

INTERIM REPORT
31 March 2023

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Rounding may result in minor deviations in the totals and percentages relative to the computed values.

Individual balance sheet and earnings items may increase within the scope of the winding-up activities.

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

EAA KEY FIGURES

EAA key figures

Income statement in EUR million	1/1-31/3/2023	1/1-31/3/2022
Net interest result	8.1	9.4
Net fee and commission result	-4.9	-4.8
Net trading result	2.4	0.2
Total other operating expenses/income	0.5	20.6
General administrative expenses	-20.1	-25.9
Results from financial assets and shareholdings	0.4	-1.0
Results prior to risk provisioning	-13.6	-1.5
Loan loss provisions	11.5	1.8
Results before taxes	-2.1	0.3
Taxes	0.0	0.0
Net result for the year	-2.1	0.3
Balance sheet in EUR billion	31/3/2023	31/12/2022
Total assets	16.6	15.7
Business volume	17.6	16.8
Lending business	7.0	5.5
Trading assets	3.5	3.6
Equity	0.7	0.7
Winding-up	31/3/2023	31/3/2022
Banking book		
Notional value (before FX effect) in EUR billion	7.6	10.3
Winding-up activities (compared with previous year-end) in EUR billion	-0.3	-0.3
Winding-up activities (compared with previous year-end) in %	-3.3	-3.3
Trading portfolio		
Notional value (before FX effect) in EUR billion	54.9	62.8
Winding-up activities (compared with previous year-end) in EUR billion	-1.7	-2.6
Winding-up activities (compared with previous year-end) in %	-2.9	-4.0
Employees	31/3/2023	31/12/2022
Number of employees	82	86
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

Interim management report

For the period from 1 January to 31 March 2023

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, investment services firm as defined by the German Securities Trading Act or 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, amending 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 repealing Directive 93/22/EEC of the Council, as amended.

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

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

The winding-up plan describes the intended winding-up activities of the EAA by classifying its assets into sub-portfolios (clusters) and contains a schedule for the complete winding up of assets within an appropriate winding-up timeframe. The EAA reviews the winding-up plan at least once a quarter and makes adjustments when necessary, mainly in order to take account of changes in circumstances, for example current market developments. Changes or adjustments to the winding-up plan are made on the basis of prior resolution of the Supervisory Board upon the EAA's request and must be approved by the FMSA. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and the EAA stakeholders about the progress of the winding-up and the implementation of the winding-up plan. The annual wind-up report must be adopted by a resolution of the Supervisory Board before being submitted to the FMSA.

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

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

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

The Supervisory Board consists of 12 members. Eleven members are appointed by the Stakeholders' Meeting on a proposal from the respective representatives. One member is delegated by the Bundesrepublik Deutschland - Finanzagentur GmbH, acting on behalf of the FMS. The members elect a Chairman and a Vice Chairman on the recommendation of the State of NRW. The Supervisory Board advises and consults with the EAA's Managing Board, monitors its activities and carries out additional duties set forth in the charter.

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

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

For this purpose, the EAA had largely outsourced the provision of portfolio, IT and operations services to third parties within the scope of its long-term service strategy, with the objective of maintaining continuity and stability on the one hand and enabling flexibility on the other.

Adjustment of organisational and cost structures is part of the EAA's mission in view of the ongoing portfolio wind-up. To rely on a flexible servicer landscape from the second quarter of 2023, the EAA issued invitations in several Europe-wide tender procedures in 2021 for the provision of key functions that are necessary to manage the portfolio. These tender awards at the end of September 2021 and at the beginning of October 2021 brought the tender procedure to a close as scheduled and the EAA awarded the service contracts with a term of 14 years (including extension options).

The EAA began the transition phase in the fourth quarter of 2021. The implementation of the new servicer structure should be completed by the end of the second quarter of 2023. To ensure that the transition to the new service providers is as low risk as possible and satisfies

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requirements as much as possible, an appropriate project organisation has been implemented and a detailed, binding schedule drawn up.

Until the transition phase is concluded and the transfer to the new service providers is completed, EFS will continue to provide the IT and operations services via IBM as external service provider. Portfolio management services provided to date by MSPA were already transferred to the new portfolio service provider BlackRock (Netherlands) B.V. - Frankfurt Branch, Frankfurt am Main in the first quarter of 2023, and the service agreement between MSPA and the EAA ended with effect from 31 March 2023.

In addition to the service changes described above, the banking services still required by the EAA in the future will be consolidated in close coordination with the aforementioned transition project. These are mainly account management and payment transactions, which are currently handled by HSBC, and the administration and safekeeping of securities portfolios, which are currently provided by Clearstream Banking S.A., Luxembourg and Clearstream Banking AG, Eschborn. To further streamline and simplify the processes, it is intended to procure these banking services from a single source by the end of the second quarter of 2023, synchronised with the transition of the portfolio services. Following a call for tender J.P. Morgan SE - Frankfurt Branch, Frankfurt am Main was given the mandate.

Due to the importance of the outsourced activities, the EAA has implemented a central function for an integrated service provider management. With that the service relationships between the EAA and the EFS (respectively de facto IBM) as well as BlackRock and in the future the new service providers, are systematically monitored and managed from a legal, substantive, processual and financial perspective.

Economic environment

The first quarter of 2023 did not seem to be marked by special events of global political and economic significance. Wars, especially the one in Ukraine, continue, energy prices and general price levels are settling down. The winter remained comparatively warm, and it did not come to a blackout. European and German plans in connection with a reduction of carbon dioxide emissions (ban on burners and gas heating, extension of emission allowance obligations) are still under discussion or in the legislative process. Overall, the forecasts continue to show a declining economic performance.

In its April 2023 forecast, the IMF corrected the corresponding values downwards (values from January 2023 in brackets). Global gross domestic product is expected to grow by 2.8% (2.9%) in 2023 and by 3.0% (3.1%) in 2024, while inflation is estimated at 7.9% (6.6%) and 4.9% (4.9%) for these two years. According to estimates by the ifo Institute, global inflation was actually 7.0%.

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Other forecasts include similar expectations about developments in the coming years. According to its forecast of 22 March 2023 (values of 14 December 2022 in brackets), the Fed's Federal Open Market Committee expects gross domestic product in the US to grow by 0.4% (0.5%) in the current year and by 1.2% (1.6%) and 1.9% (1.8%) respectively in the following two years. Inflation based on the Personal Consumption Expenditures Price Index is expected to rise by 3.3% (3.1%) in 2023, by 2.5% (2.5%) in 2024 and by 2.1% (2.1%) in 2025. This index rose by 5.0% in March 2023. The Consumer Price Index issued by the US Bureau of Labor Statistics was 5.0% at the end of March 2023.

The ECB published its macroeconomic projections for the eurozone on 3 February 2023, according to which gross domestic product growth for 2023 should only be 0.2%. 1.4% and 1.7% are expected for 2024 and 2025. Gross domestic product actually rose by 0.1% in the fourth quarter of 2022, which brought the overall average for 2022 to 1.9%. Based on the Harmonised Index of Consumer Prices, inflation was 9.2% in 2022. The projection is 4.6% for 2023, 2.5% for 2024 and 2.2% for 2025 respectively.

In its updated economic forecast of 22 March 2023, the German Council of Economic Experts predicts growth in gross domestic product of 0.2% and 1.3% for 2023 and 2024, respectively with an inflation rate of 6.6% and 3.0%, respectively. According to the Federal Statistical Office, gross domestic product in the first quarter of 2023 remained at the level of the previous quarter, the inflation rate was 7.4%.

Economic report

Overview of economic development

The EAA's economic situation in the first quarter of 2023 was largely determined by its wind-up mission.

The notional volume of the banking book fell 3.3% to EUR 7.6 billion. The notional volume of the trading portfolio declined by 2.9% to EUR 54.9 billion during the same period.

The results after taxes of EUR -2.1 million are characterised in particular by general administrative expenses of EUR 20.1 million and the net fee and commission result of EUR -4.9 million. This is mainly offset by the results from financial assets and shareholdings and the income from the reversal of loan loss provisions, which together account for EUR 11.9 million, the net interest result of EUR 8.1 million and the net trading result of EUR 2.4 million.

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The EAA's total assets increased from EUR 15.7 billion in the previous year to EUR 16.6 billion. This is mainly due to the increase in short-term liquidity investments with banks. The business volume, which also includes off-balance-sheet components, grew by 5.0% to EUR 17.6 billion (previous year: EUR 16.8 billion).

Wind-up report

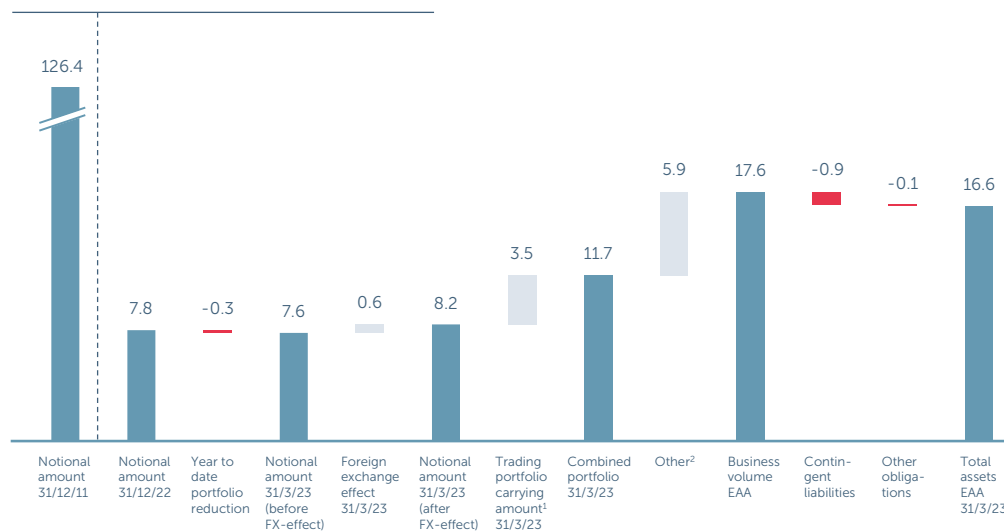
The figures and developments discussed in this section are regularly reported to the FMSA and to the EAA's governing bodies. They relate to the entire assets transferred to the EAA, regardless of whether these figures are recorded on or off-balance-sheet in the EAA's separate financial statements, or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

The following overview shows the changes in the portfolio's notional amounts since 1 January 2023 and the reconciliation to the EAA's total assets as of 31 March 2023.

Reconciliation of the transferred notional volume to the balance sheet

in EUR billion

Notional values banking book



¹ Equates to the carrying amounts for trading portfolio assets.

² Contains the cash reserve, money market transactions, cash collateral and other assets not relevant for the wind-up portfolio. Note: The presentation of the previous year was adjusted.

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

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Wind-up success in the banking book

From 1 January to 31 March 2023, the notional volume of the banking book was reduced from EUR 7.8 billion to EUR 7.6 billion (at exchange rates as of 31 December 2011). That equates to a decline in notional volume of EUR 0.3 billion (3.3%). The volume at exchange rates as of 31 March 2023 is EUR 8.2 billion. The total banking book portfolio has decreased by EUR 118.8 billion or 94.0% since 1 January 2012.

Clusters	Notional volume (at exchange rates as of 31/12/2011)				Notional volume (at exchange rates as of 31/3/2023)	
	Notional 31/3/2023	Notional 31/12/2022	Change to 31/12/2022		Notional 31/3/2023	FX effect ¹
	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Structured Securities	2,690.8	2,910.1	-219.3	-7.5	2,966.0	275.2
Public Finance / FI	2,180.1	2,185.5	-5.4	-0.2	2,241.5	61.4
Other Assets	1,578.8	1,604.2	-25.4	-1.6	1,642.3	63.5
Life Insurance	1,124.1	1,130.1	-6.0	-0.5	1,329.4	205.3
Total	7,573.8	7,829.8	-256.0	-3.3	8,179.2	605.4

¹ Change in notional volume due to exchange rate effects.

Note: The cluster structure was adjusted with effect from 1 January 2023 and the holdings were allocated to the new clusters. The Equity/Mezzanine cluster (31 March 2023: EUR 28.4 million; 31 December 2022: EUR 21.3 million) now includes all participations and is presented here only for information purposes. The presentation of the previous year was adjusted.

The decline in the Structured Securities cluster is due in particular to non-scheduled partial repayments.

The portfolio reduction in the remaining clusters is due to repayments.

As of 31 March 2023, there was a EUR +0.5 million effect on the winding-up plan associated with other measures in the banking book portfolio. This effect is mainly the result of risk provisioning measures.

Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 54.9 billion as of 31 March 2023. The notional volume of the trading portfolio decreased by a total of EUR 1.7 billion during the period from 1 January to 31 March 2023 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 1,009.2 billion or 94.8%.

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Clusters	Notional	Notional	Notional volume (at exchange rates as of 30/6/2012)		Notional volume (at exchange rates as of 31/3/2023)	
	31/3/2023 EUR million	31/12/2022 EUR million	Change to 31/12/2022 EUR million	Change to 31/12/2022 in %	Notional 31/3/2023 EUR million	FX effect ¹ EUR million
Rates	54,896.2	56,555.2	-1,658.9	-2.9	56,087.5	1,191.3
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	54,896.2	56,555.2	-1,658.9	-2.9	56,087.5	1,191.3

¹ Change in notional volume due to exchange rate effects.

The reduction with a total notional decrease of EUR 1.7 billion resulted primarily from maturities totalling EUR 2.6 billion and contrary, portfolio-increasing hedging transactions in the amount of EUR 1.0 billion.

The Other cluster was almost completely reduced.

EAA's overall situation

Earnings situation

The EAA's earnings situation was impacted by the net interest result of EUR 8.1 million, the results from financial assets and shareholdings and income from the reversal of loan loss provisions, which together account for EUR 11.9 million, as well as general administrative expenses of EUR 20.1 million and the net fee and commission result of EUR -4.9 million. Personnel expenses totalled EUR 3.7 million. Other administrative expenses of EUR 16.4 million were comprised mainly of expenses for services rendered by EFS, as well as by IBM and MSPA, and project expenses related to the change in servicers.

The decline in the net interest result is mainly due to the ongoing portfolio wind-up.

The net fee and commission result is mainly attributable to the expense resulting from the commitment fee for the equity capital drawing limit. The net trading result of EUR 2.4 million is up EUR 2.2 million on the result of the same period of the previous year.

Overall, the results after taxes amounted to EUR -2.1 million (previous year: EUR 0.3 million).

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Income statement

	1/1-31/3/2023	1/1-31/3/2022	Change	
	EUR million	EUR million	EUR million	in %
Net interest result	8.1	9.4	-1.3	-13.8
Net fee and commission result	-4.9	-4.8	-0.1	-2.1
Net trading result	2.4	0.2	2.2	>100
Total other operating expenses/income	0.5	20.6	-20.1	-97.6
Personnel expenses	-3.7	-4.5	0.8	17.8
Other administrative expenses	-16.4	-21.4	5.0	23.4
Results from financial assets and shareholdings	0.4	-1.0	1.4	>100
Results prior to risk provisioning	-13.6	-1.5	-12.1	>-100
Loan loss provisions	11.5	1.8	9.7	>100
Results before taxes	-2.1	0.3	-2.4	>-100
Taxes	0.0	0.0	0.0	-
Net result for the year	-2.1	0.3	-2.4	>-100
Net retained losses brought forward	-2,362.5	-2,360.8	-1.7	-0.1
Net retained losses	-2,364.6	-2,360.5	-4.1	-0.2

Financial position and issuing activity

The total notional amount of the portfolio of issued bearer bonds, promissory note loans and commercial paper was EUR 10.9 billion as of the reporting date. It includes the global Commercial Paper Programme with a notional amount equivalent to EUR 4.1 billion.

In the reporting period, a new issue denominated in US dollars was issued for medium and long-term funding with a notional volume of USD 0.5 billion (EUR 0.5 billion).

New issues were launched during the reporting period under the global Commercial Paper Programme, of which a notional volume equivalent to EUR 3.4 billion was outstanding at the reporting date. These consisted of USD 3.3 billion (EUR 3.0 billion), GBP 0.1 billion (EUR 0.1 billion) and EUR 0.4 billion.

As of the reporting date, the portfolio contained securities issued by the EAA with a notional volume of EUR 17.0 million that were repurchased from the market for liquidity management purposes.

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

Asset position

The EAA's total assets as at the reporting date amount to EUR 16.6 billion (previous year: EUR 15.7 billion). Including off-balance sheet components, this results in a business volume of EUR 17.6 billion (previous year: EUR 16.8 billion).

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Assets

	31/3/2023	31/12/2022	Change	
	EUR million	EUR million	EUR million	in %
Cash reserve	1,982.8	2,171.3	-188.5	-8.7
Loans and advances to banks	3,196.4	1,545.8	1,650.6	>100
Loans and advances to customers	2,805.1	2,898.8	-93.7	-3.2
Securities (no trading portfolio)	4,795.2	5,099.9	-304.7	-6.0
Trading portfolio	3,542.9	3,588.7	-45.8	-1.3
Long-term equity investments and shares in affiliates	28.9	28.9	-	-
Other assets	257.2	412.5	-155.3	-37.6
Total assets	16,608.5	15,745.9	862.6	5.5

Liabilities and equity

	31/3/2023	31/12/2022	Change	
	EUR million	EUR million	EUR million	in %
Deposits from banks	1,284.8	1,380.6	-95.8	-6.9
Deposits from customers	1,884.2	1,575.0	309.2	19.6
Debt securities in issue	9,740.6	8,996.9	743.7	8.3
Trading portfolio	2,947.7	3,011.0	-63.3	-2.1
Provisions	66.5	69.7	-3.2	-4.6
Other liabilities	33.2	59.0	-25.8	-43.7
Equity	651.5	653.7	-2.2	-0.3
Total liabilities and equity	16,608.5	15,745.9	862.6	5.5
Contingent liabilities	892.5	905.4	-12.9	-1.4
Other obligations/loan commitments	101.2	105.5	-4.3	-4.1
Business volume	17,602.2	16,756.8	845.4	5.0

The cash reserve declined by EUR 0.2 billion compared with the end of the previous year.

Loans and advances to banks increased by EUR 1.7 billion as of the reporting date compared with the end of the previous year, largely due to the increase in short-term liquidity investments (EUR 1.6 billion).

The decline in loans and advances to customers is mainly due to loan repayments of EUR 0.1 billion.

The securities portfolio declined by EUR 0.3 billion.

Trading assets and liabilities are almost unchanged.

Long-term equity investments and shares in affiliates are unchanged.

Deposits from banks declined by EUR 0.1 billion.

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The change in deposits from customers is primarily due to time deposits.

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

Lending business

The lending business comprises loans and advances, payment obligations arising from irrevocable loan commitments, sureties and other guarantees. These loans and advances also include non-marketable registered bonds and other non-marketable debt instruments.

Lending business

	31/3/2023	31/12/2022	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	3,196.4	1,545.8	1,650.6	>100
Loans and advances to customers	2,805.1	2,898.8	-93.7	-3.2
Contingent liabilities	892.5	905.4	-12.9	-1.4
Other obligations/loan commitments	101.2	105.5	-4.3	-4.1
Lending business	6,995.2	5,455.5	1,539.7	28.2

Summary of the business situation

As planned, the EAA achieved a lower net interest result due to the portfolio reduction. The fee and commission expenses and the administrative expenses are only partially offset by the positive result of risk provisions. Overall, a loss was reported for the first quarter of 2023.

The EAA's assets are in good order. Its equity as of the reporting date amounted to EUR 651.5 million. Adequate liquidity was available at all times.

No significant events have occurred after the reporting date. 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 winding-up plan and suffering higher-than-planned losses from winding up the portfolio. The EAA made further progress during the reporting period towards realising its wind-up mandate.

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

The general risk management strategy forms the basis for the risk management framework. It contains the basic principles for risk management, defines the key risk categories and identifies the core elements of the risk management process. It is substantiated by specific strategies for managing individual risk. The key individual strategies relate to the risk categories of credit risks, market price risks, liquidity risks, life insurance risks and operational risks (including reputational, legal and tax risks). The risk strategies are reviewed at least once a year.

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

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

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

The Risk Controlling department is responsible for monitoring market price, counterparty, liquidity and operational risks. The Credit Risk Management department comprises the back-office function in the lending business as defined by MaRisk. In particular, this department functions as the lending authority. It is also responsible for credit risk steering and credit risk controlling. 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.

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Risk reporting

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

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

Credit risks

Credit risks – banking book

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

The notional volume of the banking book portfolio (which primarily consists of loans and securities) declined by EUR 0.3 billion to EUR 7.6 billion in the first quarter of 2023 (at constant exchange rates as of 31 December 2011). Please refer to the "Wind-up report" section for more detailed information on the progress of the winding-up.

Breakdown of notional volume by internal rating category¹

	31/3/2023 EUR million	31/12/2022 EUR million
A0-A2	193.4	192.8
A3-A5	1,094.3	1,168.9
B1-B3	338.5	340.7
B4-B5	2,367.7	1,851.2
C1-C2	1,158.5	1,851.3
C3-C5	61.8	64.0
D1-D3	777.0	772.8
D4-E	315.7	318.1
N.R.	57.9	64.1
S.R.	1,209.0	1,205.9
Total	7,573.8	7,829.8

¹ Excluding exchange rate effects (based on exchange rates as of 31 December 2011). The presentation of the previous year was adjusted.

Note: Where possible, the internal rating categories are based on the guarantor's rating.

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The quality of the banking book portfolio is reflected in an investment grade rating share (rating categories A0-C2) of around 68% (31 December 2022: 69%). About 17% (31 December 2022: 17%) of the notional volume had a very good rating (A0-A5) and around 51% (31 December 2022: 51%) is assigned to the mid-rating categories B1-C2. The rating category S.R. included the opening clauses of the rating process and has a share of around 16% of the total portfolio (31 December 2022: 16%). This comprises largely the life settlement portfolio, which is excluded from the internal rating requirement.

In rating category A3-A5, there is a decrease of EUR 0.1 billion due to the repayment of the Phoenix B note.

The EUR 0.5 billion increase in rating category B4-B5 is largely attributable to rating migrations from rating category C1-C2 (EUR 0.7 billion). Repayments account for an opposite effect of EUR 0.2 billion.

The sharp decrease in rating category C1-C2 in the amount of EUR 0.7 billion is mainly the result of rating upgrades.

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

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

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

Breakdown of notional volume by maturities^{1,2}

	31/3/2023 EUR million	31/12/2022 EUR million
<= 5 Y	1,400.6	1,363.5
> 5 Y <= 10 Y	1,046.3	705.6
> 10 Y <= 20 Y	3,627.7	4,026.6
> 20 Y	1,499.2	1,734.2
Total	7,573.8	7,829.8

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 presentation of the previous year was adjusted.

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The changes in the maturity ranges result largely from the maturity-related postponements over time. EUR 0.2 billion from the maturity range of more than 20 years falls into the maturity band below. EUR 0.5 billion from the maturity range of ten to 20 years falls into the maturity range of five to ten years, which rises sharply accordingly.

The reduction in the maturity range of ten to 20 years is the result of the described postponement effects as well as repayments in the Structured Securities cluster.

The other changes within the maturity ranges reflect the portfolio management measures undertaken and amortisation during the first quarter of 2023.

Breakdown of notional volume by region¹

	31/3/2023 EUR million	31/12/2022 EUR million
Americas ²	3,880.1	4,097.9
EMEA	2,918.7	2,950.7
Germany	714.6	720.8
APAC	60.4	60.4
Total	7,573.8	7,829.8

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. The presentation of the previous year was adjusted.

² Contains EUR 1.0 billion for the Phoenix B note guaranteed by the State of NRW.

The regional breakdown of the notional volume changed slightly compared with 31 December 2022, in particular due to the repayment of Phoenix notes. Approximately 51% of the notional volume was attributable to America (31 December 2022: 54%).

About 39% of the notional volume (31 December 2021: 39%) was attributable to the EMEA region (excluding Germany).

The share of German borrowers and guarantors (share of portfolio: about 9%; 31 December 2022: 10%) is slightly changed.

The APAC region still represents around 1% (31 December 2022: 1%).

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 the 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.

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The EAA forms general loan loss provisions based on the expected one-year loss for the deferred credit risk in the portfolio of receivables and contingent assets. Deteriorating credit qualities are reflected in rating downgrades.

Result of risk provisions

	Provisions for loan losses EUR million	Charge-offs EUR million	Net change in loan loss provision EUR million	Other exp./inc. due to risk EUR million	Total allow. losses EUR million
Acute counterparty default risk	-	10.1	10.1	0.6	10.7
Credit risk	-	10.1	10.1	0.6	10.7
Other risk	-	-	-	-	-
Contingent counterparty default risk	-	0.8	0.8	-	0.8
Total	-	10.9	10.9	0.6	11.5

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

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 31/3/2023 in million		S&P rating	Legal maturity
Class A4	245.0	USD	B-	9/2/2091
Class B	1,002.7	EUR	N.R.	9/2/2091

In the reporting period repayments amounting to EUR 0.1 billion and guarantee drawings amounting to EUR 0.1 billion resulted in a decrease of the notional volume reported in euros to EUR 1.2 billion as of 31 March 2023 (at constant exchange rates as of 31 December 2011).

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Rating breakdown by internal rating category for Phoenix notes¹

	31/3/2023 EUR billion	31/12/2022 EUR billion
A0-A2	-	-
A3-A5	1.0	1.1
B1-B3	-	-
B4-B5	0.2	0.2
C1-C2	-	-
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
Total	1.2	1.3

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

All of the Phoenix notes have an investment grade rating (rating categories A0-C2), taking into account the rating of the State of NRW (the guarantor for the Phoenix B note). Some EUR 4.0 billion of this guarantee had been utilised up to 31 March 2023.

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.

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.

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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 1.2 million as of 31 March 2023 (31 December 2022: EUR 2.1 million). The change in CVA is attributable to LGD/rating changes and market fluctuations.

Counterparty and issuer risks

Direct counterparty risks

As the EAA concludes OTC derivatives from both the trading portfolio and 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.

	31/3/2023	31/3/2023	31/12/2022	31/12/2022
	Exposure	Limit	Exposure	Limit
	EUR million	EUR million	EUR million	EUR million
Credit risk – money market positions ¹	2,189.0	3,304.0	840.8	3,189.0
Counterparty risk – OTC derivatives (pre-settlement risk)	306.5	1,680.0	237.8	1,680.0
Counterparty risk – repos	-	75.0	-	75.0

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

Compared with year-end 2022, the changes in the credit risk for money market positions as of 31 March 2023 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

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.

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	< 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	18.0	314.4	134.7	1,101.7	396.8	1,965.6
Financial Institutions	-	-	18.4	-	-	18.4
Other securities	-	6.7	52.4	161.7	1,714.2	1,935.0
Total 31/3/2023	18.0	321.1	205.5	1,263.4	2,111.0	3,919.0
Total 31/12/2022	18.0	311.2	225.7	1,295.1	2,230.5	4,080.5

Other securities comprise mainly US student loans.

Participation risks

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

Of the total portfolio of the EAA Group, a notional volume of EUR 1.1 billion (14.3%) is held by subsidiaries, primarily Erste EAA Anstalt öffentlichen Rechts & Co. KG.

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.

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).

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 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.

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Interest rate risk (EAA Group)

	31/3/2023 EUR thousand	31/12/2022 EUR thousand
< 1 Y	-7.2	-59.6
1-4 Y	-15.4	-16.8
4-8 Y	3.0	4.0
8-15 Y	-35.8	-37.3
> 15 Y	-33.8	-32.1
Total	-89.2	-141.8

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

The interest rate sensitivity PV01 was EUR -89.2 thousand (31 December 2022: EUR -141.8 thousand) due to management and maturity effects. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	31/3/2023 EUR thousand	31/12/2022 EUR thousand
AUD	-	194.9
CAD	650.7	334.8
CHF	419.7	65.5
GBP	499.5	274.1
HKD	61.1	62.7
JPY	1,363.8	1,255.3
PLN	50.7	50.5
USD	-988.3	-1,351.0
Other	-9.4	-5.6
Total	2,047.8	881.2

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 winding-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.

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Market price risks – trading portfolio

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

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

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

The relevant market price risk exposures are continuously subjected to backtesting. This involves comparing the actual market value changes (hypothetical income statement) with the potential market value changes forecast by the VaR model on a daily basis. For the periods from the second quarter of 2022 to the first quarter of 2023, there were five backtesting breaches at the highest level of the portfolio structure of the trading portfolio. From a statistical perspective, two to three instances of exceeded limits must be expected per year for a VaR with a holding period of one trading day and a confidence level of 99%. The EAA believes that the backtesting process continues to confirm the VaR model. VaR plays only a minor role in the EAA's management. Its effective risk management is based on risk sensitivities.

Value at Risk by clusters

	31/3/2023 EUR thousand	31/12/2022 EUR thousand
EAA Trading	696.1	758.5
Rates	696.1	758.4
Other	0.2	0.2

The VaR for the trading portfolio as of 31 March 2023 fell to EUR 696.1 thousand (31 December 2022: EUR 758.5 thousand). The changes in the Rates cluster were due to market movements and hedging activities.

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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 stress scenarios ("liquidity crisis and downgrade", "liquidity crisis and downgrade USD") demonstrated a viable net liquidity situation as of 31 March 2023 (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 0.6 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.

Life insurance risks

Life insurance risk is considered a separate type of risk. This includes all risks of Erste EAA Anstalt öffentlichen Rechts & Co. KG and West Life Markets GmbH & Co. KG.

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.

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

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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.

West Life Markets GmbH & Co. KG holds and finances German endowment life insurance policies as well as annuity insurance policies (all with an exercised lump-sum option), the maturity benefits of which flow to the EAA upon reaching the maturity date or prematurely in the event of death. The main risk for West Life Markets GmbH & Co. KG is that the final surpluses of the policies are lower than planned. The risks are analysed and assessed annually as part of the winding-up plan preparation process.

Operational risks

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

Operational risks within the EAA are determined using a risk inventory, which is performed on a regular basis.

The EAA's last risk inventory from 2022 revealed eleven assessment objects with high risks in the personnel category due to the progressive reduction in employee numbers and increased workload due to projects. This risk will be absorbed by using external employees if required. Of the assessment objects, 18% are medium risks and 78% low risk. Overall, the risk situation has deteriorated slightly.

The aforementioned risk inventory of the EAA from 2022 was carried out together with its subsidiary EFS and the key service providers IBM, MSPA and BlackRock. Owing to the outsourcing of key functions to IBM and the ongoing process of dismantling EFS, the risk at EFS continues to be assessed as low. All service providers report a stable risk situation.

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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 2023, and the quality of the services rendered during the period was fundamentally stable in accordance with the service agreement.

Other risks

Reputational risks

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

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

Legal risks

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

Since April 2010 the authorities in the US and in the EU (particularly BaFin) had been investigating possible misconduct in the trading departments of several banks. In connection with the quotations of reference interest rates, the results of the investigation have not produced any evidence of wrongdoing at the former WestLB; the investigations by BaFin and the US supervisory authorities were terminated without any measures being undertaken against Portigon. In addition, Portigon, together with a large number of banks also active in the US, was sued in this context in various class action lawsuits in the US for alleged manipulative actions with regard to reference interest rates. Certain aspects of these class actions were repeatedly rejected in the court of first instance also with respect to Portigon. Some plaintiffs launched an appeal against this, which led in part to a referral back to the court of first instance. The court of first instance has yet to make a final ruling. However, Portigon remains convinced that, in line with the results of the investigations by the supervisory authorities, it cannot be accused of misconduct. The EAA has no reason to doubt Portigon's claims. Furthermore, the authorities have accused Portigon of misconduct in the trading departments, among other things; Portigon is taking legal action against this.

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

According to the EAA, tax liabilities were not a part of the transfer of the portfolio to the EAA in the course of the restructuring of WestLB. The transfer of tax liabilities did not comply with the party's wishes that only certain risk exposures would be assessed and transferred at risk-adjusted carrying amounts. Similarly, a transfer of tax liabilities contradicts the legal purpose of the FMStFG, on whose basis the risks were transferred from WestLB to the EAA. According to this, the bank to be stabilised should be relieved of (bank-typical) risks subject to capital adequacy rules, which did not include recoveries of evaded taxes.

With the judgement dated 29 September 2021, the Frankfurt am Main Regional Court of first instance upheld Portigon's action against the EAA requesting reimbursement of or release from the aforementioned expenses for the assessment periods 2005 to 2011. With the judgement dated 21 December 2022, the Higher Regional Court of Frankfurt am Main allowed the EAA's appeal and dismissed Portigon's claim in its entirety. Furthermore, it did not admit an appeal to the Federal Court of Justice, which Portigon responded to with a complaint against non-admission. Given that the EAA believes it also has a very good chance of success in additional proceedings, it continues to see no need to create provisions for the event of ultimate defeat in this legal dispute.

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

Tax risks

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

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

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Summary of the risk situation

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

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

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

Due to its good rating, the EAA has a stable funding situation. The stress scenarios demonstrated reasonable net liquidity as of 31 March 2023.

Market price risks are largely limited.

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

Longevity risks as an essential part of life insurance risks consist in the fact that insured individuals live longer than originally calculated or the insurance companies increase the premiums. Life insurance risks also include the risk that the final surpluses of the policies are lower than planned. Life insurance risks are limited to the acquired portfolio and are analysed on a regular basis.

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

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

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

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

Opportunities report

The Fed raised the US fed funds rate further on 3 May 2023, bringing the target range to 5.0% – 5.25%. The ECB also raised its key interest rates on 10 May 2023 by a further 0.25 percentage points to 3.75%, 4.0% and 3.25%. The Asset Purchase Programme is expected to be reduced by EUR 15 billion per month from March to June 2023. On the other hand, returns from the Pandemic Emergency Purchase Programme will be reinvested in full. The exchange rate of the Euro to the US dollar changed continuously from the end of 2022 to the end of March 2023 from 1.0666 USD/EUR to 1.0875 USD/EUR. This trend also continued in April 2023.

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

Forecast report

Active measures and contractual maturities are expected to reduce the notional volume of the banking book by more than 13% compared with the previous year to around EUR 7 billion in fiscal year 2023.

The EAA's objective is to have wound up over 95% of the banking book as of 31 December 2011 (including the exposures held by subsidiaries and the exposures from the refill) by the end of 2024. As in previous years, the winding-up activities will focus on advance portfolio-reducing measures and active participation management.

For fiscal year 2023, the notional volume of the trading portfolio is expected to decline by around 8% compared with the previous year, to around EUR 52 billion. Since the transfer in 2012, the EAA has continued to target a reduction in the notional volume of over 95% by the end of 2024. The EAA will continue to analyse how the trading portfolios can be effectively and cost efficiently reduced at an accelerated pace, using opportunities available to it where appropriate.

The EAA expects to generate a total of EUR -6 million (including dividend income) from the net interest result, net fee and commission result, and results from financial assets and shareholdings for 2023, and therefore above the previous year's level, as a profit and loss transfer agreement generated a clearly negative effect in the 2022 financial year. A forecast for the net trading and risk provision result is difficult due to the imponderables with respect to developments on the global financial markets and other markets. The EAA is sticking with its strategy of winding up in a value-preserving manner. Losses cannot be ruled out in the next few fiscal years either because of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This possibility is taken into account in the EAA's winding-up planning.

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

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

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

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

BALANCE SHEET

Balance sheet

Assets

	Notes	EUR	EUR	31/3/2023 EUR	31/12/2022 EUR
1. Cash reserve					
a) Balances with central banks			1,982,829,672		(2,171,315,848)
of which:					
with Deutsche Bundesbank					
EUR 1,982,829,672 (py: EUR 2,171,315,848)					
				1,982,829,672	2,171,315,848
2. Loans and advances to banks	4, 6, 26				
a) Payable on demand			1,349,987,789		(647,389,666)
b) Other loans and advances			1,846,417,432		(898,407,669)
				3,196,405,221	1,545,797,335
3. Loans and advances to customers	5, 6, 13, 26			2,805,080,549	2,898,818,988
of which:					
Public-sector loans					
EUR 443,763,901 (py: EUR 445,477,576)					
4. Bonds and other fixed-income securities	7, 13, 14, 26				
a) Bonds issued by					
aa) public issuers		1,499,293,920			(1,489,773,057)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 928,290,998					
(py: EUR 936,904,501)					
ab) other issuers		3,278,925,783			(3,592,510,993)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 132,034,411 (py: EUR 148,688,110)					
			4,778,219,703		(5,082,284,050)
b) Own bonds					
notional value:					
EUR 17,000,000 (py: EUR 17,000,000)			17,002,090		(17,578,466)
				4,795,221,793	5,099,862,516

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BALANCE SHEET

	Notes	EUR	EUR	31/3/2023 EUR	31/12/2022 EUR
5. Equities and other non-fixed-income securities				5	5
6. Trading portfolio	8			3,542,948,673	3,588,684,456
7. Long-term equity investments	9			24,662,301	24,749,233
of which:					
in banks					
EUR 7,700,000 (py: EUR 7,700,000)					
8. Shares in affiliates	10			4,194,669	4,194,794
9. Other assets	11			245,557,941	401,202,501
10. Prepaid expenses/accrued income	12			11,553,748	11,245,208
Total assets				16,608,454,572	15,745,870,884

ERSTE ABWICKLUNGSANSTALT
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BALANCE SHEET

Liabilities and equity

	Notes	EUR	EUR	31/3/2023 EUR	31/12/2022 EUR
1. Deposits from banks	15				
a) Payable on demand			899,385,497		(961,052,725)
b) With an agreed maturity or withdrawal notice			385,446,036		(419,574,744)
				1,284,831,533	1,380,627,469
2. Deposits from customers	16				
other deposits					
a) Payable on demand			14,380,394		(15,307,473)
b) With an agreed maturity or withdrawal notice			1,869,802,177		(1,559,708,915)
				1,884,182,571	1,575,016,388
3. Debt securities in issue	17				
a) Bonds issued			5,683,602,201		(6,490,813,386)
b) Other debt securities in issue			4,056,982,074		(2,506,091,928)
of which:					
money market instruments					
EUR 4,056,982,074 (py: EUR 2,506,091,928)					
				9,740,584,275	8,996,905,314
4. Trading portfolio	18			2,947,696,542	3,010,962,232
5. Other liabilities	19			10,536,369	34,966,333
6. Accrued expenses/deferred income	20			22,617,979	24,047,936
7. Provisions	21				
a) Tax provisions				0	(0)
b) Other provisions			66,478,905		(69,678,748)
				66,478,905	69,678,748

ERSTE ABWICKLUNGSANSTALT
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BALANCE SHEET

	Notes	EUR	EUR	31/3/2023 EUR	31/12/2022 EUR
8. Equity	22				
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			-2,364,642,224		(-2,362,502,158)
				651,526,398	653,666,464
Total liabilities and equity				16,608,454,572	15,745,870,884
1. Contingent liabilities	23				
a) Liabilities from guarantees and warranties			892,450,557		(905,406,952)
				892,450,557	905,406,952
2. Other obligations	23				
a) Irrevocable loan commitments			101,224,354		(105,494,109)
				101,224,354	105,494,109

INCOME STATEMENT

Income statement

	Notes	EUR	EUR	1/1-31/3/2023 EUR	1/1-31/3/2022 EUR
1. Interest income from	24				
a) Lending and money market transactions		56,370,827			(39,487,147)
b) Fixed-income securities and debt register claims		50,637,832			(16,317,759)
			107,008,659		(55,804,906)
2. Interest expenses			99,428,650		(46,903,959)
				7,580,009	8,900,947
3. Current income from	24				
a) Equities and other non-fixed-income securities			0		(0)
b) Long-term equity investments			494,510		(459,317)
c) Shares in affiliates			18		(18)
				494,528	459,335
4. Income from profit pooling, profit transfer or partial profit transfer agreements	24			0	0
5. Fee and commission income	24		7,191		(139,615)
6. Fee and commission expenses			4,931,800		(4,893,895)
				-4,924,609	-4,754,280
7. Net trading result	24			2,446,721	150,561
8. Other operating income	24, 25			672,695	20,651,797
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		3,209,892			(3,880,770)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		498,328			(607,123)
of which:					
for pensions EUR 200,970 (py: EUR 246,555)					
			3,708,220		(4,487,893)
b) Other administrative expenses			16,444,962		(21,372,427)
				20,153,182	25,860,320

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INCOME STATEMENT

	Notes	EUR	EUR	1/1-31/3/2023 EUR	1/1-31/3/2022 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets				0	278
11. Other operating expenses	25			75,535	43,745
12. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	21, 26			11,462,631	1,813,934
13. Depreciation and write-offs on long-term equity investments, shares in affiliates and long-term securities	26			0	959,881
14. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	26			366,157	0
15. Expenses from loss assumption	26			0	0
16. Result from ordinary activities				-2,130,585	358,070
17. Taxes on income and earnings	27			9,480	9,566
18. Other taxes not reported under item 11				0	0
19. Net result for the year				-2,140,065	348,504
20. Net retained losses brought forward				-2,362,502,159	-2,360,852,215
21. Net retained losses				-2,364,642,224	-2,360,503,711

CASH FLOW STATEMENT

Cash flow statement

			1/1-31/3/2023 EUR	1/1-31/3/2022 EUR
1.	+/-	Result for the period	-2,140,065	348,504
		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	-11,819,475	286,337
3.	+/-	Increase/decrease in provisions	-3,199,843	-2,939,894
4.	+/-	Other non-cash income/expenses	-15,127,502	12,923,264
5.	-/+	Gain/loss on disposal of long-term financial assets	-9,313	1,045,902
6.	=	Subtotal	-32,296,198	11,664,113
		Change in operating assets and liabilities		
7.	-/+	Increase/decrease in loans and advances to banks (no trading portfolio)	-1,382,755,279	-596,555,262
8.	-/+	Increase/decrease in loans and advances to customers (no trading portfolio)	114,311,202	146,137,604
9.	-/+	Increase/decrease in securities (no financial assets and no trading portfolio)	297,106,615	234,018,248
10.	+/-	Trading assets	-577,108	12,920,886
11.	-/+	Increase/decrease in other operating assets	156,233,236	3,814,296,263
12.	+/-	Increase/decrease in deposits from banks (no trading portfolio)	-98,735,093	-83,385,833
13.	+/-	Increase/decrease in deposits from customers (no trading portfolio)	301,585,432	483,163,336
14.	+/-	Increase/decrease in debt securities in issue	756,100,727	3,412,554,130
15.	+/-	Trading liabilities	-1,825,297	-124,453
16.	+/-	Increase/decrease in other operating liabilities	-27,289,878	-8,306,768
17.	+/-	Interest expenses/interest income	-8,074,538	-9,360,283
18.	+/-	Tax expenses/tax income	9,480	9,566
19.	+	Interest payments and dividend payments received	121,292,182	55,978,209
20.	-	Interest paid	-102,137,823	-60,636,187
21.	-/+	Income tax payments	-9,480	-9,566
22.	=	Cash flows from operating activities (sum of 6 to 21)	92,938,180	7,412,364,003
23.	+	Proceeds from disposal of long-term financial assets	0	0
24.	-	Purchase of long-term financial assets	0	0
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)	0	0
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)	92,938,180	7,412,364,003
31.	+	Cash funds at beginning of period	2,183,477,230	3,745,002,692
32.	=	Cash funds at end of period (sum of 30 to 31)	2,276,415,410	11,157,366,695

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

Statement of changes in equity

	Balance as of 1/1/2023	Appropriation of the result	Balance as of 31/3/2023
	EUR	EUR	EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,362,502,158	-2,140,065	-2,364,642,224
Equity under HGB	653,666,464	-2,140,065	651,526,398

	Balance as of 1/1/2022	Appropriation of the result	Balance as of 31/3/2022
	EUR	EUR	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	-2,360,852,215	348,504	-2,360,503,712
Equity under HGB	655,316,407	348,504	655,664,910

Condensed notes

For the period from 1 January to 31 March 2023

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 the meantime, the project for the legal and full transfer of the exposures that were initially synthetically transferred from Portigon to the EAA has been terminated. For further information on the transfer methods, please refer to the "Operating activities of the EAA" section in the Annual Report 2022.

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

2. Basis of accounting

In accordance with section 8a (1a) StFG in conjunction with 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 2022. All facts were considered up to the time these interim financial statements were prepared.

CONDENSED NOTES

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 2022.

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

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	3,196.4	1,545.8
Payable on demand	1,350.0	647.4
due		
- within 3 months	1,746.4	898.4
- 3 months to 1 year	100.0	-

5. Loans and advances to customers

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	2,805.1	2,898.8
of which:		
- to affiliates	1,132.2	1,228.8
due		
- within 3 months	1,292.1	1,314.6
- 3 months to 1 year	116.8	164.8
- 1 to 5 years	563.4	557.0
- after 5 years	832.8	862.4

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

CONDENSED NOTES

6. Loans and advances secured by mortgages

No loans and advances were secured by mortgages as of the reporting date and at the previous year-end.

7. Bonds and other fixed-income securities

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	4,795.2	5,099.9
of which:		
Amounts due in the following year	66.9	64.4
Breakdown		
- Bonds issued by public issuers	1,499.3	1,489.8
- Bonds issued by other issuers	3,278.9	3,592.5
- Own bonds	17.0	17.6
Breakdown by marketability		
- Marketable securities	4,795.2	5,099.9
of which:		
- listed	2,173.9	2,188.2
- unlisted	2,621.3	2,911.7
Breakdown by type		
- Liquidity reserve	17.0	17.6
- Financial assets portfolio	4,778.2	5,082.3

Bonds and other fixed-income securities in the amount of EUR 4.8 billion (previous year: EUR 5.1 billion) were included in the financial assets portfolio. As of the reporting date, financial assets with a carrying amount of EUR 3.2 billion (previous year: EUR 3.4 billion) were recognised at a rounded EUR 0.2 billion (previous year: EUR 0.2 billion) above their fair value as the EAA expects to receive repayments totalling at least the carrying amount. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the financial assets. The difference is primarily attributable to structured credit products.

The financial assets are funded with financing that is congruous in terms of maturities and currencies. The EAA hedges them at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

CONDENSED NOTES

8. Trading portfolio

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	3,542.9	3,588.7
of which:		
- Derivative financial instruments	3,545.1	3,591.1
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-2.2	-2.4

9. Long-term equity investments

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	24.7	24.7
of which:		
- in banks	7.7	7.7
Breakdown by marketability		
- Marketable securities	7.7	7.7
of which:		
- unlisted	7.7	7.7

10. Shares in affiliates

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	4.2	4.2
Breakdown by marketability		
- Marketable securities	0.0	0.0
of which:		
- unlisted	0.0	0.0

CONDENSED NOTES

11. Other assets

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	245.6	401.2
of which:		
- Currency translation adjustments	234.2	389.5
- Tax refund claims	7.8	9.5
- Receivables from profit and loss pooling agreements	2.2	2.2

12. Prepaid expenses/accrued income

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	11.6	11.2
of which:		
- Discounts from issuing business	4.4	3.8
- Non-recurring payments on swaps	3.3	4.7
- Discounts from liabilities	2.4	2.5
- Other	1.5	0.2

13. Subordinated assets

Subordinated assets are included in:

	31/3/2023 EUR million	31/12/2022 EUR million
Loans and advances to customers and Bonds and other fixed-income securities	364.4	363.4

14. Assets sold under repurchase agreements

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

CONDENSED NOTES

15. Deposits from banks

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	1,284.8	1,380.6
Payable on demand	899.4	961.1
due		
- within 3 months	140.5	140.2
- 3 months to 1 year	16.0	33.5
- 1 to 5 years	100.2	113.2
- after 5 years	128.7	132.6

16. Deposits from customers

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	1,884.2	1,575.0
of which:		
- Deposits from affiliates	0.7	0.8
Other deposits	1,884.2	1,575.0
of which:		
- payable on demand	14.4	15.3
due		
- within 3 months	867.9	518.9
- 3 months to 1 year	173.8	197.2
- 1 to 5 years	673.1	688.6
- after 5 years	155.0	155.0

CONDENSED NOTES

17. Debt securities in issue

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	9,740.6	8,996.9
Bonds issued	5,683.6	6,490.8
of which:		
Amounts due in the following year	5,146.8	4,538.7
Other debt securities in issue	4,057.0	2,506.1
of which due:		
- within 3 months	3,761.0	1,857.1
- 3 months to 1 year	296.0	649.0

18. Trading portfolio

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	2,947.7	3,011.0
of which:		
- Derivative financial instruments	2,947.7	3,011.0

19. Other liabilities

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	10.5	35.0
of which:		
- Deposits from loss assumptions	0.4	23.8
- Other	10.1	11.2

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

CONDENSED NOTES

20. Accrued expenses/deferred income

	31/3/2023 EUR million	31/12/2022 EUR million
Carrying amount	22.6	24.0
of which:		
- Non-recurring payments on swaps	19.4	19.5
- Premium on issuing business	3.2	4.5

21. Provisions

	Balance as of 31/12/2022 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 31/3/2023 EUR million
Taxes	-	-	-	-	-	-	-
Other provisions	69.7	-	0.1	3.0	0.1	-0.2	66.5
- Loans	3.4	-	-	-	0.1	-0.1	3.2
- Shareholdings	2.0	-	-	-	-	-	2.0
- Legal actions	3.3	-	-	0.1	-	-	3.2
- Personnel	0.3	-	-	-	-	-	0.3
- Other	60.8	-	0.1	2.9	-	-0.1	57.9
Total	69.7	-	0.1	3.0	0.1	-0.2	66.5

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

22. Equity

As of the reporting date, the EAA’s subscribed capital amounted to EUR 500,000.

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

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

The net result for the year as of 31 March 2023 amounted to EUR -2.1 million and increases net retained losses to EUR 2,364.6 million as of the reporting date.

CONDENSED NOTES

23. Contingencies

Contingent liabilities

The contingent liabilities of EUR 0.9 billion (previous year: EUR 0.9 billion) are mainly attributable to legacy liabilities of WestImmo and legacy liabilities of Hamburg Commercial Bank AG (formerly HSH Nordbank AG). As of the reporting date, the volume of WestImmo legacy liabilities stood at EUR 0.6 billion (previous year: EUR 0.6 billion).

This volume of legacy liabilities is constantly decreasing as a result of repayments. All material bank-related assets and liabilities of WestImmo were transferred to Aareal Bank AG as of 30 June 2017 by way of a spin-off and takeover agreement concluded between Aareal Bank AG and WestImmo.

The EAA has no detailed knowledge of whether 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 101.2 million (previous year: EUR 105.5 million) was due to the lending business.

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

24. Geographical breakdown of income components

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

	Interest income	Current income	Fees and commission income	Net trading result	Other operating income
	1/1-31/3/2023 EUR million	1/1-31/3/2023 EUR million	1/1-31/3/2023 EUR million	1/1-31/3/2023 EUR million	1/1-31/3/2023 EUR million
Germany	34.2	0.5	0.0	2.4	0.7
UK	5.1	-	-	-	-
Rest of Europe	42.2	0.0	-	-	-
Far East and Australia	3.1	-	-	-	-
North America	22.4	-	-	-	-
IS amount	107.0	0.5	0.0	2.4	0.7

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.

CONDENSED NOTES

25. Other operating and prior-period expenses and income

As of 31 March 2023, net other operating expenses and income comprised EUR 0.1 million (previous year: EUR 0.0 million) in expenses and EUR 0.7 million (previous year: EUR 20.7 million) in income.

Income includes the result of EUR 0.7 million (previous year: EUR 0.2 million) from currency translation adjustment as well as EUR 0.0 million (previous year: EUR 0.5 million) from the reversal of provisions.

26. Risk provision

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

	1/1-31/3/2023 EUR million	1/1-31/3/2022 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	11.9	0.8
Loans and securities income/expense	11.5	1.8
of which: - Lending operations	11.5	1.8
Shareholdings and securities income/expenses	0.4	-1.0
of which: - Shareholdings	0.0	0.0
- Securities	0.4	-1.0
Expenses from loss assumption	-	-
Risk provision and financial investment result including loss assumption (pursuant to risk report)	11.9	0.8
Result of risk provisions – loans and advances/securities due to credit risk	11.5	1.8
of which: - Lending operations	11.5	1.8
Results from financial assets, shareholdings and loss assumption	0.4	-1.0

The EAA always makes use of the options available under section 340f (3) HGB 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 11.5 million (previous year: net income EUR 1.8 million). According to section 340c (2) HGB, the expenses for long-term equity investments, shares in affiliates and long-term investment securities may be offset against the corresponding income. Overall, the EAA shows income of EUR 0.4 million (previous year: expenses EUR 1.0 million) as the risk result for shareholdings and securities.

CONDENSED NOTES

27. Taxes

Taxes on income and earnings amounting to EUR 9.5 thousand (previous year: EUR 9.6 thousand) primarily related to foreign withholding taxes.

Other disclosures

28. 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

The total volume of forward transactions and derivatives transactions as of the reporting date amounted to EUR 80.6 billion based on notional values (previous year: EUR 85.3 billion). The focus remains on interest-rate-related products, whose share stands at 84.5% (previous year: 86.6%) of the total volume.

For non-exchange-traded derivatives, market values were determined on the basis of financial mathematical valuation models as well as valuation parameters available on the market (including interest rates, interest rate volatilities and exchange rates).

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	31/3/2023 EUR million	31/12/2022 EUR million	31/3/2023 EUR million	31/12/2022 EUR million	31/3/2023 EUR million	31/12/2022 EUR million
Interest rate-related products	68,069.6	73,829.9	3,408.0	3,427.8	3,247.9	3,291.8
OTC products	68,069.6	73,829.9	3,408.0	3,427.8	3,247.9	3,291.8
Currency-related products	12,529.9	11,447.1	411.5	642.5	197.7	259.4
OTC products	12,529.9	11,447.1	411.5	642.5	197.7	259.4
Total	80,599.5	85,277.0	3,819.5	4,070.3	3,445.6	3,551.2
OTC products	80,599.5	85,277.0	3,819.5	4,070.3	3,445.6	3,551.2

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 82.9 billion in fiscal year 2023 (previous year: EUR 96.3 billion).

CONDENSED NOTES

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	31/3/2023 EUR million	31/12/2022 EUR million	31/3/2023 EUR million	31/12/2022 EUR million	31/3/2023 EUR million	31/12/2022 EUR million
Interest rate-related products	70,949.7	80,065.4	3,417.9	4,631.4	3,269.8	4,762.4
OTC products	70,949.7	80,065.4	3,417.9	4,631.4	3,269.8	4,762.4
Currency-related products	11,988.5	16,248.1	527.0	746.2	228.5	239.4
OTC products	11,988.5	16,248.1	527.0	746.2	228.5	239.4
Total	82,938.2	96,313.5	3,944.9	5,377.6	3,498.3	5,001.8
OTC products	82,938.2	96,313.5	3,944.9	5,377.6	3,498.3	5,001.8

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	
	31/3/2023 EUR million	31/12/2022 EUR million	31/3/2023 EUR million	31/12/2022 EUR million
Due				
- within 3 months	4,958.1	11,931.8	3,340.7	2,073.1
- 3 months to 1 year	8,644.4	7,560.9	3,202.0	2,767.7
- 1 to 5 years	15,023.4	13,811.3	3,552.5	4,075.4
- after 5 years	39,443.6	40,525.9	2,434.7	2,530.9
Total	68,069.5	73,829.9	12,529.9	11,447.1

29. Number of employees

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

	Male	Female	Total 1/1-31/3/2023	Total 1/1-31/3/2022
Number of employees	51	33	84	100

As of 31 March 2023 the EAA employed 75 (31 March 2022: 90) full-time equivalents.

CONDENSED NOTES

30. Stakeholders in the EAA

	31/3/2023 in %	31/12/2022 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

31. Memberships of other bodies held by Managing Board members

During the reporting period, no member of the Managing Board of the EAA exercised a mandate in a statutory supervisory body of large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB.

32. Memberships of other bodies held by employees

During the reporting period, no employee of the EAA exercised a mandate in a statutory supervisory body of large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB.

33. Executive bodies of the EAA

Members of the Managing Board of the EAA

Christian Doppstadt
Horst K pker

Members of the Supervisory Board of the EAA

Dr Dirk G nnewig
Chairman
State Secretary in the Ministry of Finance of NRW

Susanne Els sser
Vice Chairwoman
Senior Assistant Secretary (Leitende Ministerialr tlin) in the Ministry of Finance of NRW

Michael Breuer
President of the Rheinischer Sparkassen- und Giroverband

Hans Buschmann
Deputy Association Director of the Rheinischer Sparkassen- und Giroverband (ret.)

CONDENSED NOTES

Rolf Einmahl

Lawyer,

Member of the Landschaftsversammlung of the Landschaftsverband Rheinland

Henning Giesecke

Managing Director of GSW Capital Management GmbH,

Former Chief Risk Officer of HypoVereinsbank AG and UniCredit Group

Wilfried Groos

Chairman of the Managing Board of the Sparkasse Siegen

Frank Hellwig

CEO,

Special representative of the BaFin of VTB Bank (Europe) SE i.L.

Dr Achim Kopf

Head of Risk Control of the Bundesrepublik Deutschland - Finanzagentur GmbH

Dr Georg Lunemann

Director of the Landschaftsverband Westfalen-Lippe

Klaus Rupprath

Senior Managing Director,

Head of Capital Markets of the NRW.BANK

Jürgen Wannhoff

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

Stakeholders' Meeting of the EAA

The Stakeholders' Meeting is made up of representatives of the stakeholders (see Note 30).

CONDENSED NOTES

34. Information on shareholdings

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

Shareholdings in a foreign currency converted into EUR using the balance sheet rate

Disclosure of capital share and voting rights in %, amounts in EUR thousand

Disclosure of voting rights only if the percentage share differs from the share of capital

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	CBAL S.A. ^{2) 8)}	Brussels, Belgium	100.00		EUR	687	-49
2	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n. s.	n. s.
3	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n. s.	n. s.
4	DALS Sparkassen-Neubau Teltow-Fläming Verwaltung GmbH ¹⁾	Düsseldorf	100.00			n. s.	n. s.
5	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG i.L. ^{1) 4)}	Aschheim	92.69	92.31	EUR	2	-62
6	Deutsche Anlagen-Leasing Service & Co. Sparkassenneubau Teltow-Fläming KG ^{1) 6)}	Aschheim	78.49	77.70	EUR	1,499	883
7	EAA Charity LLP ^{1) 9)}	Wilmington, US	100.00		USD	25,149	583
8	EAA DLP I LLP ^{1) 9)}	Wilmington, US	100.00		USD	77,028	2,215
9	EAA DLP II LLP ^{1) 9)}	Wilmington, US	100.00		USD	69,626	679
10	EAA DLP III LLP ^{1) 9)}	Wilmington, US	100.00		USD	128,729	1,361
11	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. ⁶⁾	Sao Paulo, Brazil	100.00		BRL	594	-18
12	EAA Europa Holding GmbH ^{3) 9)}	Düsseldorf	100.00		EUR	4,076	0
13	EAA Greenwich LLP ^{1) 9)}	Wilmington, US	100.00		USD	120,242	3,924
14	EAA LAT ABC LLP ^{1) 9)}	Wilmington, US	100.00		USD	156,020	5,575
15	EAA LAT II LLP ^{1) 9)}	Wilmington, US	100.00		USD	199,483	8,059
16	EAA LS Holdings LLC ^{1) 9)}	Wilmington, US	100.00		USD	0	0
17	EAA PF LLP ^{1) 9)}	Wilmington, US	100.00		USD	179,803	-689
18	EAA Triskele LLP ^{1) 9)}	Wilmington, US	100.00		USD	185,963	-3,281
19	EAA US Holdings Corporation ⁶⁾	Wilmington, US	100.00		USD	4,409	-1,721
20	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH i.L. ⁵⁾	Potsdam	47.50		EUR	294	-14
21	Erste EAA Anstalt öffentlichen Rechts & Co. KG ^{2) 3) 9)}	Düsseldorf	100.00		EUR	49	0
22	Erste Financial Services GmbH ⁹⁾	Düsseldorf	100.00		EUR	15,184	4,961
23	Leasing Belgium N.V. ^{1) 6)}	Antwerp, Belgium	100.00		EUR	260	-19
24	MCC SB Condo LLC ^{1) 6)}	Wilmington, US	100.00		USD	0	0
25	MCC SB Unit 144 LLC ^{1) 6)}	Indianapolis, US	100.00		USD	0	0
26	MCC SB Unit 145 LLC ^{1) 6)}	Indianapolis, US	100.00		USD	0	0

CONDENSED NOTES

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
27	MCC SB Unit 146 LLC ^{1) 6)}	Indianapolis, US	100.00		USD	0	0
28	MCC SB Unit 147 LLC ^{1) 6)}	Indianapolis, US	100.00		USD	0	0
29	MFC Holdco LLC ^{1) 6)}	Dover, US	100.00		USD	1,103	0
30	MFC Real Estate LLC ^{1) 6)}	Dover, US	100.00		USD	0	0
31	MFC SB BAR, LLC ^{1) 6)}	Indianapolis, US	100.00		USD	0	0
32	S-Chancen-Kapitalfonds NRW GmbH i.L. ⁶⁾	Haan	50.00		EUR	1,961	-24
33	Sechste EAA-Beteiligungs GmbH ⁶⁾	Düsseldorf	100.00		EUR	32	-6
34	thyssenkrupp Electrical Steel GmbH ⁷⁾	Gelsenkirchen	0.42		EUR	96,622	0
35	thyssenkrupp Materials Processing Europe GmbH ⁷⁾	Krefeld	0.42		EUR	61,880	0
36	thyssenkrupp Materials Services GmbH ⁷⁾	Essen	0.16		EUR	745,235	0
37	ThyssenKrupp Rasselstein GmbH ⁷⁾	Andernach	0.50		EUR	247,021	0
38	TK Aufzugswerke GmbH ⁷⁾	Neuhausen auf den Fildern	0.50		EUR	13,951	0
39	West Life Markets GmbH & Co. KG ^{2) 3) 9)}	Düsseldorf	100.00		EUR	1,312	0
40	West Merchant Limited ⁶⁾	London, UK	100.00		GBP	87	-34
41	Westdeutsche ImmobilienHolding GmbH ^{3) 9)}	Düsseldorf	100.00		EUR	5,539	0
42	WestInvest Gesellschaft für Investmentfonds mbH ^{1) 6)}	Düsseldorf	0.00		EUR	11,339	0
43	Windmill Investments Limited ⁶⁾	George Town, Cayman Islands	5.07	0.00	USD	38,652	-437
44	WIV GmbH & Co. Beteiligungs KG ⁶⁾	Frankfurt am Main	5.10		EUR	12,824	724

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
45	Banco Finantia S.A. ⁶⁾	Lisbon, Portugal	8.93	10.39	EUR	482,281	24,246

Other companies for which the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
46	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 2020.

⁵ Data as of 7 May 2021.

⁶ Data as of 31 December 2021.

⁷ Data as of 30 September 2022.

⁸ Data as of 31 October 2022.

⁹ Data as of 31 December 2022.

CONDENSED NOTES

Subsequent events


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

Responsibility statement

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

Düsseldorf, 16 May 2023

Erste Abwicklungsanstalt



Christian Doppstadt
Member of the Managing Board



Horst Kúpker
Member of the Managing Board

LIST OF ABBREVIATIONS

List of abbreviations

APAC	Asia-Pacific economic area
AT	General part
AUD	Australian dollar
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
BilMoG	German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)
BlackRock	BlackRock Financial Inc., Wilmington/US
BRL	Brazilian real
CAD	Canadian dollar
CCY	Currency code
CEO	Chief Executive Officer
CHF	Swiss franc
CVA	Credit valuation adjustments
DAC	Designated Activity Company
DRS	German Accounting Standard (Deutscher Rechnungslegungsstandard)
EAA	Erste Abwicklungsanstalt, Düsseldorf
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
EFS	Erste Financial Services GmbH, Düsseldorf (Portigon Financial Services GmbH until 28 June 2016)
EMEA	Europe, Middle East and Africa economic area
EU	European Union
EUR	Euro
Fed	US Federal Reserve
FI	Financial Institutions
Fitch	Fitch Ratings
FMS	German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds)
FMSA	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
FX effect	Foreign exchange effect
GBP	Pound sterling
HGB	German Commercial Code (Handelsgesetzbuch)
HKD	Hong Kong dollar
HRA	Commercial register department A (Handelsregister Abteilung A)
HSBC	HSBC Trinkaus & Burkhardt GmbH, Düsseldorf
IBM	IBM Deutschland GmbH, Ehningen

LIST OF ABBREVIATIONS

IMF	International Monetary Fund
IS	Income statement
IT	Information technology
JPY	Japanese yen
LGD	Loss Given Default
MaRisk	German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)
Moody's	Moody's Investors Service
MSPA	Mount Street Portfolio Advisers GmbH, Düsseldorf (EAA Portfolio Advisers GmbH until 15 November 2017)
n. s.	Not specified
N.R.	Not rated
No.	Number
NPL	Non-Performing Loans
NRW	North Rhine-Westphalia
OTC	Over the counter
PLN	Polish zloty
Portigon	Portigon AG, Düsseldorf (WestLB AG until 2 July 2012)
py	Previous year
RechKredV	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
Repo	Repurchase operation
ret.	retired
S&P	Standard and Poor's Corporation
S.R.	Special rating
StFG	German Financial Market and Economic Stabilisation Fund Act – Stabilisation Fund Act (Stabilisierungsfondsgesetz) (until 17 July 2020 abbreviated as FMStFG)
UK	United Kingdom
US	United States
USD	US dollar
VaR	Value at Risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz (Westdeutsche Immobilien Servicing AG since 30 June 2017)
WestLB	WestLB AG, Düsseldorf (Portigon AG since 2 July 2012)

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Imprint

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