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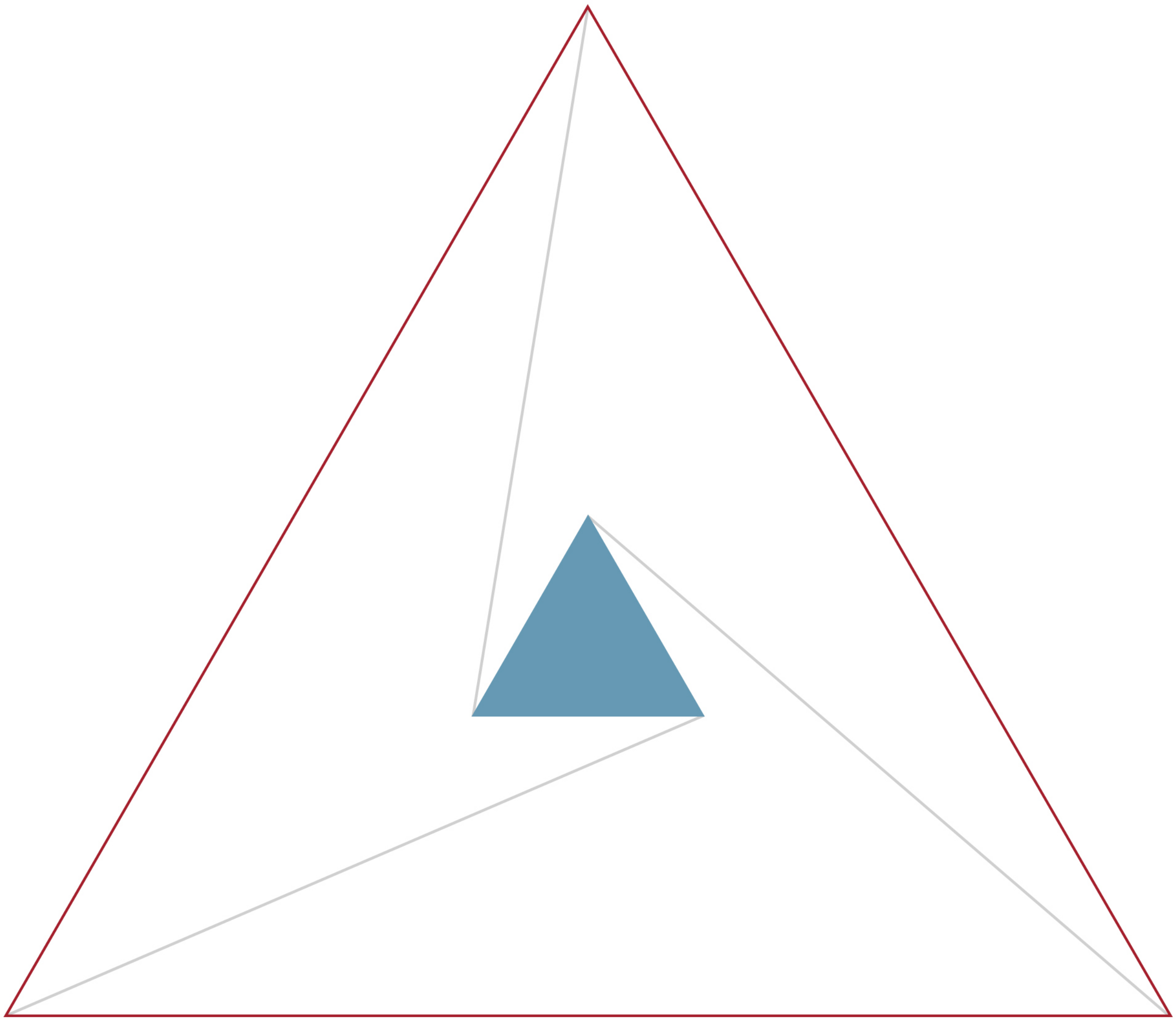


INTERIM REPORT
30 JUNE 2019

Contents

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

EAA key figures

Income statement in EUR million	**1/1-30/6/2019**	**1/1-30/6/2018**
Net interest result	41.4	64.0
Net fee and commission result	-8.6	-9.3
Net trading result	-1.1	8.5
Total other operating expenses/income	-2.0	64.3
General administrative expenses	-67.8	-77.9
Results from financial assets and shareholdings	10.8	-3.0
Results prior to risk provisioning	**-27.3**	**46.6**
Loan loss provisions	27.8	-43.9
Results before taxes	**0.5**	**2.7**
Taxes	-0.2	-1.1
Net result for the year	**0.3**	**1.6**

Balance sheet in EUR billion	**30/6/2019**	**31/12/2018**
Total assets	43.2	39.7
Business volume	45.5	44.2
Lending business	17.9	19.8
Trading assets	16.8	14.6
Equity	0.7	0.7

Winding-up	**30/6/2019**	**30/6/2018**
Banking book		
Notional value (before FX effect) in EUR billion	16.4	20.2
Winding-up activities (compared with previous year-end) in EUR billion	-1.8	-2.8
Winding-up activities (compared with previous year-end) in %	-9.6	-12.0
Trading portfolio		
Notional value (before FX effect) in EUR billion	158.2	193.4
Winding-up activities (compared with previous year-end) in EUR billion	-12.9	-12.5
Winding-up activities (compared with previous year-end) in %	-7.5	-6.1

Employees	**30/6/2019**	**31/12/2018**
Number of employees	166	160

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

Foreword

Dear Ladies and Gentlemen,

The EAA posted a net result of EUR 0.3 million for the first six months of the 2019 fiscal year. Because of the advanced state of portfolio reduction, current income from interests as well as from fees and commissions was, as expected, no longer sufficient to cover general administrative expenses. However, income from the reversal of risk provisions offset the negative operating result.

As previously stated, the EAA cannot rule out losses in the next few fiscal years. Despite substantial cost reductions – the decline in the first half year compared with the same period of the previous year was once again 10% – it is no longer possible at this stage of the wind-up process to reduce all the cost components to the same extent as the income from the decreasing portfolio. This is taken into account in the EAA's wind-up planning and does not threaten the wind-up targets from today's perspective.

The reduction of the assets in the banking book and the trading portfolio that were transferred to the EAA continued successfully in the first half of the year. The nominal volume of lending and securities in the banking book fell by almost EUR 2 billion to EUR 16.4 billion (-9.6%) in the period from January up to and including June 2019. The quality of the portfolio remained stable, with 69% thereof currently dominated by medium, good and very good ratings. The predominantly derivative products in the trading portfolio fell by a notional amount of around EUR 13 billion to EUR 158.2 billion (-7.5%) in the first half of the year. The nominal reduction achieved in the EAA portfolio at the end of the first half year was not reflected in the development of balance sheet items. This is because the wind-up progress made was overshadowed in the balance sheet by liquidity management measures and by the changes in interest rate levels, which is reflected in the valuation of the trading portfolio.

The EAA expects the banking book volume to fall to around EUR 15 billion for the full-year 2019, through maturities and active portfolio management. A good 90% of all the loans and securities transferred to the EAA – since it was established at the end of 2009 – is therefore expected to be wound up by the end of the year. The notional volume of the trading portfolio should be around EUR 145 billion at the end of 2019, which equates to a decline of around 86%. In addition, the EAA is intensively examining how the winding up of the remaining portfolios and the associated risks can continue to be driven forward in an effective and cost-efficient manner in order to reach the wind-up targets earlier than planned.

Yours sincerely

Matthias Wargers
Spokesman
of the Managing Board

Christian Doppstadt
Member
of the Managing Board

Horst Küpker
Member
of the Managing Board

Interim management report

For the period from 1 January to 30 June 2019

Business and environment

Operating activities of the EAA

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

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

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

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

The wind-up plan describes the intended winding-up activities of the EAA by classifying its assets into sub-portfolios (clusters) and standard strategies, and contains a schedule for the winding up of assets. The standard strategies are oriented on an investor or disposal perspective, and take into consideration the "Self-monetisation", "Managed divestment" and "Hold" categories. The "Self-monetisation" strategy comprises assets that will be repaid in full by 2020, while the "Managed divestment" strategy takes into consideration long-term assets for which active portfolio measures are possible from the EAA's perspective. The "Hold" strategy concerns positions that will probably be held until planned maturity owing to their specific features, although this does not preclude active portfolio management. The strategy for winding up the portfolio could include selling the assets prior to their maturity, holding them until maturity or restructuring the relevant items. The EAA reviews the wind-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 wind-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 wind-up plan, and documents the success of the wind-up strategy. The annual wind-up report must be adopted by a resolution of the Supervisory Board before being submitted to the FMSA.

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

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

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

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

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

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

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

Against this background, the EAA and EFS have further outsourced a large proportion of the services rendered to a third party. Besides the IT and operational services, which EFS provides via IBM as an external service provider, the EAA receives portfolio management services from MSPA, a former subsidiary of the EAA. Within the scope of its long-term service strategy, the EAA largely outsourced the provision of portfolio services to third parties, with the objective of maintaining continuity and stability on the one hand and enabling flexibility on the other. EFS's remaining function is expected to be integrated into the EAA in the medium term.

Economic environment

Economic sentiment has deteriorated

Compared with the starting point one year ago and the situation that still prevailed six months ago, important sentiment indicators have deteriorated. The purchasing managers' indices in many eurozone states, the UK, the US and in China have cooled down noticeably in some cases. Despite this negative sentiment, the gains that were achieved on equity investments signal that the companies and their profits had in fact to be in good order. Germany's leading DAX 30 index increased by 10.4% compared with the start of the year, while US equities (S&P 500) made gains of 14.3%.

The divergence between the development of equity markets and the sentiment in the companies can be explained by various factors. The current recovery cycle is about to go down in history as the US economy's longest growth phase. Every day that passes increases the likelihood that the recovery will end. Furthermore, decision-makers in the companies are currently required to keep an eye on a variety of crises and problems, such as the UK's exit from the EU and the trade disputes provoked by the US.

US economy: current recovery cycle in its tenth year

US second quarter GDP posted growth of 0.5% over the previous quarter. Private consumption (+1% quarter on quarter) and government spending (+1.2% quarter on quarter) contributed to economic growth, while exports (-1.3% quarter on quarter) and investments (-1.2% quarter on quarter) restricted economic growth. The ongoing growth in overall consumer spending suggests that the mood among US consumers is positive. At 121.5 points, consumer confidence is significantly above the long-term average of 97.1 points (1995-2019), therefore signalling the buoyant mood. Nonetheless, it can be observed that US consumer confidence has deteriorated; this index was still a good 16.4 points higher in October 2018.

The positive outlook of US consumers vis-à-vis the future is due to the situation on the US labour market, among other things. The unemployment rate fell from 3.9% in the second quarter of 2018 to 3.6% in June 2019, thus reaching its lowest level since 1989. This improvement was driven by very robust job creation in the past 24 months. According to the labour market report, an average of 200,000 new jobs were created every month between June 2017 and June 2019, with as many as 224,000 in June 2019. This ongoing creation of jobs is therefore significantly above the growth of the working-age population in the US, which is rising by an average of 100,000 persons per month.

Having marked a cyclical peak of 60.8 points last August, the purchasing managers' index for the manufacturing industry has fallen noticeably since then and at 51.7 points is currently only just above the critical mark of 50 points, which signals an increase in economic activity.

These developments prompted the Fed to act. Although the Federal Open Market Committee was still forecasting in the fourth quarter of 2018 a gradual tightening of monetary policy, the Fed's own key rate forecast at the start of 2019 led to a shift towards not taking action. The Fed once again changed its mind during the second quarter and held out the prospect of one to two interest rate cuts of 25 bps each in order to realign US interest rates.

The members of the Federal Open Market Committee held the view that the increasingly flattening US yield curve posed a problem. Expectations of rising key rates drove up short-term yields, while long-term yields did not climb much above 3.2%, thus raising the threat of an inverted yield curve. This has been a good indicator of a looming recession in the past. From the Fed's perspective, this inversion and the negative fallout from the trade disputes is apparently so serious that it lowered rates for the first time at the end of July 2019. Further adjustments to key rates are on the cards too.

Weak growth ahead

Having succeeded in climbing by a 0.65% per quarter on average over the last twelve quarters, US economic performance is likely to struggle to keep up this pace in the quarters ahead. Nonetheless, the threat of a new recession in the coming two years is (still) low. The US economy continues to demonstrate no late-cyclical pattern that would suggest an imminent end to the recovery. With rates of between 1.7% and 2.7% in the last twelve months, inflation is too low for a boom phase. The same applies to wage rate growth – which was only 3.1% higher year on year in June 2019 – despite the low unemployment rate. Annual wage increases of 4% and more were not uncommon in previous boom phases. This inflation situation is therefore likely to continue for some time yet, despite evidence of the first signs of accelerating inflation in the future.

US companies are currently reporting about the difficulties they are experiencing in passing on costs in consumer prices. The scarcity phenomenon on the labour market was mentioned as a cost driver and rising wage costs are making it difficult to fill vacant positions. Higher costs for imported products due to the trade disputes are also weighing on companies. If companies continue to face rising costs and the current US labour market situation remains strained, companies will become more disposed to passing these costs on to the end users.

GDP is expected to rise at a quarterly rate of between 0.4% and 0.5% over the next four quarters. The EAA anticipates a growth rate of 2.5% for 2019 as a whole. The pace of expansion is likely to ease in subsequent years. The EAA is predicting growth of 1.8% for 2020. These expected growth rates will be attributable in particular to the US consumer's mood for spending, whose sentiment is supported by the low unemployment rate and faster pace of wage growth.

In light of these expectations, the EAA believes that rather than heralding in a new interest rate cycle, the Fed is merely aiming for a recalibration of interest rates, with two to three rate cuts of 25 bps each. The first step was taken at the end of July 2019 and the EAA expects the second rate cut to follow in September 2019. Because of only low inflationary pressure and these rate cut expectations, the US yield curve should steepen again marginally. The EAA expects a long-term yield of 2.1% to 2.2% at year-end 2019 and of 2.3% at year-end 2020, while the short-term rate should be around 1.9% at both year-end 2019 and 2020. It expects the US dollar to trade at USD 1.12 to 1.20 per EUR during this period.

This forecast depends on two central risks.

- The trade disputes: Much of the deteriorating sentiment in recent weeks and months can be attributed to the escalation of the trade disputes between China and the US. These disputes have had the effect of slowing down China's economic growth – an impact that has negative repercussions for many economies. It should also be noted that the tariffs imposed are increasing production costs on the back of more expensive imports. Companies will pass these costs on to consumers as much as they can, which could put a damper on the consumer-driven recovery.

- Recalibration by the Fed of US interest rates: The Fed has demonstrated great sensitivity to date and has raised interest rates at a very slow pace. US yields have increased since then and the yield curve has flattened noticeably at the same time, thus raising the threat of an inverted US yield curve. An inverted curve can signal a looming recession, which can be an indicator of tightening too rapidly. At present, the Fed is attempting to lower funding costs with two interest rate cuts of 25 bps each, thus ensuring the current economic recovery continues. However, there is a risk that rate cuts totalling 50 bps might not be enough.

Significantly lower economic growth

While economic performance in the eurozone in the fourth quarter of 2018 rose by 0.2% over the previous quarter, it posted a 0.4% quarter on quarter increase in the first quarter of 2019 – a temporary acceleration. In the second quarter of 2019, the growth rate returned to 0.2% over the previous quarter. Although the eurozone continues to grow, the margin between growth and stagnation is now very narrow.

The slowdown in growth in the first half of 2019 was accompanied by deteriorating sentiment indicators: purchasing managers' indices, consumer confidence and sentiment in the manufacturing industry all declined. The trade disputes between the US and the EU also weighed on sentiment. This is compounded by the uncertainty as to how and when the UK will leave the EU and by weaker growth in China. Consumers and investors are holding back on spending as a result of these developments.

The outcome of these uncertainties and the recalibration of US interest rates is that the ECB must also address the adequacy of its current monetary policy strategy. The US interest rate cut already carried out and potential further cuts could lead to an unwelcome appreciation of the euro vis-a-vis the US dollar. This could put a further dampener on the eurozone's economy as the euro appreciation would increase the export prices of products from the eurozone. This is why the ECB therefore announced a wide-ranging review of its own strategy at the last meeting of the Governing Council of the ECB on 25 July 2019. Working groups are expected to draw up recommendations for the Council before its next meeting on 12 September 2019 as to how the ECB can respond to this difficult situation. The ECB is examining in particular whether it can expand its securities purchase programme (probably to eurozone government bonds too). Another reduction in the deposit rate of at least 10 bps is also being examined. Given that the negative interest rates are burdening banks' profitability, other measures to provide relief to banks should be examined – proposals extend from simple allowances to tiered deposit rates.

For the economic environment, this approach taken by the ECB means that a certain degree of support can be expected at least from monetary policy. This is currently the view held by financial markets too. The extent to which the ECB must and then can take further accompanying measures depends on the review of the measures by its own experts. The courts in particular must also examine whether the ECB may purchase securities over and above the self-imposed limit of a maximum 33% of the outstanding amounts.

The EAA therefore expects the eurozone's economic performance to rise only marginally in the second half of 2019. For the second half of 2019, it expects the GDP growth rate to increase by 0.3% per quarter. While the EAA expects an increase of just under 1.1% for the year 2019 as a whole, it anticipates growth of 1.2% for 2020. The ten-year Bund yield is expected to be at -20 bps by the end of 2019 – an increase of around 16 bps since the end of June 2019. A yield of 0.2% is expected for 2020.

The most important economies of the eurozone at a glance

The economy in Germany has cooled noticeably. Uncertainty about the impact of the economic slowdown in China, the future mutual relationships with the UK and the crisis in Turkey is weighing on German exporting companies. This is aggravated by the problems in the automotive industry and the threat of tariffs being imposed by the US. Economic growth is likely to accelerate only marginally in the course of the second half of 2019, so that German GDP in 2019 should increase by only 0.7% over 2018.

As is the case in Germany, French economic growth has slumped noticeably, albeit not to the same extent. The expansive measures by the French government to alleviate the effects of the yellow-vest protests prevented a greater decline. France's economic performance should improve by 1.3% in 2019.

Italy's economic performance is expected to stagnate in 2019. No noticeable acceleration of growth is anticipated for the years ahead either. While 0.5% growth is expected for 2020, it should be at 0.6% in 2021. Political factors in particular appear to be preventing an improvement in the situation. The coalition government comprising the left-wing Five Star Movement and right-wing Lega party has repeatedly been happy to flirt with collapsing the coalition, new spending programmes and tax cuts. This has negative repercussions for sentiment among Italian companies and consumers. The pressure coming from Brussels and the bond markets is preventing the coalition government from implementing its plans to cut taxes and increase expenditure at a ratio of 1:1. The EAA expects the ten-year Bund spread to fluctuate within a range of 200 to 300 bps in the coming years. Ten-year Italian yields are expected to rise to 2.4%.

Spain has grown at a noticeably faster pace than the eurozone average in recent years. Going forward, Spanish growth momentum should ease as there is no further dormant capacity that can be integrated into production processes. The change of government in Madrid opens up opportunities to reach a negotiated solution in the Catalan crisis. Spain's acting Prime Minister Sánchez has started negotiations with the Catalan nationalists about realigning relations between the central government and the regions. However, failure by the Spanish social democrats to find a coalition partner could lead to new elections. The EAA anticipates Spanish GDP will grow by a rate of 2.3% for the year 2019 as a whole.

Economic report

Overview of economic development

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

The notional volume of the banking book fell 9.6% to EUR 16.4 billion. The notional volume of the trading portfolio declined by 7.5% to EUR 158.2 billion during the same period.

The net result for the year of EUR 0.3 million was largely defined by the positive net interest result of EUR 41.4 million and loan loss provisions which together with the results from financial assets and shareholdings came to EUR 38.6 million. This was offset in particular by the negative net fee and commission result of EUR 8.6 million and general administrative expenses of EUR 67.8 million.

The EAA's total assets rose from EUR 39.7 billion in the previous year to their current level of EUR 43.2 billion, mainly due to liquidity management measures and an increase in the market values of positions held in the trading portfolio. The business volume, which also includes off-balance-sheet components, grew by 2.9% to EUR 45.5 billion (previous year: EUR 44.2 billion).

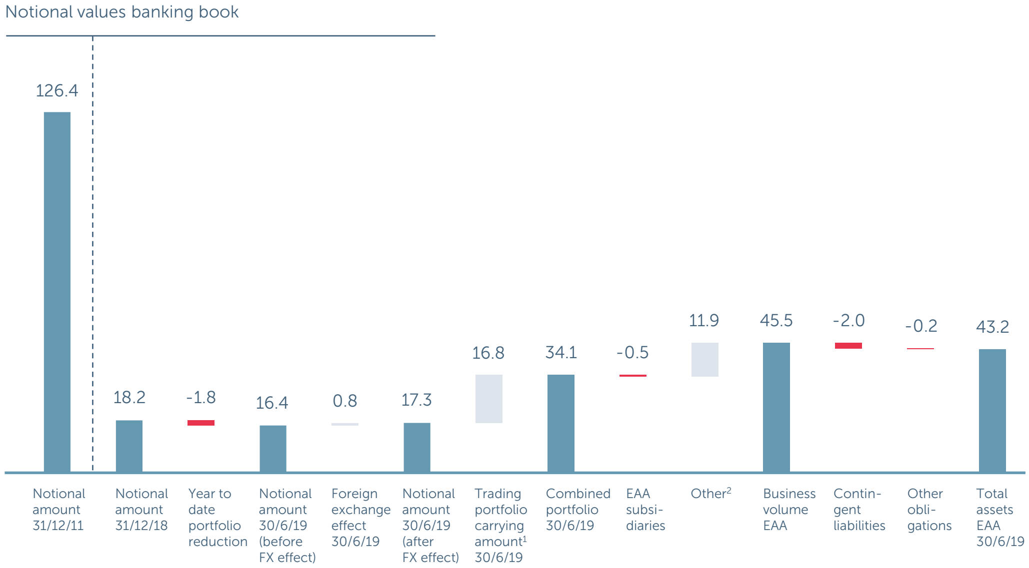
Wind-up report

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

The following overview shows the changes in the portfolio's notional amounts since 1 January 2019 and the reconciliation to the EAA's total assets as of 30 June 2019.

Reconciliation of the transferred notional volume to the balance sheet

in EUR billion



[1] Equates to the carrying amounts for trading portfolio assets.
[2] Contains money market transactions, cash collateral and other assets not relevant for the wind-up portfolio.

Under the EAA's management strategy, the success of the wind-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 wind-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 2019, the notional volume of the banking book was reduced from EUR 18.2 billion to EUR 16.4 billion (at exchange rates as of 31 December 2011, including the notional amounts of the guaranteed risk exposures held by the EAA's subsidiaries). That equates to a decline in notional volume of EUR 1.8 billion (9.6%). The volume at exchange rates as of 30 June 2019 is EUR 17.3 billion. The total banking book portfolio has decreased by EUR 110.0 billion or 87.0% since 1 January 2012.

Clusters	Notional 30/6/2019 EUR million	Notional 31/12/2018 EUR million	Notional volume (at exchange rates as of 31/12/2011) EUR million	Change to 31/12/2018 in %	Notional 30/6/2019 EUR million	Notional volume (at exchange rates as of 30/6/2019) FX effect[1] EUR million
Structured Securities	6,713.3	7,646.5	-933.2	-12.2	7,256.6	543.3
Public Finance & Financial Institutions	4,397.2	4,749.5	-352.3	-7.4	4,437.4	40.2
Real Assets	3,113.4	3,464.0	-350.6	-10.1	3,193.9	80.5
Structured Products	1,353.6	1,389.9	-36.3	-2.6	1,506.6	153.0
Corporates	806.2	880.6	-74.4	-8.4	833.1	26.8
Equity/Mezzanine	51.9	58.9	-7.0	-11.9	53.1	1.2
Total	**16,435.7**	**18,189.4**	**-1,753.7**	**-9.6**	**17,280.7**	**845.0**

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

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

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

There was a EUR +2.8 million effect on the wind-up plan in the first half of 2019 associated with sales and early repayments from the banking book portfolio. A positive wind-up plan effect of EUR +3.0 million was achieved from other measures. This effect was mainly the result of reversals of risk provisions.

Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 158.2 billion as of 30 June 2019. The notional volume of the trading portfolio decreased by a total of EUR 12.9 billion during the period from 1 January to 30 June 2019 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 905.8 billion or 85.1%.

Clusters	Notional 30/6/2019 EUR million	Notional 31/12/2018 EUR million	Notional volume (at exchange rates as of 30/6/2012) EUR million	Change to 31/12/2018 in %	Notional volume (at exchange rates as of 30/6/2019) Notional 30/6/2019 EUR million	FX effect[1] EUR million
Rates	155,643.8	168,413.2	-12,769.4	-7.6	156,020.7	376.9
Other	2,527.9	2,648.3	-120.4	-4.5	2,182.9	-345.0
Total	**158,171.7**	**171,061.5**	**-12,889.8**	**-7.5**	**158,203.6**	**31.9**

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

The reduction was largely as a result of maturities. The principal driving force was the Rates cluster with a total notional decrease of EUR 12.8 billion. This decline resulted primarily from maturities of around EUR 12.5 billion, active reduction measures totalling EUR 1.0 billion and offsetting hedging transactions in the amount of EUR 0.8 billion.

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

EAA’s overall situation

Earnings situation

The EAA’s earnings situation was impacted by the net interest result of EUR 41.4 million, loan loss provisions which together with the result from financial assets and shareholdings came to EUR +38.6 million, as well as by general administrative expenses of EUR 67.8 million and the net fee and commission result of EUR -8.6 million. Personnel expenses totalled EUR 11.8 million. Other administrative expenses of EUR 56.0 million were comprised mainly of expenses for services rendered by EFS, as well as by IBM and MSPA.

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

The net trading result of EUR -1.1 million was down on the same period of the previous year, thanks to the change in the valuation reserves and the active management of the positions. The net fee and commission result is mainly attributable to the fees payable on the equity capital drawing limit.

Overall, the results after taxes amounted to EUR 0.3 million (previous year: EUR 1.6 million). Because of the advanced state of portfolio reduction, losses cannot be ruled out in the next few fiscal years and have been taken into account in the EAA’s wind-up planning.

Income statement

	1/1-30/6/2019	1/1-30/6/2018	Change	
	EUR million	EUR million	EUR million	in %
Net interest result	41.4	64.0	-22.6	-35.3
Net fee and commission result	-8.6	-9.3	0.7	7.5
Net trading result	-1.1	8.5	-9.6	>-100
Total other operating expenses/income	-2.0	64.3	-66.3	>-100
Personnel expenses	-11.8	-12.1	0.3	2.5
Other administrative expenses	-56.0	-65.8	9.8	14.9
Results from financial assets and shareholdings	10.8	-3.0	13.8	>100
Results prior to risk provisioning	**-27.3**	**46.6**	**-73.9**	**>-100**
Loan loss provisions	27.8	-43.9	71.7	>100
Results before taxes	**0.5**	**2.7**	**-2.2**	**-81.5**
Taxes	-0.2	-1.1	0.9	81.8
Net result for the year	**0.3**	**1.6**	**-1.3**	**-81.3**
Net retained losses brought forward	-2,357.9	-2,360.6	2.7	0.1
Net retained losses	-2,357.6	-2,359.0	1.4	0.1

Financial position and issuing activity

The total notional amount of the portfolio of issued bearer bonds, promissory note loans and commercial paper was EUR 22.4 billion as of the reporting date. It included the global Commercial Paper Programme with a notional amount equivalent to EUR 12.4 billion.

The notional volume of new issues for medium and long-term funding amounted to USD 1.3 billion (EUR 1.1 billion) during the reporting period.

New notes were issued during the reporting period under the global Commercial Paper Programme, of which a notional amount equivalent to EUR 11.8 billion were outstanding at the reporting date. These consisted of USD 7.8 billion (EUR 6.8 billion), GBP 1.4 billion (EUR 1.5 billion) and EUR 3.4 billion.

As of the reporting date, the portfolio contained securities issued by the EAA with a notional volume of around EUR 49.0 million that were repurchased from the market for liquidity management purposes.

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

Asset position

The EAA's total assets as of 30 June 2019 amounted to EUR 43.2 billion (previous year: EUR 39.7 billion), which, with the inclusion of off-balance-sheet components, amounted to a business volume of EUR 45.5 billion (previous year: EUR 44.2 billion).

Assets

	30/6/2019	31/12/2018	Change	
	EUR million	EUR million	EUR million	in %
Cash reserve	3,410.2	1,400.9	2,009.3	>100
Loans and advances to banks	6,863.2	6,023.1	840.1	13.9
Loans and advances to customers	8,789.2	9,305.3	-516.1	-5.5
Securities (no trading portfolio)	6,153.5	7,050.0	-896.5	-12.7
Trading portfolio	16,793.5	14,560.9	2,232.6	15.3
Long-term equity investments and shares in affiliates	1,144.1	1,280.4	-136.3	-10.6
Other assets	85.0	76.8	8.2	10.7
Total assets	**43,238.7**	**39,697.4**	**3,541.3**	**8.9**

Liabilities and equity

	30/6/2019	31/12/2018	Change	
	EUR million	EUR million	EUR million	in %
Deposits from banks	2,113.0	1,872.0	241.0	12.9
Deposits from customers	3,610.2	2,526.8	1,083.4	42.9
Debt securities in issue	20,360.0	20,192.5	167.5	0.8
Trading portfolio	16,390.8	14,323.8	2,067.0	14.4
Provisions	80.7	93.1	-12.4	-13.3
Other liabilities	25.4	31.0	-5.6	-18.1
Equity	658.6	658.2	0.4	0.1
Total liabilities and equity	**43,238.7**	**39,697.4**	**3,541.3**	**8.9**
Contingent liabilities	2,024.2	2,540.7	-516.5	-20.3
Other obligations/loan commitments	211.1	1,970.5	-1,759.4	-89.3
Business volume	**45,474.0**	**44,208.6**	**1,265.4**	**2.9**

Loans and advances to banks increased by EUR 0.8 billion as of 30 June 2019 compared with the year-end 2018 amount. The increase was mainly the result of a higher volume of cash collateral provided for derivative transactions.

The decline in loans and advances to customers of around EUR 0.5 billion is mostly attributable to principal repayments in the lending business and to the spin-off of the residential construction credit portfolio.

The reduction of around EUR 0.9 billion in the securities portfolio is largely accounted for by principal repayments.

The increase of EUR 2.2 billion and EUR 2.1 billion in the balance sheet values of trading assets and liabilities is explained by decline in interest rates, so that the general wind-up of the trading portfolio is more than offset.

The rise in deposits from customers is due to the borrowing of time deposits within the scope of the liquidity management.

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

	30/6/2019	31/12/2018	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	6,863.2	6,023.1	840.1	13.9
Loans and advances to customers	8,789.2	9,305.3	-516.1	-5.5
Contingent liabilities	2,024.2	2,540.7	-516.5	-20.3
Other obligations/loan commitments	211.1	1,970.5	-1,759.4	-89.3
Lending business	**17,887.7**	**19,839.6**	**-1,951.9**	**-9.8**

Summary of the business situation

As planned, the reduction of the portfolio generated a lower net interest result for the EAA. The fee and commission expenses and administrative expenses incurred led to a negative result. The income from risk provisions offset these as of 30 June 2019, so that a profit was reported for the first half of 2019.

The EAA's assets are in good order. Its equity as of 30 June 2019 amounted to EUR 658.6 million. Adequate liquidity was available at all times.

Risk, opportunities and forecast report

Risk report

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

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

Risk management organisation

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

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

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

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

- Supporting management in connection with all risk policy issues, especially in the development and implementation of the risk strategy as well as in the organisation of a system for mitigating risks,

- Conducting a risk inventory and preparing the overall risk profile; and

- Assisting management with the establishment and development of risk management and risk controlling processes.

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

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

Risk reporting

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

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

Credit risks

Credit risks – banking book

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

The notional volume of the banking book portfolio (which primarily consists of loans and securities) declined by EUR 1.8 billion to EUR 16.4 billion during the first half of 2019 (at constant exchange rates as of 31 December 2011). Please refer to the section "Wind-up report" for more detailed information on the wind-up success.

Breakdown of notional volume by internal rating category[1]

	30/6/2019 EUR billion	31/12/2018 EUR billion
A0-A2	0.9	1.0
A3-A5	4.3	5.2
B1-B3	0.6	0.7
B4-B5	1.9	2.9
C1-C2	3.7	2.7
C3-C5	1.5	1.8
D1-D3	0.8	0.9
D4-E	0.8	0.9
S.R.	1.4	1.5
N.R.	0.6	0.6
Total	**16.4**	**18.2**

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

The quality of the banking book portfolio is reflected by an investment grade rating share (rating categories A0-C2) of around 69% (31 December 2018: 69%). About 32% (31 December 2018: 34%) of the notional volume has a very good rating (A0-A5) and around 37% (31 December 2018: 35%) is assigned to the mid-rating categories B1-C2. The rating category S.R. includes the opening clauses of the rating process and has a share of around 9% of the total portfolio (31 December 2018: 8%).

The EAA continues to aim for a portfolio reduction across all rating categories. The EUR 0.9 billion reduction in the A3-A5 rating category is largely due to repayments of EUR 0.8 billion for Phoenix notes in this rating category. The increase in rating category C1-C2 and reduction in rating category B4-B5 of EUR 1.0 billion in each case is mainly due to a rating downgrade.

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]

	30/6/2019 in %	31/12/2018 in %
Structured Securities	40.8	42.0
Public Finance & Financial Institutions	26.8	26.1
Real Assets	18.9	19.0
Structured Products	8.2	7.6
Corporates	4.9	4.8
Equity/Mezzanine	0.3	0.3
Total	**100.0**	**100.0**

[1] 30 June 2019 = EUR 16.4 billion; 31 December 2018 = EUR 18.2 billion.
[2] Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

The EAA's banking book portfolio consists of six clusters. The largest cluster, Structured Securities, with a total share of 40.8%, consists of three sub-portfolios: Phoenix (60.6% – please refer to the section "Phoenix" for further details), ABS (29.7%) and Dritte EAA (9.7%).

Breakdown of notional volume by maturities[1,2]

	30/6/2019 EUR billion	31/12/2018 EUR billion
<= 6 M	0.2	0.2
> 6 M <= 1 Y	0.8	0.3
> 1 Y <= 5 Y	2.2	3.0
> 5 Y <= 10 Y	4.0	4.4
> 10 Y <= 20 Y	5.4	6.3
> 20 Y	3.8	4.0
Total	**16.4**	**18.2**

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

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

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

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

Breakdown of notional volume by region[1]

	30/6/2019 EUR billion	31/12/2018 EUR billion
Americas[2]	8.0	9.1
EMEA	6.6	7.1
Germany	1.6	1.7
APAC	0.2	0.3
Total	**16.4**	**18.2**

[1] Excluding exchange rate effects (based on exchange rates as of 31 December 2011). The regional breakdown by borrowers or for securitisations is based on the main risk country of the asset pool.
[2] Contains EUR 2.0 billion for the Phoenix B note guaranteed by the State of NRW.

The regional breakdown of the notional volume hardly changed compared with 31 December 2018. Approximately 49% of the notional volume was attributable to the Americas region (31 December 2018: 50%). Repayments were the main reason for a decline of EUR 1.1 billion in the Americas region, particularly in the Structured Securities cluster (largely Phoenix).

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

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

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

Problem loans and risk provision

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

Result of risk provisions

	Provisions for loan losses EUR million	Charge-offs EUR million	Net change in loan loss provision EUR million	Other exp./inc. due to risk EUR million	Total allow. losses EUR million
Acute counterparty default risk	**10.8**	**33.9**	**23.1**	**5.5**	**28.6**
Credit risk	10.8	33.9	23.1	5.4	28.5
Other risk	-	-	-	0.1	0.1
Contingent counterparty default risk	**0.8**	**-**	**-0.8**	**-**	**-0.8**
Total	**11.6**	**33.9**	**22.3**	**5.5**	**27.8**

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 30/6/2019 in million		S&P rating	Legal maturity
Class A3	526.5	USD	BBB+	9/2/2091
Class A4	1,909.0	USD	B+	9/2/2091
	138.2	EUR	B+	9/2/2091
Class B	2,032.5	EUR	N.R.	9/2/2091

Repayments of EUR 0.2 billion and guarantee drawings totalling EUR 0.6 billion resulted in a decrease of the notional volume reported in euros in the reporting period to EUR 4.1 billion as of 30 June 2019 (at constant exchange rates as of 31 December 2011).

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

	30/6/2019 EUR billion	31/12/2018 EUR billion
A0-A2	-	-
A3-A5	2.4	3.2
B1-B3	-	-
B4-B5	0.1	-
C1-C2	1.5	1.7
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
Total	**4.1**	**4.8**

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

All of the Phoenix notes have an investment grade rating (rating categories A0-C2), taking into account the rating of the State of NRW (the guarantor for the Phoenix B note). Roughly EUR 3.0 billion of this guarantee had been utilised up to 30 June 2019. Thanks to the lower average residual maturity and coverage through the remaining assets combined with the guaranteed Phoenix B note, the internal rating of the A4 EUR tranche improved from C1 to B4.

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

Public Finance

The exposure to the public sector (including the Liquidity Portfolio) as of 30 June 2019 totals a notional amount of EUR 4.1 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 2.7 billion of this amount is attributable to the UK, Ireland, Italy, Portugal and Spain. Further information can be found in the section "Exposures to selected EU member states".

Securities account for 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 81%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from other European countries outside the eurozone, Africa and the Middle East (11%), North and South America (6%), and Asia and Australia (2%).

Credit risks – trading portfolio

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

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

OTC derivative counterparty default risks are assessed independently from the front office using CVA. When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. The CVA in the trading portfolio amounted to EUR 8.1 million as of 30 June 2019 (31 December 2018: EUR 7.9 million). The EUR 0.2 million increase in CVA is attributable to market fluctuations (EUR +0.4 million), changes in credit ratings (EUR +0.3 million), novations (EUR -0.2 million) and credit spread changes (EUR -0.3 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.

	30/6/2019 Exposure EUR million	30/6/2019 Limit EUR million	31/12/2018 Exposure EUR million	31/12/2018 Limit EUR million
Credit risk – money market positions[1]	3,041.6	5,223.5	2,876.4	5,223.5
Counterparty risk – OTC derivatives (pre-settlement risk)	298.9	2,358.0	293.0	2,433.0
Counterparty risk – repos	2.1	544.0	2.0	604.0

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

Compared with year-end 2018, the changes in the credit risk for money market positions as of 30 June 2019 were driven primarily by active liquidity management for the purpose of reducing liquidity risks. Counterparty risks from OTC derivatives are driven by transactions for liquidity steering (foreign exchange swaps) and interest rate hedging instruments (interest rate swaps).

Issuer risks

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

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

	< 1 Y EUR million	1-4 Y EUR million	4-8 Y EUR million	8-15 Y EUR million	> 15 Y EUR million	Total exposure EUR million
Public Finance	159.1	690.5	969.3	1,078.2	899.0	3,796.1
Financial Institutions	83.5	25.8	-	20.3	-	129.6
Other securities	1.4	2.2	235.7	221.1	2,696.8	3,157.2
Total 30/6/2019	**244.0**	**718.5**	**1,205.0**	**1,319.6**	**3,595.8**	**7,082.9**
Total 31/12/2018	136.4	880.8	1,102.0	1,610.2	3,659.6	7,389.0

The Public Finance sub-portfolio accounts for a significant share at just over EUR 3.8 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, comprising mainly US student loans.

Participation risks

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

Of the total portfolio of the EAA Group, a notional volume of EUR 2.9 billion (17.8%) is held by subsidiaries, mainly consisting of EAA CBB with EUR 1.2 billion (40.8%), Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.1 billion (37.0%) and Dritte EAA Anstalt & Co. KG with EUR 0.7 billion (22.2%).

EAA CBB was included in the risk management and business management of the EAA. The subsidiary is subject to monitoring by the EAA and the EAA's approved internal limit system. Representatives of the EAA exercise non-managerial control functions as members of the governing bodies and committees of EAA CBB. EAA CBB was sold at the start of 2017. The sale will not be effective until approval is received from the supervisory authorities. This approval has not yet been given.

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

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

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

Exposures to selected EU member states

The banking book exposure of the EAA and its subsidiaries to Greece, the UK, Ireland, Italy, Portugal, Spain and Cyprus of around EUR 4.1 billion as of 30 June 2019 is shown in the table below.

Country[1]	Debtor group	30/6/2019 Notional in EUR million[2]	31/12/2018 Notional in EUR million[2]
Greece	Corporates	0.0	0.0
Σ Greece		**0.0**	**0.0**
UK	Corporates	550.5	584.5
	Public Finance	130.5	130.8
Σ UK		**681.0**	**715.3**
Ireland	Corporates	20.5	30.4
	Financial Institutions	0.1	0.0
	Public Finance	-	30.0
Σ Ireland		**20.6**	**60.4**
Italy	Corporates	263.5	281.6
	Public Finance	1,603.1	1,602.6
Σ Italy		**1,866.6**	**1,884.2**
Portugal	Financial Institutions	15.4	11.2
	Public Finance	710.5	711.9
Σ Portugal		**725.9**	**723.2**
Spain	Corporates	501.4	507.1
	Public Finance	238.0	338.0
Σ Spain		**739.4**	**845.1**
Cyprus	Corporates	53.9	56.0
Σ Cyprus		**53.9**	**56.0**
Total[3]		**4,087.3**	**4,284.1**
of which	Corporates	1,389.7	1,459.5
of which	Financial Institutions	15.5	11.3
of which	Public Finance	2,682.1	2,813.3

1 Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
2 Based on current exchange rates. Presentation of the notional volume, including hedges (net).
3 Of which EAA subsidiaries: EUR 1,122.8 million (31 December 2018: EUR 1,170.1 million).

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

Product[1]	Value	Country[2]	30/6/2019 EUR million[3]	31/12/2018 EUR million[3]
Other derivatives and ALM	MtM	UK	155.9	261.2
		Italy	22.1	25.1
		Spain	39.0	168.0
Σ Other derivatives and ALM			**217.0**	**454.2**
Other	Notional	UK	25.8	29.6
Σ Other[4]			**25.8**	**29.6**

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

Market price risks

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

Market price risks – banking book

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

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

Interest rate risk (EAA Group)

	30/6/2019 EUR thousand	31/12/2018 EUR thousand
< 1 Y	89.7	30.4
1-4 Y	39.1	28.0
4-8 Y	56.5	21.2
8-15 Y	16.7	-2.4
> 15 Y	-40.0	-31.2
Total	**162.0**	**45.9**

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

The interest rate sensitivity PV01 is now EUR 162.0 thousand compared with year-end 2018 (EUR 45.9 thousand), due to management and maturity effects. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	30/6/2019 EUR thousand	31/12/2018 EUR thousand
AUD	1,539.6	2,082.1
CAD	3,317.3	2,862.2
CHF	355.2	957.3
GBP	-1,363.6	1,439.8
JPY	4,770.9	2,172.7
PLN	1,144.6	1,123.8
SGD	460.3	452.2
USD	6,566.9	-5,838.2
Other	957.8	1,169.5
Total	**17,749.0**	**6,421.3**

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

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

Market price risks – trading portfolio

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

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

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

The relevant market price risk exposures are continuously subjected to backtesting. This involves comparing the actual market value changes (hypothetical income statement) with the potential market value changes forecast by the VaR model on a daily basis. So far in the current 2019 fiscal year, there have been three backtesting breaches at the highest level of the portfolio structure of the trading portfolio. From a statistical perspective, two to three instances of exceeded limits must be expected per year for a VaR with a holding period of one trading day and a confidence level of 99%.

Value at Risk by clusters

	30/6/2019 EUR thousand	31/12/2018 EUR thousand
EAA Trading	384.0	361.0
Interest Rate Exotics	282.1	248.6
Interest Rate Flow	200.0	209.4
Muni GIC Portfolio	58.5	146.0
Credit and Equities	4.2	4.5
Interest Rate Options	-	50.8
Foreign Exchange Options and Hybrids	-	22.5

As of 30 June 2019 the VaR for the trading portfolio rose to EUR 384.0 thousand due to market movements and hedging activities (31 December 2018: EUR 361.0 thousand).

Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

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

The limited stress scenarios (“liquidity crisis and downgrade”, “liquidity crisis and downgrade USD”) demonstrated a viable net liquidity situation as of 30 June 2019 (defined as the total of cumulated cash flows and the liquidity reserve). The liquidity reserve comprises highly liquid securities that are very likely to be eligible for repo transactions to generate new liquidity. The liquidity reserve was around EUR 2.5 billion when the stress test was performed.

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

Longevity risks

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

Longevity risk is the risk that insured individuals live longer than originally calculated. In this respect, the insurance premiums must be paid longer than forecast. Changes to the assessment of the expenses to be borne by the EAA from longevity risks are due to misjudgements made when the insurance policies were originally purchased by Portigon as well as to higher premiums demanded by the insurance companies. The EAA is currently reviewing whether such premium increases are legally permitted and has filed initial suits in this respect.

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

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

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

Operational risks

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

Operational risks within the EAA are determined using a risk inventory, which is performed on a regular basis. The EAA's last risk inventory from 2018 revealed an assessment item with high risks in the availability of personnel category due to employee departures. This risk will be absorbed by distributing duties among existing personnel capacities. Of the assessment items, 12.2% are medium risks and 87.4% low risk. The overall risk situation remains largely unchanged.

A risk inventory of the EAA together with EFS/IBM, MSPA and EAA CBB was carried out in 2018. This risk inventory took into account the sub-outsourcing of services from EFS to IBM at the end of 2017. As a result, risks in the high-risk situation at EFS were improved to only 4.3% compared with 10% in the previous year. The risk situation remains stable for the assessment items that were outsourced to IBM. The risk situation also improved at MSPA, where no further high risks were reported (previous year: 8.4%).

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 2019, and the quality of the services rendered during the period was fundamentally stable in accordance with the service agreement.

The transition/transformation project launched in 2018 in conjunction with relocating the outsourced EFS processes to IBM continues to be implemented. This project includes implementing process optimisation at IBM, among other things.

Other risks

Reputational risks

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

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

Legal risks

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

Since April 2010 the authorities in the US and in the EU (particularly BaFin) had been investigating possible misconduct in the trading departments of several banks. The results of the investigation have not produced any evidence of wrongdoing at the former WestLB; the investigations by BaFin and the US supervisory authorities were terminated without any measures being undertaken against Portigon. A large number of investment banks active in the US were also sued in the US in various class action lawsuits due to alleged manipulative actions with regard to exchange rates. Certain aspects of these class actions were repeatedly rejected in the Court of First Instance with respect to Portigon. The plaintiffs launched an appeal against this, the outcome of which led in part to a referral back to the Court of First Instance and in part to an uncertain outcome as things currently stand. The Court of First Instance has yet to make a final decision in favour of the plaintiffs. This is currently rather unlikely, however, given the facts and the evidence. The EAA has no reason to doubt Portigon's claims that there are no indications of any misconduct.

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

Tax risks

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

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

Summary of the risk situation

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

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

The EAA strives in its risk management activities to reduce the risks resulting from the winding-up of the portfolio. To that end, the wind-up success and any deviations from the wind-up plan are continually monitored and compared with 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 2019.

Market price risks are largely limited.

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

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

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

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

The requirements for risk-bearing capacity pursuant to section AT 4.1 MaRisk are not relevant for the EAA. Instead, the EAA performs a quarterly analysis of the changes in its equity to the end of the planning period using the wind-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 wind-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 wind-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 is still losing steam as a result of various factors and special developments (trade disputes, Brexit, a cooldown in economic growth in China). Nonetheless, the EAA does not expect a real collapse in growth nor does it believe it will lead to a recession.

Former crisis-hit countries (Spain, Portugal and Ireland) will continue to be among the fastest-growing economies in the eurozone in 2019 and 2020. The euro crisis was a key catalyst for reforms and improvements, in particular for Spain and Portugal. Structural problems were addressed and the reforms improved the international competitiveness of these countries.

The ECB's monetary policy is likely to be applied to a greater extent in 2019 and 2020 again to stabilise economic growth. This should also support the valuations of euro government bonds. The combination of very loose monetary policy and economic recovery is allowing the eurozone countries and the companies and project finance established there to service their debt on much better terms. This benefits the valuations of euro government bonds and other financial products that are valued based on their respective country's bond curves. 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 line with the economic trend 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 18% compared with the previous year to around EUR 15 billion in 2019.

The EAA's objective is to wind up around 90% of the banking book as of 31 December 2011 (including the exposures held by subsidiaries and the exposures from the refill) by the end of 2020. As in previous years, the winding-up activities will focus on advance portfolio-reducing measures and active participation management.

For 2019, the plan calls for a reduction in the notional volume of the trading portfolio by around 15% compared with the previous year to about EUR 145 billion. Since the transfer in 2012, the EAA has continued to target a reduction in the notional volume of around 90% by the end of 2020. The EAA will continue to analyse how the trading portfolios can be effectively and cost efficiently reduced at an accelerated pace.

Despite a reduced portfolio, the EAA expects to generate a total of EUR 97 million (including dividend income) from the net interest result, net fee and commission result, and the results from financial assets and shareholdings in 2019, which exceeds the previous year. This is due to, among other things, a contribution to results from financial assets and shareholdings, which was originally proposed for 2018 and is now expected in 2019. A forecast for the net trading and risk provision result is difficult due to the imponderables with respect to developments on the global financial markets and other markets. The EAA is sticking with its strategy of winding up in a value-preserving manner. Losses cannot be ruled out in the next few fiscal years because of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This possibility is taken into account in the EAA's wind-up planning.

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

The EAA fundamentally pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess early and profitable wind-up opportunities for all positions in the portfolio. It is currently intensely reviewing whether it can reach the winding-up objectives ahead of schedule.

The EAA's objectives were supported by economic developments. ECB's programme to purchase euro government bonds had a positive impact on the EAA's portfolios. The ECB is currently discussing measures for combating economic weakness resulting from the trade disputes, Brexit and China's sluggish growth. Besides alleviating the banks, which are burdened by the costs of negative interest rates, another expansion of the purchase process and a very prolonged low interest rate phase could be agreed in September 2019. The ECB will therefore continue to exert a significant influence on the market performance of euro government bonds in the years ahead. Because of the low interest rate environment, investors' will remain hungry for yield, which should support the EAA's sales activities and encourage investors to redeem holdings ahead of schedule.

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	30/6/2019 EUR	31/12/2018 EUR
1. Cash reserve					
a) Balances with central banks			3,410,171,031		(1,400,857,958)
of which:					
with Deutsche Bundesbank EUR 3,410,171,031 (py: EUR 1,400,857,958)					
				3,410,171,031	1,400,857,958
2. Loans and advances to banks	4, 28				
a) Payable on demand			3,822,144,285		(2,725,111,353)
b) Other loans and advances			3,041,028,507		(3,298,010,024)
				6,863,172,792	6,023,121,377
3. Loans and advances to customers	5, 6, 14, 28			8,789,246,062	9,305,300,760
of which:					
secured by mortgage charges EUR 90,136,376 (py: EUR 165,274,724)					
Public-sector loans EUR 1,185,851,247 (py: EUR 1,214,134,196)					
4. Bonds and other fixed-income securities	7, 15, 28				
a) Bonds issued by					
aa) public issuers		1,320,845,901			(1,429,092,334)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,303,231,247 (py: EUR 1,411,264,143)					
ab) other issuers		4,783,155,892			(5,570,376,204)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 355,173,940 (py: EUR 373,772,908)					
			6,104,001,793		(6,999,468,538)
b) Own bonds notional value: EUR 49,000,000 (py: EUR 49,000,000)			49,453,590		(50,570,932)
				6,153,455,383	7,050,039,470
5. Equities and other non-fixed-income securities				1	1
5a. Trading portfolio	8			16,793,502,247	14,560,941,901

BALANCE SHEET

	Notes	EUR	EUR	30/6/2019 EUR	31/12/2018 EUR
6. Long-term equity investments	9			38,640,586	37,828,058
of which:					
in banks EUR 15,358,686 (py: EUR 12,421,102)					
7. Shares in affiliates	10			1,105,528,989	1,242,626,044
of which:					
in banks EUR 434,297,095 (py: EUR 434,297,095)					
8. Trust assets	11			23,260	23,728
of which:					
trust loans EUR 23,260 (py: EUR 23,728)					
9. Intangible assets					
a) Paid concessions, trademarks and similar rights and values such as licences in such rights			3,359,462		(3,560,846)
				3,359,462	3,560,846
10. Tangible fixed assets				155,598	177,845
11. Other assets	12			63,226,534	50,199,007
12. Prepaid expenses/accrued income	13			18,187,927	22,697,383
Total assets				**43,238,669,872**	**39,697,374,378**

BALANCE SHEET

Liabilities and equity

	Notes	EUR	EUR	30/6/2019 EUR	31/12/2018 EUR
1. Deposits from banks	16				
a) Payable on demand			1,686,533,225		(1,448,880,318)
b) With an agreed maturity or withdrawal notice			426,495,148		(423,133,242)
				2,113,028,373	1,872,013,560
2. Deposits from customers	17				
other deposits					
a) Payable on demand			144,588,404		(236,826,516)
b) With an agreed maturity or withdrawal notice			3,465,651,583		(2,289,971,903)
				3,610,239,987	2,526,798,419
3. Debt securities in issue	18				
a) Bonds			8,018,677,129		(10,843,361,166)
b) Other debt securities in issue			12,341,310,140		(9,349,108,428)
of which:					
money market instruments EUR 12,341,310,140 (py: EUR 9,349,108,428)					
				20,359,987,269	20,192,469,594
3a. Trading portfolio	19			16,390,825,437	14,323,806,066
4. Trust liabilities	20			23,260	23,728
of which:					
trust loans EUR 23,260 (py: EUR 23,728)					
5. Other liabilities	21			14,440,833	14,486,505
6. Accruals/deferred income	22			10,871,529	16,427,103
7. Provisions	23				
a) Tax provisions			2,250,528		(8,525,904)
b) Other provisions			78,446,971		(84,602,987)
				80,697,499	93,128,891

BALANCE SHEET

	Notes	EUR	EUR	30/6/2019 EUR	31/12/2018 EUR
8. Equity	24				
a) Called capital					
Subscribed capital		500,000			(500,000)
less uncalled outstanding capital		0			(0)
			500,000		(500,000)
b) Capital reserves			3,013,237,214		(3,013,237,214)
c) Revenue reserves					
Other revenue reserves		2,431,408			(2,431,408)
			2,431,408		(2,431,408)
d) Net retained losses			-2,357,612,937		(-2,357,948,110)
				658,555,685	658,220,512
Total liabilities and equity				**43,238,669,872**	**39,697,374,378**
1. Contingent liabilities	25				
a) Liabilities from guarantees and warranties			2,024,233,388		(2,540,683,323)
				2,024,233,388	2,540,683,323
2. Other obligations	25				
a) Irrevocable loan commitments			211,097,934		(1,970,541,413)
				211,097,934	1,970,541,413

Income statement

	Notes	EUR	EUR	1/1-30/6/2019 EUR	1/1-30/6/2018 EUR
1. Interest income from	26				
a) Lending and money market transactions		199,524,834			(181,347,980)
b) Fixed-income securities and debt register claims		75,034,821			(76,770,243)
			274,559,655		(258,118,223)
2. Interest expense			235,169,589		(197,178,369)
				39,390,066	60,939,854
3. Current income from	26				
a) Equities and other non-fixed-income securities			0		(0)
b) Long-term equity investments			1,978,102		(3,086,966)
c) Shares in affiliates			2,556		(2,556)
				1,980,658	3,089,522
4. Income from profit pooling, profit transfer or partial profit transfer agreements	26			0	0
5. Fee and commission income	26		1,526,957		(910,712)
6. Fee and commission expense			10,112,291		(10,209,782)
				-8,585,334	-9,299,070
7. Net trading result	26			-1,142,980	8,511,571
8. Other operating income	26, 27			1,266,834	67,479,555
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		10,389,464			(10,707,329)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		1,443,755			(1,437,979)
of which:					
for pensions EUR 359,072 (py: EUR 382,405)					
			11,833,219		(12,145,308)
b) Other administrative expenses			55,784,898		(65,548,643)
				67,618,117	77,693,951

INCOME STATEMENT

	Notes	EUR	EUR	1/1-30/6/2019 EUR	1/1-30/6/2018 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets				223,632	234,487
11. Other operating expenses	27			3,038,973	3,183,273
12. Depreciation and write-offs on claims and certain securities as well as additions to provisions in the lending business	23, 28			0	43,850,081
13. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	23, 28			27,767,123	0
14. Depreciation and write-offs on long-term equity investments, shares in affiliates and long-term securities	28			0	3,015,838
15. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	28			10,755,203	0
16. Expenses from loss assumption	28			0	0
17. Result from ordinary activities				550,848	2,743,802
18. Taxes on income and earnings	29			210,145	1,109,535
19. Other taxes not reported under item 11	29			5,530	30,889
20. Net result for the year				335,173	1,603,378
21. Net retained losses brought forward				-2,357,948,110	-2,360,573,940
22. Net retained losses				-2,357,612,937	-2,358,970,562

Cash flow statement

			1/1-30/6/2019 EUR	1/1-30/6/2018 EUR
1.	+/-	Result for the period	335,173	1,603,378
		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	-32,023,736	34,121,594
3.	+/-	Increase/decrease in provisions	-12,431,392	-114,851,625
4.	+/-	Other non-cash income/expense	106,307,132	-84,309,165
5.	+/-	Gain/loss on disposal of long-term financial assets	-7,643,711	6,885,279
6.	=	Subtotal	54,543,466	-156,550,539
		Change in operating assets and liabilities		
7.	+/-	Increase/decrease in loans and advances to banks (no trading portfolio)	-786,417,442	-1,011,979,482
8.	+/-	Increase/decrease in loans and advances to customers (no trading portfolio)	454,296,378	602,322,320
9.	+/-	Increase/decrease in securities (no financial assets and no trading portfolio)	901,820,346	1,693,137,574
10.	+/-	Trading assets	-41,080,858	1,107,273,743
11.	+/-	Increase/decrease in other operating assets	-2,665,105	12,511,730
12.	+/-	Increase/decrease in deposits from banks (no trading portfolio)	240,698,086	-168,417,909
13.	+/-	Increase/decrease in deposits from customers (no trading portfolio)	1,253,308,853	-41,154,330
14.	+/-	Increase/decrease in debt securities in issue	170,950,147	-1,008,460,598
15.	+/-	Trading liabilities	-230,767,248	-964,207,486
16.	+/-	Increase/decrease in other operating liabilities	-11,156,969	-108,804,528
17.	+/-	Interest expenses/interest income	-41,370,724	-64,029,376
18.	+/-	Tax expenses/tax income	210,145	1,109,535
19.	+	Interest payments and dividend payments received	259,914,569	253,474,672
20.	-	Interest paid	-225,958,788	-173,446,126
21.	+/-	Income tax payments	-210,145	-1,109,535
22.	=	Cash flows from operating activities (sum of 6 to 21)	1,996,114,711	-28,330,335
23.	+	Proceeds from disposal of long-term financial assets	34,952,789	68,330,254
24.	-	Purchase of long-term financial assets	247,403	-67,246,778
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)	35,200,192	1,083,476
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)	2,031,314,903	-27,246,859
31.	+	Cash funds at beginning of period	1,445,742,364	2,108,360,651
32.	=	Cash funds at end of period (sum of 30 to 31)	3,477,057,267	2,081,113,792

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

Statement of changes in equity

	Balance as of 1/1/2019 EUR	Appropriation of the result EUR	Balance as of 30/6/2019 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**

	Balance as of 1/1/2018 EUR	Appropriation of the result EUR	Balance as of 30/6/2018 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,360,573,940	1,603,378	-2,358,970,563
Equity under HGB	**655,594,682**	**1,603,378**	**657,198,059**

Condensed notes

For the period from 1 January to 30 June 2019

General disclosures

1. Legal framework of the EAA

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

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

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

2. Basis of accounting

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

The information contained in this interim report should be read in conjunction with the disclosures contained in the published and audited financial statements for the fiscal year from 1 January to 31 December 2018. All facts were considered up to the time these interim financial statements were prepared.

3. Accounting and valuation principles

The same accounting and valuation principles were applied to the interim financial statements as to the financial statements for the fiscal year from 1 January to 31 December 2018.

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

Notes on the balance sheet and the income statement

4. Loans and advances to banks

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**6,863.2**	**6,023.1**
of which:		
- to affiliates	269.4	330.3
Payable on demand	3,822.1	2,725.1
due		
- within 3 months	2,312.2	3,029.7
- 3 months to 1 year	709.4	241.5
- 1 to 5 years	6.0	8.0
- after 5 years	13.5	18.8

5. Loans and advances to customers

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**8,789.2**	**9,305.3**
of which:		
- to affiliates	1,325.3	1,327.4
- to long-term equity investments	3.9	5.5
due		
- within 3 months	1,002.4	1,159.1
- 3 months to 1 year	1,640.2	1,563.5
- 1 to 5 years	1,523.0	1,820.8
- after 5 years	4,623.6	4,761.9

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

6. Loans and advances secured by mortgages

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**90.2**	**165.3**
Loans and advances to customers due		
- within 3 months	2.0	2.6
- 3 months to 1 year	0.1	3.4
- 1 to 5 years	0.2	18.1
- after 5 years	87.9	141.2

7. Bonds and other fixed-income securities

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**6,153.5**	**7,050.0**
of which:		
Amounts due in the following year	245.3	132.3
Breakdown		
- Bonds issued by public issuers	1,320.8	1,429.1
- Bonds issued by other issuers	4,783.2	5,570.3
- Own bonds	49.5	50.6
Breakdown by marketability		
- Marketable securities	6,153.5	7,050.0
of which:		
- listed	1,734.6	1,836.6
- unlisted	4,418.9	5,213.4
Breakdown by type		
- Liquidity reserve	49.5	50.6
- Investment securities	6,104.0	6,999.4

Bonds and other fixed-income securities in the amount of EUR 6.1 billion (previous year: EUR 7.0 billion) are included in the financial assets portfolio. As of the reporting date, financial assets with a carrying amount of EUR 2.4 billion (previous year: EUR 2.6 billion) were recognised above their fair value of EUR 2.3 billion (previous year: EUR 2.5 billion) because the EAA expects to receive repayments totalling at least the carrying amount. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the financial assets. The difference is primarily attributable to structured credit products.

Of the aforementioned financial assets with a carrying amount of EUR 2.4 billion, EUR 0.1 billion (previous year: EUR 0.1 billion) relates to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the investment portfolio that was not hedged with asset swaps (EUR 2.3 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

8. Trading portfolio

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**16,793.5**	**14,560.9**
of which:		
- Derivative financial instruments	16,794.7	14,562.1
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-1.2	-1.2

9. Long-term equity investments

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**38.6**	**37.8**
of which:		
- in banks	15.4	12.4
Breakdown by marketability		
- Marketable securities	15.4	11.2
of which:		
- unlisted	15.4	11.2

10. Shares in affiliates

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**1,105.5**	**1,242.6**
of which:		
- in banks	434.3	434.3
Breakdown by marketability		
- Marketable securities	434.3	434.3
of which:		
- unlisted	434.3	434.3

11. Trust assets

The EAA's trust assets as of 30 June 2019 comprise loans and advances to customers amounting to EUR 23.3 thousand (previous year: EUR 23.7 thousand).

12. Other assets

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**63.2**	**50.2**
of which:		
- Currency translation adjustments	52.7	34.0
- Tax refund claims	8.0	10.8
- Receivables from profit and loss pooling agreements	2.4	5.1
- Guarantee fees and commissions	-	0.2

13. Prepaid expenses/accrued income

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**18.2**	**22.7**
of which:		
- Non-recurring payments on swaps	6.8	12.0
- Discounts from issuing business	6.2	7.1
- Discounts from liabilities	3.3	3.1
- Other	1.9	0.5

14. Subordinated assets

Subordinated assets are included in:

	30/6/2019 EUR million	31/12/2018 EUR million
Loans and advances to customers	**658.6**	**665.7**
of which:		
- to affiliates	288.5	285.3

15. Assets sold under repurchase agreements

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

16. Deposits from banks

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**2,113.0**	**1,872.0**
of which:		
- Deposits from affiliates	15.0	13.7
Payable on demand	1,686.5	1,448.9
due		
- within 3 months	125.3	105.0
- 3 months to 1 year	29.0	43.1
- 1 to 5 years	200.3	188.1
- after 5 years	71.9	86.9

17. Deposits from customers

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**3,610.2**	**2,526.8**
of which:		
- Deposits from affiliates	67.3	229.4
Other deposits	3,610.2	2,526.8
of which:		
- payable on demand	144.6	236.8
due		
- within 3 months	1,710.7	410.8
- 3 months to 1 year	101.9	122.2
- 1 to 5 years	637.7	700.6
- after 5 years	1,015.3	1,056.4

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

18. Debt securities in issue

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**20,360.0**	**20,192.5**
Bonds	8,018.7	10,843.4
of which:		
Amounts due in the following year	4,532.5	5,233.9
Other debt securities in issue	12,341.3	9,349.1
of which due:		
- within 3 months	8,648.6	7,241.5
- 3 months to 1 year	3,692.7	2,107.6
- 1 to 5 years	-	-
- after 5 years	-	-

19. Trading portfolio

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**16,390.8**	**14,323.8**
of which:		
- Derivative financial instruments	16,390.8	14,323.8

20. Trust liabilities

The EAA's trust liabilities as of 30 June 2019 comprise deposits from customers amounting to EUR 23.3 thousand (previous year: EUR 23.7 thousand).

21. Other liabilities

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**14.4**	**14.5**
of which:		
- Deposits from the assumption of losses	-	2.0
- Other	14.4	12.5

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

22. Accrued expenses/deferred income

	30/6/2019 EUR million	31/12/2018 EUR million
Carrying amount	**10.9**	**16.4**
of which:		
- Non-recurring payments on swaps	6.0	8.4
- Premium on issuing business	4.3	7.4
- Premiums for sold interest rate caps and floors	0.6	0.6

23. Provisions

	Balance as of 31/12/2018 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 30/6/2019 EUR million
Taxes	**8.5**	**-**	**-**	**-**	**6.3**	**-**	**2.3**
Other provisions	**84.6**	**12.8**	**0.4**	**10.8**	**8.8**	**0.2**	**78.4**
- Loans	9.1	1.0	-	-	4.0	0.2	6.4
- Shareholdings	2.4	-	-	0.1	-	-	2.2
- Legal actions	1.2	-	-	-	0.2	-	1.0
- Personnel	0.5	-	-	-	-	-	0.5
- Other	71.4	11.8	0.4	10.7	4.6	-	68.3
Total	**93.1**	**12.8**	**0.4**	**10.8**	**15.1**	**0.2**	**80.7**

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 2019, the EAA's subscribed capital amounted to EUR 500,000.

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

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

The net profit for the year for the first half of 2019 amounted to EUR 0.3 million and reduced net retained losses to EUR 2,357.6 million as of 30 June 2019.

25. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 2.0 billion (previous year: EUR 2.5 billion) primarily arose from guarantees for Portigon's risk exposures and the liabilities inherited from WestImmo. The volume of legacy WestImmo liabilities stood at EUR 1.8 billion as of 30 June 2019 (previous year: EUR 2.2 billion). This volume is constantly decreasing as a result of repayments. All material bank-related assets and liabilities were transferred to Aareal Bank AG as of 30 June 2017 by way of a spin-off and takeover agreement concluded between Aareal Bank AG and WestImmo.

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

Other obligations

The reported volume of EUR 0.2 billion (previous year: EUR 2.0 billion) was due to the lending business. The decline was largely the result of the termination of a USD 2.0 billion credit facility.

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

26. Geographical breakdown of income components

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

	Interest income 1/1-30/6/2019 EUR million	Current income 1/1-30/6/2019 EUR million	Fees and commission income 1/1-30/6/2019 EUR million	Other operating income 1/1-30/6/2019 EUR million
Germany	45.4	0.3	1.2	1.3
UK	17.4	-	-	-
Rest of Europe	138.8	1.5	0.1	-
Far East and Australia	19.0	-	-	-
North America	54.0	0.2	0.2	-
IS amount	**274.6**	**2.0**	**1.5**	**1.3**

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

27. Other operating and prior-period expenses and income

Net other operating expenses and income as of 30 June 2019 comprised EUR 3.0 million (previous year: EUR 3.2 million) in expenses and EUR 1.3 million (previous year: EUR 67.5 million) in income.

Expenses and income include EUR 0.0 (previous year: EUR 2.0 million) and EUR 0.3 million (previous year: EUR 0.0) respectively from the foreign exchange result in the banking book. Income includes reversals of provisions in the amount of EUR 0.5 million (previous year: EUR 66.4 million).

28. Risk provision

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

	1/1-30/6/2019 EUR million	1/1-30/6/2018 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	**38.6**	**-46.9**
Loans and securities income/expense	**27.8**	**-43.9**
of which: - Lending operations	27.8	-43.9
- Securities	-	-
Shareholdings and securities income/expenses	**10.8**	**-3.0**
of which: - Shareholdings	8.8	-8.9
- Securities	2.0	5.9
Expenses from loss assumption	**-**	**-**
Risk provision and financial investment result including loss assumption (pursuant to risk report)	**38.6**	**-46.9**
Result of risk provisions – loans and advances/securities due to credit risk	**27.8**	**-43.9**
of which: - Lending operations	27.8	-43.9
- Structured securities	-	-
Results from financial assets, shareholdings and loss assumption	**10.8**	**-3.0**

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 27.8 million (previous year: net expenses of EUR 43.9 million). According to section 340c (2) HGB, the expenses for long-term equity investments, shares in affiliates and long-term investment securities may be offset against the corresponding income. Overall, the EAA reported income of EUR 10.8 million (previous year: expenses of EUR 3.0 million) as the risk result for shareholdings and securities.

29. Taxes

Taxes on income and earnings amounting rounded up to EUR 0.2 million (previous year: EUR 1.1 million) primarily related to foreign taxes.

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

Other disclosures

30. Forward contracts/derivative financial instruments

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

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

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

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

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

The total volume of forward transactions and derivatives transactions as of the reporting date amounted to EUR 197.2 billion based on notional values (previous year: EUR 211.7 billion). The focus remains on interest-rate-related products, whose share stands at 85.2% (previous year: 85.8%) of the total volume.

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

Derivative financial instruments – volume as of the reporting date

	Notional amount		Positive market values		Negative market values	
	30/6/2019 EUR million	31/12/2018 EUR million	30/6/2019 EUR million	31/12/2018 EUR million	30/6/2019 EUR million	31/12/2018 EUR million
Interest rate-related products	**168,036.6**	**181,654.1**	**16,660.9**	**14,440.5**	**17,281.9**	**15,044.0**
OTC products	167,773.0	181,292.1	16,660.9	14,440.5	17,281.9	15,044.0
Exchange-traded products	263.6	362.0	-	-	-	-
Currency-related products	**27,167.0**	**27,985.4**	**615.1**	**547.0**	**411.4**	**377.0**
OTC products	27,167.0	27,985.4	615.1	547.0	411.4	377.0
Equity and other price-related products	**1,972.1**	**1,972.1**	**22.9**	**63.9**	**22.4**	**63.1**
OTC products	1,972.1	1,972.1	22.9	63.9	22.4	63.1
Credit derivatives	**-**	**60.0**	**-**	**0.2**	**-**	**0.7**
OTC products	-	60.0	-	0.2	-	0.7
Total	**197,175.7**	**211,671.6**	**17,298.9**	**15,051.6**	**17,715.7**	**15,484.8**
OTC products	196,912.1	211,309.6	17,298.9	15,051.6	17,715.7	15,484.8
Exchange-traded products	263.6	362.0	-	-	-	-

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 204.3 billion in the current fiscal year 2019 (previous year: EUR 234.4 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	30/6/2019 EUR million	31/12/2018 EUR million	30/6/2019 EUR million	31/12/2018 EUR million	30/6/2019 EUR million	31/12/2018 EUR million
Interest rate-related products	**174,613.4**	**201,442.4**	**15,571.6**	**15,540.3**	**16,232.1**	**16,068.6**
OTC products	174,315.8	199,877.7	15,571.6	15,540.3	16,232.1	16,068.6
Exchange-traded products	297.6	1,564.7	-	-	-	-
Currency-related products	**27,658.9**	**30,930.0**	**598.5**	**641.6**	**374.0**	**485.0**
OTC products	27,658.9	30,930.0	598.5	641.6	374.0	485.0
Equity and other price-related products	**1,972.1**	**1,972.1**	**40.2**	**49.4**	**39.6**	**48.8**
OTC products	1,972.1	1,972.1	40.2	49.4	39.6	48.8
Credit derivatives	**20.0**	**68.0**	**0.1**	**0.5**	**0.2**	**0.9**
OTC products	20.0	68.0	0.1	0.5	0.2	0.9
Total	**204,264.4**	**234,412.5**	**16,210.4**	**16,231.8**	**16,645.9**	**16,603.3**
OTC products	203,966.8	232,847.8	16,210.4	16,231.8	16,645.9	16,603.3
Exchange-traded products	297.6	1,564.7	-	-	-	-

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

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

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity and other price-related products		Credit derivatives	
	30/6/2019 EUR million	31/12/2018 EUR million	30/6/2019 EUR million	31/12/2018 EUR million	30/6/2019 EUR million	31/12/2018 EUR million	30/6/2019 EUR million	31/12/2018 EUR million
Due								
- within 3 months	18,273.6	18,131.7	5,811.1	7,255.5	-	-	-	60.0
- 3 months to 1 year	21,228.3	22,283.9	5,792.1	3,916.7	-	-	-	-
- 1 to 5 years	49,126.7	57,959.7	8,640.4	9,393.8	1,972.1	1,972.1	-	-
- after 5 years	79,408.0	83,278.8	6,923.4	7,419.4	-	-	-	-
Total	**168,036.6**	**181,654.1**	**27,167.0**	**27,985.4**	**1,972.1**	**1,972.1**	**-**	**60.0**

31. Number of employees

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

	Male	Female	Total 1/1-30/6/2019	Total 1/1-30/6/2018
Number of employees	93	71	164	171

As of 30 June 2019 the EAA employed 154 (30 June 2018: 156) full-time equivalents. This figure includes the transfer of employees from EFS to the EAA.

32. Stakeholders in the EAA

	30/6/2019 in %	31/12/2018 in %
State of NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
Total	**100.000**	**100.000**

33. Memberships of other bodies held by Managing Board members

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

Christian Doppstadt
Mount Street Portfolio Advisers GmbH *
Erste Financial Services GmbH

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

34. Memberships of other bodies held by employees

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

Hartmut Rahner
EAA Covered Bond Bank Plc

Dr Hartmut Schott
AKA Ausfuhrkredit-Gesellschaft mbH (until 18 April 2019)

35. Executive bodies of the EAA

Members of the Managing Board of the EAA

Matthias Wargers (Spokesman)
Christian Doppstadt
Horst Küpker

Members of the Supervisory Board of the EAA

Dr Patrick Opdenhövel
Chairman
State Secretary in the Ministry of Finance of NRW

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

Michael Breuer
President of the Rheinischer Sparkassen- und Giroverband

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

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

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

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

Wilfried Groos
Chairman of the Managing Board of the Sparkasse Siegen

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

Matthias Löb
Director of the Landschaftsverband Westfalen-Lippe

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

Michael Stölting
Member of the Managing Board of NRW.BANK

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

Stakeholders' Meeting of the EAA

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

36. Information on shareholdings

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

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

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Achte EAA Portfolio GmbH & Co. KG [2)]	Düsseldorf	100.00			n. s.	n. s.
2	Achte EAA-Beteiligungs GmbH [8)]	Düsseldorf	100.00		EUR	28	-9
3	ANC Handels GmbH & Co. KG [1)]	Mörfelden-Walldorf	1.00			n. s.	n. s.
4	BNYM GCS 2 GP Investors, LLC [8)]	Wilmington, US	50.00	0.00	USD	38	-4
5	CBAL S.A. [2) 7)]	Brussels, Belgium	100.00		EUR	1,561	-99
6	COREplus Private Equity Partners GmbH & Co. KG [1) 5)]	Frankfurt am Main	36.52	0.00	EUR	4,255	-3,469
7	COREplus Private Equity Partners II - Diversified Fund, L. P. [8)]	Wilmington, US	24.75	0.00	USD	6,737	-1,483
8	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n. s.	n. s.
9	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n. s.	n. s.
10	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG i.L. [1) 5)]	Aschheim	92.20	91.82	EUR	194	5,555
11	Deutsche Anlagen-Leasing Service & Co. Sparkassenneubau Teltow-Fläming KG [1) 5)]	Aschheim	76.35	75.58	EUR	-944	649
12	Dritte EAA Anstalt & Co. KG [2) 8)]	Düsseldorf	100.00		EUR	767,131	7,323
13	Dusskapital Zwanzig Beteiligungsgesellschaft mbH [8)]	Düsseldorf	100.00		EUR	39	1
14	EAA Charity LLP [1) 8)]	Wilmington, US	100.00		USD	18,592	1,695
15	EAA Covered Bond Bank Plc [8) 9)]	Dublin 1, Ireland	100.00		EUR	528,400	-830
16	EAA DLP I LLP [1) 8)]	Wilmington, US	100.00		USD	105,649	495
17	EAA DLP II LLP [1) 8)]	Wilmington, US	100.00		USD	84,692	3,493
18	EAA DLP III LLP [1) 8)]	Wilmington, US	100.00		USD	135,888	-8,174
19	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. [8)]	Sao Paulo, Brazil	100.00		BRL	881	-11
20	EAA Europa Holding GmbH [3) 8)]	Düsseldorf	100.00		EUR	5,731	0
21	EAA Greenwich LLP [1) 8)]	Wilmington, US	100.00		USD	141,102	1,555
22	EAA LAT ABC LLP [1) 8)]	Wilmington, US	100.00		USD	145,311	17,763
23	EAA LAT II LLP [1) 8)]	Wilmington, US	100.00		USD	185,901	14,361
24	EAA LS Holdings LLC [1) 8)]	Wilmington, US	100.00		USD	0	n. s.
25	EAA PF LLP [1) 8)]	Wilmington, US	100.00		USD	135,981	-11,798
26	EAA Spyglass Holdings LLC [1) 8)]	Wilmington, US	100.00		USD	12,474	0
27	EAA Triskele LLP [1) 8)]	Wilmington, US	100.00		USD	200,615	9,197

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
28	EAA US Holdings Corporation [8)]	Wilmington, US	100.00		USD	40,707	-3,108
29	ECP Funding LLC [1) 8)]	Dover, US	100.00		USD	0	0
30	EDD AG i.L. [5)]	Düsseldorf	21.95		EUR	27,792	-3,009
31	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH [5)]	Potsdam	47.50		EUR	0	-416
32	Entertainment Asset Holdings C.V. [1) 5)]	Amsterdam, Netherlands	36.36		USD	1,727	-1,316
33	Erste EAA Anstalt öffentlichen Rechts & Co. KG [2) 3) 8)]	Düsseldorf	100.00		EUR	49	0
34	Erste Financial Services GmbH [8)]	Düsseldorf	100.00		EUR	33,004	-30,831
35	Garnet Real Estate LLC [1) 8)]	Wilmington, US	100.00		USD	0	0
36	GKA Gesellschaft für kommunale Anlagen mbH i.L. [1) 5)]	Düsseldorf	100.00		EUR	130	0
37	Indigo Holdco LLC [1) 8)]	Dover, US	100.00		USD	2,649	0
38	Indigo Land Groveland LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
39	Leasing Belgium N.V. [1) 8)]	Antwerp, Belgium	100.00		EUR	334	-62
40	MCC SB Condo LLC [1) 8)]	Wilmington, US	100.00		USD	0	0
41	MCC SB Unit 144 LLC [1) 8)]	South Bend, US	100.00		USD	0	0
42	MCC SB Unit 145 LLC [1) 8)]	South Bend, US	100.00		USD	0	0
43	MCC SB Unit 146 LLC [1) 8)]	South Bend, US	100.00		USD	0	0
44	MCC SB Unit 147 LLC [1) 8)]	South Bend, US	100.00		USD	0	0
45	MCC Tern Landing LLC [1) 8)]	Wilmington, US	100.00		USD	1,054	0
46	Meritech Capital Partners II L.P. [1) 5)]	Palo Alto, US	0.06	0.00	USD	118,389	28,930
47	MFC Holdco LLC [1) 8)]	Dover, US	100.00		USD	1,054	0
48	MFC Pinecrest LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
49	MFC Real Estate LLC [1) 8)]	Dover, US	100.00		USD	0	0
50	MFC SB BAR, LLC [1) 8)]	South Bend, US	100.00		USD	0	0
51	Mod CapTrust Holding LLC [1) 8)]	Dover, US	100.00		USD	0	0
52	Monolith Grundstücksverwaltungsgesellschaft mbH [1) 8)]	Mainz	100.00		EUR	-28	-141
53	Nephelin Grundstücksverwaltungsgesellschaft mbH [1) 8)]	Mainz	100.00		EUR	-62	2
54	New NIB Partners LP [8)]	New York, US	1.59	0.00	EUR	688,475	-135,807
55	S-Chancen-Kapitalfonds NRW GmbH i.L. [8)]	Haan	50.00		EUR	2,041	0
56	Sechste EAA-Beteiligungs GmbH [8)]	Düsseldorf	100.00		EUR	28	-10
57	Siebte EAA-Beteiligungs GmbH [8)]	Düsseldorf	100.00		EUR	50	-9
58	Special Private Equity Partners II, L.P. [8)]	Wilmington, US	18.79	0.00	USD	3,326	-453
59	ThyssenKrupp Aufzugswerke GmbH [6)]	Neuhausen auf den Fildern	0.50		EUR	13,951	0
60	thyssenkrupp Electrical Steel GmbH [6)]	Gelsenkirchen	0.42		EUR	96,922	0
61	thyssenkrupp Materials Processing Europe GmbH [6)]	Krefeld	0.42		EUR	57,903	0
62	thyssenkrupp Materials Services GmbH [6)]	Essen	0.16		EUR	745,235	0
63	ThyssenKrupp Rasselstein GmbH [6)]	Andernach	0.50		EUR	247,021	0
64	West Life Markets GmbH & Co. KG [3) 8)]	Düsseldorf	100.00		EUR	1,312	0
65	West Merchant Limited [5)]	London, UK	100.00		GBP	23	-94

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
66	West Zwanzig GmbH [3) 8)]	Düsseldorf	100.00		EUR	25	0
67	Westdeutsche ImmobilienHolding GmbH [3) 8)]	Düsseldorf	100.00		EUR	5,539	0
68	WestGKA Management Gesellschaft für kommunale Anlagen mbH i.L. [2) 5) 10)]	Düsseldorf	100.00		EUR	642	0
69	WestInvest Gesellschaft für Investmentfonds mbH [1) 5)]	Düsseldorf	0.00		EUR	11,339	0
70	WestLeasing International GmbH [1) 8)]	Düsseldorf	100.00		EUR	845	683
71	WestLeasing Westdeutsche Leasing Holding GmbH [3) 8)]	Düsseldorf	100.00		EUR	6,625	0
72	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. [1) 5)]	Düsseldorf	100.00		EUR	224	0
73	Windmill Investments Limited [8)]	George Town, Cayman Islands	5.07	0.00	USD	37,796	-141
74	Winoa Steel Co. S.A. [4)]	Luxembourg, Luxembourg	3.12		EUR	1,288	-135
75	WIV GmbH & Co. Beteiligungs KG [5)]	Frankfurt am Main	5.10		EUR	12,853	753

Interest greater than 5% (large corporations)

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

Other companies for which the EAA assumes unlimited liability

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

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

Subsequent events

The shareholding in Achte EAA Portfolio GmbH & Co. KG was sold to a German bank on 15 August 2019. The EAA's residential construction credit portfolio was previously spun off to this company retroactively as of 1 January 2019 in accordance with the provisions of the German Transformation Act (Umwandlungsgesetz).

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, 27 August 2019

Erste Abwicklungsanstalt

Matthias Wargers
Spokesman
of the Managing Board

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 2019, which are part of the half-year financial report pursuant to section 115 of the German Securities Trading Act (WpHG). 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 WpHG applicable to interim management reports is the responsibility of the Managing Board of Erste Abwicklungsanstalt. 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). These 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 WpHG 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 WpHG applicable to interim management reports.

Düsseldorf, 28 August 2019

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)
bps	Basis points
BRL	Brazilian real
CAD	Canadian dollar
CCY	Currency code
CHF	Swiss franc
CVA	Credit valuation adjustments
DAC	Designated activity company
DAX 30	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
EU	European Union
EUR	Euro
Fed	US Federal Reserve
Fitch	Fitch Ratings
FMS	German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds)
FMSA	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
FMStFG	German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz)
FX effect	Foreign exchange effect
GBP	Pound sterling
GDP	Gross domestic product
HGB	German Commercial Code (Handelsgesetzbuch)
HRA	Commercial register department A (Handelsregister Abteilung A)
HSBC	HSBC Trinkaus & Burkhardt AG, Düsseldorf
IBM	IBM Deutschland GmbH, Ehningen
IDW	Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer)
IS	Income statement
IT	Information technology

JPY	Japanese yen
MaRisk	German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)
Moody's	Moody's Investors Service
Mount Street	Mount Street Loan Solutions LLP, London/UK
MSPA	Mount Street Portfolio Advisers GmbH, Düsseldorf (EAA Portfolio Advisers GmbH until 15 November 2017)
MtM	Mark to market
Muni GIC	Municipal guaranteed investment contracts
N.R.	Not rated
n.s.	Not specified
No.	Number
NPL	Non-performing loans
NRW	North Rhine-Westphalia
OTC	Over the counter
PLN	Polish zloty
Portigon	Portigon AG, Düsseldorf (WestLB AG until 2 July 2012)
py	Previous year
RechKredV	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
S&P	Standard and Poor's Corporation
S&P 500	US stock index
S.R.	Special rating
Section	Paragraph
SGD	Singapore dollar
US	United States
USD	US dollar
VaR	Value at Risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz (Westdeutsche Immobilien Servicing AG since 30 June 2017)
WestLB	WestLB AG, Düsseldorf (Portigon AG since 2 July 2012)
WpHG	German Securities Trading Act (Wertpapierhandelsgesetz)

Imprint

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