ERSTE
ABWICKLUNGS
ANSTALT

INTERIM REPORT
30 JUNE 2020

Contents

Rounding may result in minor deviations in the totals and percentages relative to the computed values.
Individual balance sheet and earnings items may increase within the scope of the winding-up activities.
To facilitate readability, only the masculine form of words is used. All personal designations apply to both genders, unless the content dictates otherwise.

EAA key figures

Income statement in EUR million	1/1-30/6/2020	1/1-30/6/2019
Net interest result	39.8	41.4
Net fee and commission result	-9.3	-8.6
Net trading result	-7.2	-1.1
Total other operating expenses/income	-19.8	-2.0
General administrative expenses	-63.9	-67.8
Results from financial assets and shareholdings	0.3	10.8
Results prior to risk provisioning	**-60.1**	**-27.3**
Loan loss provisions	35.7	27.8
Results before taxes	**-24.4**	**0.5**
Taxes	-0.1	-0.2
Net result for the year	**-24.5**	**0.3**

Balance sheet in EUR billion	30/6/2020	31/12/2019
Total assets	38.7	37.8
Business volume	40.4	39.8
Lending business	16.0	15.9
Trading assets	14.5	15.4
Equity	0.6	0.7

Winding-up	30/6/2020	30/6/2019
Banking book		
Notional value (before FX effect) in EUR billion	14.2	16.4
Winding-up activities (compared with previous year-end) in EUR billion	-0.6	-1.8
Winding-up activities (compared with previous year-end) in %	-4.3	-9.6
Trading portfolio		
Notional value (before FX effect) in EUR billion	111.8	158.2
Winding-up activities (compared with previous year-end) in EUR billion	-25.0	-12.9
Winding-up activities (compared with previous year-end) in %	-18.3	-7.5

Employees	30/6/2020	31/12/2019
Number of employees	144	159

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

Foreword

Dear Ladies and Gentlemen,

The EAA achieved further progress in implementing its wind-up mandate in the first half of 2020. The consequences of the coronavirus pandemic have not yet impacted significantly its business activities and framework conditions. In particular, the EAA has not had to endure any significant credit defaults so far. However, there was evidence of operational barriers in the markets, which delayed some active portfolio-reducing measures compared with expectations at the beginning of the year.

In the first half of 2020, loans and securities in the banking book fell by around EUR 600 million or 4% in notional terms compared with the end of the previous year. The trading portfolio was reduced by a notional amount of around EUR 25 billion or 18%. The EAA generated a lower net interest result than in the same period of the previous year as it has made further progress in winding down the portfolio. The fee and commission expenses and administrative expenses incurred led to a negative operating result. As expected, the income from the reversal of risk provisions and results from financial assets and shareholdings could not make up for this as of 30 June 2020, so that the first half of 2020 ended with a loss of EUR 24.5 million.

The EAA's equity amounted to approximately EUR 630 million as of 30 June 2020. Risk provisions of around EUR 400 million and an equity capital drawing limit of about EUR 480 million were also available as a buffer against future losses.

The increase of around EUR 900 million in total assets is mainly due to liquidity management measures. The purchase of EAA CBB registered covered bonds from third parties led to a notional increase in the Public Finance & Financial Institutions cluster of the banking book. They are held on a temporary basis only. This step will significantly accelerate the announced winding-up of the Irish subsidiary EAA CBB.

For 2020 as a whole, the EAA expects the notional volume of the banking book to decline by around 14% year on year to below EUR 13 billion. The notional volume of the trading portfolio is expected to decline by more than 30% year on year, with the remaining portfolio therefore falling below EUR 100 billion. With the EAA's entire portfolio having now been reduced by around 90% and the associated fall in income from ongoing operations, losses in this and the next fiscal years have been taken into account in the winding-up planning. The uncertainties on global financial markets make it difficult to provide a more detailed forecast of the result.

In the future, the EAA will focus, among other things, on further dismantling its own organisation and cutting costs by continuously optimising its structures.

Yours sincerely

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

Interim management report

For the period from 1 January to 30 June 2020

Business and environment

Operating activities of the EAA

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

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

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

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

The winding-up plan describes the intended winding-up activities of the EAA by classifying its assets into sub-portfolios (clusters) and standard strategies, and contains a schedule for the winding up of assets. The standard strategies are oriented on an investor or disposal perspective, and take into consideration the "Self-monetisation", "Managed divestment" and "Hold" categories. The "Self-monetisation" strategy comprises assets that will be repaid in full by year-end 2020, while the "Managed divestment" strategy takes into account long-term assets for which active portfolio measures are possible from the EAA's perspective. The "Hold" strategy concerns positions that will probably be held until planned maturity owing to their specific features, although this does not preclude active portfolio management. The strategy for winding up the portfolio could include selling the assets prior to their maturity, holding them until maturity or restructuring the relevant items. The EAA reviews the winding-up plan at least once a quarter and makes adjustments when necessary, mainly in order to take account of changes in circumstances, for example current market developments. Changes or adjustments to the winding-up plan must be approved by the FMSA. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and the EAA stakeholders about the progress of the winding-up and the implementation of the winding-up plan, and documents the success of the wind-up strategy. The annual wind-up report must be adopted by a resolution of the Supervisory Board before being submitted to the FMSA.

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

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

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

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

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

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

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

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

Economic environment

Coronavirus crisis has caught the world in its grip

The impact of the coronavirus pandemic was very clearly visible in the second quarter of 2020. US economic performance shrank by around 8.25%. Eurozone GDP fell by 12.1% during the same period as the containment measures taken (ban on contact, closures of non-essential businesses and shops, and disrupted supply chains due to closed borders) slowed down or halted economic activity in many industries and sectors.

Although real economic indicators such as GDP or the rise in unemployment demonstrated the economic damage caused by the crisis, financial market players were already turning their focus to economic recovery. The lockdown measures taken led to very pronounced selling pressure on stock markets. At the low point in the second half of March, most equity indices were well below the prices observed at the end of 2019. While European stocks had slumped by between 36% (EURO STOXX 50) and just under 50% (DAX) by mid-March 2020, a race to catch up began in April, May and June. Fuelled by the economic stimulus packages and quantitative easing around the world, a large part of the losses was recouped again. On 3 August 2020, the DAX was therefore down only about 5% from the 2019 year-end price; in fact, the S&P 500 was even 1% up on the same day. Nevertheless, it must be noted that belief in a rapid, V-shaped recovery has recently begun to crack.

US economy: Historical slump in activity

The decline in GDP in the second quarter of 2020 was historically unprecedented, with almost all components contributing to this result. Private consumption in the second quarter of 2020 fell by 8.7% from the previous quarter. Private investment was down 12.5%, while US exports actually fell by around 16%.

The coronavirus had drastic consequences for the economy, as we can see from the growth rates cited above. The containment measures had a very negative impact on buying sentiment among US consumers. The consumer climate (Conference Board) currently stands at 92.6 points (as of July 2020), down 35.6 points from its level in December 2019. Compared with the collapse in confidence during the global financial crisis, during which the consumer climate index reached a historic low of 26.9 points, the current level can still be described as good. This was achieved not least through the US government's unemployment support payments. These stabilised the purchasing power of consumers and compensated somewhat for the weakness on the US labour market. The unemployment rate rose from 3.8% in the first quarter of 2020 to 13% as of the end of June 2020. Since mid-March 2020, initial applications for unemployment assistance have been well above the 1 million mark per week.

In addition to a boost to unemployment benefits, the US government has provided assistance to companies through a variety of aid programmes. The sharp increase in government spending quickly offset the sharp drop in sentiment. The purchasing managers' index slumped to 41.5 points in April 2020. This level signals a decline in economic activity, as it is below the expansion threshold of 50 points. Since this low point, American companies' assessment of their situation has improved noticeably. At the end of July 2020, the index stood at 50.9 points, which signals that the US economy is growing again, even though the pace of recovery since the end of June 2020 has been slightly slower, when the index was still at 51.3 points.

The recovery of these sentiment indicators is also due to the intervention of the Fed. Due to the impact of the crisis, it quickly lowered US benchmark interest rates to a range of between 0% and 0.25%. Asset purchases were also resumed and programmes set up to directly support lending to small and medium-sized enterprises.

Is there a threat of another dent after the wave?

The easing of the lockdown measures from May 2020 has contributed to the revival of the US economy. The EAA believes that economic growth in the third quarter of 2020 could reach 4.5% to 5% if monetary and fiscal policy support measures are maintained. In the following quarters, quarterly growth should stabilise at levels of between 0.5% and 1%.

The Fed is likely to maintain its very loose monetary policy for a long time to come. Strictly speaking, this means that it will keep key interest rates at their rather low level of 0% to 0.25%. This was demonstrated by the Federal Open Market Committee in its discussion about forward guidance (anchoring and interest rate expectations) and yield curve control (direct steering of the yield curve). The Federal Open Market Committee is considering how monetary policy and economic support can be made more effective. Against this backdrop, further support from the Fed can be safely assumed.

Fiscal policy seems to lack such a definition. The two main political parties in the US Congress should have launched a new fiscal package by 31 July 2020 that would have extended many of the emergency measures, such as the boost to unemployment benefits, business support packages, protection against termination of rental agreements and many more. Republicans and Democrats have instead blocked each other, partly with an eye to the US presidential election and the elections to the Senate and House of Representatives. Since the election campaign will continue to run despite the coronavirus crisis, there are indications that this mutual stalemate is likely to continue.

The US economy appears to be on the road to recovery. Given the distortions caused by the global recession and the coronavirus crisis, one must question the reliability of a forecast. Is there a threat of another slump after an initial recovery – a dent?

The EAA believes that the economic outlook is exposed to the following risks:

- △ A coronavirus outbreak: The US already has the highest absolute numbers worldwide for both deaths and confirmed coronavirus cases. An inappropriate response by the Trump government (ride out and ignore) and premature relaxation of containment measures have accelerated the spread of the pandemic in the US and may require another tough intervention (lockdown and business closures) to protect the healthcare system from being overwhelmed.

- △ Monetary and fiscal policy measures are not enough: Election campaign tactics are preventing another economic stimulus package from being implemented in the US. Due to its previous refusal to introduce negative key rates, the Fed has probably come to the end of the conventional measures it can take. US government bond purchases have also already increased its total assets to an unprecedented level. A winding down of the stimulus from the Fed and the US government is a key risk to growth.

- △ Notwithstanding the coronavirus crisis, the trade war between the USA and various trading partners is escalating: This risk will remain intact, especially if the incumbent president is re-elected. A trade war would put the brakes on global trade and thus slow down the recovery of the economy.

Special topic: US during the election campaign

Besides the US president, one third of seats in the Senate and the entire House of Representatives are up for election. Current polls see the Democratic challenger Biden in the lead in the fight for the White House. A YouGov poll at the end of July 2020 put him at 49%, a full nine percentage points ahead of President Trump. Despite this advantage, it is difficult to predict the outcome of the US elections on 3 November 2020. The US electoral system, the coronavirus crisis and postal voting make it difficult to forecast. A special feature of the country’s electoral system makes a prediction even more difficult: the breakdown of the electors who vote for the US president among the states does not correspond to population distribution, so the election results do not always reflect the majority vote.

Eurozone: coronavirus leaves its mark

As in the US, the coronavirus has clearly left its mark on the eurozone states too. The 3.6% decline in eurozone economic performance in the first quarter of 2020 was followed by an unprecedented 12.1% slump in the second quarter of 2020. The crisis has clearly been taking its toll on southern eurozone states (Italy, Spain and France) given the possibility of the 2020 holiday season largely being called off.

The situation is changing as the containment regulations start to be relaxed. As companies, businesses and other public institutions resume operations (albeit with limited capacity) and leisure activities such as sporting events, trips abroad or restaurant visits become possible again, the mood among businesses and consumers is improving to the same extent. This is shown clearly by the purchasing managers’ indices. The sentiment low for the eurozone was measured in April 2020 at 33.4 points – a figure that indicates a very strong economic contraction.

The situation has improved since then. At the end of July 2020, the index for the eurozone was 51.8 points, above the expansion threshold of 50 points.

This economic crisis has led to a number of political innovations. Firstly, the legal dispute between the ECB and German courts on the proportionality of euro government bonds was settled by a gesture made by the ECB towards the German Bundestag. Bundesbank President Weidmann explained to the plenary session of the Bundestag why the ECB's measures are proportionate and therefore covered by the ECB's mandate and the EU treaties. On the other hand, following the resumption of its euro government bond purchases, covered bonds, corporate bonds and selected structured securities, the ECB launched a new programme to alleviate the consequences of the coronavirus crisis. Under the Pandemic Emergency Purchase Programme, the ECB can purchase up to EUR 1.35 trillion in government bonds issued by the euro states. Whereas the ECB was previously tied to certain limits in the euro government bond purchase programme (e.g. purchases allocated on the basis of the ECB's capital key or maturity requirements), the Pandemic Emergency Purchase Programme gives the ECB considerable freedom and autonomy. It can therefore be expected that monetary policy will be relaxed further.

Support for an economic recovery should also be forthcoming from the fiscal policy side. In April 2020 and June 2020, the heads of government of the EU member states agreed on various measures and aid. Firstly, the ESM will grant loans to cover the liquidity needs of the countries affected by the pandemic. These loans will be granted at favourable terms. The interest rate corresponds to the weighted average of the funding costs of the contributing member states.

And, in addition to this ESM liquidity programme, the governments of the EU member states have agreed on reconstruction aid. This aid is expected to amount to EUR 750 billion, to be provided both as loans (EUR 360 billion) and grants (EUR 390 billion). As it is to be funded through the EU budget, this means the EU will take on a substantial amount of debt, for which the members are jointly and severally liable.

The EAA therefore expects the eurozone's economic performance to pick up again in the second half of 2020 and for the GDP growth rate to rise to 8.2% for the third quarter of 2020. While eurozone GDP is likely to grow by 2.7% in the fourth quarter of 2020, the EAA expects it to decline by just short of 8.2% for the year 2020 as a whole. However, an increase of 5.5% is expected for 2021. At the end of 2020, ten-year German government bonds should be yielding around -40 basis points.

The most important economies of the eurozone at a glance

The economy in Germany has cooled noticeably. Concerns about a second wave of the pandemic are weighing on the outlook for German exports. Economic growth is likely to accelerate noticeably to 5.2% in the second half of 2020. Nevertheless, Germany's GDP will shrink by 6.3% in 2020 compared with 2019. For 2021, however, an increase of 5% is expected.

French economic growth has also eased significantly. The expansive measures by the French government aimed at alleviating the effects of the coronavirus crisis have helped to a limited extent only. France's economic performance declined by 13.8% in the second quarter of 2020. In the third and fourth quarters of 2020, France's GDP should grow again at 11.1% and 2.9% respectively. Despite this welcome acceleration in the second half of 2020, GDP will fall back by 10% for the year 2020 as a whole. For 2021, however, an increase of 6.8% is expected.

Italy only just escaped stagnation in 2019. It is one of the few eurozone member states that has not yet been able to make good the economic damage caused by the euro debt crisis and the preceding global financial crisis. The Italian economy has been correspondingly weak during the coronavirus crisis. After a quarterly decline of 5.4% in GDP in the first quarter of 2020, it fell by a further 12.4% in the second quarter of 2020. Economic performance is expected to increase in the second half of 2020. With a 10% increase in the third quarter of 2020, the recovery looks more robust than it is. Looking at 2020 as a whole, Italy's GDP is expected to shrink by 10.4%. However, an increase of 5.7% is expected for 2021.

In recent years, Spain has been able to grow noticeably faster than the eurozone average. However, the impact of the coronavirus crisis much worse than in other countries. In particular, the partial cancellation of the holiday season and renewed regional outbreaks of the pandemic are clouding the outlook. For 2020 as a whole, the EAA expects GDP to fall by 10%, while an increase of 6.7% is anticipated for 2021.

Economic report

Overview of economic development

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

The notional volume of the banking book fell 4.3% to EUR 14.2 billion. The notional volume of the trading portfolio declined by 18.3% to EUR 111.8 billion during the same period.

The results after taxes of EUR -24.5 million was due in particular to general administrative expenses of EUR 63.9 million, negative balance of other expenses and income of EUR -19.8 million, negative net fee and commission result of EUR -9.3 million and negative net trading result of EUR -7.2 million. These were largely offset by the positive net interest result of EUR 39.8 million and loan loss provisions which, together with the results from financial assets and shareholdings, amounted to EUR 36.0 million.

The EAA's total assets rose from EUR 37.8 billion in the previous year to their current level of EUR 38.7 billion. This was largely attributable to liquidity management measures. The business volume, which also included off-balance-sheet components, increased by 1.7% to EUR 40.4 billion (previous year: EUR 39.8 billion).

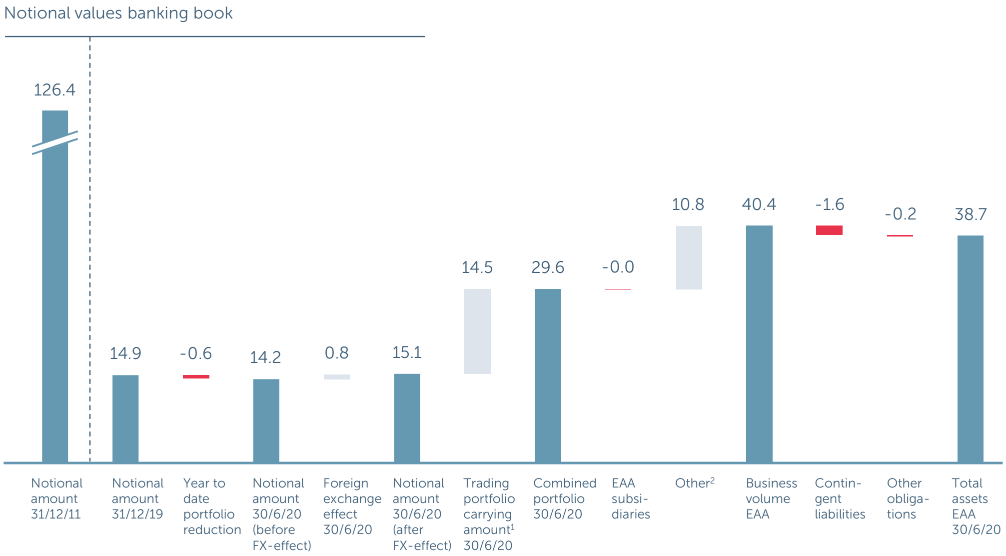
Wind-up report

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

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

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 30 June 2020, the notional volume of the banking book was reduced from EUR 14.9 billion to EUR 14.2 billion (at exchange rates as of 31 December 2011, including the notional amounts of the guaranteed risk exposures and the risk exposures held by EAA's subsidiaries). That equated to a decline in notional volume of EUR 0.6 billion (4.3%). The volume at exchange rates as of 30 June 2020 was EUR 15.1 billion. The total banking book portfolio has decreased by EUR 112.2 billion or 88.7% since 1 January 2012.

	Notional volume (at exchange rates as of 31/12/2011)				Notional volume (at exchange rates as of 30/6/2020)	
Clusters	Notional 30/6/2020 EUR million	Notional 31/12/2019 EUR million	EUR million	Change to 31/12/2019 in %	Notional 30/6/2020 EUR million	FX effect[1] EUR million
Structured Securities	5,790.3	6,112.1	-321.8	-5.3	6,317.8	527.5
Public Finance & Financial Institutions	4,167.3	4,062.8	104.5	2.6	4,214.4	47.1
Real Assets	2,329.2	2,555.5	-226.3	-8.9	2,376.3	47.1
Structured Products	1,213.5	1,336.4	-122.9	-9.2	1,402.2	188.7
Corporates	687.0	755.1	-68.1	-9.0	709.8	22.8
Equity/Mezzanine	59.1	60.0	-0.9	-1.5	60.4	1.3
Total	**14,246.3**	**14,882.0**	**-635.7**	**-4.3**	**15,081.0**	**834.5**

[1] Change in notional volume due to exchange rate effects.
Note: As of 30 June 2020, the total NPL portfolio amounted to EUR 2.0 billion at current exchange rates.

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

The notional reduction in the other clusters is distributed over the rest of the portfolio, with the changes here attributable in particular to repayments in the Real Assets cluster.

The nominal increase in the Public Finance & Financial Institutions cluster is attributable to the purchase of registered covered bonds as part of the winding-up of EAA CBB. The registered covered bonds purchased were only temporarily held by the EAA and sold to EAA CBB in July 2020.

There was a EUR +2.7 million effect on the winding-up plan in the first half of 2020 associated with sales and early repayments in the banking book portfolio. A winding-up plan effect of EUR -5.2 million was achieved from other measures. This effect arose mainly from the increase in risk provisions.

Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 111.8 billion as of 30 June 2020. The notional volume of the trading portfolio decreased by a total of EUR 25.0 billion during the period from 1 January to 30 June 2020 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 952.2 billion or 89.5%.

			Notional volume (at exchange rates as of 30/6/2012)		Notional volume (at exchange rates as of 30/6/2020)	
Clusters	Notional 30/6/2020 EUR million	Notional 31/12/2019 EUR million	EUR million	Change to 31/12/2019 in %	Notional 30/6/2020 EUR million	FX effect[1] EUR million
Rates	109,335.7	134,324.9	-24,989.2	-18.6	109,228.6	-107.0
Other	2,470.3	2,470.3	0.0	0.0	2,144.4	-325.9
Total	**111,806.0**	**136,795.2**	**-24,989.2**	**-18.3**	**111,373.0**	**-432.9**

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

The reduction was largely as a result of active wind-up measures. The driving force was the Rates cluster with a total notional decrease of EUR 25.0 billion. This decline resulted primarily from active wind-up measures of EUR 19.5 billion, maturities totalling EUR 12.1 billion and contrary, portfolio-increasing hedging transactions in the amount of EUR 6.6 billion.

The notional volume of the remaining Other cluster did not change.

EAA’s overall situation

Earnings situation

The EAA’s earnings situation was impacted by the net interest result of EUR 39.8 million, loan loss provisions which, together with the results from financial assets and shareholdings, came to EUR 36.0 million, as well as by general administrative expenses of EUR 63.9 million, the negative balance of other expenses and income of EUR -19.8 million and the net fee and commission result of EUR -9.3 million. Personnel expenses totalled EUR 11.3 million. Other administrative expenses of EUR 52.6 million were comprised mainly of expenses for services rendered by EFS, as well as by IBM and MSPA.

The decline in the net interest result was attributable to the declining interest-bearing business arising from the portfolio reduction. The results from financial assets and shareholdings and the risk provisioning develop positive. This was due in particular to the improved economic environment compared with when the corresponding assets were taken over.

The net fee and commission result was mainly attributable to the fees payable on the equity capital drawing limit. The net trading result of EUR -7.2 million was down on the same period of the previous year. The reduction was due in particular to one-off effects in the valuation reserves.

Overall, the results after taxes amounted to EUR -24.5 million (previous year: EUR +0.3 million). Because of the advanced state of portfolio reduction, losses are also expected in the next few fiscal years and have been taken into account in the EAA's winding-up planning.

Income statement

	1/1-30/6/2020	1/1-30/6/2019	Change	
	EUR million	EUR million	EUR million	in %
Net interest result	39.8	41.4	-1.6	-3.9
Net fee and commission result	-9.3	-8.6	-0.7	-8.1
Net trading result	-7.2	-1.1	-6.1	>-100
Total other operating expenses/income	-19.8	-2.0	-17.8	>-100
Personnel expenses	-11.3	-11.8	0.5	4.2
Other administrative expenses	-52.6	-56.0	3.4	6.1
Results from financial assets and shareholdings	0.3	10.8	-10.5	-97.2
Results prior to risk provisioning	**-60.1**	**-27.3**	**-32.8**	**>-100**
Loan loss provisions	35.7	27.8	7.9	28.4
Results before taxes	**-24.4**	**0.5**	**-24.9**	**>-100**
Taxes	-0.1	-0.2	0.1	50.0
Net result for the year	**-24.5**	**0.3**	**-24.8**	**>-100**
Net retained losses brought forward	-2,360.6	-2,357.9	-2.7	-0.1
Net retained losses	-2,385.1	-2,357.6	-27.5	-1.2

Financial position and issuing activity

The total notional amount of the portfolio of issued bearer bonds, promissory note loans and commercial paper was EUR 21.8 billion as of the reporting date. It included the global Commercial Paper Programme with a notional amount equivalent to EUR 11.2 billion.

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

New issues were launched during the reporting period under the global Commercial Paper Programme, of which a notional amount equivalent to EUR 11.2 billion was outstanding at the reporting date. These consisted of USD 8.3 billion (EUR 7.4 billion), GBP 1.6 billion (EUR 1.8 billion) and EUR 2.0 billion.

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

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

Asset position

The EAA's total assets as of 30 June 2020 amounted to EUR 38.7 billion (previous year: EUR 37.8 billion), which, with the inclusion of off-balance-sheet components, amounted to a business volume of EUR 40.4 billion (previous year: EUR 39.8 billion).

Assets

	30/6/2020	31/12/2019	Change	
	EUR million	EUR million	EUR million	in %
Cash reserve	3,604.1	1,768.9	1,835.2	>100
Loans and advances to banks	6,259.1	5,662.4	596.7	10.5
Loans and advances to customers	7,946.0	8,292.0	-346.0	-4.2
Securities (no trading portfolio)	5,309.7	5,432.1	-122.4	-2.3
Trading portfolio	14,544.3	15,392.5	-848.2	-5.5
Long-term equity investments and shares in affiliates	968.6	1,063.1	-94.5	-8.9
Other assets	33.6	204.0	-170.4	-83.5
Total assets	**38,665.4**	**37,815.0**	**850.4**	**2.2**

Liabilities and equity

	30/6/2020	31/12/2019	Change	
	EUR million	EUR million	EUR million	in %
Deposits from banks	1,640.8	2,119.0	-478.2	-22.6
Deposits from customers	1,851.5	1,953.1	-101.6	-5.2
Debt securities in issue	19,987.8	17,897.1	2,090.7	11.7
Trading portfolio	14,361.6	15,044.8	-683.2	-4.5
Provisions	123.6	105.6	18.0	17.0
Other liabilities	69.1	39.9	29.2	73.2
Equity	631.0	655.5	-24.5	-3.7
Total liabilities and equity	**38,665.4**	**37,815.0**	**850.4**	**2.2**
Contingent liabilities	1,567.7	1,770.3	-202.6	-11.4
Other obligations/loan commitments	196.8	186.2	10.6	5.7
Business volume	**40,429.9**	**39,771.5**	**658.4**	**1.7**

Loans and advances to banks increased by EUR 0.6 billion as of 30 June 2020 compared with previous year-end. The increase is mainly due to a higher volume of cash investments as part of liquidity management. The amount of deposits from banks decreased by around EUR 0.5 billion due to lower cash collateral received.

The decline in loans and advances to customers (EUR 0.3 billion) and the securities portfolio (EUR 0.1 million) is mainly due to repayments.

The decline of EUR 0.8 billion and EUR 0.7 billion in the balance sheet values of trading assets and liabilities respectively was mainly the result of the portfolio reduction.

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

Lending business

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

Lending business

	30/6/2020	31/12/2019	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	6,259.1	5,662.4	596.7	10.5
Loans and advances to customers	7,946.0	8,292.0	-346.0	-4.2
Contingent liabilities	1,567.7	1,770.3	-202.6	-11.4
Other obligations/loan commitments	196.8	186.2	10.6	5.7
Lending business	**15,969.6**	**15,910.9**	**58.7**	**0.4**

Summary of the business situation

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

The EAA's assets are in good order. The EAA's equity amounted to EUR 631.0 million as of 30 June 2020. Adequate liquidity was available at all times.

Significant events after the reporting date are disclosed in the notes ("Subsequent events" section).

Risk, opportunities and forecast report

Risk report

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

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

Risk management organisation

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

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

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

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

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

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

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

Risk reporting

Risks can be controlled and monitored in a sustainable manner only if they are transparent, and the underlying analysis results are prepared and communicated in a manner that is conducive to decision-making processes. For this reason, risk reporting is among the key tasks of the Risk Controlling department, which fulfils this responsibility together with the Controlling & Planning department. The FMSA, the responsible committees, the Managing Board as well as the Supervisory Board and its committees are informed on a regular basis of any and all developments that might have an impact on the institution's risk or earnings situation. Risk reporting is a component of the monthly wind-up report and the quarterly risk report.

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

Credit risks

Credit risks – banking book

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

The notional volume of the banking book portfolio (which primarily consists of loans and securities) declined by EUR 0.6 billion to EUR 14.2 billion in the first half of 2020 (at constant exchange rates as of 31 December 2011). Please refer to the section "Wind-up report" for more detailed information on the wind-up success.

Breakdown of notional volume by internal rating category[1]

	30/6/2020 EUR billion	31/12/2019 EUR billion
A0-A2	0.5	0.8
A3-A5	2.2	3.8
B1-B3	0.5	0.6
B4-B5	5.1	1.8
C1-C2	2.1	3.3
C3-C5	1.4	1.4
D1-D3	0.5	0.6
D4-E	0.6	0.6
S.R.	1.3	1.4
N.R.	0.1	0.5
Total	**14.2**	**14.9**

[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 was reflected in an investment grade rating share (rating categories A0-C2) of around 73% (31 December 2019: 69%). About 19% (31 December 2019: 31%) of the notional volume had a very good rating (A0-A5) and around 54% (31 December 2019: 39%) is assigned to the mid-rating categories B1-C2. The rating category S.R. included the opening clauses of the rating process and has a share of around 9% of the total portfolio (31 December 2019: 9%).

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

The further reduction in the rating category A3-A5 was largely due to repayments of EUR 0.1 billion in Phoenix notes in this rating category.

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

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

Breakdown of notional volume by clusters[1,2]

	30/6/2020 in %	31/12/2019 in %
Structured Securities	40.6	41.0
Public Finance & Financial Institutions	29.3	27.3
Real Assets	16.4	17.2
Structured Products	8.5	9.0
Corporates	4.8	5.1
Equity/Mezzanine	0.4	0.4
Total	**100.0**	**100.0**

[1] 30 June 2020 = EUR 14.2 billion; 31 December 2019 = EUR 14.9 billion.
[2] Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

The EAA's banking book portfolio consists of six clusters. The largest cluster, Structured Securities, with a total share of 40.6%, consists of three sub-portfolios: Phoenix (58.9% – please refer to the section "Phoenix" for further details), ABS (31.1%) and Dritte EAA (10.0%).

Breakdown of notional volume by maturities[1,2]

	30/6/2020 EUR billion	31/12/2019 EUR billion
<= 6 M	0.5	0.5
> 6 M <= 1 Y	0.3	0.5
> 1 Y <= 5 Y	1.6	1.6
> 5 Y <= 10 Y	3.3	3.6
> 10 Y <= 20 Y	5.2	5.1
> 20 Y	3.3	3.6
Total	**14.2**	**14.9**

[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 band from six months to one year was mainly due to a partial repayment of the Phoenix A3 note (EUR 0.1 billion).

The other changes within the maturity bands reflect the portfolio management measures undertaken and amortisation during the first half of 2020.

Breakdown of notional volume by region[1]

	30/6/2020 EUR billion	31/12/2019 EUR billion
Americas[2]	7.0	7.3
EMEA	5.8	6.0
Germany	1.2	1.4
APAC	0.2	0.2
Total	**14.2**	**14.9**

[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 2019. Approximately 49% of the notional volume was attributable to the Americas region (31 December 2019: 49%). Repayments were the main reason for a decline of EUR 0.3 billion in the Americas region, particularly in the Structured Securities cluster (largely Phoenix).

About 41% of the notional volume (31 December 2019: 40%) was attributable to the EMEA region – Europe (excluding Germany), Middle East and Africa.

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

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

Problem loans and risk provision

Problem loan exposures are subject to special risk monitoring pursuant to MaRisk. The recoverability of loans and advances is reviewed by ad hoc and regular performances of an impairment test (a test to determine whether a loan or advance is non-performing or at risk of non-performance, therefore resulting in a risk provisioning requirement). The ratings of non-performing loans are also reviewed promptly and adjusted if necessary. As of 30 June 2020, all ratings of the banking book had already been reviewed. 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 latent credit risk in the portfolio of receivables and contingent assets. This method is also being maintained in view of the coronavirus crisis. Deteriorating credit qualities are reflected in rating downgrades. For example, loans of EUR 10,236.4 million were downgraded from 31 December 2019 and general loan loss provisions were increased by a total of EUR 0.8 million.

Result of risk provisions

	Provisions for loan losses EUR million	Charge-offs EUR million	Net change in loan loss provision EUR million	Other exp./inc. due to risk EUR million	Total allow. losses EUR million
Acute counterparty default risk	**6.7**	**35.2**	**28.5**	**8.3**	**36.8**
Credit risk	6.7	35.2	28.5	8.3	36.8
Other risk	-	-	-	-	-
Contingent counterparty default risk	**1.1**	**-**	**-1.1**	**-**	**-1.1**
Total	**7.8**	**35.2**	**27.4**	**8.3**	**35.7**

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

Special banking book issues

Phoenix

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

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

Phoenix notes capital structure

Tranche	Amount as of 30/6/2020 in million		S&P rating	Legal maturity
Class A3	9.4	USD	BBB+	9/2/2091
Class A4	1,909.0	USD	B-	9/2/2091
	135.9	EUR	B-	9/2/2091
Class B	1,770.4	EUR	N.R.	9/2/2091

Repayments of EUR 0.1 billion and a guarantee drawdown of EUR 0.1 billion resulted in a decrease of the notional volume reported in euros in the reporting period to EUR 3.4 billion as of 30 June 2020 (at constant exchange rates as of 31 December 2011).

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

	30/6/2020 EUR billion	31/12/2019 EUR billion
A0-A2	-	-
A3-A5	1.8	2.0
B1-B3	-	-
B4-B5	1.6	0.1
C1-C2	-	1.5
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
Total	**3.4**	**3.6**

[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). About EUR 3.2 billion of this guarantee had been utilised up to 30 June 2020.

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

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

Public Finance

The exposure to the public sector (including the liquidity portfolio) as of 30 June 2020 totals a notional amount of EUR 3.8 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 2.5 billion of this amount is attributable to the UK, Ireland, Italy, Portugal and Spain. Further information can be found in the section “Exposures to selected EU member states and the UK”.

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

The largest part of the overall exposure, at 84%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from other European countries outside the eurozone, Africa and the Middle East (8%), North and South America (7%), and Asia and Australia (1%).

Credit risks – trading portfolio

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

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

OTC derivative counterparty default risks are assessed independently from the front office using CVA. When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. The CVA in the trading portfolio amounted to EUR 3.8 million as of 30 June 2020 (31 December 2019: EUR 3.0 million). The EUR +0.8 million increase in CVA was attributable to changes in LGD/ratings (EUR +0.3 million), market fluctuations (EUR +0.3 million) and changes in credit spreads (EUR +0.2 million).

Counterparty and issuer risks

Direct counterparty risks

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

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

	30/6/2020 Exposure EUR million	30/6/2020 Limit EUR million	31/12/2019 Exposure EUR million	31/12/2019 Limit EUR million
Credit risk – money market positions[1]	2,411.0	4,721.5	1,549.8	5,183.5
Counterparty risk – OTC derivatives (pre-settlement risk)	476.3	2,310.0	372.2	2,358.0
Counterparty risk – repos	-	224.0	-	564.0

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

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

Issuer risks

In accordance with an established management process, issuer risks are managed by the Treasury/Capital Markets department, a front-office function, and the Credit Risk Management and Risk Controlling departments, which are back-office functions.

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

	< 1 Y	1-4 Y	4-8 Y	8-15 Y	> 15 Y	Total exposure
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Public Finance	662.4	153.9	1,005.8	1,141.8	613.3	3,577.2
Financial Institutions	25.8	-	18.0	-	-	43.8
Other securities	1.4	14.1	154.6	115.0	2,609.1	2,894.2
Total 30/6/2020	**689.6**	**168.0**	**1,178.4**	**1,256.8**	**3,222.4**	**6,515.2**
Total 31/12/2019	557.5	345.0	1,185.9	1,308.9	3,299.5	6,696.8

The Public Finance sub-portfolio accounts for a significant share at just under EUR 3.6 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, comprising mainly US student loans.

Participation risks

Participation risks result from the provision of subordinated capital and equity. Managing participations is mainly the responsibility of the participation management being part of EAA's Legal department. The EAA's Controlling & Planning department supports the participation controlling process.

Of the total portfolio of the EAA Group, a notional volume of EUR 2.7 billion (18.9%) was held by subsidiaries, mainly consisting of EAA CBB with EUR 1.0 billion (38.5%), Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.1 billion (40.1%) and Dritte EAA Anstalt & Co. KG with EUR 0.6 billion (21.4%).

EAA CBB was included in the risk management and business management of the EAA. The subsidiary is subject to monitoring by the EAA and the EAA's approved internal limit system. A representative of the EAA exercises non-managerial control functions as a member of the governing bodies and committees of EAA CBB. After the sales process could not be successfully completed, preparatory steps were taken to accelerate the winding-up of EAA CBB.

Erste EAA Anstalt öffentlichen Rechts & Co. KG holds a portfolio of US life insurance contracts through partnerships under US law. This company is fully funded by the EAA (EUR 1.2 billion).

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

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

Exposures to selected EU member states and the UK

The banking book exposure of the EAA and its subsidiaries to Greece, the UK, Ireland, Italy, Portugal, Spain and Cyprus of around EUR 3.8 billion as of 30 June 2020 is shown in the table below.

Country[1]	Debtor group	30/6/2020 Notional in EUR million[2]	31/12/2019 Notional in EUR million[2]
Greece	Corporates	0.0	0.0
Greece		**0.0**	**0.0**
UK	Corporates	471.9	510.9
	Public Finance	128.2	137.5
UK		**600.1**	**648.5**
Ireland	Corporates	10.0	15.2
	Financial Institutions	190.1	0.0
Ireland		**200.1**	**15.2**
Italy	Corporates	213.5	233.6
	Public Finance	1,477.3	1,476.6
Italy		**1,690.9**	**1,710.2**
Portugal	Financial Institutions	15.4	15.4
	Public Finance	707.6	709.1
Portugal		**723.0**	**724.4**
Spain	Corporates	348.6	383.1
	Public Finance	238.0	238.0
Spain		**586.6**	**621.1**
Cyprus	Corporates	46.3	49.1
Cyprus		**46.3**	**49.1**
Total[3]		**3,847.0**	**3,768.5**
of which	Corporates	1,090.4	1,191.9
of which	Financial Institutions	205.4	15.4
of which	Public Finance	2,551.2	2,561.2

1 Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
2 Based on current exchange rates. Presentation of the notional volume, including hedges (net).
3 Of which EAA subsidiaries: EUR 1,071.6 million (31 December 2019: EUR 1,090.0 million).

This exposure was increased by EUR 78.5 million from the beginning of 2020. The change was mainly attributable to the UK (EUR -48.3 million) and Spain (EUR -34.5 million), with Ireland trending in the opposite direction (EUR +184.8 million). The notional increase in Ireland is due to the purchase of EAA CBB registered covered bonds from third parties, which were sold to EAA CBB in July 2020.

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

Product[1]	Value	Country[2]	30/6/2020 EUR million[3]	31/12/2019 EUR million[3]
Other derivatives and ALM	MtM	UK	389.7	222.8
		Italy	18.2	274.3
		Spain	6.6	5.9
Other derivatives and ALM			**414.5**	**503.0**
Other	Notional	UK	5.8	344.4
Other[4]			**5.8**	**344.4**

1 ALM = cluster ALM as part of the banking book is identified here as in the internal view and not as a banking book exposure; derivatives = replacement risks from OTC derivatives.
2 Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
3 Based on current exchange rates. Presentation of the notional volume, including hedges (net).
4 Includes mainly the HSBC nostro balances.

Market price risks

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

Market price risks – banking book

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

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

Interest rate risk (EAA Group)

	30/6/2020 EUR thousand	31/12/2019 EUR thousand
< 1 Y	-0.1	-16.5
1-4 Y	0.6	-1.1
4-8 Y	75.9	60.3
8-15 Y	-21.7	-22.8
> 15 Y	-61.8	-52.6
Total	**-7.1**	**-32.7**

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 -7.1 thousand compared with year-end 2019 (EUR -32.7 thousand), due to management and maturity effects. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	30/6/2020 EUR thousand	31/12/2019 EUR thousand
AUD	1,590.4	852.4
CAD	828.7	718.7
CHF	200.4	240.4
GBP	43.1	1,049.2
JPY	653.1	578.3
PLN	680.4	27.7
SGD	453.6	469.6
USD	-1,627.7	7,675.3
Other	16.7	516.3
Total	**2,838.7**	**12,127.9**

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 third quarter of 2019 to the second quarter of 2020, there were nine backtesting breaches at the highest level of the portfolio structure of the trading portfolio – due in particular to significantly higher market volatility and the ongoing coronavirus crisis. 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%. Despite the nine breaches, the EAA believes the VaR model is confirmed by backtesting as these outliers are due to the increased volatility of the USD and EUR yield curves as a result of the coronavirus crisis. VaR plays only a minor role in EAA's management. Its effective risk management is based on risk sensitivities.

Value at Risk by clusters

	30/6/2020 EUR thousand	31/12/2019 EUR thousand
EAA Trading	515.7	669.8
Rates	515.6	595.8
Other	0.2	127.7

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

As of 30 June 2020, the VaR for the trading portfolio fell to EUR 515.7 thousand due to the winding up of the Muni GIC portfolio (31 December 2019: EUR 669.8 thousand). The changes in the Rates cluster were due to market movements and hedging activities.

Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

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

The limited stress scenarios ("liquidity crisis and downgrade", "liquidity crisis and downgrade USD") demonstrated a viable net liquidity situation as of 30 June 2020 (defined as the total of cumulated cash flows and the liquidity reserve). The liquidity reserve comprises highly liquid securities that are very likely to be eligible for repo transactions to generate new liquidity. The liquidity reserve was around EUR 2.3 billion when the stress test was performed.

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

Longevity risks

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

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

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

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

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

Operational risks

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

Operational risks within the EAA are determined using a risk inventory, which is performed on a regular basis. The EAA's last risk inventory from 2019 revealed one assessment item with high risks in the availability of personnel category due to employee departures. This risk will be absorbed by using external employees if required. Of the assessment items, 16.3% are medium risks and 83.3% low risk. The overall risk situation remains largely unchanged.

The aforementioned risk inventory of the EAA from 2019 was carried out together with the EFS and EAA CBB subsidiaries, and the key service providers IBM and MSPA. Owing to the outsourcing of key functions to IBM and the ongoing process of dismantling EFS, the risk situation at EFS has been assessed as low. IBM reported a largely unchanged risk situation, while the risk situation at MSPA improved slightly, with no other high risks being reported.

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

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

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

Other risks

Reputational risks

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

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

Legal risks

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

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

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

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

Tax risks

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

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

Summary of the risk situation

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

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

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

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

Market price risks are largely limited.

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

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

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

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

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

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

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

Opportunities report

The economic recovery in the eurozone tipped into a recession in the first half of 2020 as a result of the coronavirus crisis. The EAA expects economic performance in the euro currency area to decline by 8.2% this year. In 2021, the core eurozone states (France and Germany) will be among the fastest growing economies in the eurozone. Former crisis-hit countries such as Italy and Spain are impacted more by the crisis and will take longer to recover. Italy and Spain should benefit in particular from the EU's support package for member states particularly affected by the coronavirus outbreak, which should help shore up the valuations of securities and loans.

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

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

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

The EAA anticipates these developments will have a fundamentally beneficial effect on the portfolio (see also the "Forecast report" section).

Forecast report

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

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

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

The EAA expects to generate a total of EUR 47 million (including dividend income) from the net interest result, net fee and commission result, and results from financial assets and shareholdings for 2020, which is therefore down significantly from the previous year's level. The non-realisable EAA CBB sales proceeds are already included in this forecast. A forecast for the net trading and risk provision result is difficult due to the imponderables with respect to developments on the global financial markets and other markets. The EAA is sticking with its strategy of winding up in a value-preserving manner. Losses are expected in the next few fiscal years because of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This possibility is taken into account in the EAA's winding-up planning.

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

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

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

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

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

Balance sheet

Assets

	Notes	EUR	EUR	30/6/2020 EUR	31/12/2019 EUR
1. Cash reserve					
a) Balances with central banks			3,604,065,044		(1,768,925,648)
of which:					
with Deutsche Bundesbank EUR 3,604,065,044 (py: EUR 1,768,925,648)					
				3,604,065,044	1,768,925,648
2. Loans and advances to banks	4, 28				
a) Payable on demand			3,814,362,451		(3,701,112,381)
b) Other loans and advances			2,444,780,001		(1,961,320,101)
				6,259,142,452	5,662,432,482
3. Loans and advances to customers	5, 6, 14, 28			7,945,977,807	8,291,962,674
of which:					
secured by mortgage charges EUR 89,490,922 (py: EUR 89,241,193)					
Public-sector loans EUR 1,095,209,530 (py: EUR 1,157,451,085)					
4. Bonds and other fixed-income securities	7, 15, 28				
a) Money market instruments issued by					
aa) public issuers		95,350,959			(0)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 95,350,959 (py: EUR 0)					
			95,350,959		(0)
b) Bonds issued by					
ba) public issuers		1,192,274,802			(1,169,297,251)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,178,186,080 (py: EUR 1,152,396,841)					
bb) other issuers		3,991,767,888			(4,231,792,730)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 306,224,520 (py: EUR 300,145,599)					
			5,184,042,690		(5,401,089,981)

BALANCE SHEET

	Notes	EUR	EUR	30/6/2020 EUR	31/12/2019 EUR
c) Own bonds notional value: EUR 30,000,000 (py: EUR 30,000,000)			30,340,274		(31,018,033)
				5,309,733,923	5,432,108,014
5. Equities and other non-fixed-income securities				1	1
5a. Trading portfolio	8			14,544,266,443	15,392,548,233
6. Long-term equity investments	9			36,548,933	37,744,996
of which:					
in banks EUR 15,358,686 (py: EUR 15,358,686)					
7. Shares in affiliates	10			932,127,854	1,025,378,477
of which:					
in banks EUR 434,297,095 (py: EUR 434,297,095)					
8. Trust assets	11			22,317	22,789
of which:					
Trust loans EUR 22,317 (py: EUR 22,789)					
9. Intangible assets					
a) Paid concessions, trademarks and similar rights and values such as licences in such rights			2,956,692		(3,158,077)
				2,956,692	3,158,077
10. Tangible fixed assets				10,781	139,814
11. Other assets	12			7,323,658	177,566,344
12. Prepaid expenses/accrued income	13			23,191,037	22,979,999
Total assets				**38,665,366,942**	**37,814,967,548**

BALANCE SHEET

Liabilities and equity

	Notes	EUR	EUR	30/6/2020 EUR	31/12/2019 EUR
1. Deposits from banks	16				
a) Payable on demand			1,206,742,095		(1,676,638,790)
b) With an agreed maturity or withdrawal notice			434,078,298		(442,351,061)
				1,640,820,393	2,118,989,851
2. Deposits from customers	17				
other deposits					
a) Payable on demand			168,624,827		(193,792,874)
b) With an agreed maturity or withdrawal notice			1,682,897,006		(1,759,321,428)
				1,851,521,833	1,953,114,302
3. Debt securities in issue	18				
a) Bonds issued			8,773,962,915		(8,686,458,830)
b) Other debt securities in issue			11,213,874,223		(9,210,679,392)
of which:					
money market instruments EUR 11,213,874,223 (py: EUR 9,210,679,392)					
				19,987,837,138	17,897,138,222
3a. Trading portfolio	19			14,361,619,731	15,044,828,511
4. Trust liabilities	20			22,317	22,789
of which:					
Trust loans EUR 22,317 (py: EUR 22,789)					
5. Other liabilities	21			51,899,673	21,389,230
6. Accrued expenses/deferred income	22			16,999,829	18,336,567
7. Provisions	23				
a) Tax provisions			2,048,440		(2,144,298)
b) Other provisions			121,558,658		(103,487,963)
				123,607,098	105,632,261

BALANCE SHEET

	Notes	EUR	EUR	30/6/2020 EUR	31/12/2019 EUR
8. Equity	24				
a) Called capital					
Subscribed capital		500,000			(500,000)
less uncalled outstanding capital		0			(0)
			500,000		(500,000)
b) Capital reserves			3,013,237,214		(3,013,237,214)
c) Revenue reserves					
other revenue reserves		2,431,408			(2,431,408)
			2,431,408		(2,431,408)
d) Net retained losses			-2,385,129,692		(-2,360,652,807)
				631,038,930	655,515,815
Total liabilities and equity				**38,665,366,942**	**37,814,967,548**
1. Contingent liabilities	25				
a) Liabilities from guarantees and warranties			1,567,703,233		(1,770,338,981)
				1,567,703,233	1,770,338,981
2. Other obligations	25				
a) Irrevocable loan commitments			196,806,058		(186,151,593)
				196,806,058	186,151,593

Income statement

	Notes	EUR	EUR	1/1-30/6/2020 EUR	1/1-30/6/2019 EUR
1. Interest income from	26				
a) Lending and money market transactions		184,821,386			(199,524,834)
b) Fixed-income securities and debt register claims		52,324,826			(75,034,821)
			237,146,212		(274,559,655)
2. Interest expenses			197,863,566		(235,169,589)
				39,282,646	39,390,066
3. Current income from	26				
a) Equities and other non-fixed-income securities			0		(0)
b) Long-term equity investments			464,814		(1,978,102)
c) Shares in affiliates			2,556		(2,556)
				467,370	1,980,658
4. Income from profit pooling, profit transfer or partial profit transfer agreements	26			0	0
5. Fee and commission income	26		838,552		(1,526,957)
6. Fee and commission expenses			10,091,409		(10,112,291)
				-9,252,857	-8,585,334
7. Net trading result				-7,156,869	-1,142,980
8. Other operating income	26, 27			1,833,436	1,266,834
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		9,909,336			(10,389,464)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		1,358,805			(1,443,755)
of which:					
for pensions EUR 349,404 (py: EUR 359,072)					
			11,268,141		(11,833,219)
b) Other administrative expenses			52,283,824		(55,784,898)
				63,551,965	67,618,117

INCOME STATEMENT

	Notes	EUR	EUR	1/1-30/6/2020 EUR	1/1-30/6/2019 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets				330,418	223,632
11. Other operating expenses	27			21,747,052	3,038,973
12. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	23, 28			35,745,147	27,767,123
13. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	28			326,951	10,755,203
14. Expenses from loss assumption	28			0	0
15. Result from ordinary activities				-24,383,611	550,848
16. Taxes on income and earnings	29			91,957	210,145
17. Other taxes not reported under item 11	29			1,317	5,530
18. Net result for the year				-24,476,885	335,173
19. Net retained losses brought forward				-2,360,652,807	-2,357,948,110
20. Net retained losses				-2,385,129,692	-2,357,612,937

Cash flow statement

			1/1-30/6/2020 EUR	1/1-30/6/2019 EUR
1.	+/-	Result for the period	-24,476,885	335,173
		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	-35,055,754	-32,023,736
3.	+/-	Increase/decrease in provisions	17,974,837	-12,431,392
4.	+/-	Other non-cash income/expenses	214,655,272	106,307,132
5.	-/+	Gain/loss on disposal of long-term financial assets	-63,833	-7,643,711
6.	=	Subtotal	173,033,637	54,543,466
		Change in operating assets and liabilities		
7.	-/+	Increase/decrease in loans and advances to banks (no trading portfolio)	-957,840,325	-786,417,442
8.	-/+	Increase/decrease in loans and advances to customers (no trading portfolio)	364,402,916	454,296,378
9.	-/+	Increase/decrease in securities (no financial assets and no trading portfolio)	127,998,832	901,820,346
10.	+/-	Trading assets	271,388,120	-41,080,858
11.	-/+	Increase/decrease in other operating assets	171,102,449	-2,665,105
12.	+/-	Increase/decrease in deposits from banks (no trading portfolio)	-480,475,527	240,698,086
13.	+/-	Increase/decrease in deposits from customers (no trading portfolio)	-22,288,563	1,253,308,853
14.	+/-	Increase/decrease in debt securities in issue	2,131,309,060	170,950,147
15.	+/-	Trading liabilities	-320,970,383	-230,767,248
16.	+/-	Increase/decrease in other operating liabilities	27,840,794	-11,156,969
17.	+/-	Interest expenses/interest income	-39,750,017	-41,370,724
18.	+/-	Tax expenses/tax income	91,957	210,145
19.	+	Interest payments and dividend payments received	245,317,468	259,914,569
20.	-	Interest paid	-223,160,826	-225,958,788
21.	-/+	Income tax payments	-91,957	-210,145
22.	=	Cash flows from operating activities (sum of 6 to 21)	1,467,907,635	1,996,114,711
23.	+	Proceeds from disposal of long-term financial assets	515,339	34,952,789
24.	-	Purchase of long-term financial assets	-112,311	247,403
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)	403,028	35,200,192
28.	+/-	Changes in other capital (net)	0	0
29.	=	Cash flows from financing activities (sum of 28)	0	0
30.		Net change in cash funds (sum of 22, 27, 29)	1,468,310,663	2,031,314,903
31.	+	Cash funds at beginning of period	2,174,178,842	1,445,742,364
32.	=	Cash funds at end of period (sum of 30 to 31)	3,642,489,505	3,477,057,267

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 1/1/2020 EUR	Appropriation of the result EUR	Balance as of 30/6/2020 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	-24,476,885	-2,385,129,692
Equity under HGB	**655,515,815**	**-24,476,885**	**631,038,930**

	Balance as of 1/1/2019 EUR	Appropriation of the result EUR	Balance as of 30/6/2019 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,357,948,110	335,173	-2,357,612,937
Equity under HGB	**658,220,512**	**335,173**	**658,555,685**

Condensed notes

For the period from 1 January to 30 June 2020

General disclosures

1. Legal framework of the EAA

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

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

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

2. Basis of accounting

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

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

3. Accounting and valuation principles

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

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

Notes on the balance sheet and the income statement

4. Loans and advances to banks

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**6,259.1**	**5,662.4**
of which:		
- to affiliates	563.7	334.1
Payable on demand	3,814.4	3,701.1
due		
- within 3 months	2,029.7	1,816.6
- 3 months to 1 year	1.3	126.3
- 1 to 5 years	339.6	6.1
- after 5 years	74.1	12.3

5. Loans and advances to customers

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**7,946.0**	**8,292.0**
of which:		
- to affiliates	1,338.0	1,336.4
due		
- within 3 months	2,274.4	1,027.2
- 3 months to 1 year	286.0	1,581.5
- 1 to 5 years	1,353.5	1,410.7
- after 5 years	4,032.1	4,272.6

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

6. Loans and advances secured by mortgages

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**89.5**	**89.2**
Loans and advances to customers due		
- within 3 months	0.0	0.0
- 3 months to 1 year	0.1	0.1
- 1 to 5 years	0.1	0.1
- after 5 years	89.3	89.0

7. Bonds and other fixed-income securities

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**5,309.7**	**5,432.1**
of which:		
Amounts due in the following year	247.8	136.6
Breakdown		
- Money market instruments	95.4	-
- Bonds issued by public issuers	1,192.3	1,169.3
- Bonds issued by other issuers	3,991.7	4,231.8
- Own bonds	30.3	31.0
Breakdown by marketability		
- Marketable securities	5,309.7	5,432.1
of which:		
- listed	1,540.5	1,509.9
- unlisted	3,769.2	3,922.2
Breakdown by type		
- Liquidity reserve	30.3	31.0
- Financial assets portfolio	5,279.4	5,401.1

Bonds and other fixed-income securities in the amount of EUR 5.3 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 1.9 billion (previous year: EUR 1.9 billion) were recognised at EUR 0.1 billion (previous year: EUR 0.1 billion) above their fair value as the EAA expects to receive repayments totalling at least the carrying amount. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the financial assets. The difference is primarily attributable to structured credit products.

Of the aforementioned financial assets with a carrying amount of EUR 1.9 billion, none (previous year: EUR 0.0 billion (rounded up)) related to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the investment portfolio that was not hedged with asset swaps (EUR 3.7 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

8. Trading portfolio

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**14,544.3**	**15,392.5**
of which:		
- Derivative financial instruments	14,545.9	15,394.6
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-1.6	-2.1

9. Long-term equity investments

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**36.5**	**37.7**
of which:		
- in banks	15.4	15.4
Breakdown by marketability		
- Marketable securities	15.4	15.4
of which:		
- unlisted	15.4	15.4

10. Shares in affiliates

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**932.1**	**1,025.4**
of which:		
- in banks	434.3	434.3
Breakdown by marketability		
- Marketable securities	434.3	434.3
of which:		
- unlisted	434.3	434.3

11. Trust assets

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

12. Other assets

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**7.3**	**177.6**
of which:		
- Tax refund claims	7.2	11.7
- Currency translation adjustments	-	161.6
- Receivables from profit and loss pooling agreements	-	4.2

13. Prepaid expenses/accrued income

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**23.2**	**23.0**
of which:		
- Non-recurring payments on swaps	9.8	13.3
- Discounts from issuing business	7.7	5.6
- Discounts from liabilities	3.7	3.5
- Other	2.0	0.6

14. Subordinated assets

Subordinated assets are included in:

	30/6/2020 EUR million	31/12/2019 EUR million
Loans and advances to customers	**672.3**	**666.3**
of which:		
- to affiliates	304.3	296.4

15. Assets sold under repurchase agreements

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

16. Deposits from banks

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**1,640.8**	**2,119.0**
of which:		
- Deposits from affiliates	12.3	28.4
Payable on demand	1,206.7	1,676.6
due		
- within 3 months	160.0	120.4
- 3 months to 1 year	14.5	104.6
- 1 to 5 years	201.1	151.4
- after 5 years	58.5	66.0

17. Deposits from customers

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**1,851.5**	**1,953.1**
of which:		
- Deposits from affiliates	49.0	115.0
Other deposits	1,851.5	1,953.1
of which:		
- payable on demand	168.6	193.8
due		
- within 3 months	72.7	55.3
- 3 months to 1 year	108.9	154.3
- 1 to 5 years	521.9	551.3
- after 5 years	979.4	998.4

The reduction in deposits from affiliates is mainly the result of offsetting in the first quarter of 2020 of interest and principal payments received by the EAA that are attributable to a subsidiary.

18. Debt securities in issue

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**19,987.8**	**17,897.1**
Bonds issued	8,774.0	8,686.4
of which:		
Amounts due in the following year	3,931.9	3,303.5
Other debt securities in issue	11,213.8	9,210.7
of which due:		
- within 3 months	7,515.3	8,485.0
- 3 months to 1 year	3,698.5	725.7

19. Trading portfolio

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**14,361.6**	**15,044.8**
of which:		
- Derivative financial instruments	14,361.6	15,044.8

20. Trust liabilities

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

21. Other liabilities

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**51.9**	**21.4**
of which:		
- Currency translation adjustments	41.6	-
- Deposits from loss assumptions	-	9.5
- Other	10.3	11.9

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

22. Accrued expenses/deferred income

	30/6/2020 EUR million	31/12/2019 EUR million
Carrying amount	**17.0**	**18.3**
of which:		
- Premium on issuing business	8.9	12.3
- Non-recurring payments on swaps	7.7	5.5
- Premiums for sold interest rate caps and floors	0.4	0.5

23. Provisions

	Balance as of 31/12/2019 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 30/6/2020 EUR million
Taxes	**2.1**	**-**	**-**	**-**	**-**	**-0.1**	**2.0**
Other provisions	**103.5**	**27.7**	**0.3**	**8.8**	**1.3**	**0.2**	**121.6**
- Loans	7.1	0.7	-	-	-	0.4	8.2
- Shareholdings	2.4	-	-	0.2	-	-	2.2
- Legal actions	2.7	2.5	-	0.2	-	-	5.0
- Personnel	0.5	-	-	-	-	-	0.5
- Other	90.8	24.5	0.3	8.4	1.3	-0.2	105.7
Total	**105.6**	**27.7**	**0.3**	**8.8**	**1.3**	**0.1**	**123.6**

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

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

24. Equity

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

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

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

The net loss for the year for the first half of 2020 amounted to EUR 24.5 million and increased net retained losses to EUR 2,385.1 million as of 30 June 2020.

25. Contingencies

Contingent liabilities

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

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

Other obligations

The reported volume of EUR 0.2 billion (previous year: EUR 0.2 billion) was due to the lending business.

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

26. Geographical breakdown of income components

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

	Interest income	Current income	Fees and commission income	Other operating income
	1/1-30/6/2020 EUR million	1/1-30/6/2020 EUR million	1/1-30/6/2020 EUR million	1/1-30/6/2020 EUR million
Germany	38.0	0.5	0.8	1.8
UK	47.9	-	-	-
Rest of Europe	107.6	-	-	-
Far East and Australia	10.8	-	-	-
North America	32.8	-	-	-
IS amount	**237.1**	**0.5**	**0.8**	**1.8**

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 30 June 2020, net other operating expenses and income comprised EUR 21.7 million (previous year: EUR 3.0 million) in expenses and EUR 1.8 million (previous year: EUR 1.3 million) in income.

The expenses included EUR 1.7 million (previous year: EUR 0.3 million) from the foreign exchange result in the banking book and reversals of provisions in the amount of EUR 0.0 million (previous year: EUR 0.5 million). Most of the expenses related to additions to provisions.

28. Risk provision

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

	1/1-30/6/2020 EUR million	1/1-30/6/2019 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	**36.0**	**38.6**
Loans and securities income/expense	**35.7**	**27.8**
of which: - Lending operations	35.6	27.8
Shareholdings and securities income/expenses	**0.3**	**10.8**
of which: - Shareholdings	-0.7	8.8
- Securities	1.0	2.0
Expenses from loss assumption	**-**	**-**
Risk provision and financial investment result including loss assumption (pursuant to risk report)	**36.0**	**38.6**
Result of risk provisions – loans and advances/securities due to credit risk	**35.7**	**27.8**
of which: - Lending operations	35.7	27.8
Results from financial assets, shareholdings and loss assumption	**0.3**	**10.8**

The EAA always makes use of the options available under section 340f (3) and section 340c (2) HGB. Under section 340f (3) HGB, income and expenses resulting from the valuation in the lending business may be reported on a net basis with risk provisions for securities and income from the reversal of risk provisions on securities of the liquidity reserve. Net income amounted to EUR 35.7 million (previous year: net income EUR 27.8 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 0.3 million (previous year: income of EUR 10.8 million) as the risk result for shareholdings and securities.

29. Taxes

Taxes on income and earnings amounting to EUR 0.1 million (previous year: EUR 0.2 million) primarily related to foreign taxes.

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

Other disclosures

30. Forward contracts/derivative financial instruments

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

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

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

- Equity- and other price-related products
  Share options, index options, share and index warrants in issue

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

The total volume of forward transactions and derivatives transactions as of the reporting date amounted to EUR 159.2 billion based on notional values (previous year: EUR 168.6 billion). The focus remained on interest-rate-related products, whose share stood at 82.3% (previous year: 85.2%) of the total volume.

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

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	30/6/2020 EUR million	**31/12/2019 EUR million**	**30/6/2020 EUR million**	**31/12/2019 EUR million**	**30/6/2020 EUR million**	**31/12/2019 EUR million**
Interest rate-related products	**131,017.7**	**143,683.3**	**14,474.8**	**15,328.2**	**15,454.5**	**15,924.6**
OTC products	131,017.7	143,683.3	14,474.8	15,328.2	15,454.5	15,924.6
Exchange-traded products	-	-	-	-	-	-
Currency-related products	**26,253.4**	**22,958.7**	**437.7**	**587.8**	**462.7**	**320.3**
OTC products	26,253.4	22,958.7	437.7	587.8	462.7	320.3
Equity- and other price-related products	**1,972.1**	**1,972.1**	**21.5**	**8.5**	**21.3**	**8.0**
OTC products	1,972.1	1,972.1	21.5	8.5	21.3	8.0
Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
OTC products	-	-	-	-	-	-
Total	**159,243.2**	**168,614.1**	**14,934.0**	**15,924.5**	**15,938.5**	**16,252.9**
OTC products	159,243.2	168,614.1	14,934.0	15,924.5	15,938.5	16,252.9
Exchange-traded products	-	-	-	-	-	-

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 160.2 billion in fiscal year 2020 (previous year: EUR 192.8 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	30/6/2020 EUR million	31/12/2019 EUR million	30/6/2020 EUR million	31/12/2019 EUR million	30/6/2020 EUR million	31/12/2019 EUR million
Interest rate-related products	**133,310.4**	**164,310.6**	**14,804.8**	**16,074.1**	**15,618.6**	**16,759.2**
OTC products	133,310.4	164,077.0	14,804.8	16,074.1	15,618.6	16,759.2
Exchange-traded products	-	233.6	-	-	-	-
Currency-related products	**24,902.1**	**26,546.5**	**522.8**	**649.0**	**396.8**	**361.5**
OTC products	24,902.1	26,546.5	522.8	649.0	396.8	361.5
Equity- and other price-related products	**1,972.1**	**1,972.1**	**33.0**	**29.5**	**32.6**	**28.9**
OTC products	1,972.1	1,972.1	33.0	29.5	32.6	28.9
Credit derivatives	**-**	**12.0**	**-**	**-**	**-**	**0.1**
OTC products	-	12.0	-	-	-	0.1
Total	**160,184.6**	**192,841.2**	**15,360.6**	**16,752.6**	**16,048.0**	**17,149.7**
OTC products	160,184.6	192,607.6	15,360.6	16,752.6	16,048.0	17,149.7
Exchange-traded products	-	233.6	-	-	-	-

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

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

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity- and other price-related products		Credit derivatives	
	30/6/2020 EUR million	31/12/2019 EUR million	30/6/2020 EUR million	31/12/2019 EUR million	30/6/2020 EUR million	31/12/2019 EUR million	30/6/2020 EUR million	31/12/2019 EUR million
Due								
- within 3 months	16,890.9	13,484.9	7,280.3	6,508.4	-	-	-	-
- 3 months to 1 year	13,947.0	15,084.9	5,745.1	3,032.3	1,972.1	-	-	-
- 1 to 5 years	36,604.5	41,594.5	7,894.8	7,819.2	-	1,972.1	-	-
- after 5 years	63,575.3	73,519.0	5,333.2	5,598.8	-	-	-	-
Total	**131,017.7**	**143,683.3**	**26,253.4**	**22,958.7**	**1,972.1**	**1,972.1**	**-**	**-**

31. Number of employees

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

	Male	Female	Total 1/1-30/6/2020	Total 1/1-30/6/2019
Number of employees	89	61	150	164

As of 30 June 2020 the EAA employed 134 (30 June 2019: 154) full-time equivalents.

32. Stakeholders in the EAA

	30/6/2020 in %	31/12/2019 in %
State of NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
Total	**100.000**	**100.000**

33. Memberships of other bodies held by Managing Board members

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

Christian Doppstadt
Mount Street Portfolio Advisers GmbH * (until 30 April 2020)
Erste Financial Services GmbH (until 9 April 2020)

Horst Küpker
EDD AG i.L. *
Erste Financial Services GmbH (until 9 April 2020)
Westdeutsche Spielbanken GmbH *

34. Memberships of other bodies held by employees

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

Dr Hartmut Schott
EAA Covered Bond Bank Plc

35. Executive bodies of the EAA

Members of the Managing Board of the EAA
Christian Doppstadt
Horst Küpker

Members of the Supervisory Board of the EAA
Dr Patrick Opdenhövel
Chairman
State Secretary in the Ministry of Finance of NRW

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

Michael Breuer
President of the Rheinischer Sparkassen- und Giroverband

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

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

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

Wilfried Groos
Chairman of the Managing Board of the Sparkasse Siegen

Frank Hellwig (since 1 May 2020)
Former Member of the Managing Board of FMS Wertmanagement AöR

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

Matthias Löb
Director of the Landschaftsverband Westfalen-Lippe

Angelika Marienfeld (until 30 April 2020)
Former State Secretary in the Ministry of Finance of NRW

Michael Stölting
Member of the Managing Board of NRW.BANK

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

Stakeholders' Meeting of the EAA

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

36. Information on shareholdings

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

Shareholdings in a foreign currency converted into EUR using the balance sheet rate
Disclosure of capital share and voting rights in %, amounts in EUR thousand
Disclosure of voting rights only if the percentage share differs from the share of capital

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Achte EAA-Beteiligungs GmbH [9]	Düsseldorf	100.00		EUR	19	-9
2	ANC Handels GmbH & Co. KG [1]	Mörfelden-Walldorf	1.00			n. s.	n. s.
3	CBAL S.A. [2) 7)]	Brussels, Belgium	100.00		EUR	1,736	175
4	COREplus Private Equity Partners GmbH & Co. KG [1) 5)]	Frankfurt am Main	36.52	0.00	EUR	1,578	1,327
5	COREplus Private Equity Partners II - Diversified Fund, L. P. [9]	Wilmington, US	24.75	0.00	USD	2,612	69
6	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n. s.	n. s.
7	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n. s.	n. s.
8	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG i.L. [1) 9)]	Aschheim	92.20	91.82	EUR	75	-59
9	Deutsche Anlagen-Leasing Service & Co. Sparkassenneubau Teltow-Fläming KG [1) 9)]	Aschheim	78.49	77.70	EUR	239	1,119
10	Dritte EAA Anstalt & Co. KG [2) 9)]	Düsseldorf	100.00		EUR	579,802	800
11	Dusskapital Zwanzig Beteiligungsgesellschaft mbH [9]	Düsseldorf	100.00		EUR	43	4
12	EAA Charity LLP [1) 9)]	Wilmington, US	100.00		USD	20,631	1,370
13	EAA Covered Bond Bank Plc [9) 10)]	Dublin 1, Ireland	100.00		EUR	525,395	-4,391
14	EAA DLP I LLP [1) 9)]	Wilmington, US	100.00		USD	113,419	23,706
15	EAA DLP II LLP [1) 9)]	Wilmington, US	100.00		USD	90,035	193
16	EAA DLP III LLP [1) 9)]	Wilmington, US	100.00		USD	148,132	-2,284
17	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. [9]	Sao Paulo, Brazil	100.00		BRL	618	-10
18	EAA Europa Holding GmbH [3) 9)]	Düsseldorf	100.00		EUR	731	0
19	EAA Greenwich LLP [1) 9)]	Wilmington, US	100.00		USD	122,982	-6,526
20	EAA LAT ABC LLP [1) 9)]	Wilmington, US	100.00		USD	160,025	4,405
21	EAA LAT II LLP [1) 9)]	Wilmington, US	100.00		USD	182,803	13,004
22	EAA LS Holdings LLC [1) 9)]	Wilmington, US	100.00		USD	0	n. s.
23	EAA PF LLP [1) 9)]	Wilmington, US	100.00		USD	158,918	4,118
24	EAA Triskele LLP [1) 9)]	Wilmington, US	100.00		USD	191,362	-6,624
25	EAA US Holdings Corporation [5]	Wilmington, US	100.00		USD	41,369	-3,158
26	ECP Funding LLC [1) 5)]	Dover, US	100.00		USD	0	0

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
27	EDD AG i.L. [8]	Düsseldorf	22.82		EUR	21,601	n. s.
28	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH [5]	Potsdam	47.50		EUR	0	414
29	Erste EAA Anstalt öffentlichen Rechts & Co. KG [2) 3) 9]	Düsseldorf	100.00		EUR	49	0
30	Erste Financial Services GmbH [9]	Düsseldorf	100.00		EUR	23,983	-6,021
31	Garnet Real Estate LLC [1) 5]	Wilmington, US	100.00		USD	0	0
32	GKA Gesellschaft für kommunale Anlagen mbH i.L. [1) 9]	Düsseldorf	100.00		EUR	176	103
33	Indigo Holdco LLC [1) 5]	Dover, US	100.00		USD	2,692	0
34	Indigo Land Groveland LLC [1]	Wilmington, US	100.00			n. s.	n. s.
35	Leasing Belgium N.V. [1) 9]	Antwerp, Belgium	100.00		EUR	316	-18
36	MCC SB Condo LLC [1) 5]	Wilmington, US	100.00		USD	0	0
37	MCC SB Unit 144 LLC [1) 5]	South Bend, US	100.00		USD	0	0
38	MCC SB Unit 145 LLC [1) 5]	South Bend, US	100.00		USD	0	0
39	MCC SB Unit 146 LLC [1) 5]	South Bend, US	100.00		USD	0	0
40	MCC SB Unit 147 LLC [1) 5]	South Bend, US	100.00		USD	0	0
41	MCC Tern Landing LLC [1) 5]	Wilmington, US	100.00		USD	1,072	0
42	Meritech Capital Partners II L.P. [1) 5]	Palo Alto, US	0.06	0.00	USD	42,866	9,438
43	MFC Holdco LLC [1) 5]	Dover, US	100.00		USD	1,072	0
44	MFC Pinecrest LLC [1]	Wilmington, US	100.00			n. s.	n. s.
45	MFC Real Estate LLC [1) 5]	Dover, US	100.00		USD	0	0
46	MFC SB BAR, LLC [1) 5]	South Bend, US	100.00		USD	0	0
47	Mod CapTrust Holding LLC [1) 5]	Dover, US	100.00		USD	0	0
48	Monolith Grundstücksverwaltungsgesellschaft mbH i.L. [1) 9]	Mainz	100.00		EUR	-32	-4
49	New NIB Partners LP [9]	New York, US	0.94	0.00	EUR	518,361	2,098
50	S-Chancen-Kapitalfonds NRW GmbH i.L. [9]	Haan	50.00		EUR	2,011	-30
51	Sechste EAA-Beteiligungs GmbH [9]	Düsseldorf	100.00		EUR	19	-9
52	Siebte EAA-Beteiligungs GmbH [9]	Düsseldorf	100.00		EUR	42	-8
53	ThyssenKrupp Aufzugswerke GmbH [6]	Neuhausen auf den Fildern	0.50		EUR	13,951	0
54	thyssenkrupp Electrical Steel GmbH [6]	Gelsenkirchen	0.42		EUR	96,922	0
55	thyssenkrupp Materials Processing Europe GmbH [6]	Krefeld	0.42		EUR	57,903	0
56	thyssenkrupp Materials Services GmbH [6]	Essen	0.16		EUR	745,235	0
57	ThyssenKrupp Rasselstein GmbH [6]	Andernach	0.50		EUR	247,021	0
58	West Life Markets GmbH & Co. KG [3) 9]	Düsseldorf	100.00		EUR	1,312	0
59	West Merchant Limited [5]	London, UK	100.00		GBP	8	-15
60	West Zwanzig GmbH [3) 9]	Düsseldorf	100.00		EUR	25	0
61	Westdeutsche ImmobilienHolding GmbH [3) 9]	Düsseldorf	100.00		EUR	5,539	0
62	WestGKA Management Gesellschaft für kommunale Anlagen mbH i.L. [2) 9]	Düsseldorf	100.00		EUR	642	0
63	WestInvest Gesellschaft für Investmentfonds mbH [1) 9]	Düsseldorf	0.00		EUR	11,339	0

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
64	WestLeasing International GmbH [1) 9)]	Düsseldorf	100.00		EUR	235	-10
65	WestLeasing Westdeutsche Leasing Holding GmbH [3) 9)]	Düsseldorf	100.00		EUR	3,625	0
66	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. [1) 4)]	Düsseldorf	100.00		EUR	224	0
67	Windmill Investments Limited [9)]	George Town, Cayman Islands	5.07	0.00	USD	38,255	-155
68	WIV GmbH & Co. Beteiligungs KG [9)]	Frankfurt am Main	5.10		EUR	12,835	735

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
69	Banco Finantia S.A. [9)]	Lisbon, Portugal	8.93		EUR	462,024	35,972

Other companies for which the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
70	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 2017.
[5] Data as of 31 December 2018.
[6] Data as of 30 September 2019.
[7] Data as of 31 October 2019.
[8] Data as of 30 November 2019.
[9] Data as of 31 December 2019.
[10] A global guarantee exists.

Subsequent events

The EAA CBB registered covered bonds purchased by the EAA from third parties in the first half of 2020 were sold to EAA CBB in July 2020 and subsequently terminated by EAA CBB. The EAA has thus reached an important milestone in accelerating the winding-up of the Irish bank.

The EAA implemented a reorganisation on 1 July 2020. In this context, the Controlling & Planning department, among others, was allocated to the Finance & Tax, IT/Organisation, Legal & Compliance and Risk Controlling departments in line with their functions.

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

Responsibility statement

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

Düsseldorf, 18 August 2020

Erste Abwicklungsanstalt

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

Review report

To the Erste Abwicklungsanstalt, Düsseldorf

We have reviewed the condensed interim financial statements – comprising the balance sheet, income statement, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim management report of Erste Abwicklungsanstalt, Düsseldorf, for the period from 1 January to 30 June 2020, which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz"; German Securities Trading Act). The preparation of the condensed interim financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the German Securities Trading Act applicable to interim management reports is the responsibility of the institution's Managing Board. Our responsibility is to issue a review report on the condensed interim financial statements and on the interim management report based on our review.

We conducted our review of the condensed interim financial statements and the interim management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed interim financial statements have not been prepared, in all material respects, in accordance with German commercial law and that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports. A review is limited primarily to inquiries of institution's personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim financial statements have not been prepared, in all material respects, in accordance with German commercial law nor that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports.

We draw attention to the information provided in section "Other risks" of the interim management report with regard to a claim asserted against the institution in connection with dividend arbitrage transactions. After a detailed assessment of the claim asserted, the Anstalt considers this claim to be unfounded on the basis of the information available to it and with the assistance of external legal advisors commissioned by the Anstalt, and has therefore not recognised a provision. Our opinions on the condensed interim financial statements and on the interim management report are not modified in respect of this matter.

Düsseldorf, 19 August 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

List of abbreviations

ABS	Asset backed securities
ALM	Asset liability management
APAC	Asia-Pacific economic area
AT	General part
AUD	Australian dollar
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
BilMoG	German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)
BRL	Brazilian real
CAD	Canadian dollar
CCY	Currency code
CHF	Swiss franc
CVA	Credit valuation adjustments
DAC	Designated activity company
DAX	German stock index
DRS	German Accounting Standard (Deutscher Rechnungslegungsstandard)
EAA	Erste Abwicklungsanstalt, Düsseldorf
EAA CBB	EAA Covered Bond Bank Plc, Dublin/Ireland
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
EFS	Erste Financial Services GmbH, Düsseldorf (Portigon Financial Services GmbH until 28 June 2016)
EMEA	Europe, Middle East and Africa economic area
ESM	European Stability Mechanism
EU	European Union
EUR	Euro
EURO STOXX 50	European stock index
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
GDP	Gross domestic product
HGB	German Commercial Code (Handelsgesetzbuch)
HRA	Commercial register department A (Handelsregister Abteilung A)
HSBC	HSBC Trinkaus & Burkhardt AG, Düsseldorf
IBM	IBM Deutschland GmbH, Ehningen
IDW	Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer)
IS	Income statement

IT	Information technology
JPY	Japanese yen
KWG	German Banking Act (Kreditwesengesetz)
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
Muni GIC	Municipal guaranteed investment contracts
NPL	Non-performing loans
n. s.	Not specified
N.R.	Not rated
No.	Number
NRW	North Rhine-Westphalia
OTC	Over the counter
PLN	Polish zloty
Portigon	Portigon AG, Düsseldorf (WestLB AG until 2 July 2012)
py	Previous year
RechKredV	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
S&P	Standard and Poor's Corporation
S&P 500	US stock index
S.R.	Special rating
SGD	Singapore dollar
StFG	German Financial Market and Economic Stabilisation Fund Act – Stabilisation Fund Act (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)
WpHG	German Securities Trading Act (Wertpapierhandelsgesetz)

Imprint

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