba) public issuers		1,133,507,625			(1,692,727,982)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,122,045,276 (py: EUR 1,679,974,196)					
bb) other issuers		3,480,962,266			(3,620,821,596)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 251,323,288 (py: EUR 251,323,288)					
			4,614,469,891		(5,313,549,578)

BALANCE SHEET

	Notes	EUR	EUR	31/12/2021 EUR	31/12/2020 EUR
c) Own bonds notional value: EUR 30,000,000 (py: EUR 30,000,000)			31,020,822		(31,020,822)
				4,645,490,713	5,439,718,724
5. Equities and other non-fixed-income securities	11			1	1
6. Trading portfolio	8			6,834,078,162	11,858,641,119
7. Long-term equity investments	9, 11			32,229,703	35,957,608
of which:					
in banks EUR 15,358,686 (py: EUR 15,358,686)					
8. Shares in affiliates	10, 11			366,108,317	934,601,853
of which:					
in banks EUR 0 (py: EUR 434,297,095)					
9. Intangible assets	11				
a) Paid concessions, trademarks and similar rights and values such as licences in such rights			0		(1,849,077)
				0	1,849,077
10. Tangible fixed assets	11			1,848	3,027
11. Other assets	12			366,953,044	51,943,018
12. Prepaid expenses/accrued income	13			24,918,250	31,372,400
Total assets				**24,151,289,807**	**32,166,115,550**

BALANCE SHEET

Liabilities and equity

	Notes	EUR	EUR	31/12/2021 EUR	31/12/2020 EUR
1. Deposits from banks	16				
a) Payable on demand			949,404,893		(1,361,548,174)
b) With an agreed maturity or withdrawal notice			334,221,324		(371,529,585)
				1,283,626,217	1,733,077,759
2. Deposits from customers	17				
other deposits					
a) Payable on demand			164,050,955		(154,808,504)
b) With an agreed maturity or withdrawal notice			1,238,599,789		(1,565,439,926)
				1,402,650,744	1,720,248,430
3. Debt securities in issue	18				
a) Bonds issued			8,472,271,154		(8,408,217,951)
b) Other debt securities in issue			5,903,977,245		(7,850,930,737)
of which:					
money market instruments EUR 5,903,977,245 (py: EUR 7,850,930,737)					
				14,376,248,399	16,259,148,688
4. Trading portfolio	19			6,297,612,312	11,350,634,246
5. Other liabilities	20			14,224,324	310,321,784
6. Accrued expenses/deferred income	21			38,114,508	24,545,437
7. Provisions	22				
a) Tax provisions			1,985,653		(2,001,853)
b) Other provisions			81,511,243		(112,524,542)
				83,496,896	114,526,395

BALANCE SHEET

		Notes	EUR	EUR	31/12/2021 EUR	31/12/2020 EUR
8.	Equity	23				
	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			-2,360,852,215		(-2,362,555,811)
					655,316,407	653,612,811
Total liabilities and equity					**24,151,289,807**	**32,166,115,550**
1.	Contingent liabilities	24				
	a) Liabilities from guarantees and warranties			1,465,786,986		(1,812,592,296)
					1,465,786,986	1,812,592,296
2.	Other obligations	24				
	a) Irrevocable loan commitments			113,346,658		(137,379,232)
					113,346,658	137,379,232

Income statement

	Notes	EUR	EUR	1/1-31/12/2021 EUR	1/1-31/12/2020 EUR
1. Interest income from	26				
a) Lending and money market transactions		194,711,487			(300,663,487)
b) Fixed-income securities and debt register claims		76,395,090			(96,193,977)
			271,106,577		(396,857,464)
2. Interest expenses			227,604,888		(338,860,566)
				43,501,689	57,996,898
3. Current income from	26				
a) Equities and other non-fixed-income securities			0		(0)
b) Long-term equity investments			264,473		(4,867,231)
c) Shares in affiliates			0		(2,575)
				264,473	4,869,806
4. Income from profit pooling, profit transfer or partial profit transfer agreements	26			3,185,601	41,817,561
5. Fee and commission income	26		1,366,781		(1,874,845)
6. Fee and commission expenses			20,123,142		(20,323,559)
				-18,756,361	-18,448,714
7. Net trading result	26			2,090,891	3,189,056
8. Other operating income	26, 27			24,551,426	6,227,164
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		15,940,648			(18,916,025)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		2,703,788			(2,634,110)
of which:					
for pensions EUR 1,059,905 (py: EUR 665,881)					
			18,644,436		(21,550,135)
b) Other administrative expenses			85,797,333		(101,958,742)
				104,441,769	123,508,877

INCOME STATEMENT

	Notes	EUR	EUR	1/1-31/12/2021 EUR	1/1-31/12/2020 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets	11			1,850,256	1,445,787
11. Other operating expenses	27			3,507,864	23,358,544
12. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	22, 27			7,465,703	29,139,756
13. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	11, 28			50,252,423	22,272,675
14. Expenses from loss assumption	28			886,881	449,752
15. Result from ordinary activities				1,869,075	-1,698,758
16. Taxes on income and earnings	29			152,551	202,929
17. Other taxes not reported under item 11	29			12,928	1,317
18. Net result for the year				1,703,596	-1,903,004
19. Net retained losses brought forward				-2,362,555,811	-2,360,652,807
20. Net retained losses				-2,360,852,215	-2,362,555,811

Cash flow statement

			1/1-31/12/2021 EUR	1/1-31/12/2020 EUR
1.	+/-	Result for the period	1,703,596	-1,903,004
		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	-585,172	-44,005,732
3.	+/-	Increase/decrease in provisions	-31,029,499	8,894,134
4.	+/-	Other non-cash income/expenses	-46,035,991	-41,048,739
5.	-/+	Gain/loss on disposal of long-term financial assets	-50,423,482	-2,308,599
6.	=	Subtotal	-126,370,547	-80,371,940
		Change in operating assets and liabilities		
7.	-/+	Increase/decrease in loans and advances to banks (no trading portfolio)	1,017,017,034	2,064,578,894
8.	-/+	Increase/decrease in loans and advances to customers (no trading portfolio)	1,210,298,604	1,125,177,674
9.	-/+	Increase/decrease in securities (no financial assets and no trading portfolio)	762,081,237	5,055,954
10.	+/-	Trading assets	52,536,888	436,869,557
11.	-/+	Increase/decrease in other operating assets	-302,229,818	108,558,429
12.	+/-	Increase/decrease in deposits from banks (no trading portfolio)	-458,738,939	-382,026,152
13.	+/-	Increase/decrease in deposits from customers (no trading portfolio)	-435,434,354	-138,394,995
14.	+/-	Increase/decrease in debt securities in issue	-1,876,191,254	-1,586,515,401
15.	+/-	Trading liabilities	-34,959,874	-556,107,969
16.	+/-	Increase/decrease in other operating liabilities	-268,952,181	301,328,928
17.	+/-	Interest expenses/interest income	-43,766,163	-62,866,704
18.	+/-	Tax expenses/tax income	152,552	202,929
19.	+	Interest payments and dividend payments received	257,932,888	431,556,891
20.	-	Interest paid	-221,198,223	-386,085,979
21.	-/+	Income tax payments	-152,552	-202,929
22.	=	Cash flows from operating activities (sum of 6 to 21)	-467,974,702	1,280,757,187
23.	+	Proceeds from disposal of long-term financial assets	754,924,666	3,487,703
24.	-	Purchase of long-term financial assets	-225,569	-145,434
25.	-	Purchase of tangible fixed assets	0	0
26.	-	Purchase of intangible assets	0	0
27.	=	Cash flows from investing activities (sum of 23 to 26)	754,699,097	3,342,269
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)	286,724,395	1,284,099,456
31.	+	Cash funds at beginning of period	3,458,278,297	2,174,178,842
32.	=	Cash funds at end of period (sum of 30 to 31)	3,745,002,692	3,458,278,298

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 1/1/2021 EUR	Appropriation of the result EUR	Balance as of 31/12/2021 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	-2,362,555,811	1,703,596	-2,360,852,215
Equity under HGB	**653,612,811**	**1,703,596**	**655,316,407**

	Balance as of 1/1/2020 EUR	Appropriation of the result EUR	Balance as of 31/12/2020 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,360,652,807	-1,903,004	-2,362,555,811
Equity under HGB	**655,515,815**	**-1,903,004**	**653,612,811**

Notes

For the period from 1 January to 31 December 2021

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 "Operating activities of the EAA" section.

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. Preparation of the annual financial statements

In accordance with section 8a (1a) StFG in conjunction with the additional guidance of the EAA's charter, the EAA's annual financial statements have been prepared under the provisions of the HGB for large public companies and RechKredV. The EAA is not required under section 8a (1a) sentence 3 StFG to prepare consolidated financial statements. Information that may be disclosed in either the balance sheet or the notes to the financial statements has been disclosed in the notes to the financial statements.

The annual financial statements are submitted electronically to the operator of the German Federal Gazette and published in the German Federal Gazette (www.bundesanzeiger.de).

3. Accounting and valuation principles

Assets, liabilities and pending transactions are measured in accordance with section 252 et seqq. and section 340 et seqq. HGB.

Loans and advances are stated at nominal value less discounts and any allowances, when necessary. Liabilities are recognised at their settlement values, and the applicable discounts are recorded as prepaid expenses. Premiums on loans and advances or liabilities are reported as prepaid expenses or deferred income. The prorated interest amounts calculated as of the reporting date are reported together with the underlying loan/advance or liability. Premiums and discounts from the issue and loans business are recognised in profit and loss using the effective interest method.

Sufficient consideration is given to identifiable risks in the lending business by recognising specific bad debt allowances and provisions. General allowances are recognised for the latent credit risk in the portfolio of loans and advances, and contingent receivables. General allowances are calculated using a model. The EAA takes into account the risk associated with lending to borrowers in countries with an acute transfer risk by basing its model-based calculation of the general allowance on ratings reflecting the transfer stop risk. This involves developing a risk factor based on each country's rating, which is then taken into account in the likelihood of default for a particular borrower or guarantor.

Securities in the liquidity reserve are measured according to the strict lower-of-cost-or-market principle at stock exchange or market prices or lower book prices. Securities treated as fixed assets (financial assets portfolio) are measured at acquisition costs. The differences between the acquisition costs and the amounts repayable are recognised pro rata temporis through profit and loss. In the case of an anticipated permanent impairment the value is written off to the lower recoverable amount. If securities included in the financial assets portfolio are reported at values higher than their current market value in accordance with the diluted lower-of-cost-or-market principle, these differences are referred to in the notes to the financial statements. This information changes over time in response to changes in the portfolio as well as interest rates and prices.

Structured financial instruments are accounted for in accordance with the "IDW accounting opinion: on the uniform or separate accounting under commercial law for structured financial instruments (IDW RS HFA 22)". The structured securities portfolio comprises mainly the Phoenix notes. There are also smaller exposures in various other asset classes (ABS and Dritte EAA).

Structured securities are measured on the basis of price information supplied by BlackRock, which is modelled using valuation methods agreed on with the EAA and subjected to analysis within the EAA.

Objective information on changes in developments at the level of the underlying transactions ("underlyings") in the securitised portfolio is applied from the relevant contractual documentation and portfolio reports to determine the anticipated future cash flows and consequently derive the relevant discounted net present values for reporting in the balance sheet. The projected cash flows for the underlying transactions are also translated into a cash flow profile in accordance with the provisions governing distribution (waterfall) for the relevant overall transaction (Phoenix notes) and then into a net present value for the individual tranches of the overall transaction. The appropriateness of the valuations in the underlyings and notes of Phoenix is also verified by means of an internal validation process at the EAA.

The fair values of the derivative products and other items reported in the trading portfolio are calculated as of the reporting date, initially with respect to individual transactions and irrespective of their trading status. The valuation is based on stock exchange or market prices as at 31 December 2021, for which average rates are used for simplification purposes, or on recognised valuation methods; proportionate interest, one-off payments and option premiums are taken into account. If exchange or market prices do not exist or cannot be reliably determined (especially in the case of derivative instruments), fair values are determined on the basis of the pricing models typically used in the market or discounted cash flows.

The EAA applies haircuts to some of the values calculated using a valuation model since the models used in these cases do not take into account all of the factors considered by market participants. These include in particular haircuts for creditworthiness, modelling and liquidity risks. Haircuts were also necessary due to legal uncertainties.

In a second step, applying the risk-adjusted market valuation method, the EAA compiles the trading transactions measured at fair value into portfolios in accordance with the risk management of the various business units. The summarised valuation results of the EAA's trading portfolio are reduced by the potential loss (VaR) calculated using a mathematical method (variance-covariance method). The VaR discounts (based on the calculation methods applied by the EAA's Risk Controlling department) are calculated so that the statistically anticipated loss from outstanding trading positions with a holding period of ten days can be offset with a likelihood of 99%. The observation period on which the calculation is based is 250 days, equally weighted with retroactive effect from the cut-off date.

The EAA applies the following valuation methods and parameters for the relevant product categories. Liquid, exchange-traded products (such as futures) are measured at their exchange prices. There are standardised specifications for many non-exchange traded OTC derivatives (such as swaps, caps, swaptions) as well as valuation models (Black 76) and reliable market quotas (swap rates, cap volatilities). These are used for the purposes of valuation if they are available. Internally developed models based on the Markov functional model are used for exotic OTC derivatives (such as Bermudan swaptions).

When valuing derivatives, future cash flows for the main portfolios are discounted on the basis of EONIA swap curves ("OIS discounting").

	Product	Valuation method	Valuation parameters
Interest rate products	Standard swaps	Present value method	Interest rates
	Exotic swaps	Markov functional	Interest rates, interest rate volatility, correlation
	Forward rate agreements	Present value method	Interest rates
	Standard-caps, -floors, -collars	Black 76	Interest rates, interest rate volatility
	Exotic caps, floors	Markov functional	Interest rates, interest rate volatility, correlation
	European standard-swaptions	Black 76	Interest rates, interest rate volatility
	Exotic swaptions	Markov functional	Interest rates, interest rate volatility, correlation
Exchange rate products	FX swaps	Present value method	Interest rates, exchange rates
	Options	Black 76	Interest rates, exchange rates, exchange rate volatility
	Forward interest rate/FX swaps	Present value method	Interest rates, exchange rates

The assumptions and estimates required, in particular in connection with illiquid portfolios, are based on subjective management judgement and therefore entail projection 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.

Realised and unrealised valuation results, ongoing interest expenses and income, dividend income and fee and commission expenses and income from transactions involving financial instruments in the trading portfolio are reported in the net trading result.

Financial instruments in the trading portfolio are reported in the trading portfolio balance sheet items on the assets and liabilities sides of the balance sheet.

Cash collateral provided and received for derivatives is reported as loans and advances to banks and customers as well as deposits from banks and customers, depending on the external counterparty involved.

No financial instruments were reclassified out of the trading portfolio pursuant to section 340e (3) sentence 3 HGB in fiscal year 2021. No changes were made to the EAA's internal criteria for including financial instruments in the trading portfolio.

Long-term equity investments and shares in affiliates are recognised at acquisition cost. In the case of an anticipated permanent impairment the value is written off to the lower recoverable amount. Income from payments received in return for the assumption of risk positions in connection with participations pursuant to section 8a (4) No. 4 StFG is reported in the net fee and commission result.

Pension, (reverse) repo and securities lending transactions are reported in accordance with the applicable principles of section 340b HGB. If the EAA remains the beneficial owner as the pension provider or lender in accordance with a binding on-lending agreement, the security continues to be capitalised. Any purchase price or cash collateral received is recognised as a deposit from banks or customers. As a pension recipient or borrower, the EAA capitalises only the purchase price paid or the cash collateral provided.

Tangible fixed assets and purchased intangible assets are depreciated/amortised in accordance with their anticipated useful lives (up to a maximum of twelve years); the EAA writes off low-value assets in full in the year in which they are acquired.

Increases in costs and prices are taken into account in the valuation of provisions. Provisions with a residual term of more than a year are discounted based on the average market interest rate for the last seven fiscal years, taking into account the remaining term of the provisions or the underlying obligations. The yield curve is calculated at the end of each month and published on Deutsche Bundesbank's website.

The EAA manages the general interest rate risk in the banking book centrally as part of its asset liability management. This is not a valuation unit for the purposes of section 254 HGB but rather an interest-based financial instrument in which the lending transactions or financial assets in the banking book are evaluated as a whole with respect to their interest component.

The translation of currencies for assets and liabilities is carried out in accordance with the provisions of sections 256a and 340h HGB. Assets and liabilities denominated in foreign currencies, unsettled foreign exchange spot transactions and pending transactions are classified in every currency as being specifically covered pursuant to section 340h HGB, and converted using the ECB reference exchange rates as of 31 December 2021. As a result, all expenses and income from the conversion of currencies are recorded in accordance with section 340h HGB. In the case of pending forward exchange contracts used to hedge interest-bearing balance sheet positions, the forward exchange rate is divided into a spot rate and a swap rate. The agreed swap amounts are accrued pro rata temporis. The positive net result from the valuation of individual pending forward exchange transactions is reported under other liabilities.

Deferred taxes are calculated based on the temporary differences concept. In the annual financial statements as of 31 December 2021, the EAA once again did not exercise its option to capitalise deferred taxes.

In accordance with section 14 of the EAA's charter, profits are to be accumulated until the EAA is dissolved and the final accounts are drawn up.

Notes on the balance sheet and the income statement

4. Loans and advances to banks

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**2,191.8**	**3,188.4**
of which:		
- to affiliates	-	0.4
Payable on demand	2,143.3	2,919.4
due		
- within 3 months	48.5	251.5
- 3 months to 1 year	-	1.1
- 1 to 5 years	-	6.2
- after 5 years	-	10.2

5. Loans and advances to customers

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**5,965.2**	**7,172.9**
of which:		
- to affiliates	1,236.0	1,175.9
due		
- within 3 months	1,491.4	1,201.9
- 3 months to 1 year	277.4	1,268.9
- 1 to 5 years	775.4	1,079.6
- after 5 years	3,421.0	3,622.5

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

6. Loans and advances secured by mortgages

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**88.3**	**81.7**
Loans and advances to customers due		
- within 3 months	0.0	0.0
- 3 months to 1 year	0.0	0.1
- 1 to 5 years	-	0.1
- after 5 years	88.3	81.5

7. Bonds and other fixed-income securities

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**4,645.5**	**5,439.7**
of which:		
Amounts due in the following year	145.4	169.1
Breakdown		
- Money market instruments	-	95.1
- Bonds issued by public issuers	1,133.5	1,692.7
- Bonds issued by other issuers	3,481.0	3,620.9
- Own bonds	31.0	31.0
Breakdown by marketability		
- Marketable securities	4,645.5	5,439.7
of which:		
- listed	1,404.4	1,962.3
- unlisted	3,241.1	3,477.4
Breakdown by type		
- Liquidity reserve	31.0	31.0
- Financial assets portfolio	4,614.5	5,408.7

Bonds and other fixed-income securities in the amount of EUR 4.6 billion (previous year: EUR 5.4 billion) were included in the financial assets portfolio. As of the reporting date, financial assets with a carrying amount of EUR 1.5 billion (previous year: EUR 1.6 billion) were recognised at a rounded EUR 0.0 billion (previous year: EUR 0.1 billion) above their fair value as the EAA expects to receive repayments totalling at least the carrying amount. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the financial assets. The difference is primarily attributable to structured credit products.

As in the previous year, none of the aforementioned financial assets with a carrying amount of EUR 1.5 billion are attributable to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the investment portfolio that was not hedged with asset swaps (EUR 3.3 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

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**6,834.1**	**11,858.6**
of which:		
- Derivative financial instruments	6,836.4	11,860.6
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-2.3	-2.0

9. Long-term equity investments

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**32.2**	**36.0**
of which:		
- in banks	15.4	15.4
Breakdown by marketability		
- Marketable securities	15.4	15.4
of which:		
- unlisted	15.4	15.4

10. Shares in affiliates

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**366.1**	**934.6**
of which:		
- in banks	-	434.3
Breakdown by marketability		
- Marketable securities	0.0	434.3
of which:		
- unlisted	0.0	434.3

The change in shares in affiliated banks results from the return of the full banking licence and the licence as a so-called designated credit institution – comparable to a covered bond bank licence – of the EAA CBB, which was approved in March 2021. Since then, it has been operating as Erste EAA Ireland plc and is reported as an Other Company. In March 2021, the company repatriated a large part of its equity capital that had been required for regulatory purposes until then. This capital repatriation exceeded the carrying amount of the company.

11. Fixed assets

EUR million	1/1/2021 Cost	Additions	Usage	Reclassifications	Reversals of write-offs	31/12/2021 Accumulated depreciation, write-offs	Depreciation, write-offs in the financial year	31/12/2021 Carrying amount	31/12/2020 Carrying amount
Bonds and other long-term fixed-income securities	5,408.7						0.0	4,614.5	5,408.7
Equities and other long-term non-fixed-income securities	0.0			Net change according to § 34 (3) sentence 2 RechKredV;			0.0	0.0	0.0
Long-term equity investments	49.5			-1,699.5			0.0	32.2	36.0
Shares in affiliates	1,254.1						0.3	366.1	934.6
Intangible assets	5.5	-	0.2	-	-	3.7	1.8	0.0	1.8
Office and operating equipment	0.4	-	-	-	-	0.4	0.0	0.0	0.0

As well as additions and disposals, the net change in securities in fiscal year 2021 also comprises changes in the portfolio due to the prorated reversal of premiums and discounts.

12. Other assets

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**367.0**	**51.9**
of which:		
- Currency translation adjustments	353.6	-
- Tax refund claims	10.1	10.1
- Receivables from profit and loss pooling agreements	3.2	41.8

13. Prepaid expenses/accrued income

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**24.9**	**31.4**
of which:		
- Non-recurring payments on swaps	13.7	22.7
- Discounts from issuing business	7.9	4.7
- Discounts from liabilities	3.1	3.7
- Other	0.2	0.3

14. Subordinated assets

Subordinated assets are included in:

	31/12/2021 EUR million	31/12/2020 EUR million
Loans and advances to customers	**365.3**	**632.7**
of which:		
- to affiliates	-	266.7

The decrease in loans and advances to affiliates relates to Erste EAA Anstalt öffentlichen Rechts & Co. KG.

15. Assets sold under repurchase agreements

No assets were sold under repurchase agreements as of the reporting date and at the previous year-end.

16. Deposits from banks

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**1,283.6**	**1,733.1**
of which:		
- Deposits from affiliates	-	493.0
Payable on demand	949.4	1,361.5
due		
- within 3 months	66.9	57.0
- 3 months to 1 year	24.8	89.3
- 1 to 5 years	100.9	120.2
- after 5 years	141.6	105.1

The decrease in deposits from affiliates relates to EAA CBB, which has been operating as Erste EAA Ireland plc since March 2021.

17. Deposits from customers

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**1,402.7**	**1,720.2**
of which:		
- Deposits from affiliates	107.8	154.5
Other deposits	1,402.7	1,720.2
of which:		
- payable on demand	164.1	154.8
due		
- within 3 months	20.3	80.9
- 3 months to 1 year	80.5	237.4
- 1 to 5 years	548.3	399.5
- after 5 years	589.5	847.6

The deposits from affiliates mainly relate to the interest and principal payments received by the EAA that are attributable to a subsidiary.

18. Debt securities in issue

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**14,376.2**	**16,259.1**
Bonds issued	8,472.3	8,408.2
of which:		
Amounts due in the following year	2,295.5	2,878.5
Other debt securities in issue	5,904.0	7,850.9
of which due:		
- within 3 months	5,198.0	7,233.6
- 3 months to 1 year	706.0	617.3

19. Trading portfolio

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**6,297.6**	**11,350.6**
of which:		
- Derivative financial instruments	6,297.6	11,350.6

20. Other liabilities

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**14.2**	**310.3**
of which:		
- Deposits from loss assumptions	0.9	0.4
- Currency translation adjustments	-	299.3
- Other	13.3	10.6

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

21. Accrued expenses/deferred income

	31/12/2021 EUR million	31/12/2020 EUR million
Carrying amount	**38.1**	**24.5**
of which:		
- Non-recurring payments on swaps	25.2	2.3
- Premium on issuing business	12.8	21.9
- Premiums for sold interest rate caps and floors	0.1	0.3

22. Provisions

	Balance as of 31/12/2020 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 31/12/2021 EUR million
Taxes	**2.0**	**-**	**-**	**-**	**-**	**-**	**2.0**
Other provisions	**112.5**	**7.4**	**0.4**	**17.3**	**22.5**	**1.0**	**81.5**
- Loans	4.8	-	-	0.2	1.6	0.2	3.3
- Shareholdings	2.2	-	-	-	0.2	-	2.0
- Legal actions	11.2	0.9	-	5.0	-	0.1	7.1
- Personnel	0.3	-	-	-	-	-	0.3
- Other	94.2	6.5	0.4	12.1	20.7	0.7	68.9
Total	**114.5**	**7.4**	**0.4**	**17.3**	**22.5**	**1.0**	**83.5**

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.

23. Equity

As of the reporting date, 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 result for fiscal year 2021 amounted to EUR 1.7 million and reduces net retained losses to EUR 2,360.9 million as of the reporting date.

24. Contingencies

Contingent liabilities

The contingent liabilities of EUR 1.5 billion (previous year: EUR 1.8 billion) are mainly attributable to the legacy liabilities of WestImmo and legacy liabilities of Hamburg Commercial Bank AG (formerly HSH Nordbank AG). As of the reporting date, the volume of legacy WestImmo liabilities stood at EUR 1.1 billion (previous year: EUR 1.4 billion).

This volume of legacy liabilities is constantly decreasing as a result of repayments. All material bank-related assets and liabilities of WestImmo 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 volume of EUR 113.3 million (previous year: EUR 137.4 million) was due to the lending business.

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

25. Assets and liabilities in foreign currencies

Assets denominated in foreign currencies amounted to EUR 6.0 billion as of the reporting date (previous year: EUR 5.9 billion), while liabilities denominated in foreign currencies amounted to EUR 12.1 billion (previous year: EUR 11.8 billion).

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 1/1-31/12/2021 EUR million	Current income 1/1-31/12/2021 EUR million	Fees and commission income 1/1-31/12/2021 EUR million	Net trading result 1/1-31/12/2021 EUR million	Other operating income 1/1-31/12/2021 EUR million
Germany	66.6	3.5	0.9	2.1	24.6
UK	-	-	0.0	-	-
Rest of Europe	165.7	-	0.5	-	-
Far East and Australia	7.5	-	0.0	-	-
North America	31.3	-	0.0	-	-
IS amount	**271.1**	**3.5**	**1.4**	**2.1**	**24.6**

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

As of 31 December 2021, the balance of other operating expenses and income comprised EUR 3.5 million (previous year: EUR 23.4 million) in expenses and EUR 24.6 million (previous year: EUR 6.2 million) in income.

Income includes EUR 17.5 million (previous year: EUR 4.4 million) from reversals of provisions. The main part of these reversals of EUR 11.9 million (previous year: EUR 0.0 million) relates to provisions for value added tax.

28. Risk provision

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

	1/1-31/12/2021 EUR million	1/1-31/12/2020 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	**56.9**	**51.0**
Loans and securities income/expense	**7.5**	**29.1**
of which: - Lending operations	7.5	29.0
- Securities	-	0.1
Shareholdings and securities income/expenses	**50.3**	**22.3**
of which: - Shareholdings	74.8	4.7
- Securities	-24.5	17.6
Expenses from loss assumption	**-0.9**	**-0.4**
Risk provision and financial investment result including loss assumption (pursuant to risk report)	**56.9**	**51.0**
Result of risk provisions – loans and advances/securities due to credit risk	**7.5**	**29.1**
of which: - Lending operations	7.5	29.1
Results from financial assets, shareholdings and loss assumption	**49.4**	**21.9**

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 amounts to EUR 7.5 million (previous year: net income EUR 29.1 million). According to section 340c (2) HGB, the expenses for long-term equity investments, shares in affiliates and long-term investment securities may be offset against the corresponding income. Overall, the EAA posted income of EUR 50.3 million (previous year: income EUR 22.3 million) as the risk result for long-term equity investments and securities.

29. Taxes

Taxes on income and earnings amounting to EUR 152.6 thousand (previous year: EUR 202.9 thousand) primarily related to foreign taxes.

In the current fiscal year, other taxes of EUR 12.9 thousand (previous year: EUR 1.3 thousand) were incurred.

30. Foreign exchange result

The foreign exchange result of EUR -10.9 million (previous year: EUR 13.2 million) is included in the net trading result. This was mainly offset by income in the other trading result from the separation of complex derivative instruments.

31. Auditors' fees

The full fee paid to the auditors in accordance with section 285 (17) HGB amounted to EUR 1.3 million (previous year: EUR 1.2 million).

The auditors received EUR 1.2 million (previous year: EUR 1.1 million) for auditing services and EUR 27 thousand (previous year: EUR 30 thousand) for other confirmation services primarily in connection with a letter of comfort.

Non-audit services performed by the auditors were approved by the Audit Committee in accordance with article 5 (4) sentence 1 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

Other disclosures

32. Liability for inherited debts

Insofar as the stakeholders were liable for the liabilities of the former WestLB as guarantors in accordance with article 1 section 11 of the law restructuring the legal framework for public-law banks in North Rhine-Westphalia dated 2 July 2002 in conjunction with article 1 section 4 (6) of the law restructuring Landesbank Nordrhein-Westfalen as a promotional bank for the State of North Rhine-Westphalia and amending other laws dated 16 March 2004, this liability remains in effect to the same extent following the transfer of the liabilities to the EAA.

All liabilities and obligations of the Westdeutsche Landesbank Girozentrale that had already been agreed as of the cut-off date of 18 July 2001 are covered by unrestricted guarantor liability until the end of their terms. Liabilities or obligations that were entered into after 18 July 2001 are no longer covered by the guarantor liability.

The owners of the former Westdeutsche Landesbank Girozentrale will fulfil their obligations towards the EAA in connection with guarantor liability without delay as soon as they have determined, properly and in writing, that creditors cannot take recourse against the EAA's assets upon the maturity of the liability in question. This expressly includes the possibility of settling liabilities at a time that directly coincides with their maturity. Notification in accordance with the law governing state aid is not required in this case.

A total volume of EUR 0.7 billion (previous year: EUR 0.9 billion) is covered by guarantor liability.

33. Global guarantee

The EAA has issued a global guarantee in favour of EAA CBB, which has been operating as Erste EAA Ireland plc since 15 March 2021. It will hold for as long as the EAA has an equity interest in this company. Erste EAA Ireland plc has been in liquidation (Members Voluntary Liquidation) since 29 June 2021.

34. Transactions not reported in the balance sheet

The following collateral was provided for the EAA's liabilities during the fiscal year:

Collateral type	Balance sheet position of the collateralised liabilities	31/12/2021 EUR million	31/12/2020 EUR million
Cash collateral provided for securities lending	Trading portfolio *)	2,347.7	3,880.9
Securities pledged	Trading portfolio	48.1	220.0

*) The EAA provided cash collateral for transactions concluded in connection with an ISDA master agreement or a comparable master agreement with a corresponding agreement on collateral. The measurement of cash collateral takes into account the entirety of all transactions with a particular counterparty that are covered by a master agreement. Cash collateral is therefore provided for transactions whose reporting in the balance sheet depends on their allocation to the trading or non-trading portfolio as well as their market value. The allocation of cash collateral provided on the basis of a master agreement to liabilities by amount is not informative. This applies mutatis mutandis to cash collateral covered by the OTC derivatives risk assumption agreement.

35. Other obligations

Letter of comfort

The EAA had issued letters of comfort for WestImmo's liabilities incurred prior to 31 May 2015 (the day on which the sale of WestImmo became effective). These letters of comfort have been rendered invalid for the future with the reduction of the shareholding to 0%. The EAA is still liable for the old liabilities of WestImmo that were incurred prior to the completion of the sale on the basis of one of these letters of comfort. These old liabilities are recognised under contingent liabilities. This volume is constantly decreasing as a result of scheduled and unscheduled repayments.

Guarantor liability

Portigon's statutory guarantor liability for liabilities of the former Rheinland-Pfalz Bank, Mainz, the former HSH Nordbank AG (trading as Hamburg Commercial Bank AG since 4 February 2019), Hamburg, DekaBank Deutsche Girozentrale, Frankfurt am Main and WestImmo was transferred to the EAA in 2012 by way of the spin-off. Since these institutions' new liabilities are no longer covered by the guarantor liability, the volume of liabilities covered is constantly falling as a result of the repayment of amounts as they fall due.

Other contingencies

There are other financial obligations totalling EUR 272.6 million (previous year: EUR 118.4 million) stemming from service agreements, rental contracts, outstanding capital contributions and lines from private equity investments that have not yet been called. Of these obligations, EUR 0.9 million (previous year: EUR 1.9 million) are attributable to participations.

36. Forward contracts/derivative products

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

- △ 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

The total volume of forward contracts and derivatives transactions as of the reporting date amounted to EUR 107.0 billion based on notional values (previous year: EUR 123.7 billion). The focus remains on interest rate-related products, whose share stands at 81.1% (previous year: 85.1%) of the total volume.

For non-exchange-traded derivatives, market values were determined on the basis of actuarial valuation 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 balance sheet date

	Notional amount		Positive market values		Negative market values	
	31/12/2021 EUR million	**31/12/2020 EUR million**	**31/12/2021 EUR million**	**31/12/2020 EUR million**	**31/12/2021 EUR million**	**31/12/2020 EUR million**
Interest rate-related products	**86,763.0**	**105,255.8**	**6,626.5**	**11,356.6**	**7,148.1**	**12,277.9**
OTC products	86,763.0	105,255.8	6,626.5	11,356.6	7,148.1	12,277.9
Currency-related products	**20,203.4**	**18,397.5**	**637.0**	**477.6**	**207.5**	**676.4**
OTC products	20,203.4	18,397.5	637.0	477.6	207.5	676.4
Equity- and other price-related products	**-**	**-**	**-**	**-**	**-**	**-**
OTC products	-	-	-	-	-	-
Total	**106,966.4**	**123,653.3**	**7,263.5**	**11,834.2**	**7,355.6**	**12,954.3**
OTC products	106,966.4	123,653.3	7,263.5	11,834.2	7,355.6	12,954.3

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 120.2 billion in fiscal year 2021 (previous year: EUR 150.1 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	31/12/2021 EUR million	**31/12/2020 EUR million**	**31/12/2021 EUR million**	**31/12/2020 EUR million**	**31/12/2021 EUR million**	**31/12/2020 EUR million**
Interest rate-related products	**99,571.6**	**124,781.8**	**8,867.4**	**13,797.3**	**9,367.5**	**14,579.0**
OTC products	99,571.6	124,781.8	8,867.4	13,797.3	9,367.5	14,579.0
Currency-related products	**20,616.7**	**23,825.9**	**561.0**	**485.8**	**394.4**	**479.9**
OTC products	20,616.7	23,825.9	561.0	485.8	394.4	479.9
Equity- and other price-related products	**-**	**1,467.7**	**-**	**20.0**	**-**	**19.7**
OTC products	-	1,467.7	-	20.0	-	19.7
Total	**120,188.3**	**150,075.4**	**9,428.4**	**14,303.1**	**9,761.9**	**15,078.6**
OTC products	120,188.3	150,075.4	9,428.4	14,303.1	9,761.9	15,078.6

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

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

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity- and other price-related products	
	31/12/2021 EUR million	31/12/2020 EUR million	31/12/2021 EUR million	31/12/2020 EUR million	31/12/2021 EUR million	31/12/2020 EUR million
Due						
- within 3 months	14,081.8	11,238.6	8,080.0	5,201.1	-	-
- 3 months to 1 year	6,175.1	9,099.3	1,476.5	2,351.3	-	-
- 1 to 5 years	21,306.7	30,068.3	7,826.1	6,211.4	-	-
- after 5 years	45,199.4	54,849.6	2,820.8	4,633.7	-	-
Total	**86,763.0**	**105,255.8**	**20,203.4**	**18,397.5**	**-**	**-**

37. Number of employees

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

	Male	Female	Total 1/1-31/12/2021	Total 1/1-31/12/2020
Number of employees	69	46	115	142

As of 31 December 2021 the EAA employed 94 (31 December 2020: 121) full-time equivalents.

38. Stakeholders in the EAA

	31/12/2021 in %	31/12/2020 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**

39. 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.

Horst Küpker
EDD AG i.L. * (until 20 January 2021)
Westdeutsche Spielbanken GmbH * (until 31 August 2021)

40. Memberships of other bodies held by employees

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

Dr Hartmut Schott (until 31 May 2021)
Erste EAA Ireland plc (until 11 May 2021)

41. Executive bodies of the EAA

Members of the Managing Board of the EAA
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
Deputy Association Director of the Rheinischer Sparkassen- und Giroverband (ret.)

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

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

Wilfried Groos
Chairman of the Managing Board of the Sparkasse Siegen

Frank Hellwig
Chairman of the Executive Board of Wirecard Bank AG

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

Matthias Löb
Director of the Landschaftsverband Westfalen-Lippe

Klaus Rupprath
Senior Managing Director,
Head of Capital Markets of the 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 38).

42. Remuneration paid to executive bodies

The remuneration of members of the Managing Board amounted to EUR 1,010 thousand in fiscal year 2021 (previous year: EUR 1,272 thousand).

Remuneration paid to Managing Board members

	31/12/2021 EUR	31/12/2020 EUR
Matthias Wargers (until 30 June 2020)	-	250,000
Christian Doppstadt	475,000	462,500
Horst Küpker	450,000	450,000
	925,000	**1,162,500**
Remuneration in kind	26,095	25,710
Expenses for pensions	58,754	83,756
Total	**1,009,849**	**1,271,966**

The total remuneration of all members of the Supervisory Board and the Audit and Risk Committee amounting to EUR 122 thousand net (previous year: EUR 150 thousand net) and EUR 134 thousand gross (previous year: EUR 166 thousand gross), represents compensation for work performed and is divided into a basic salary and an attendance fee for each Supervisory Board meeting and – if a membership exists – for each Audit and Risk Committee meeting.

Remuneration to Supervisory Board members

	31/12/2021 EUR	31/12/2020 EUR
Member appointed by the Stakeholders' Meeting		
Dr Patrick Opdenhövel	17,100	22,400
Joachim Stapf	9,300	9,300
Michael Breuer	6,200	12,100
Hans Buschmann	12,700	14,300
Rolf Einmahl	6,500	6,200
Henning Giesecke	17,700	23,000
Wilfried Groos	6,500	14,900
Frank Hellwig (since 1 May 2020)	6,500	4,247
Matthias Löb	5,900	5,600
Angelika Marienfeld (until 30 April 2020)	-	1,953
Klaus Rupprath (since 1 November 2020)	12,400	1,133
Michael Stölting (until 30 September 2020)	-	17,073
Jürgen Wannhoff	14,600	11,800
Member delegated by the Bundesrepublik Deutschland - Finanzagentur GmbH		
Dr Achim Kopf	6,500	6,200
Total (net)	**121,900**	**150,206**

The basic salary paid to a simple member of the Supervisory Board or the Audit and Risk Committee, and the attendance fees paid to members of the Supervisory Board or the Audit and Risk Committee for each meeting, are identical. The basic salary paid to the chairman and vice chairman of the Supervisory Board and the Audit and Risk Committee is higher. With regard to the determination of the payment of compensation for work undertaken, the Stakeholders' Meeting decided that travel costs incurred by members of the Supervisory Board and of the Audit and Risk Committee are to be reimbursed individually by the EAA in the customary amount upon application.

In cases where membership of the Supervisory Board and potentially the Audit and Risk Committee does not start or end at the start or end of the year, the basic salaries are paid pro rata for each month of membership that has commenced in accordance with a resolution of the Stakeholders' Meeting.

This does not take into account any payment obligations on the part of the mandate holders or payments already made. The payment of value added tax by the EAA depends on the individual tax situation in each case.

No compensation is paid to the representatives of stakeholders in the Stakeholders' Meeting.

43. Loans to executive bodies

No advances or loans were provided to members of the EAA's Managing Board or Supervisory Board either in fiscal year 2021 or in the previous year.

44. 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	CBAL S.A. 2) 8)	Brussels, Belgium	100.00		EUR	936	-101
2	COREplus Private Equity Partners GmbH & Co. KG 1) 4)	Frankfurt am Main	36.52	0.00	EUR	868	-159
3	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n. s.	n. s.
4	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n. s.	n. s.
5	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG i.L. 1) 6)	Aschheim	92.69	92.30	EUR	2	-62
6	Deutsche Anlagen-Leasing Service & Co. Sparkassenneubau Teltow-Fläming KG 1) 6)	Aschheim	78.49	77.70	EUR	1,007	1,159
7	Dritte EAA Anstalt & Co. KG 2) 6)	Düsseldorf	100.00		EUR	488,341	1,827
8	EAA Charity LLP 1) 6)	Wilmington, US	100.00		USD	21,596	249
9	EAA DLP I LLP 1) 6)	Wilmington, US	100.00		USD	118,161	8,310
10	EAA DLP II LLP 1) 6)	Wilmington, US	100.00		USD	92,106	-1,033
11	EAA DLP III LLP 1) 6)	Wilmington, US	100.00		USD	148,772	15,638
12	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. 6)	Sao Paulo, Brazil	100.00		BRL	534	-64
13	EAA Europa Holding GmbH 3) 6)	Düsseldorf	100.00		EUR	231	0
14	EAA Greenwich LLP 1) 6)	Wilmington, US	100.00		USD	111,929	7,345
15	EAA LAT ABC LLP 1) 6)	Wilmington, US	100.00		USD	160,126	19,698
16	EAA LAT II LLP 1) 6)	Wilmington, US	100.00		USD	202,401	9,690
17	EAA LS Holdings LLC 1) 6)	Wilmington, US	100.00		USD	0	n. s.
18	EAA PF LLP 1) 6)	Wilmington, US	100.00		USD	159,213	9,305
19	EAA Triskele LLP 1) 6)	Wilmington, US	100.00		USD	185,678	19,258
20	EAA US Holdings Corporation 6)	Wilmington, US	100.00		USD	5,886	-1,915
21	ECP Funding LLC 1) 6)	Dover, US	100.00		USD	0	0
22	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH i.L. 6)	Potsdam	47.50		EUR	1,058	-30
23	Erste EAA Anstalt öffentlichen Rechts & Co. KG 2) 3) 6)	Düsseldorf	100.00		EUR	49	0
24	Erste EAA Ireland plc 6) 9)	Dublin 2, Ireland	100.00		EUR	515,238	-14,230
25	Erste Financial Services GmbH 6)	Düsseldorf	100.00		EUR	32,712	8,729
26	Indigo Holdco LLC 1) 6)	Dover, US	100.00		USD	2,662	0
27	Indigo Land Groveland LLC 1)	Dover, US	100.00			n. s.	n. s.

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
28	Leasing Belgium N.V. [1) 6)]	Antwerp, Belgium	100.00		EUR	278	-38
29	MCC SB Condo LLC [1) 6)]	Wilmington, US	100.00		USD	0	0
30	MCC SB Unit 144 LLC [1) 6)]	Indianapolis, US	100.00		USD	0	0
31	MCC SB Unit 145 LLC [1) 6)]	Indianapolis, US	100.00		USD	0	0
32	MCC SB Unit 146 LLC [1) 6)]	Indianapolis, US	100.00		USD	0	0
33	MCC SB Unit 147 LLC [1) 6)]	Indianapolis, US	100.00		USD	0	0
34	MFC Holdco LLC [1) 6)]	Dover, US	100.00		USD	1,060	0
35	MFC Real Estate LLC [1) 6)]	Dover, US	100.00		USD	0	0
36	MFC SB BAR, LLC [1) 6)]	Indianapolis, US	100.00		USD	0	0
37	New NIB Partners LP [6)]	New York, US	0.94	0.00	EUR	497,520	-6,695
38	S-Chancen-Kapitalfonds NRW GmbH i.L. [6)]	Haan	50.00		EUR	1,985	-26
39	Sechste EAA-Beteiligungs GmbH [6)]	Düsseldorf	100.00		EUR	38	-7
40	thyssenkrupp Electrical Steel GmbH [7)]	Gelsenkirchen	0.42		EUR	96,622	0
41	thyssenkrupp Materials Processing Europe GmbH [7)]	Krefeld	0.42		EUR	61,880	0
42	thyssenkrupp Materials Services GmbH [7)]	Essen	0.16		EUR	745,235	0
43	ThyssenKrupp Rasselstein GmbH [7)]	Andernach	0.50		EUR	247,021	0
44	TK Aufzugswerke GmbH [5)]	Neuhausen auf den Fildern	0.50		EUR	13,951	0
45	West Life Markets GmbH & Co. KG [3) 6)]	Düsseldorf	100.00		EUR	1,312	0
46	West Merchant Limited [6)]	London, UK	100.00		GBP	7	-39
47	Westdeutsche ImmobilienHolding GmbH [3) 6)]	Düsseldorf	100.00		EUR	5,539	0
48	WestInvest Gesellschaft für Investmentfonds mbH [1) 6)]	Düsseldorf	0.00		EUR	11,339	0
49	WestLeasing International GmbH [1) 6)]	Düsseldorf	100.00		EUR	228	-7
50	WestLeasing Westdeutsche Leasing Holding GmbH [3) 6)]	Düsseldorf	100.00		EUR	3,625	0
51	Windmill Investments Limited [6)]	George Town, Cayman Islands	5.07	0.00	USD	37,532	-290
52	WIV GmbH & Co. Beteiligungs KG [6)]	Frankfurt am Main	5.10		EUR	12,830	730

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
53	Banco Finantia S.A. [6)]	Lisbon, Portugal	8.93		EUR	478,578	23,695

Other companies for which the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
54	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 2019.
[5] Data as of 30 September 2020.
[6] Data as of 31 December 2020.
[7] Data as of 30 September 2021.
[8] Data as of 31 October 2021.
[9] A global guarantee exists.

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, the annual financial statements give a true and fair view of the asset position, financial position and earnings situation of the institution, and the 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.

Düsseldorf, 15 March 2022

Erste Abwicklungsanstalt

Christian Doppstadt
Member
of the Managing Board

Horst Küpker
Member
of the Managing Board

Independent Auditor's Report

To the Erste Abwicklungsanstalt, Düsseldorf

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Erste Abwicklungsanstalt, Düsseldorf, which comprise the balance sheet as at 31 December 2021, and the statement of profit and loss, statement of equity and statement of cash flow for the financial year from 1 January to 31 December 2021, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Erste Abwicklungsanstalt for the financial year from 1 January to 31 December 2021.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Anstalt as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and

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

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Anstalt in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

△ Valuation of structured securities

△ Valuation of the Life Settlement Portfolios

△ Treatment of the legal dispute launched against the EAA in relation to potential "subsequent transfer" obligations under the transfer agreements

Our presentation of these key audit matters has been structured in each case as follows:

△ Matter and issue

△ Audit approach and findings

△ Reference to further information

Hereinafter we present the key audit matters:

Valuation of structured securities

In connection with a stabilization measure pursuant to § 8a StFG (Stabilisierungsfondsgesetz: Stabilization Fund Act), Erste Abwicklungsanstalt acquired several portfolios with structured securities from the former WestLB AG between 2009 and 2012 which were reported as of 31 December 2021 under the balance sheet items "Bonds and other fixed income securities" (EUR 4.6 billion or 18.99 % of total assets) and "Loans and advances to customers" (EUR 1.7 billion or 7.0 % of total assets). Internal valuation models were developed and used in collaboration with Erste Abwicklungsanstalt for the purpose of valuating the structured securities, since no market prices are available. The valuation of these structured securities is carried out by BlackRock Financial Management Inc. The results are reviewed by Erste Abwicklungsanstalt. In regard to the expected future cash flows included in the valuation and the valuation parameters used, which must be estimated in some cases if they are not observable in the market, the valuation of the structured securities involves significant judgment on the part of the executive directors. Against this background, this matter was of particular significance for our audit.

As part of the audit of the annual financial statements, we firstly assessed the effectiveness of the relevant internal control systems of BlackRock Financial Management Inc. and of Erste Abwicklungsanstalt for the valuation of these securities. In doing so, we have also considered the relevant organizational structures and processes in this assessment together with the IT systems. In addition, we have evaluated the valuation models and the material parameters relevant to the valuation. Moreover we have involved our valuation specialists for this purpose. Overall, the valuation parameters used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

Erste Abwicklungsanstalt's disclosures relating to the accounting treatment and valuation of the structured securities are included in sections 3 and 7 of the notes to the financial statements.

Valuation of the Life Settlement Portfolios

Erste Abwicklungsanstalt indirectly holds all the rights and obligations from American life insurance policies, known as the Life Settlement Portfolios, via its subsidiary Erste EAA Anstalt öffentlichen Rechts und Co. KG (Erste EAA). Beneficial ownership of the policies is conveyed by trust certificates held by partnerships under US law which are subsidiaries of Erste EAA. The EAA reports the shares in Erste EAA with a carrying amount of EUR 25 thousand under shares in affiliates. Erste Abwicklungsanstalt financed the acquisition of the rights and obligations from the life insurance policies by means of a loan to Erste EAA and reports the resulting receivable amounting to EUR 1,160 million under "Loans and advances to customers". The life settlement engagements are evaluated by American actuaries by means of a present value calculation based on an analysis of the expected future cash flows from the underlying insurance contracts. Risks can arise for Erste Abwicklungsanstalt if, for example, insurance premiums are expected to be payable for longer than originally forecast as a result of increased life expectancy. Additional risks arise as a result of higher costs for the insurance companies which they pass on in the form of higher premiums on the basis of contractual provisions; the Anstalt and its subsidiaries dispute whether these cost recharges are permissible and appropriate, including by means of legal action in some cases. Against this background, the valuation of the Life Settlement Portfolios involves material scope for judgment with the result that this matter was of particular significance for our audit.

As part of our audit of the annual financial statements, we have firstly assessed the effectiveness of the relevant internal control system for reviewing the valuation of the Life Settlement Portfolios. In doing so, we have also considered the relevant organizational structures and processes in this assessment together with the IT systems. In addition, we have evaluated the valuation model and the material data relevant to the valuation by analyzing the cash flows and we have verified the parameters underlying the valuation and, where possible, reconciled them with comparable market data. We have also reperformed the valuations on a sample basis. We have received assistance from our actuarial specialists for this purpose. With respect to the legal actions brought by Erste Abwicklungsanstalt, we have obtained an explanation of the current state of affairs with the involvement of the attorneys responsible and evaluated the estimate of the expected outcome of the respective proceedings. Overall, the valuation parameters used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable. In our view, the executive directors' estimates with respect to the legal proceedings are sufficiently documented and substantiated.

Erste Abwicklungsanstalt's disclosures relating to the accounting treatment and valuation of the life settlement portfolios are included in sections 3 and 5 of the notes to the financial statements.

Treatment of the legal dispute launched against the EAA in relation to potential "subsequent transfer" obligations under the transfer agreements

The EAA is the defendant in legal proceedings involving Portigon AG. The matter at dispute is the potential transfer of risks from WestLB, whose legal successor is Portigon AG, to the EAA in accordance with the transfer agreements for the purpose of "subsequent transfers" in 2012. The action seeks the reimbursement by the EAA to Portigon AG of tax arrears and interest in connection with dividend arbitrage transactions of the former WestLB in the years 2005 to 2011. In its judgment of September 29, 2021, the Frankfurt/Main Regional Court granted Portigon AG's claim against the EAA in the first instance, stating that the EAA would have to assume tax liabilities of around EUR 1.0 billion and plus interest on arrears. The EAA considers this decision to be incorrect and filed an appeal with the court against the judgment in due time on November 4, 2021. In accordance with § 249 Abs. 1 Satz 1 HGB, provisions must be recognized for uncertain liabilities. There must be an external obligation for this which was caused legally or economically, and there must be a serious assumption that the provisions will be utilized. If the necessary recognition criteria have been met, this gives rise to the necessity to recognize a provision for legal risks. The Anstalt's executive directors consider the claim asserted by Portigon AG to be unfounded based - among other things - on the opinion of external legal counsel and a supplementary assessment of the first instance judgment of the Frankfurt Regional Court and have thus not recognized any provision. The requisite risk assessment on developments in the legal dispute and the appraisal of whether or not it requires a provision to be recognized to cover the risk is to a high degree determined by assessments and assumptions of the executive directors. Against this background and due to the amount of the claims asserted, we consider this matter to be of particular significance for our audit.

As part of our audit we have assessed the process established by the Anstalt to ensure, that a legal dispute is reported, its risks are assessed and disclosed. This assessment also included a substantive review of the material legal risks, including the existing legal dispute with Portigon AG and the assessment as to whether the necessary criteria for recognizing a provision have been met. Our assessment took the knowledge gained in the course of our regular meetings with the Anstalt's legal department as well as from the assessments provided to us in writing on the outcomes of the proceedings into account. We also evaluated the opinion of external counsel obtained by EAA, which supports the risk assessment made by the Anstalt, and assessed its usability. We were able to satisfy ourselves that the matter as well as the estimates and assumptions of the executive directors, on the basis of which a provision was not recognized, were sufficiently documented and substantiated.

The legal dispute is disclosed in the risk report as part of the management report, under the heading "Other risks", subheading "Legal risks".

Other Information

The executive directors are responsible for the other information.

The other information comprises the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report. Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

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

- otherwise appears to be materially misstated.

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Anstalt in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Anstalt's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

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

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

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

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

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

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

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

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

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

△ Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Anstalt in compliance with German Legally Required Accounting Principles.

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

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

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the supervisory board on 14 April 2021. We were engaged by the supervisory board on 7 May 2021. We have been the auditor of the Erste Abwicklungsanstalt, Düsseldorf, without interruption since the short financial year from 11 December 2009 to 30 June 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Michael Maifarth.

Düsseldorf, 16 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Maifarth Wirtschaftsprüfer (German Public Auditor)	ppa. Ralf Scherello Wirtschaftsprüfer (German Public Auditor)

List of abbreviations

ABS	Asset backed securities
ALCO	Asset Liability Committee
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)
BlackRock	BlackRock Financial Inc., Wilmington/US
BRL	Brazilian real
CAD	Canadian dollar
CCY	Currency code
CHF	Swiss franc
CRR	Capital requirements regulation (Kapitaladäquanzverordnung)
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 (Erste EAA Ireland plc since 15 March 2021)
EAA GW	EAA Global Watchlist
EBA	European Banking Authority
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
EONIA	Euro OverNight Index Average
et seqq.	And the following
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)
FX effect	Foreign exchange effect
GBP	Pound sterling
HGB	German Commercial Code (Handelsgesetzbuch)
HKD	Hong Kong dollar
HRA	Commercial register department A (Handelsregister Abteilung A)
HSBC	HSBC Trinkaus & Burkhardt AG, Düsseldorf

IBM	IBM Deutschland GmbH, Ehningen
ICS/RMS	Internal control and risk management system
IDW	Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer)
IMF	International Monetary Fund
IS	Income statement
IT	Information technology
ITK	Office, IT and communication infrastructure
JPY	Japanese yen
KWG	German Banking Act (Kreditwesengesetz)
KYC	Know your customer
LGD	Loss Given Default
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
n. s.	Not specified
N.R.	Not rated
NATO	North Atlantic Treaty Organization
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)
Repo	Repurchase operation
ret.	retired
RiskCo	Risk Committee
S&P	Standard and Poor's Corporation
S.R.	Special rating
SGD	Singapore dollar
StFG	German Financial Market and Economic Stabilisation Fund Act – Stabilisation Fund Act (Stabilisierungsfondsgesetz) (until 17 July 2020 abbreviated as FMStFG)
UK	United Kingdom
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)

Imprint

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