ERSTE ABWICKLUNGS ANSTALT

INTERIM REPORT
31 MARCH 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	**1/1-31/3/2019**	**1/1-31/3/2018**
Net interest result	19.4	36.8
Net fee and commission result	-4.2	-4.7
Net trading result	2.5	1.4
Total other operating expenses/income	0.0	0.2
General administrative expenses	-33.9	-40.1
Results from financial assets and shareholdings	0.8	-13.5
Results prior to risk provisioning	**-15.4**	**-19.9**
Loan loss provisions	7.6	21.9
Results before taxes	**-7.8**	**2.0**
Taxes	0.0	-0.9
Net result for the year	**-7.8**	**1.1**

Balance sheet in EUR billion	**31/3/2019**	**31/12/2018**
Total assets	43.1	39.7
Business volume	45.5	44.2
Lending business	18.5	19.8
Trading assets	15.7	14.6
Equity	0.7	0.7

Winding-up	**31/3/2019**	**31/3/2018**
Banking book		
Notional value (before FX effect) in EUR billion	17.0	21.2
Winding-up activities (compared with previous year-end) in EUR billion	-1.2	-1.7
Winding-up activities (compared with previous year-end) in %	-6.8	-7.5
Trading portfolio		
Notional value (before FX effect) in EUR billion	163.0	199.3
Winding-up activities (compared with previous year-end) in EUR billion	-8.0	-6.6
Winding-up activities (compared with previous year-end) in %	-4.7	-3.2

Employees	**31/3/2019**	**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's wind-up success continued in the first quarter of 2019. The EAA reduced the volume of loans and securities held in its portfolio by a further EUR 1.2 billion in the first three months of the fiscal year, while the notional volume of the trading portfolio was reduced by EUR 8 billion. The notional exposures as at 31 March 2019 are therefore better than forecast in the planning.

A significant reduction of the portfolio in the Structured Securities cluster was achieved in the current fiscal year. The decline in the other areas was distributed over the rest of the portfolio, whereby changes were noted, in particular through repayments of exposures in the public-sector, of financial institutions or to finance buildings, energy projects or aircraft.

The EAA posted a net result of EUR -7.8 million in the first quarter of this fiscal year. The costs incurred by the current administrative structure can no longer be adjusted significantly to the decreasing portfolio. Based on the wind-up planning, net losses for the year are not ruled out in the future. However, losses in future fiscal years are already taken into account in the wind-up planning.

Active measures and contractual maturities are expected to reduce the banking book to around EUR 15 billion for the full-year 2019. The volume of the trading portfolio is expected to fall to below EUR 150 billion. These intentions continue to be supported by the seller-friendly market environment.

The sale of the EAA's entire residential construction credit portfolio to a German bank after the reporting date also highlights these forecasts. The transaction is expected to be concluded in the third quarter of 2019.

The main objective continues to be not having to use the equity capital drawing limit that the liable stakeholders have made available for the EAA, a scenario that is currently not expected.

Yours sincerely

Matthias Wargers
Spokesman
of the Managing Board

Christian Doppstadt
Member
of the Managing Board

Horst Küpker
Member
of the Managing Board

Interim management report

For the period from 1 January to 31 March 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 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

Mélange of bad news and slowdown in pace of growth

There is a long list of problems that are currently weighing on the global economy and sentiment among enterprises and consumers. The uncertainty surrounding the outcome of Brexit, China's economic slowdown in the course of the ongoing trade disputes with the US, the crisis in the German automotive industry, other trade disputes between the US on the one side and Japan and the EU on the other, have noticeably dampened many sentiment indicators. The US is the sole exception here, with these problems having few negative repercussions to date on sentiment and economic growth.

US economy: Growth powered by consumption

Although economic recovery in the US is already in its tenth year, there are still no late cyclical patterns visible at present. The rates of wage growth are moderate. Yields, key interest rates and inflation rates cannot be regarded as excessive in terms of historical expectations.

US economic output in the first quarter of 2019 increased by 0.8% compared with the previous quarter. The decline in growth in the fourth quarter of 2018 (growth of only 0.5 to 0.6%) was apparently only a temporary effect that was triggered by an excessive build-up of inventory levels in the second half of 2018. The US growth engine continues to be powered largely by consumers, despite the consumer confidence index having fallen slightly by 2.9 points in the last twelve months to 124.1 points – this figure is still well above the average of the last 20 years of 92.6 points. Despite this slight dampening, consumer spending by private households rose by 0.3% in the first quarter of 2019 compared with the previous quarter. This is linked to the momentum on the labour market, which has benefited employees (full employment, robust job creation, signs of shortages and rising wages), thus strengthening their bargaining power. This situation is likely to continue in 2019, as US jobs growth is expected to be in the region of 165,000 new jobs per month this year. The EAA expects real economic output to rise by 2.4% in 2019, with an increase of 1.9% expected for 2020.

The steady upturn in the US is unlikely to be threatened by overly aggressive countermeasures from the Fed. Although the rate of inflation is slightly above the Fed's target figure of around 2% per annum again, following many years of undershooting, the Fed is unlikely to take rash action on interest rate hikes and stall the US economic recovery. It is keenly aware of this risk, which is why various members of the Federal Open Market Committee and Fed President Powell are stressing the fact that they are using data and economic indicators as guides for setting monetary policy parameters. This is why, subsequent to the session of the Federal Open Market Committee on 1 May 2019, Powell emphasised that there is no "strong case for moving in either direction on [interest] rates".

This cautious manoeuvring by the Fed is undertaken in response to the very flat yield curve. Yields at the short end have increased markedly as a consequence of the previous interest rate increases and expectation of further monetary tightening. At the same time, yields at the long end are stagnating, suggesting the market is sceptical about the sustainability of the current recovery. To avoid an inverted yield curve – in other words where short-term yields are higher than the long-term yields – and hence a signal of a looming recession, the Fed is likely to distance itself from further interest rate hikes. Ten-year US Treasuries are expected to yield 2.75% at the end of 2019 and 2.9% at the end of 2020. The EAA expects yields at the short end to rise to 2.5% at the end of 2019 and to 2.6% at the end of 2020. It therefore does not expect the yield curve to become inverted.

Eurozone: Accelerated growth despite some political risks

Following the lower growth rates in the second half of 2018, from 0.1 to 0.2% per quarter, the economy in the eurozone picked up again somewhat in early 2019. Eurozone economic output in the first quarter of 2019 was up 0.4% on the previous quarter. Besides the usual seasonal effects (spring revival), various special factors that had recently weighed on economic development and could slow it down further in the coming months are currently to be seen.

While economic activity in Germany is lower owing to the automotive industry's adjustments to the new emissions standards, the yellow vest protests in France and French rail workers' strikes continue to have a negative effect. In Italy on the other hand, the populist government's approach, which is difficult to predict, is weighing on consumer and investor confidence. Spain could face a difficult process of forming a government after the election at the end of April 2019, in which the social democrats emerged as the strongest force. However, acting Prime Minister Pedro Sanchez is reliant on the support or tolerance of the Catalan separatists and the left-wing Podemos party to form a government, as both conservative parties have already ruled out a grand coalition.

As a result of this loss of confidence, the purchasing managers' index for the eurozone has fallen over the last twelve months from 55.1 points in April 2018 to 51.3 points. With the purchasing managers' index remaining above the expansion threshold of 50 points, economic output in the eurozone is likely to rise further. The marked decline in the index also shows that the economic recovery in the eurozone is considerably more sensitive that in the past. It is therefore not as easy to compensate for conflicts such as the trade dispute with the US. The growth rates that were still achieved two or three years also will no longer be reached in the coming 24 months.

Spain's economic performance is expected to improve by 2.2% in 2019, while Portugal should be able to achieve growth of 1.6% during the same period. In addition to these front-runners, there are quite a number of euro member states that will fall short of their potential growth in the months ahead. France's GDP is expected to rise by only 1.2% this year compared with 1.5% the year before. Italy's economy will stagnate with expected GDP growth in the region of 0.1%, while Germany's GDP should rise by only 0.9 to 1.0%.

The ECB ended its net securities purchases at the turn of the year 2018/2019. This though does not mean it will not buy any more bonds after that. It will continue to purchase bonds in the amount of EUR 15 to 20 billion every month, within the scope of reinvesting cash inflows from its portfolio, in order to keep its balance sheet at a constant level. The increase in EUR government bond yields should therefore remain manageable. The EAA expects the ten-year Bund yield to rise to 0.4% by the end of 2019 (+40 bps). A yield of 0.7% is likely at year-end 2020.

Economic report

Overview of economic development

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

The notional volume of the banking book fell 6.8% to EUR 17.0 billion. The notional volume of the trading portfolio declined by 4.7% to EUR 163.0 billion during the same period.

Net profit for the year of EUR -7.8 million is impacted in particular by the negative net fee and commission result of EUR 4.2 million and general administrative expenses of EUR 33.9 million. This was offset primarily by the positive net interest result of EUR 19.4 million and loan loss provisions, which, together with the results from financial assets and shareholdings, came to EUR 8.4 million.

The EAA's total assets rose from EUR 39.7 billion in the previous year to their current level of EUR 43.1 billion. This is largely attributable to the rise in the market values of positions held in the trading portfolios and to liquidity management measures. The business volume, which also includes off-balance-sheet components, grew by 3.0% to EUR 45.5 billion (previous year: EUR 44.2 billion).

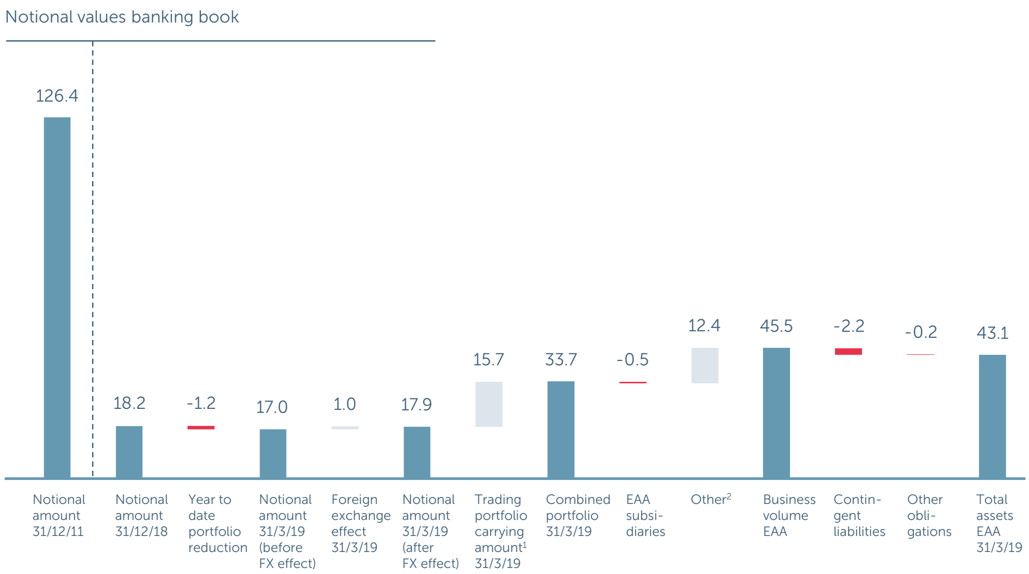
Wind-up report

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 31 March 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 31 March 2019, the notional volume of the banking book was reduced from EUR 18.2 billion to EUR 17.0 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 1.2 billion (6.8%). The volume at exchange rates as of 31 March 2019 is EUR 17.9 billion. The total banking book portfolio has decreased by EUR 109.5 billion or 86.6% since 1 January 2012.

Clusters	Notional 31/3/2019 EUR million	Notional 31/12/2018 EUR million	Notional volume (at exchange rates as of 31/12/2011) EUR million	Change to 31/12/2018 in %	Notional volume (at exchange rates as of 31/3/2019) Notional 31/3/2019 EUR million	FX effect[1] EUR million
Structured Securities	6,812.5	7,646.5	-834.0	-10.9	7,421.1	608.6
Public Finance & Financial Institutions	4,586.7	4,749.5	-162.8	-3.4	4,640.2	53.5
Real Assets	3,302.8	3,464.0	-161.2	-4.7	3,422.1	119.3
Structured Products	1,363.4	1,389.9	-26.5	-1.9	1,533.5	170.1
Corporates	833.9	880.6	-46.7	-5.3	865.3	31.4
Equity/Mezzanine	56.0	58.9	-2.9	-4.9	57.4	1.4
Total	**16,955.3**	**18,189.4**	**-1,234.1**	**-6.8**	**17,939.6**	**984.3**

[1] Change in notional volume due to exchange rate effects.
Note: As of 31 March 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 -1.6 million effect on the wind-up plan in the first quarter of 2019 associated with sales and early repayments from the banking book portfolio. A positive wind-up plan effect of EUR +4.4 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 163.0 billion as of 31 March 2019. The notional volume of the trading portfolio decreased by a total of EUR 8.0 billion during the period from 1 January to 31 March 2019 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 901.0 billion or 84.7%.

Clusters	Notional 31/3/2019 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 31/3/2019 EUR million	Notional volume (at exchange rates as of 31/3/2019) FX effect[1] EUR million
Rates	160,481.2	168,413.2	-7,932.0	-4.7	161,541.9	1,060.7
Other	2,550.1	2,648.3	-98.2	-3.7	2,185.4	-364.7
Total	**163,031.4**	**171,061.5**	**-8,030.1**	**-4.7**	**163,727.3**	**695.9**

[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 7.9 billion. This decline resulted primarily from maturities of around EUR 8.1 billion, active reduction measures totalling EUR 0.1 billion and offsetting hedging transactions in the amount of EUR 0.3 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 19.4 million, loan loss provisions which together with the result from financial assets and shareholdings came to EUR +8.4 million, as well as by general administrative expenses of EUR 33.9 million and the net fee and commission result of EUR -4.2 million. Personnel expenses totalled EUR 5.9 million. Other administrative expenses of EUR 28.0 million were comprised mainly of expenses for services rendered by EFS and MSPA.

The net trading result of EUR 2.5 million was up on the same period of the previous year thanks to the reversal of 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 -7.8 million (previous year: EUR 1.1 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

	1/1-31/3/2019 EUR million	1/1-31/3/2018 EUR million	Change EUR million	in %
Net interest result	19.4	36.8	-17.4	-47.3
Net fee and commission result	-4.2	-4.7	0.5	10.6
Net trading result	2.5	1.4	1.1	78.6
Total other operating expenses/income	-	0.2	-0.2	-100.0
Personnel expenses	-5.9	-6.0	0.1	1.7
Other administrative expenses	-28.0	-34.1	6.1	17.9
Results from financial assets and shareholdings	0.8	-13.5	14.3	>100
Results prior to risk provisioning	**-15.4**	**-19.9**	**4.5**	**22.6**
Loan loss provisions	7.6	21.9	-14.3	-65.3
Results before taxes	**-7.8**	**2.0**	**-9.8**	**>-100**
Taxes	-	-0.9	0.9	100.0
Net result for the year	**-7.8**	**1.1**	**-8.9**	**>-100**
Net retained losses brought forward	-2,357.9	-2,360.6	2.7	0.1
Net retained losses	-2,365.7	-2,359.5	-6.2	-0.3

Financial position and issuing activity

The total notional amount of the portfolio of issued bearer bonds, promissory note loans and commercial paper was EUR 24.5 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.

A notional amount equivalent to EUR 10.5 billion was issued during the reporting period under the global Commercial Paper Programme, consisting of USD 6.5 billion (EUR 5.8 billion), GBP 1.6 billion (EUR 1.8 billion) and EUR 2.9 billion.

As of the reporting date, the portfolio contained securities issued by the EAA with a notional volume of around EUR 49 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 31 March 2019 amounted to EUR 43.1 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

	31/3/2019 EUR million	31/12/2018 EUR million	Change EUR million	in %
Cash reserve	3,753.6	1,400.9	2,352.7	>100
Loans and advances to banks	6,895.7	6,023.1	872.6	14.5
Loans and advances to customers	9,215.0	9,305.3	-90.3	-1.0
Securities (no trading portfolio)	6,284.4	7,050.0	-765.6	-10.9
Trading portfolio	15,714.4	14,560.9	1,153.5	7.9
Long-term equity investments and shares in affiliates	1,071.2	1,280.4	-209.2	-16.3
Other assets	200.4	76.8	123.6	>100
Total assets	**43,134.7**	**39,697.4**	**3,437.3**	**8.7**

Liabilities and equity

	31/3/2019 EUR million	31/12/2018 EUR million	Change EUR million	in %
Deposits from banks	2,082.9	1,872.0	210.9	11.3
Deposits from customers	2,345.9	2,526.8	-180.9	-7.2
Debt securities in issue	22,415.4	20,192.5	2,222.9	11.0
Trading portfolio	15,528.0	14,323.8	1,204.2	8.4
Provisions	82.7	93.1	-10.4	-11.2
Other liabilities	29.4	31.0	-1.6	-5.2
Equity	650.4	658.2	-7.8	-1.2
Total liabilities and equity	**43,134.7**	**39,697.4**	**3,437.3**	**8.7**
Contingent liabilities	2,186.6	2,540.7	-354.1	-13.9
Other obligations/loan commitments	205.7	1,970.5	-1,764.8	-89.6
Business volume	**45,527.0**	**44,208.6**	**1,318.4**	**3.0**

Loans and advances to banks increased by EUR 0.9 billion as of 31 March 2019 compared with the year-end amount. The increase is mainly due to a greater volume of time deposits for liquidity management purposes and to a larger volume of cash collateral provided for derivative transactions.

The decline in loans and advances to customers of around EUR 0.1 billion is mostly attributable to principal repayments in the traditional lending business.

The reduction of around EUR 0.8 billion in the securities portfolio is largely due to principal repayments.

The increase of EUR 1.2 billion each in the balance values of trading assets and liabilities is explained by changes to the yield curves and other factors included in the valuations, so that the general wind-up of the trading portfolio is more than offset.

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

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

Lending business

	31/3/2019	31/12/2018	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	6,895.7	6,023.1	872.6	14.5
Loans and advances to customers	9,215.0	9,305.3	-90.3	-1.0
Contingent liabilities	2,186.6	2,540.7	-354.1	-13.9
Other obligations/loan commitments	205.7	1,970.5	-1,764.8	-89.6
Lending business	**18,503.0**	**19,839.6**	**-1,336.6**	**-6.7**

Summary of the business situation
As planned, the reduction of the portfolio generates a lower net interest result for the EAA. The fee and commission expenses and administrative expenses incurred lead to a negative result. The income from loan loss provisions was unable to offset these as of 31 March 2019, so that a loss was reported for the first quarter of 2019.

The EAA's assets are in good order. Its equity as of 31 March 2019 amounted to EUR 650.4 million. Adequate liquidity was available at all times.

The sale of the EAA's residential construction credit portfolio is the only significant event after the reporting date of 31 March 2019 and a statement to this effect is contained in the notes to the financial statements ("Subsequent events" section).

Risk, opportunities and forecast report

Risk report

A common objective of the liable stakeholders, the FMS and the EAA is to minimise its strategic wind-up risk, that is to say, the risk of a negative deviation from the economic targets in the 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 1.2 billion to EUR 17.0 billion in the first quarter 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]

	31/3/2019 EUR billion	31/12/2018 EUR billion
A0-A2	1.0	1.0
A3-A5	4.4	5.2
B1-B3	0.7	0.7
B4-B5	1.6	2.9
C1-C2	4.0	2.7
C3-C5	1.6	1.8
D1-D3	0.8	0.9
D4-E	0.9	0.9
S.R.	1.4	1.5
N.R.	0.6	0.6
Total	**17.0**	**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 8% of the total portfolio (31 December 2018: 8%).

The EAA continues to aim for a portfolio reduction across all rating categories. The EUR 0.8 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 the reduction in rating category B4-B5 of EUR 1.3 billion in each case are 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	A1	A+	A+	
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	B2	B	B	
D4	B3	B-	B-	
D5	Caa1 to C	CCC+ to C	CCC+ to C	
E	C	C	C	

Breakdown of notional volume by clusters[1,2]

	31/3/2019 in %	31/12/2018 in %
Structured Securities	40.2	42.0
Public Finance & Financial Institutions	27.1	26.1
Real Assets	19.5	19.0
Structured Products	8.0	7.6
Corporates	4.9	4.8
Equity/Mezzanine	0.3	0.3
Total	**100.0**	**100.0**

[1] 31 March 2019 = EUR 17.0 billion; 31 December 2018 = EUR 18.2 billion.
[2] Excluding exchange rate effects (based on exchange rates as of 31 December 2011.

The EAA's banking book portfolio consists of six clusters. The largest cluster, Structured Securities, with a total share of 40.2%, consists of three sub-portfolios: Phoenix (60.0% – please refer to the section "Phoenix" for further details), ABS (30.0%) and Dritte EAA (10.0%).

Breakdown of notional volume by maturities[1,2]

	31/3/2019 EUR billion	31/12/2018 EUR billion
<= 6 M	0.3	0.2
> 6 M <= 1 Y	0.6	0.3
> 1 Y <= 5 Y	2.4	3.0
> 5 Y <= 10 Y	4.2	4.4
> 10 Y <= 20 Y	5.6	6.3
> 20 Y	3.9	4.0
Total	**17.0**	**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 quarter of 2019.

Breakdown of notional volume by region[1]

	31/3/2019 EUR billion	31/12/2018 EUR billion
Americas[2]	8.2	9.1
EMEA	6.9	7.1
Germany	1.7	1.7
APAC	0.2	0.3
Total	**17.0**	**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 48% of the notional volume was attributable to the Americas region (31 December 2018: 50%). Repayments were the main reason for a decline of EUR 0.9 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	**0.6**	**7.5**	**6.9**	**3.1**	**10.0**
Credit risk	0.6	7.5	6.9	3.2	10.1
Other risk	-	-	-	-0.1	-0.1
Contingent counterparty default risk	**2.4**	**-**	**-2.4**	**-**	**-2.4**
Total	**3.0**	**7.5**	**4.5**	**3.1**	**7.6**

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 31/3/2019 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	2,046.3	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 31 March 2019 (at constant exchange rates as of 31 December 2011).

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

	31/3/2019 EUR billion	31/12/2018 EUR billion
A0-A2	-	-
A3-A5	2.5	3.2
B1-B3	-	-
B4-B5	-	-
C1-C2	1.6	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 31 March 2019.

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

Public Finance

The exposure to the public sector (including the Liquidity Portfolio) as of 31 March 2019 totals a notional amount of EUR 4.3 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 2.8 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 81% 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 18%. 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 8.3 million as of 31 March 2019 (31 December 2018: EUR 7.9 million). The EUR 0.4 million increase in CVA is attributable to novations (EUR -0.2 million), market fluctuations (EUR +0.4 million), changes in credit spreads (EUR -0.1 million) and changes in credit ratings (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.

	31/3/2019 Exposure EUR million	31/3/2019 Limit EUR million	31/12/2018 Exposure EUR million	31/12/2018 Limit EUR million
Credit risk – money market positions[1]	3,328.9	5,223.5	2,876.4	5,223.5
Counterparty risk – OTC derivatives (pre-settlement risk)	350.8	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 31 March 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	98.8	845.9	930.7	1,237.4	902.2	4,015.0
Financial Institutions	49.4	25.5	-	22.5	-	97.5
Other securities	1.3	2.3	167.3	339.2	2,768.7	3,278.8
Total 31/3/2019	**149.6**	**873.7**	**1,097.9**	**1,599.2**	**3,670.9**	**7,391.3**
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 4.0 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, 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 3.0 billion (17.8%) is held by subsidiaries, mainly consisting of EAA CBB with EUR 1.3 billion (41.5%), Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.1 billion (35.9%) and Dritte EAA Anstalt & Co. KG with EUR 0.7 billion (22.7%).

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 4.3 billion as of 31 March 2019 is shown in the table below.

Country[1]	Debtor group	31/3/2019 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	578.1	584.5
	Public Finance	136.3	130.8
Σ UK		**714.4**	**715.3**
Ireland	Corporates	31.3	30.4
	Financial Institutions	0.1	0.0
	Public Finance	30.0	30.0
Σ Ireland		**61.4**	**60.4**
Italy	Corporates	277.4	281.6
	Public Finance	1,606.8	1,602.6
Σ Italy		**1,884.2**	**1,884.2**
Portugal	Financial Institutions	11.2	11.2
	Public Finance	711.2	711.9
Σ Portugal		**722.4**	**723.2**
Spain	Corporates	514.4	507.1
	Public Finance	338.0	338.0
Σ Spain		**852.4**	**845.1**
Cyprus	Corporates	56.6	56.0
Σ Cyprus		**56.6**	**56.0**
Total[3]		**4,291.5**	**4,284.1**
of which	Corporates	1,457.8	1,459.5
of which	Financial Institutions	11.4	11.3
of which	Public Finance	2,822.3	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 1,167.0 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]	31/3/2019 EUR million[3]	31/12/2018 EUR million[3]
Other derivatives and ALM	MtM	UK	176.5	261.2
		Italy	26.0	25.1
		Spain	238.0	168.0
Σ Other derivatives and ALM			**440.5**	**454.2**
Other	Notional	UK	18.4	29.6
Σ Other[4]			**18.4**	**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.

The increase over Spain is attributable to short-term money market transactions conducted within the scope of liquidity management.

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)

	31/3/2019 EUR thousand	31/12/2018 EUR thousand
< 1 Y	32.8	30.4
1-4 Y	33.3	28.0
4-8 Y	29.6	21.2
8-15 Y	-8.7	-2.4
> 15 Y	-36.6	-31.2
Total	**50.4**	**45.9**

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

The interest rate sensitivity PV01 is now EUR 50.4 thousand compared with year-end 2018 (EUR 45.9 thousand), due to management and maturity effects. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	31/3/2019 EUR thousand	31/12/2018 EUR thousand
AUD	1,012.3	2,082.1
CAD	3,137.7	2,862.2
CHF	-95.0	957.3
GBP	-1,012.2	1,439.8
JPY	2,634.2	2,172.7
PLN	1,178.5	1,123.8
SGD	465.3	452.2
USD	-481.6	-5,838.2
Other	245.5	1,169.5
Total	**7,084.7**	**6,421.3**

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

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

Market price risks – trading portfolio

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

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

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

The relevant market price risk exposures are continuously subjected to backtesting. This involves comparing the actual market value changes (hypothetical income statement) with the potential market value changes forecast by the VaR model on a daily basis. There was one backtesting breach in the current fiscal year 2019 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

	31/3/2019 EUR thousand	31/12/2018 EUR thousand
EAA Trading	374.5	361.0
Interest Rate Exotics	339.7	248.6
Interest Rate Flow	188.8	209.4
Muni GIC Portfolio	106.6	146.0
Credit and Equities	4.7	4.5
Interest Rate Options	-	50.8
Foreign Exchange Options and Hybrids	-	22.5

As of 31 March 2019 the VaR for the trading portfolio rose to EUR 374.5 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 31 March 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 2.7 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. The EAA has already 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 last risk inventory of the EAA 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 quarter 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 strong 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 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, and in particular also because of the disputed jurisdiction of US courts. The EAA has no reason to doubt Portigon’s claims that there are no indications of any misconduct.

The legal disputes about so-called “negative market values” arising from the derivatives transactions with municipalities were ended through out-of-court settlements.

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 31 March 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

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

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

The ECB’s monetary policy is likely to support the valuations of euro government bonds in 2019 and 2020, despite having suspended its purchase programme in December 2018. The ECB will only purchase securities in 2019 when reinvesting cash inflows from its portfolio. It will continue to have a positive influence on valuations through these purchases. This should limit price and spread volatility. The ECB is likely to reach peak easing in September 2018. Further support initiatives are unlikely to follow. Nevertheless, the ECB is likely to have to tread very cautiously in pursuing the further normalisation of monetary policy as the global economic situation has deteriorated from previous years.

The combination of a still very loose monetary policy and ongoing, albeit somewhat lower, economic growth is allowing the eurozone countries and the companies and project finance established there to service their debt on much better terms. Bearing in mind that the ECB will buy fewer securities in the future, the return of established investor groups that were driven away by the ECB’s purchase programmes is also likely to limit valuation risks. This 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 16% 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's portfolio 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 14% compared with the previous year to less than EUR 150 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 are supported by current economic developments. In particular, the ECB's programme to purchase euro government bonds had a positive impact on the EAA's portfolios. At year-end 2018, the EAA had ended its active purchases of government bonds and other securities. Within the scope of reinvesting cash inflows from the portfolio, however, it will buy an estimated EUR 15 billion to EUR 25 billion in bonds per month to prevent its balance sheet from shrinking. It will therefore continue to exert significant influence on the market performance of euro government bonds in the years ahead. The effect of the ECB purchases is not limited to just government bonds. It is also radiating out to other segments, as investors are looking for investment alternatives in the current environment of low interest rates and yields.

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

Balance sheet

Assets

	Notes	EUR	EUR	31/3/2019 EUR	31/12/2018 EUR
1. Cash reserve					
a) Balances with central banks			3,753,633,104		(1,400,857,958)
of which:					
with Deutsche Bundesbank EUR 3,753,633,104 (py: EUR 1,400,857,958)					
				3,753,633,104	1,400,857,958
2. Loans and advances to banks	4, 28				
a) Payable on demand			3,498,767,072		(2,725,111,353)
b) Other loans and advances			3,396,897,097		(3,298,010,024)
				6,895,664,169	6,023,121,377
3. Loans and advances to customers	5, 6, 14, 28			9,214,951,637	9,305,300,760
of which:					
secured by mortgage charges EUR 157,365,457 (py: EUR 165,274,724)					
Public-sector loans EUR 1,149,211,848 (py: EUR 1,214,134,196)					
4. Bonds and other fixed-income securities	7, 15, 28				
a) Bonds issued by					
aa) public issuers		1,429,268,505			(1,429,092,334)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,412,003,591 (py: EUR 1,411,264,143)					
ab) other issuers		4,805,855,135			(5,570,376,204)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 352,588,191 (py: EUR 373,772,908)					
			6,235,123,640		(6,999,468,538)
b) Own bonds notional value: EUR 49,000,000 (py: EUR 49,000,000)			49,316,836		(50,570,932)
				6,284,440,476	7,050,039,470
5. Equities and other non-fixed-income securities				1	1
5a. Trading portfolio	8			15,714,443,919	14,560,941,901

BALANCE SHEET

	Notes	EUR	EUR	31/3/2019 EUR	31/12/2018 EUR
6. Long-term equity investments	9			38,002,901	37,828,058
of which:					
in banks EUR 12,421,102 (py: EUR 12,421,102)					
7. Shares in affiliates	10			1,033,159,585	1,242,626,044
of which:					
in banks EUR 434,297,095 (py: EUR 434,297,095)					
8. Trust assets	11			23,728	23,728
of which:					
trust loans EUR 23,728 (py: EUR 23,728)					
9. Intangible assets					
a) Paid concessions, trademarks and similar rights and values such as licences in such rights			3,460,154		(3,560,846)
				3,460,154	3,560,846
10. Tangible fixed assets				166,722	177,845
11. Other assets	12			175,177,851	50,199,007
12. Prepaid expenses/accrued income	13			21,587,417	22,697,383
Total assets				**43,134,711,664**	**39,697,374,378**

Liabilities and equity

	Notes	EUR	EUR	31/3/2019 EUR	31/12/2018 EUR
1. Deposits from banks	16				
a) Payable on demand			1,653,445,853		(1,448,880,318)
b) With an agreed maturity or withdrawal notice			429,422,239		(423,133,242)
				2,082,868,092	1,872,013,560
2. Deposits from customers	17				
other deposits					
a) Payable on demand			105,434,807		(236,826,516)
b) With an agreed maturity or withdrawal notice			2,240,481,518		(2,289,971,903)
				2,345,916,325	2,526,798,419
3. Debt securities in issue	18				
a) Bonds			10,061,867,840		(10,843,361,166)
b) Other debt securities in issue			12,353,546,766		(9,349,108,428)
of which:					
money market instruments EUR 12,353,546,766 (py: EUR 9,349,108,428)					
				22,415,414,606	20,192,469,594
3a. Trading portfolio	19			15,528,048,419	14,323,806,066
4. Trust liabilities	20			23,728	23,728
of which:					
trust loans EUR 23,728 (py: EUR 23,728)					
5. Other liabilities	21			14,370,427	14,486,505
6. Accruals/deferred income	22			14,893,800	16,427,103
7. Provisions	23				
a) Tax provisions			8,526,317		(8,525,904)
b) Other provisions			74,201,919		(84,602,987)
				82,728,236	93,128,891

BALANCE SHEET

	Notes	EUR	EUR	31/3/2019 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			-2,365,720,591		(-2,357,948,110)
				650,448,031	658,220,512
Total liabilities and equity				**43,134,711,664**	**39,697,374,378**
1. Contingent liabilities	25				
a) Liabilities from guarantees and warranties			2,186,636,453		(2,540,683,323)
				2,186,636,453	2,540,683,323
2. Other obligations	25				
a) Irrevocable loan commitments			205,670,635		(1,970,541,413)
				205,670,635	1,970,541,413

Income statement

	Notes	EUR	EUR	1/1-31/3/2019 EUR	1/1-31/3/2018 EUR
1. Interest income from	26				
a) Lending and money market transactions		94,135,285			(84,941,636)
b) Fixed-income securities and debt register claims		37,418,578			(38,761,611)
			131,553,863		(123,703,247)
2. Interest expense			112,190,709		(88,214,648)
				19,363,154	35,488,599
3. Current income from	26				
a) Equities and other non-fixed-income securities			0		(0)
b) Long-term equity investments			7,689		(1,282,141)
c) Shares in affiliates			0		(0)
				7,689	1,282,141
4. Income from profit pooling, profit transfer or partial profit transfer agreements	26			0	0
5. Fee and commission income	26		794,992		(512,578)
6. Fee and commission expense			5,011,411		(5,188,517)
				-4,216,419	-4,675,939
7. Net trading result	26			2,458,135	1,352,658
8. Other operating income	26, 27			612,015	2,398,832
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		5,187,126			(5,270,573)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		724,648			(725,818)
of which:					
for pensions EUR 180,206 (py: EUR 193,623)					
			5,911,774		(5,996,391)
b) Other administrative expenses			27,921,865		(34,017,024)
				33,833,639	40,013,415

INCOME STATEMENT

	Notes	EUR	EUR	1/1-31/3/2019 EUR	1/1-31/3/2018 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets				111,816	118,421
11. Other operating expenses	27			392,274	2,103,766
12. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	23, 28			7,583,483	21,882,115
13. Depreciation and write-offs on long-term equity investments, shares in affiliates and long-term securities	28			0	13,544,193
14. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	28			780,787	0
15. Expenses from loss assumption	28			0	0
16. Result from ordinary activities				-7,748,885	1,948,611
17. Taxes on income and earnings	29			18,864	878,967
18. Other taxes not reported under item 11	29			4,732	110
19. Net result for the year				-7,772,481	1,069,534
20. Net retained losses brought forward				-2,357,948,110	-2,360,573,940
21. Net retained losses				-2,365,720,591	-2,359,504,406

Cash flow statement

			1/1-31/3/2019 EUR	1/1-31/3/2018 EUR
1.	+/-	Result for the period	-7,772,481	1,069,534
		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	-6,489,321	-24,487,599
3.	+/-	Increase/decrease in provisions	-10,400,654	-8,605,789
4.	+/-	Other non-cash income/expense	107,443,539	1,937,642
5.	+/-	Gain/loss on disposal of long-term financial assets	-818,351	13,886,145
6.	=	Subtotal	81,962,732	-16,200,067
		Change in operating assets and liabilities		
7.	+/-	Increase/decrease in loans and advances to banks (no trading portfolio)	-858,319,196	-1,596,911,063
8.	+/-	Increase/decrease in loans and advances to customers (no trading portfolio)	99,005,550	459,554,058
9.	+/-	Increase/decrease in securities (no financial assets and no trading portfolio)	753,915,642	1,382,369,596
10.	+/-	Trading assets	-25,932,089	1,256,242,814
11.	+/-	Increase/decrease in other operating assets	-120,795,116	2,824,518
12.	+/-	Increase/decrease in deposits from banks (no trading portfolio)	209,375,898	-101,152,932
13.	+/-	Increase/decrease in deposits from customers (no trading portfolio)	-7,856,031	-47,491,657
14.	+/-	Increase/decrease in debt securities in issue	2,230,431,367	273,879,252
15.	+/-	Trading liabilities	-30,771,115	-1,313,154,727
16.	+/-	Increase/decrease in other operating liabilities	-3,182,487	-8,805,885
17.	+/-	Interest expenses/interest income	-19,370,843	-36,770,740
18.	+/-	Tax expenses/tax income	18,864	878,967
19.	+	Interest payments and dividend payments received	126,098,905	113,584,862
20.	-	Interest paid	-106,255,950	-79,904,162
21.	+/-	Income tax payments	-18,864	-892,031
22.	=	Cash flows from operating activities (sum of 6 to 21)	2,328,307,267	288,050,803
23.	+	Proceeds from disposal of long-term financial assets	21,875,923	41,383,971
24.	-	Purchase of long-term financial assets	51,518	-54,849,769
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)	21,927,441	-13,465,798
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)	2,350,234,708	274,585,005
31.	+	Cash funds at beginning of period	1,445,742,364	2,108,360,650
32.	=	Cash funds at end of period (sum of 30 to 31)	3,795,977,072	2,382,945,655

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 31/3/2019 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	-7,772,481	-2,365,720,591
Equity under HGB	**658,220,512**	**-7,772,481**	**650,448,031**

	Balance as of 1/1/2018 EUR	Appropriation of the result EUR	Balance as of 31/3/2018 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	1,069,533	-2,359,504,407
Equity under HGB	**655,594,682**	**1,069,533**	**656,664,215**

Condensed notes

For the period from 1 January to 31 March 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

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**6,895.7**	**6,023.1**
of which:		
- to affiliates	330.7	330.3
Payable on demand	3,498.8	2,725.1
due		
- within 3 months	2,810.8	3,029.7
- 3 months to 1 year	559.4	241.5
- 1 to 5 years	8.0	8.0
- after 5 years	18.7	18.8

5. Loans and advances to customers

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**9,215.0**	**9,305.3**
of which:		
- to affiliates	1,357.7	1,327.4
- to long-term equity investments	3.8	5.5
due		
- within 3 months	1,100.5	1,159.1
- 3 months to 1 year	1,564.8	1,563.5
- 1 to 5 years	1,779.1	1,820.8
- after 5 years	4,770.6	4,761.9

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

6. Loans and advances secured by mortgages

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**157.4**	**165.3**
Loans and advances to customers due		
- within 3 months	1.9	2.6
- 3 months to 1 year	3.1	3.4
- 1 to 5 years	16.5	18.1
- after 5 years	135.9	141.2

7. Bonds and other fixed-income securities

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**6,284.4**	**7,050.0**
of which:		
Amounts due in the following year	233.4	132.3
Breakdown		
- Bonds issued by public issuers	1,429.3	1,429.1
- Bonds issued by other issuers	4,805.8	5,570.3
- Own bonds	49.3	50.6
Breakdown by marketability		
- Marketable securities	6,284.4	7,050.0
of which:		
- listed	1,840.4	1,836.6
- unlisted	4,444.0	5,213.4
Breakdown by type		
- Liquidity reserve	49.3	50.6
- Investment securities	6,235.1	6,999.4

Bonds and other fixed-income securities in the amount of EUR 6.2 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 2.4 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 2.4 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

8. Trading portfolio

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**15,714.4**	**14,560.9**
of which:		
- Derivative financial instruments	15,715.6	14,562.1
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-1.2	-1.2

9. Long-term equity investments

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**38.0**	**37.8**
of which:		
- in banks	12.4	12.4
Breakdown by marketability		
- Marketable securities	11.2	11.2
of which:		
- unlisted	11.2	11.2

10. Shares in affiliates

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**1,033.2**	**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 31 March 2019 comprise loans and advances to customers amounting to EUR 23.7 thousand (previous year: EUR 23.7 thousand).

12. Other assets

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**175.2**	**50.2**
of which:		
- Currency translation adjustments	158.7	34.0
- Tax refund claims	12.5	10.8
- Receivables from profit and loss pooling agreements	3.9	5.1
- Guarantee fees and commissions	0.1	0.2

13. Prepaid expenses/accrued income

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**21.6**	**22.7**
of which:		
- Non-recurring payments on swaps	8.3	12.0
- Discounts from issuing business	7.6	7.1
- Discounts from liabilities	3.2	3.1
- Other	2.5	0.5

14. Subordinated assets

Subordinated assets are included in:

	31/3/2019 EUR million	31/12/2018 EUR million
Loans and advances to customers	**665.5**	**665.7**
of which:		
- to affiliates	294.6	285.3

15. Assets sold under repurchase agreements

As of 31 March 2019 and as at the end of the previous year, no assets were sold under repurchase agreements.

16. Deposits from banks

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**2,082.9**	**1,872.0**
of which:		
- Deposits from affiliates	19.7	13.7
Payable on demand	1,653.4	1,448.9
due		
- within 3 months	149.3	105.0
- 3 months to 1 year	4.8	43.1
- 1 to 5 years	188.1	188.1
- after 5 years	87.3	86.9

17. Deposits from customers

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**2,345.9**	**2,526.8**
of which:		
- Deposits from affiliates	32.7	229.4
Other deposits	2,345.9	2,526.8
of which:		
- payable on demand	105.4	236.8
due		
- within 3 months	382.5	410.8
- 3 months to 1 year	120.7	122.2
- 1 to 5 years	706.4	700.6
- after 5 years	1,030.9	1,056.4

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

18. Debt securities in issue

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**22,415.4**	**20,192.5**
Bonds	10,061.9	10,843.4
of which:		
Amounts due in the following year	6,550.2	5,233.9
Other debt securities in issue	12,353.5	9,349.1
of which due:		
- within 3 months	9,945.1	7,241.5
- 3 months to 1 year	2,408.4	2,107.6
- 1 to 5 years	-	-
- after 5 years	-	-

19. Trading portfolio

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**15,528.0**	**14,323.8**
of which:		
- Derivative financial instruments	15,528.0	14,323.8

20. Trust liabilities

The EAA's trust liabilities as of 31 March 2019 comprise deposits from customers amounting to EUR 23.7 thousand (previous year: EUR 23.7 thousand).

21. Other liabilities

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**14.4**	**14.5**
of which:		
- Deposits from the assumption of losses	1.1	2.0
- Other	13.3	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

	31/3/2019 EUR million	31/12/2018 EUR million
Carrying amount	**14.9**	**16.4**
of which:		
- Non-recurring payments on swaps	8.5	8.4
- Premium on issuing business	5.8	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 31/3/2019 EUR million
Taxes	**8.5**	**-**	**-**	**-**	**-**	**-**	**8.5**
Other provisions	**84.6**	**2.6**	**0.2**	**9.1**	**4.7**	**0.6**	**74.2**
- Loans	9.1	0.6	-	-	1.5	0.1	8.4
- Shareholdings	2.4	-	-	-	-	-	2.4
- Legal actions	1.2	-	-	-	0.2	-	1.0
- Personnel	0.5	-	-	-	-	-	0.5
- Other	71.4	2.0	0.2	9.1	3.0	0.5	61.9
Total	**93.1**	**2.6**	**0.2**	**9.1**	**4.7**	**0.6**	**82.7**

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

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

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

The net loss for the year for the first quarter of 2019 amounts to EUR 7.8 million and increases net retained losses to EUR 2,365.7 million as of 31 March 2019.

25. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 2.2 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 31 March 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 is largely as a 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 1/1-31/3/2019 EUR million	Current income 1/1-31/3/2019 EUR million	Fees and commission income 1/1-31/3/2019 EUR million	Net trading result 1/1-31/3/2019 EUR million	Other operating income 1/1-31/3/2019 EUR million
Germany	17.6	-	0.7	2.5	0.6
UK	8.7	-	-	-	-
Rest of Europe	69.6	-	0.1	-	-
Far East and Australia	9.5	-	-	-	-
North America	26.2	-	-	-	-
IS amount	**131.6**	**-**	**0.8**	**2.5**	**0.6**

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

27. Other operating and prior-period expenses and income

Net other operating expenses and income as of 31 March 2019 comprised EUR 0.4 million (previous year: EUR 2.1 million) in expenses and EUR 0.6 million (previous year: EUR 2.4 million) in income.

The expenses include EUR 0.0 million (previous year: EUR 1.8 million) from the foreign exchange result in the banking book, while the income includes reversals of provisions in the amount of EUR 0.3 million (previous year: EUR 1.6 million).

28. Risk provision

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

	1/1-31/3/2019 EUR million	1/1-31/3/2018 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	**8.4**	**8.4**
Loans and securities income/expense	**7.6**	**21.9**
of which: - Lending operations	7.6	21.9
- Securities	-	-
Shareholdings and securities income/expenses	**0.8**	**-13.5**
of which: - Shareholdings	0.8	-14.9
- Securities	-	1.4
Expenses from loss assumption	**-**	**-**
Risk provision and financial investment result including loss assumption (pursuant to risk report)	**8.4**	**8.4**
Result of risk provisions – loans and advances/securities due to credit risk	**7.6**	**21.9**
of which: - Lending operations	7.6	21.9
- Structured securities	-	-
Results from financial assets, shareholdings and loss assumption	**0.8**	**-13.5**

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 7.6 million (previous year: net income of EUR 21.9 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 features income of EUR 0.8 million (previous year: expenses of EUR 13.5 million) as the risk result for shareholdings and securities.

29. Taxes

Taxes on income and earnings amounting rounded up to EUR 0.0 million (previous year: EUR 0.9 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 203.9 billion based on notional values (previous year: EUR 211.7 billion). The focus remains on interest-rate-related products, whose share stands at 85.4% (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	
	31/3/2019 EUR million	31/12/2018 EUR million	31/3/2019 EUR million	31/12/2018 EUR million	31/3/2019 EUR million	31/12/2018 EUR million
Interest rate-related products	**174,149.2**	**181,654.1**	**15,613.5**	**14,440.5**	**16,370.5**	**15,044.0**
OTC products	173,882.2	181,292.1	15,613.5	14,440.5	16,370.5	15,044.0
Exchange-traded products	267.0	362.0	-	-	-	-
Currency-related products	**27,824.2**	**27,985.4**	**633.5**	**547.0**	**333.4**	**377.0**
OTC products	27,824.2	27,985.4	633.5	547.0	333.4	377.0
Equity and other price-related products	**1,972.1**	**1,972.1**	**33.8**	**63.9**	**33.3**	**63.1**
OTC products	1,972.1	1,972.1	33.8	63.9	33.3	63.1
Credit derivatives	**-**	**60.0**	**-**	**0.2**	**-**	**0.7**
OTC products	-	60.0	-	0.2	-	0.7
Total	**203,945.5**	**211,671.6**	**16,280.8**	**15,051.6**	**16,737.2**	**15,484.8**
OTC products	203,678.5	211,309.6	16,280.8	15,051.6	16,737.2	15,484.8
Exchange-traded products	267.0	362.0	-	-	-	-

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 207.8 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	
	31/3/2019 EUR million	31/12/2018 EUR million	31/3/2019 EUR million	31/12/2018 EUR million	31/3/2019 EUR million	31/12/2018 EUR million
Interest rate-related products	**177,901.6**	**201,442.4**	**15,027.0**	**15,540.3**	**15,707.2**	**16,068.6**
OTC products	177,587.1	199,877.7	15,027.0	15,540.3	15,707.2	16,068.6
Exchange-traded products	314.5	1,564.7	-	-	-	-
Currency-related products	**27,904.8**	**30,930.0**	**590.3**	**641.6**	**355.2**	**485.0**
OTC products	27,904.8	30,930.0	590.3	641.6	355.2	485.0
Equity and other price-related products	**1,972.1**	**1,972.1**	**48.8**	**49.4**	**48.2**	**48.8**
OTC products	1,972.1	1,972.1	48.8	49.4	48.2	48.8
Credit derivatives	**30.0**	**68.0**	**0.1**	**0.5**	**0.4**	**0.9**
OTC products	30.0	68.0	0.1	0.5	0.4	0.9
Total	**207,808.5**	**234,412.5**	**15,666.2**	**16,231.8**	**16,111.0**	**16,603.3**
OTC products	207,494.0	232,847.8	15,666.2	16,231.8	16,111.0	16,603.3
Exchange-traded products	314.5	1,564.7	-	-	-	-

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

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

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity and other price-related products		Credit derivatives	
	31/3/2019 EUR million	31/12/2018 EUR million	31/3/2019 EUR million	31/12/2018 EUR million	31/3/2019 EUR million	31/12/2018 EUR million	31/3/2019 EUR million	31/12/2018 EUR million
Due								
- within 3 months	9,228.7	18,131.7	5,555.4	7,255.5	-	-	-	60.0
- 3 months to 1 year	30,285.2	22,283.9	5,835.0	3,916.7	-	-	-	-
- 1 to 5 years	51,816.0	57,959.7	9,135.3	9,393.8	1,972.1	1,972.1	-	-
- after 5 years	82,819.3	83,278.8	7,298.5	7,419.4	-	-	-	-
Total	**174,149.2**	**181,654.1**	**27,824.2**	**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 1/1-31/3/2019	Total 1/1-31/3/2018
Number of employees	93	70	163	172

As of 31 March 2019 the EAA employed 153 (31 March 2018: 158) full-time equivalents.

32. Stakeholders in the EAA

	31/3/2019 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
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

Matthias Löb
Director of the Landschaftsverband Westfalen-Lippe

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

Michael Stölting
Member of the Managing Board of NRW.BANK

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

Stakeholders' Meeting of the EAA

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

36. Information on shareholdings

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

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

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Achte EAA-Beteiligungs GmbH [10)]	Düsseldorf	100.00		EUR	28	-9
2	ANC Handels GmbH & Co. KG [1)]	Mörfelden-Walldorf	1.00			n. s.	n. s.
3	BNYM GCS 2 GP Investors, LLC [6)]	Wilmington, US	50.00	0.00	USD	62	-50
4	CBAL S.A. [2) 9)]	Brussels, Belgium	100.00		EUR	1,561	-99
5	COREplus Private Equity Partners GmbH & Co. KG [1) 6)]	Frankfurt am Main	36.52	0.00	EUR	4,255	-3,469
6	COREplus Private Equity Partners II - Diversified Fund, L. P. [6)]	Wilmington, US	24.75	0.00	USD	19,482	-3,194
7	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n. s.	n. s.
8	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n. s.	n. s.
9	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG i.L. [1) 6)]	Aschheim	92.20	91.82	EUR	194	5,555
10	Deutsche Anlagen-Leasing Service & Co. Sparkassenneubau Teltow-Fläming KG [1) 6)]	Aschheim	77.60	76.81	EUR	-944	649
11	Dritte EAA Anstalt & Co. KG [2) 6)]	Düsseldorf	100.00		EUR	759,627	3,836
12	Dusskapital Zwanzig Beteiligungsgesellschaft mbH [10)]	Düsseldorf	100.00		EUR	39	1
13	EAA Charity LLP [1) 10)]	Wilmington, US	100.00		USD	18,832	1,717
14	EAA Covered Bond Bank Plc [6) 11)]	Dublin 1, Ireland	100.00		EUR	444,992	-5,436
15	EAA DLP I LLP [1) 10)]	Wilmington, US	100.00		USD	107,012	501
16	EAA DLP II LLP [1) 10)]	Wilmington, US	100.00		USD	85,785	3,538
17	EAA DLP III LLP [1) 10)]	Wilmington, US	100.00		USD	137,642	-8,279
18	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. [6)]	Sao Paulo, Brazil	100.00		BRL	885	99
19	EAA Europa Holding GmbH [3) 6)]	Düsseldorf	100.00		EUR	5,731	0
20	EAA Greenwich LLP [1) 10)]	Wilmington, US	100.00		USD	142,923	1,575
21	EAA LAT ABC LLP [1) 10)]	Wilmington, US	100.00		USD	147,187	17,992
22	EAA LAT II LLP [1) 10)]	Wilmington, US	100.00		USD	188,300	14,546
23	EAA LS Holdings LLC [1) 10)]	Wilmington, US	100.00		USD	0	n. s.
24	EAA PF LLP [1) 10)]	Wilmington, US	100.00		USD	137,736	-11,950
25	EAA Spyglass Holdings LLC [1) 10)]	Wilmington, US	100.00		USD	12,635	0
26	EAA Triskele LLP [1) 10)]	Wilmington, US	100.00		USD	203,204	9,316
27	EAA US Holdings Corporation [10)]	Wilmington, US	100.00		USD	41,232	-3,148

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
28	ECP Funding LLC [1) 10)]	Dover, US	100.00		USD	0	0
29	EDD AG i.L. [6)]	Düsseldorf	21.95		EUR	27,792	-3,009
30	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH [6)]	Potsdam	47.50		EUR	0	-416
31	Entertainment Asset Holdings C.V. [1) 4)]	Amsterdam, Netherlands	36.36		USD	88	88
32	EQT III GmbH & Co. KG [1) 7)]	Munich	1.18	0.00	EUR	0	0
33	Erste EAA Anstalt öffentlichen Rechts & Co. KG [2) 3) 10)]	Düsseldorf	100.00		EUR	49	0
34	Erste Financial Services GmbH [10)]	Düsseldorf	100.00		EUR	33,004	-30,831
35	Garnet Real Estate LLC [1) 10)]	Wilmington, US	100.00		USD	0	0
36	GKA Gesellschaft für kommunale Anlagen mbH i.L. [1) 6)]	Düsseldorf	100.00		EUR	130	0
37	Indigo Holdco LLC [1) 10)]	Dover, US	100.00		USD	2,684	0
38	Indigo Land Groveland LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
39	Leasing Belgium N.V. [1) 6)]	Antwerp, Belgium	100.00		EUR	396	-47
40	MCC SB Condo LLC [1) 10)]	Wilmington, US	100.00		USD	0	0
41	MCC SB Unit 144 LLC [1) 10)]	South Bend, US	100.00		USD	0	0
42	MCC SB Unit 145 LLC [1) 10)]	South Bend, US	100.00		USD	0	0
43	MCC SB Unit 146 LLC [1) 10)]	South Bend, US	100.00		USD	0	0
44	MCC SB Unit 147 LLC [1) 10)]	South Bend, US	100.00		USD	0	0
45	MCC Tern Landing LLC [1) 10)]	Wilmington, US	100.00		USD	1,068	0
46	Meritech Capital Partners II L.P. [1) 6)]	Palo Alto, US	0.06	0.00	USD	119,917	29,304
47	MFC Holdco LLC [1) 10)]	Dover, US	100.00		USD	1,068	0
48	MFC Pinecrest LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
49	MFC Real Estate LLC [1) 10)]	Dover, US	100.00		USD	0	0
50	MFC SB BAR, LLC [1) 10)]	South Bend, US	100.00		USD	0	0
51	Mod CapTrust Holding LLC [1) 10)]	Dover, US	100.00		USD	0	0
52	Monolith Grundstücksverwaltungsgesellschaft mbH [1) 6)]	Mainz	100.00		EUR	113	4
53	Nephelin Grundstücksverwaltungsgesellschaft mbH [1) 6)]	Mainz	100.00		EUR	-64	-5
54	New NIB Partners LP [6)]	New York, US	1.59	0.00	EUR	1,151,239	158,005
55	S-Chancen-Kapitalfonds NRW GmbH i.L. [10)]	Haan	50.00		EUR	2,041	0
56	Sechste EAA-Beteiligungs GmbH [10)]	Düsseldorf	100.00		EUR	28	-10
57	Siebte EAA-Beteiligungs GmbH [10)]	Düsseldorf	100.00		EUR	50	-9
58	Special Private Equity Partners II, L.P. [6)]	Wilmington, US	18.79	0.00	USD	5,665	-5,126
59	ThyssenKrupp Aufzugswerke GmbH [8)]	Neuhausen auf den Fildern	0.50		EUR	13,951	0
60	thyssenkrupp Electrical Steel GmbH [8)]	Gelsenkirchen	0.42		EUR	96,922	0
61	thyssenkrupp Materials Processing Europe GmbH [8)]	Krefeld	0.42		EUR	57,903	0
62	thyssenkrupp Materials Services GmbH [8)]	Essen	0.16		EUR	745,235	0
63	ThyssenKrupp Rasselstein GmbH [8)]	Andernach	0.50		EUR	247,021	0
64	West Life Markets GmbH & Co. KG [3) 10)]	Düsseldorf	100.00		EUR	1,312	0
65	West Merchant Limited [6)]	London, UK	100.00		GBP	24	-98

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
66	West Zwanzig GmbH 3) 10)	Düsseldorf	100.00		EUR	25	0
67	Westdeutsche ImmobilienHolding GmbH 3) 6)	Düsseldorf	100.00		EUR	5,539	0
68	WestGKA Management Gesellschaft für kommunale Anlagen mbH i.L. 2) 6) 12)	Düsseldorf	100.00		EUR	642	0
69	WestInvest Gesellschaft für Investmentfonds mbH 1) 6)	Düsseldorf	0.00		EUR	11,339	0
70	WestLeasing International GmbH 1) 10)	Düsseldorf	100.00		EUR	845	683
71	WestLeasing Westdeutsche Leasing Holding GmbH 3) 10)	Düsseldorf	100.00		EUR	6,625	0
72	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. 1) 6)	Düsseldorf	100.00		EUR	224	0
73	Windmill Investments Limited 6)	Grand Cayman, Cayman Islands	5.07	0.00	USD	38,426	-5,324
74	Winoa Steel Co. S.A. 5)	Luxembourg, Luxembourg	3.12		EUR	1,288	-135
75	WIV GmbH & Co. Beteiligungs KG 6)	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	AKA Ausfuhrkredit-Gesellschaft mbH 6)	Frankfurt am Main	5.02		EUR	238,732	11,080
77	Banco Finantia S.A. 6)	Lisbon, Portugal	8.93		EUR	454,676	42,269

Other companies for which the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
78	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 2014.
[5] Data as of 31 December 2016.
[6] Data as of 31 December 2017.
[7] Data as of 16 April 2018.
[8] Data as of 30 September 2018.
[9] Data as of 31 October 2018.
[10] Data as of 31 December 2018.
[11] A global guarantee exists.
[12] 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

On 26 April 2019, the EAA signed a purchase agreement to sell the EAA's residential construction credit portfolio to a German bank. It is planned to conclude the transaction in the third quarter of 2019.

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, 21 May 2019

Erste Abwicklungsanstalt

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

List of abbreviations

ABS	Asset backed securities
ALM	Asset liability management
APAC	Asia Pacific; 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
CCY	Currency code
CHF	Swiss franc
CVA	Credit valuation adjustments
DAC	Designated activity company
DRS	German Accounting Standard (Deutscher Rechnungslegungsstandard)
EAA	Erste Abwicklungsanstalt, Düsseldorf
EAA CBB	EAA Covered Bond Bank Plc, Dublin/Ireland
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
EFS	Erste Financial Services GmbH, Düsseldorf (Portigon Financial Services GmbH until 28 June 2016)
EMEA	Europe, Middle East and Africa
EU	European Union
EUR	Euro
Fed	US Federal Reserve
Fitch	Fitch Ratings
FMS	German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds)
FMSA	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
FMStFG	German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz)
FX effect	Foreign exchange effect
GBP	Pound sterling
GDP	Gross domestic product
HGB	German Commercial Code (Handelsgesetzbuch)
HRA	Commercial register department A (Handelsregister Abteilung A)
HSBC	HSBC Trinkaus & Burkhardt AG, Düsseldorf
IBM	IBM Deutschland GmbH, Ehningen
IS	Income statement
IT	Information technology
JPY	Japanese yen
MaRisk	German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)

LIST OF ABBREVIATIONS

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.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)

Imprint

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