AKA Ausfuhrkredit-Gesellschaft mbH

Annual Report 2019

aka EUROPEAN EXPORT + TRADE BANK

Contents

A changing AKA:

Experienced specialist credit institution evolves from its historical role into a modern, digital platform

AKA was founded in 1952 as a highly specialised centre of competence for German banks. Today, it is part of a Europe-wide network supporting its shareholders and stakeholders through its many years of experience in the loan business and specialist expertise in emerging markets. Cooperation with our shareholder banks is and will remain a key success factor for our business model. AKA believes that the close relationships, integrity and trustful cooperation are the essential foundations for its role as an enabler in the financing and administrative processing of international Export and Trade transactions. While we remain committed to this role, since 2018 we have also been evolving into a modern, digital platform for Trade and Export Financing.

What we do know for certain is that the digitisation of the financial industry is proceeding at a rapid pace. AKA is adopting a pro-active approach to many observable market trends through the on-going development of its established business model as part of its chosen digitisation strategy.

In 2019, we strengthened our broad shareholder structure with all major and regional German banks and adopted a stronger European focus. We are now also working alongside ING, a corporation that is firmly established in the European market and has a global network.

The 2019 annual report focuses on three key strategic issues. Through the illustrations in the report, we paint a visual canvas and highlight the Europeanisation, digitisation and growing diversification of our service portfolio.

We look back at months in which we have witnessed not only on-going change in the banking market, but also other challenging conditions for the finance sector as a whole – including increasing regulatory requirements, volatility in global politics and growing pressure on margins.

Due to the commitment of our dedicated employees, AKA could perform well in a challenging market environment. Once again, we grew our refinancing base and adopted new approaches for ensuring long-term liquidity supply in a challenging environment for interest rate and capital markets. We also initiated a number of structural changes in our bank in order to direct future processing capabilities and processes further towards automation. An example is the successful development of the SmaTiX online portal (Small Ticket Express) for small ticket buyer credits – within one year only, AKA pushed it from pilot phase to go-live. With this digital financial solution, AKA is closing a gap in the market strengthening the position of SMEs. SmaTiX also creates a basis for taking the proven buyer credit service from a complex, contract-heavy financing product to the next level – in the form of a highly standardised, digital application process with real-time indicators and a streamlined financing agreement.

The latest rating upgrade by rating agency 'GBB Ratinggesellschaft für Bonitätsbeurteilung' is a positive confirmation of the strategic decisions taken in recent years. Particular recognition was given to activities aimed at progressive Europeanisation and improved customer access to our services with the digital portal solution. We have spent a number of years strengthening cooperation with European Export Credit Agencies (ECAs) and driving strategic expansion to develop into a European Trade Finance institution. SmaTiX also makes it possible to integrate additional ECAs and thus expand market coverage cost-effectively and sustainably.

In addition to a wealth of figures and data, this report provides explanations and visuals to illustrate the key strategic decisions that enable us to further develop our business model.

Focus on risk management and markets:

Beate Bischoff and Marck Wengrzik discuss the year 2019 and prospects for AKA in 2020

Dear readers,

This was a year full of challenging framework conditions for the entire financial sector. Despite the economic and political challenges in many regions of the world, high liquidity in the market and continued high pressure on margins, AKA was successful in its mission to enable business partners in international Export and Trade Financing. Our partners demonstrated their confidence in the expertise and quality of the partnership-based cooperation with AKA through the large number of joint transactions, as well as through strategic approaches by which we will prospectively work together even more closely in integrated processes.

What would you define as key challenges for AKA and how did the bank deal with them?

Marck Wengrzik: Due to our well-balanced and diversified loan portfolio, AKA managed to perform well in a difficult market environment. The key factors I would highlight here are the continued low interest rate policy of the ECB, the noticeable increase in pressure on margins, increasing regulatory requirements as well as the intense and competitive environment for banks.

It is our impression that risk is increasingly no longer adequately reflected in the price. Volatility in global politics is leading to uncertainty, and uncertainty makes investment decisions more difficult. We also see this trend reflected in our transactions, which are becoming increasingly difficult to anticipate. Furthermore, in 2019, we found ourselves faced, for example, with the unexpected non-realisation of some transactions that were ready for signing.

In the area of refinancing, in particular, we have examined in detail the changing conditions that we expect to encounter in the future, and in 2019, we have already responded to the resulting changes with a strong commitment to the successful acquisition of long-term funding. We also focused more intensively on our partnerships, for example through new framework agreements, which will also improve our strategic position in the long term.

The biggest challenge that I see for all companies in Germany is the on-going digital transformation process. Digitisation is creating a dynamic that is changing market structures at a rapid pace. AKA has responded with the launch of the online portal SmaTiX, the digital application process for small-volume ECA financing. At this point, I would also like to mention our new shareholder ING, thanks to whom we are seeing many new possibilities opening up across all of our activities, particularly in terms of digital approaches.

How is AKA responding to these changes in market structures?
Beate Bischoff: Just adopting a wait-and-see approach is not an option for AKA. In the past year, we have initiated a number of structural changes in the bank in order to direct future processing capabilities and processes further towards automation. The basis for these changes is a separate, multi-year budget for innovation and investment, which we have been using in our business planning since 2019. Since last year, we are using the structure of a steering group to establish a link between IT and business functions, together with a significant increase in the use of external development capacity. This structure enables us to drive a much greater number of developments in parallel.

Marck Wengrzik: Regarding SmaTiX, it took us just a year to progress from testing to live operation. This demonstrates our ability to quickly develop an idea into a presentable, functional format, with the direct involvement of partners and customers during all stages of the process.

New business developments were strongly influenced in 2019 by our focus on digital approaches and their development, and we are delighted to have concluded our first contracts in this area while at the same time maintaining stability in our traditional core business, thus following a business model with a two-speed logic.

What does AKA hope to achieve in terms of digitisation and development of the business model?
Marck Wengrzik: We want AKA to develop into a modern, digital platform for Export Financing while simultaneously preserving and evolving its historical role. We are confident that there are other areas beyond Export Financing in which AKA can offer a viable platform on account of its neutrality and broad shareholder base.

We have already begun paving the way for this development with the broadening of our shareholder base in 2019, which also aids our Europeanisation strategy, the go-live of our SmaTiX portal and the resulting increase in sales activities for our shareholders and partners. This effect will give us indirect access to a high percentage of the German and European corporate customer market in the future.

Are there any economic aspirations that were not fulfilled in 2019?
Beate Bischoff: From an economic perspective, growth rates fell short of expectations in all areas which matter for AKA. Some forecasts had to be revised significantly downwards. For example, export-oriented sectors of the German economy faced an economic headwind despite a sound domestic economy. While the construction industry recorded above-average growth of 4 % in a low interest rate environment, the downturn in export-oriented industrial activity persisted. Production was weak in the automotive industry in particular, partly due to technological and regulatory changes.

Despite these developments, AKA has largely achieved its new business targets, with some sectors performing even better than expected. In the area of ECA-covered financing, on the other hand, a number of major projects were delayed. This is, unfortunately, a fairly typical scenario with this type of transaction. Ultimately, these are major investment projects. We have observed this trend in emerging markets as well as in Germany.

What are expectations for the export industry and specifically for AKA in 2020?
Marck Wengrzik: We expect the European export economy to remain highly competitive, with the situation strongly dominated by competition with Chinese providers. In terms of margins, I expect a continuation of the trends from 2019. I also believe that making early predictions regarding the implementation of projects to be financed will prove to be difficult over the coming months. In general, however, I figure that the prospects for 2020 being a successful year for AKA are good – in terms of both the deal pipeline and in the reflection of the market sentiment.

Which factors will determine activities and earnings for the year 2020?
Beate Bischoff: AKA plans a new business volume of around EUR 2 billion across all product groups for 2020. Positive growth rates are forecast for all regions of the world. This will provide new business opportunities for AKA's typical product portfolio of Trade and Export Financing. AKA's deal pipeline is also well placed for achieving new business targets.

I always like to point out that, compared to other banks and financial services providers, AKA is affected differently by political and economic factors and challenges. The reason: our business activities in over 70 countries worldwide and our special focus on emerging markets. We already have a well-diversified service offering. At AKA we are ready to further broaden our scope in order to be able to support our business partners in other countries. This will also enable us to compensate for a decline in activity or demand in individual countries or regions.

For all banks, regulation is associated with ever-increasing effort and costs. AKA is no exception. We will continue to address the priorities laid down by financial regulation authorities. As a "less significant institution" (LSI), however, our priorities are different to those for German financial institutions in the "significant institution" (SI) category. One positive aspect I would like to mention is the very good external audit result in 2019. That leads me to believe we are well-positioned in terms of our activities and subsequent evaluations for the coming year.

Looking more closely at the risks that may arise from political developments and geopolitical tensions, what do you think is already foreseeable for 2020?
Beate Bischoff: The assessment of these risks along with the economic situation is of major importance in terms of AKA's business focus. The main reasons for economic development in 2019 falling short of expectations were international trade disputes, geopolitical tensions and conflicts. The resulting political uncertainty has also dampened further growth expectations. Furthermore, global economic activity is expected to be impacted by the coronavirus pandemic.

By contrast, an easing of trade tensions would stimulate growth. This requires a de-escalation of trade and geopolitical conflicts.

What kind of growth trajectory does AKA intend to pursue for 2020?
Beate Bischoff: As in previous years, we are pursuing organic growth across all product groups. Of course, AKA will also have opportunities for inorganic growth through participations or acquisitions. While we did not make use of such opportunities in previous years, there may be further opportunities in the fintech environment in the future. We expect to see additional impetus from initiatives in the area of digitisation, such as SmaTiX, which will allow new forms of cooperation with both existing and new business partners.

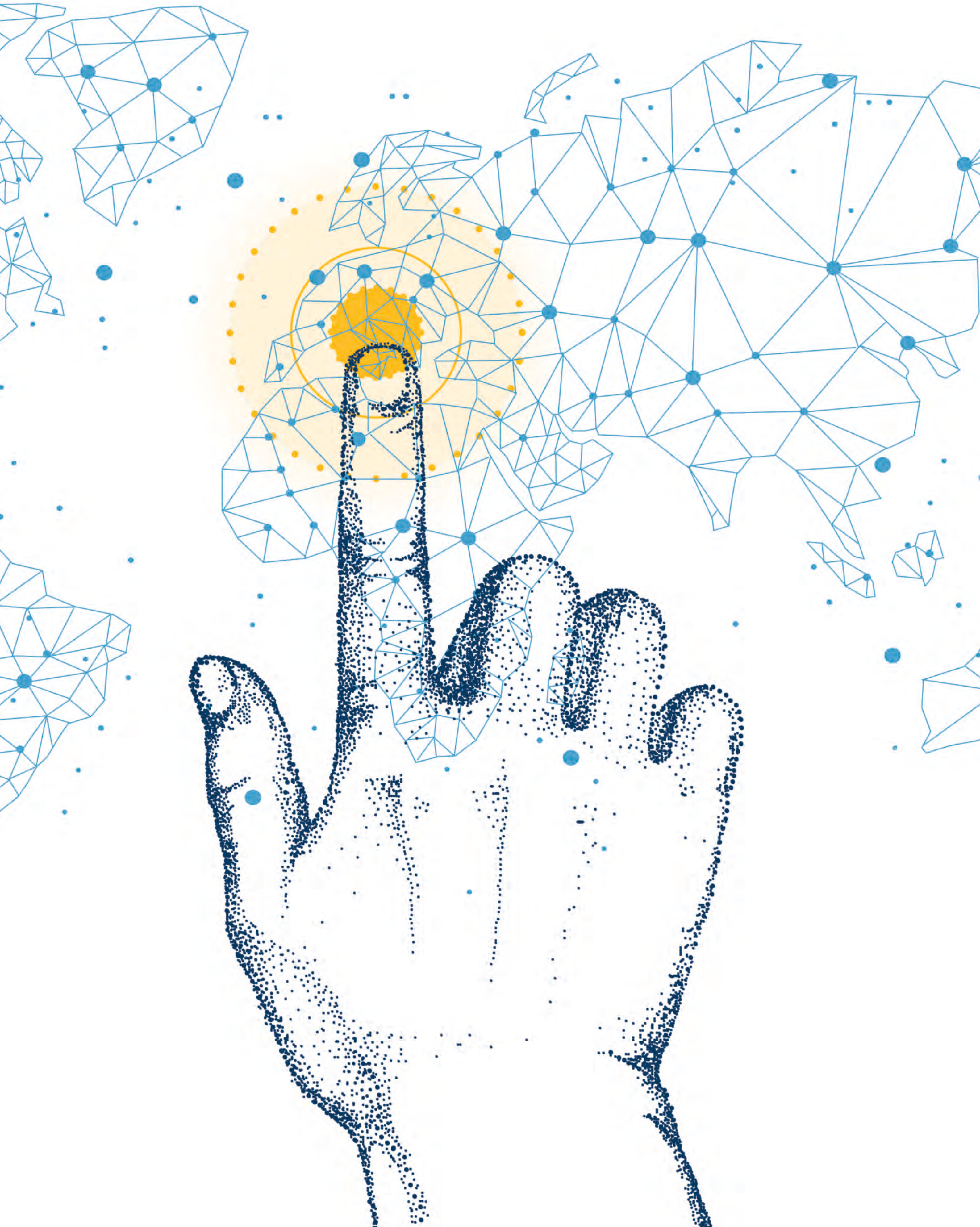
What do you regard as the key aspects for ensuring that the organisation continues to perform beyond the short term?
Marck Wengrzik: The working world is changing at an accelerating pace. Organisations along with their people, structures and processes have to overcome challenges faster than ever before. 2020 will be a year in which we examine how to better meet these challenges by developing our AKA culture and thus adapting our organisation. An example of this is the creation of a new innovation segment, which has close interfaces with product development in the area of new business as well as communication and corporate development at AKA. Through new partnerships, we also aim to develop solution concepts that will help us to identify opportunities from the various change processes at an early stage and take advantage of them.

There are four key aspects here. The first is implementing a radar in the new innovation segment for better identifying and evaluating market developments. Secondly, we have the cultural development of our organisation in the context of digital readiness, essentially a fitness level indicator for digital applications and processes within the AKA workforce. The third aspect is the strong focus on enhancing AKA's position as an attractive employer. Fourthly, I see continuous engagement with the topic of broadening our existing business model as a key pillar of sustainable performance.

AKA also views itself as a platform for topics related to Export and Trade Financing as well as to government instruments for foreign trade promotion. How will AKA play an active part in the discussions in 2020?

Beate Bischoff: Through its permanent seat on the Interministerial Committee for Export Credit Guarantees, AKA will continue to play its part in the development of instruments for foreign trade promotion. AKA is also a member of various country associations and is thus involved in the development of business opportunities for German exports and investments in emerging markets.

We will, of course, continue our own event formats, such as the Trade Finance Dialogue and regional conferences, and through the AKA network, we will identify new topics and address them in appropriate dialogue formats. In this context, AKA will function as a neutral meeting point for our partners and their networks as well as a platform for issues relating to Export Financing, digitisation, economic policy and global trade.



Thilo Brodtmann
Executive Director
VDMA (German Mechanical Engineering
Industry Association)

Fit to take on the financing competition

VDMA bets on digital solutions for small tickets in the medium-sized private business sector

German mechanical engineering companies are trying to hold their ground in an increasingly difficult economic environment. The year 2019 was dominated by a weak global economy, ever more serious threats and sanctions in global trade disputes as well as far-reaching structural changes in the automotive industry – triggered by ambitious climate targets and the resulting limits imposed. Order intake is the key challenge facing medium-sized companies in the capital goods industry, with one in three reporting a lack of orders at the start of the year. In the first ten months of the year, production in the German mechanical engineering sector fell by 1.8 % in real terms compared to the previous year, while order intake declined by 9 % over the same period. It is without doubt a challenging situation, considering the fact that medium-sized mechanical engineering companies are Germany's largest industrial employer, providing over a million jobs.

Global economic development will remain subject to a high degree of uncertainty. The situation in emerging and developing countries, which are particularly relevant in the context of Hermes-covered Export Financing, remains mixed. Over the last decade, however, we have seen China gain market share in all emerging countries. There are many reasons for this trend, and the provision of export financing has a key role to play in the response to it.

Digitisation as a business model: Another challenge facing companies in Germany is the digital transformation. The mechanical engineering industry is traditionally very technology- and product oriented. However, digitisation has for some time now played a key role in the construction of production plants and machines, expanding the sector's core competence. This has led to the creation of a market that extends far beyond the classic machine.

The key theme of Industry 4.0 promotes value creation networks (also at international level), opening up opportunities for SMEs because it is agility rather than size that counts. In the VDMA we are constantly setting up new working groups, such as "Additive Manufacturing", to strengthen networks in industry.

One of the biggest challenges for our sector is the marketing of digital services and companies from outside the sector entering the market. We must bear in mind the size classes in the German mechanical engineering industry: almost 100,000 people work in companies where fewer than 50 people are employed, while 110,000 people work in companies where up to 100 people are employed. 95 % of all capital goods manufacturers have fewer than 500 employees. Medium-sized industrial enterprises in particular rely on their innovative capacity.

Great potential exists for Hermes cover. The current "sell and finance the machine" business model is gradually being replaced. Machines are not being sold, but are instead becoming "enablers" of services and therefore of cash flows. In terms of providing guarantees for such models, Hermes cover is still in its infancy. At present, an essential requirement in order for a delivery transaction to be eligible for Hermes is that the export goods must cross the German border. It remains to be seen how Export Financing might work in future if we are exporting data sets or programming services rather than physical goods.

Digitisation as a solution to the problem of financing: Digitisation, as we see here in the examples from the capital goods industry, is a catchword that covers many different aspects. In my opinion, the same applies to the world of finance, particularly when we look at the handling of exports. Looking at just the transactions and the important documents for confidence-building in foreign trade: Our members want to see digital documents, digital releases or new settlement methods such as Blockchain delivering a new level of efficiency. Export Financing requires digitisation in order to overcome the much-complained about cost traps for small tickets. Digital, standardised processes can facilitate this cooperation in the future.

It essentially comes down to how simple the underlying export promotion instrument – Hermes cover – can be. Hermes-covered financing must not be just an isolated solution within a company's processes. Many Hermes requirements are based on documents that are otherwise not used in everyday business operations. This is a problem for companies that operate with small tickets. Digitisation therefore provides an opportunity for Export Financing to keep pace with settlement solutions from parallel worlds, such as accounting.

Will we perhaps see a new product, such as a platform granting export loans in a very short time, at the end of the digitisation process? Such a solution is still long way off, because Export Financing is a unique product. Export Financing involves a complex network of cooperation – between export credit guarantee and financial institutions, between suppliers and the borrower or buyer of the machine.

Nevertheless, the simple processing of a Hermes application or Hermes-covered financing could be a fundamental requirement for successful digitisation.

Small ticket Export Financing as a door opener: In developing and emerging countries, there is often a lack of willingness on the part of local banks to finance new investments in machinery. It is also sometimes a more attractive option for a foreign customer to obtain financing that is closely linked to the machine as an asset. State-supported Export Financing offers credit periods based on the useful life of the investment at attractive terms. For the exporter, having the right financing solution in place is the icing on the cake when it comes to making a successful deal.

In recent years there was a noticeable lack of tangible financing offers for small tickets. Banks had little interest in export transactions in the EUR 1 million to EUR 5 million range, citing their costs as a reason. Many companies therefore dreaded raising the issue of Export Financing as a marketing instrument with their customers. It was a vicious circle: finance departments didn't have a tangible Export Financing offer that they could pitch to sales as a solution to their problem. Sales adapted their market development approach and came to terms with the lack of financing offers.

Onboarding Export Financing – joining the "fitness club: The issue of digitisation has been taken up by all stakeholders in Export Financing. The launch of click&cover Export by Euler Hermes led to the creation of a growing number of online platforms offering Export Financing solutions in 2019. A preliminary analysis of these online offerings by the VDMA shows that they cover a broad spectrum – from Hermes application processes to the arrangement of financing.

AKA clearly has a special role to play here, as this is the only online portal where a buyer credit is created directly on the basis of the company's online request. The offer is based on standardisation of the buyer credit.

This gives SMEs, which were prevented from gaining experience due to economies of scale, a tangible offer with clear criteria. In the interest of a high level of standardisation, AKA is initially adopting a limited country focus with SmaTiX (Small Ticket Express) as an introductory module and assessing, among other things, the solid creditworthiness of importers as a basic requirement for an indicator. The VDMA sees the registration of medium-sized exporters with digital platforms as an opportunity, as only then can they position themselves proactively with regard to Export Financing.

VDMA as an interface for export expertise: The VDMA regards Hermes cover as a key issue for the capital goods industry and has therefore been ready for many decades to dedicate the time and resources needed to substantively deal with this funding instrument. We are happy to work with all representatives involved in the issue of export credit guarantees. We maintain regular contact and dialogue with AKA regarding the challenges facing SMEs. AKA has regularly shared concepts for small tickets with the VDMA Export Finance working group, and many of its members are also "Peer" contacts for the new AKA modules.

At the VDMA, and this is something that is important to me personally, we also cover the entire spectrum of issues relating to exports, from customs issues and export controls to Incoterms, to name just a few examples. In doing so, we are creating a solid foundation of export expertise for our members. Export Financing needs extensive experience and knowledge of export handling.

AKA – digital platform for buyer credits: The platform economy has also arrived in the world of banking. AKA has, in cooperation with its shareholders, the opportunity to take small ticket Export Financing out of its niche status. From our perspective, this means bundling and standardising requests through the online portal. We are pleased that the network of AKA shareholders (including all major and regional German banks) supports the online portal SmaTiX. In the development of this portal, AKA can draw on its tradition as a specialist credit institution with over 65 years of experience as well as its digitisation expertise.

In particular, SMEs that have virtually no experience and cannot enter into supplier loans at their own risk can benefit from the new application solution offered by SmaTiX. For small ticket orders, the digital application process is important, as are real-time indicators and a streamlined financing agreement. In the case of Hermes-covered Export Financing there are still numerous interfaces. SMEs therefore benefit indirectly from AKA's specialist team, which is in turn based on a strong network of shareholders and works closely with Euler Hermes. We also take a very positive view with regard to the planned European expansion into the DACH region. VDMA membership in the DACH region is growing, and we welcome AKA's approach of integrating credit insurance providers OEKB and SERV into the digital tool.

Conclusion: As 2019 ends and 2020 begins, German mechanical engineering companies find themselves faced with disruptive changes that will affect the very core of their product range. These mainly medium-sized companies have a strong culture of innovation, though attention is now being focused on general financing issues for new investments. Looking back at economic history, we see that the successful export business has been a major driver of this innovative capacity, as the various foreign markets have given companies the required economies of scale to produce highly specialised solutions. We need to continue to develop the state export credit guarantee as a funding instrument for financing and guaranteeing such exports.

The new AKA portal SmaTiX should also address economies of scale. It will be necessary to get industry on board for Hermes-covered buyer credits in the small ticket segment. The VDMA is making extensive use of its channels to promote small ticket solutions. I believe it is also important that German commercial banks actively support the platform. More detailed knowledge of small ticket financing requests should also provide an important basis for further simplifying the Hermes system. The AKA project for small tickets is thus a political project, through which we can promote Export Financing together.

Michael Schmid
Chairman of the Supervisory Board

A year of important developments

Dear reader,

On behalf of the Supervisory Board, I am reporting to you on the main advisory and supervisory focus of our committee in fiscal year 2019.

While conditions remained challenging for the entire banking sector in 2019 due to, among other things, the continued low interest rate policy of the ECB, increasing regulatory requirements as well as an intensely competitive environment for banks, AKA can look back on a successful fiscal year marked by a number of important developments.

In ongoing coordination between the Management and the Supervisory Board, three key topics were implemented in 2019: securing the growth path, expanding treasury activities and further developing the digitalisation strategy.

AKA performed well in a challenging market environment and achieved ambitious new business volumes in the trade and export financing product groups. The loan portfolio is well-balanced and diversified. Total reserves remain high and provide a solid basis for future business development over a medium-term planning horizon.

The Treasury department at AKA underwent successful development. Liquidity management and refinancing planning support the bank's growth trajectory while complying with regulatory requirements. Once again, AKA was able to grow its refinancing base and adopted new approaches for ensuring long-term liquidity supply in a challenging environment for interest rate and equity markets.

In parallel, AKA, using the investment budget approved by the Supervisory Board, continued its chosen digitalisation strategy, in particular bringing the digital portal that it developed for small-volume, Hermes-covered buyer credits (SmaTiX) to market maturity. Other forward-looking IT developments in this context include the architecture for a microservices platform and API interface solutions. A platform strategy is being discussed by the expanded Risk Commission and the Supervisory Board. AKA has achieved excellent results in external evaluations and special audits. The Supervisory Board was informed that AKA, which receives a rating on account of its participation in the Deposit Protection Fund of the Association of German Banks, received a rating upgrade from GBB-Ratinggesellschaft für Bonitätsbeurteilung mbH, Cologne. AKA also received a provisional SREP decision, which further reduces the bank's already low capital add-on.

In 2019, the Supervisory Board also maintained close dialogue with the Management, supported business development in constantly changing market conditions and regularly reviewed AKA's strategic market positioning. It supports the medium-term plan estimate, the growth trajectory, the digitalisation strategy and the continued use of the earmarked investment budget. In the strategy discussions of the Risk Commission of the Supervisory Board, important strategic cornerstones were confirmed and further possible developments discussed.

As a complementary, specialist credit institution, AKA cultivates a clearly defined and focused product range in Trade and Export Financing. Its structure is compatible with its shareholders' focus and should be more firmly anchored in an increasingly digital environment. To this end, the shareholder structure which spans over the three German bank pillars and the composition of the Supervisory Board provide a stable foundation. In 2019, the base was broadened and a stronger European focus was adopted when ING joined the shareholder group.

Tasks of the Supervisory Board

In fiscal year 2019, the Supervisory Board held five meetings as well as a strategy discussion between the expanded Risk Commission and the Management. The Supervisory Board thus carried out the duties incumbent on it pursuant to the law, the articles of association and the rules of procedure and supervised the Management of AKA Ausfuhrkredit-Gesellschaft mbH in a timely and regular manner providing advice regarding the bank's strategic further development.

The work of the Supervisory Board included the following reports:

– Periodic risk and controlling reports plus topic- and event-based reports from the Management
– Reports from the internal audit team, money laundering officer, compliance officer and central office
– Management notifications regarding the results of the credit assessment by GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH, Cologne, as well as a regular BaFin audit according to Section 44 of the German Banking Act (KWG), focusing on the loan business
– Documents from the auditors (KPMG) in connection with their audit of the annual financial statements

All members of the Supervisory Board were given sufficient opportunity to scrutinise these reports in all cases. Attendance at the Supervisory Board meetings was 100 %. The Chairman of the Supervisory Board and the Management also engaged in a regular dialogue and exchange of information outside of the Supervisory Board meetings. The Supervisory Board was informed of important developments no later than the respective next meeting.

Topics

The Supervisory Board regularly discussed the net asset, finance and earnings position of the company. It held discussions about the significant financial risks as well as risk, liquidity and capital management. It also dealt with the Management of non-financial risks and made use of the reports from the internal audit team, compliance officer, money laundering officer and central office (responsible for the prevention of other criminal acts) for this purpose.

Individual product groups, business opportunities and revenue optimisation from the perspective of risk/return ratio were discussed during the Supervisory Board's meetings with the Management. Continuing and safeguarding the growth strategy as well as the importance and opportunities of digitalisation for AKA were considered paramount.

The 2019 plan continued the chosen growth trajectory and was very ambitious in terms of new business transactions and net earnings. The plan took into account the annual tranche for the investment and innovation budget (IIB) allocated for 2019. The target figures for operating result, CIR, net profit and RoE were presented before/after IIB. At its meeting on 28 February 2019, the Supervisory Board discussed and approved the plan.

Fiscal year 2019 also saw the discussion and adoption of the Multi-Year Business Plan (MBP) for the 2020–2022 period, which is based on the continuation of AKA's adopted growth strategy. While the positive development of the core business of ECA financing initiated in previous years will act as a growth driver, the MBP also envisages business growth in all financing divisions of AKA. The MBP is backed by capital and refinancing planning, which has been examined in detail by the Supervisory Board. Capital planning shows that AKA has sufficient risk bearing capacity over the period covered by the plan. The minimum capital ratios required by regulatory authorities are adhered to even under adverse conditions. Refinancing planning shows the short-term and long-term refinancing demands and their coverage. The MBP was reviewed by the Risk Commission and Supervisory Board, and was discussed and approved at the meeting on 10 December 2019.

The Supervisory Board held discussions of the bank's risk strategy, covering all aspects of risk management. The risk strategy was comprehensively reviewed in 2019 in order to adapt it to the structure of the Europe-wide Supervisory Review and Evaluation Process – SREP.

The Risk Commission and the Supervisory Board regularly dealt with the risk bearing capacity of AKA in its meetings. The main topics covered in these meetings involved the implementation of AKA-related requirements imposed by BaFin's RBC guidelines.

Due to AKA's role as a specialist credit institution for Trade and Export Finance focusing on emerging markets, credit and country risks are particularly important for the Supervisory Board. In particular, both the Risk Commission and the Supervisory Board received reports about the development of the loan portfolio during the course of the year. The committees also extensively discussed the selection and appropriateness of stress tests.

Treasury-related topics were also discussed in detail at the meetings of the Risk Commission and the Supervisory Board. The committees regularly dealt with the composition and maturities of borrowings. Against the background of business growth, refinancing and liquidity management are considered increasingly high-priority topics in the reports.

With respect to the regulatory governance of AKA, the Supervisory Board received reports about the internal control system and compliance with regulatory requirements. The Board also dealt with the implementation of requirements under the German Remuneration Ordinance for Institutions (Institutsvergütungsverordnung/ InstitutsVergV).

In 2019, the Supervisory Board examined the development of regulatory-driven costs, which have increased significantly in recent years. This takes into account externally driven costs as well as internal recruitment for the handling of regulatory issues.

Overall, AKA, as a specialist credit institution, has a low CIR compared to the rest of the sector.

Committees

The Supervisory Board's work is supported by committees that develop decision-making presentations or recommendations in preparatory meetings and report on their work to the overall body. The committees thus make an active contribution to the Supervisory Board's work. Attendance at committee meetings was 96 %.

Risk Commission (RC): The RC met five times over the course of the fiscal year in preparation for Supervisory Board meetings. The Supervisory Board was given comprehensive information by the Chairman of the RC about the agenda and results at the meetings held immediately afterwards and received RC recommendations with regard to resolutions.

The RC received regular extensive reports about the loan portfolio, the risk/return profile and the development of individual country portfolios. The RC received reports about market price, liquidity and operational risks, and dealt with AKA stress test scenarios covering all material risks.

The RC discussed the bank's risk strategy.

The Risk Commission's strategy discussions with the Management are particularly important. The aim is to discuss relevant, future-oriented topics for AKA and, where necessary, provide recommendations for action for AKA Management and/or the Supervisory Board. The strategy discussions also provide a platform for feedback and dialogue in relation to strategic issues for AKA Management. The Supervisory Board receives reports about the content of these strategy discussions and receives minutes of the meetings for its approval. In fiscal year 2019, a strategy discussion took place, which expanded on the topics relating to the digitalisation strategy discussed the previous year.

Compensation Control Committee (CCC): The Compensation Control Committee held three meetings in 2019 in preparation for the Supervisory Board meetings. The Chairman of the committee reported to the Supervisory Board about the content of the meetings.

In its meetings, the CCC dealt with, among other things, the agreement on objectives for management and quantitative targets on the basis of the annual plan as well as two qualitative targets in each case for front office and back office. It dealt with the budget for bonus payments, taking into account the achievement of targets in fiscal year 2019. The CCC also received reports about the implementation of requirements arising from the German Remuneration Ordinance for Institutions.

Nomination Committee (NC): The Nomination Committee met twice. The Chairman of the committee reported to the Supervisory Board about the content of the meetings. At its meeting on 28 February 2018, the NC carried out an evaluation of the Management pursuant to Section 25c of the German Banking Act (Kreditwesengesetz/KWG) and an assessment of the Supervisory Board pursuant to Section 25d of the KWG. The NC also dealt with the structure and qualification of the second level of management (direct reports). It considers the organisational and personnel structure capable of meeting requirements, in particular those relating to the business plan, treasury, and issues in the area of digitisation.

Personnel changes

In 2019, the following changes were made in personnel on the Supervisory Board:

- Ms Sandra Gransberger, ODDO BHF Aktiengesellschaft, vacated her position as a full member of the Supervisory Board. In her place, Mr Florian Witt was assigned to serve as a full member from ODDO BHF Aktiengesellschaft, effective 1 March 2019
- Dr Hartmut Schott, Erste Abwicklungsanstalt, vacated his position as a full member due to the transfer of the business share to ING-Diba AG, effective 24 April 2019
- For ING-Diba AG, Mr Michiel de Vries was assigned to serve as a full member and Mr Bartholomeus Ponsioen as a deputy member

Auditing and approving the annual financial statements for the fiscal year 2019

The firm appointed as auditor on 4 April 2019 – KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Germany – audited the annual financial statements for the fiscal year 2019, the bookkeeping and the management report and issued a clean audit certificate.

The Supervisory Board acknowledged the audit result with approval. Following the conclusive result of its own audit, the Supervisory Board approved the annual financial statements giving rise to this result. It agrees with the proposal of the Management concerning the use of the balance sheet profit.

Thanks

The Supervisory Board would like to thank the Management and staff members of the bank for their outstanding dedication and work in 2019.

The bank has once again achieved a good result in terms of market position and figures. In close cooperation with the Supervisory Board, fundamental decisions were taken in 2019 for the continued development of AKA's strategy. There are also good prospects for AKA's operating business for the coming year.

Frankfurt/Main, April 2020

The Supervisory Board of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung

Michael Schmid
(Chairman)

Management Report

A specialist credit institution for international Trade and Export Financing

AKA is a specialist credit institution for international Trade and Export Financing. For over 65 years, AKA has cooperated with various market actors such as banks, exporters, importers, investors and European Export Credit Agencies (ECAs). The main focus of our business activities is on financing and risk assumptions in emerging markets (EM).

AKA acts as a complementary institution, meaning in line with its business partners and not as a competitor. It acts primarily at the request of its shareholder group, which comprises 17 banks with cross-pillar representation. It can also, however, support financing for non-shareholder banks.

AKA's business activities include products for short-, medium- and long-term Trade and Export Financing in the following lines of business:

- ECA-covered financing: Participation in financing for foreign banks or corporates with cover by state credit insurance (Export Credit Agency = ECA)
- Structured financing: Participation in a wide range of short- to medium-term financing related to commodities or trade – without ECA cover
- Syndicated Trade Loans (STL): Generally unsecured short- to medium-term financing for banks and corporates
- FI Desk business: Generally participation in Letters of Credit (LC), bank guarantees or LC-related products

AKA also offers services associated with Export Financing, such as the performing of agency functions.

As part of its digitalisation strategy, AKA is developing solutions in ECA-covered Export Financing. For the so-called small ticket segment, i.e. small-volume Hermes-covered buyer credits, AKA has developed an online portal.

AKA is a non-trading book institution. The bank refinances itself using its own funds, refinancing lines from shareholder banks and through third parties and can also borrow funds directly on the capital market. AKA is active in treasury insofar as it is necessary for refinancing its loan business and ensuring liquidity or complying with regulatory conditions. As a member institution of the Association of German Banks, it belongs to the voluntary Deposit Protection Fund for private banks.

AKA is pursuing a growth strategy. Organic growth through expansion of the business in all product lines is the main driver. AKA is also pursuing progressive Europeanisation as well as the digital development of its business activities. Its equity capital exceeds regulatory requirements, thus providing a basis for development and growth.

AKA considers itself a platform for topics related to Export and Trade Financing as well as to government instruments for foreign trade promotion. Through its own event formats as well as its involvement in committees such as the Interministerial Committee for Hermes cover and associations with national and foreign trade relations, it plays an active part in the professional discourse.

2.1 Influencing conditions

Global economy and trade: Among the economic factors that influence AKA's business model is the development of the global economy, which, along with country-specific factors, has an impact on the equally important eurozone and Germany and affects the relevant emerging markets. Just as important is the development of global trade.

In 2019, the global economy was marked by a weak trade and investment environment, which lasted well into the year. Towards the end of the year there were growing signs of stabilisation, though still at a low level. The World Bank estimated global growth of 2.4 % in real terms for 2019, the lowest rate of expansion since the global financial crisis. While industrialised countries grew by just 1.6 %, emerging and developing countries achieved growth of 3.5 %[1]. The situation was negatively impacted by escalating trade tensions, developments relating to Brexit, a downturn in China and the effects of climate change. In addition to structural issues a slowdown in productivity growth has been underway since a decade. The effects of the global downturn were mitigated, however, by strong labour markets, country-specific fiscal measures as well as an accommodative monetary policy stance in major economies[2].

Global trade, which slowed from 4 % in 2018 to 1.4 % in 2019, recorded its weakest rate of expansion since the global financial crisis. Negative effects included trade protectionism, which also increasingly affected foreign direct investment, as well as the global slowdown in the industrial sector. Following further escalation of the trade conflict between the US and China in the first half of the year, the situation finally began to ease with the start of bilateral talks in mid-October[3].

Industrialised countries US – eurozone – Germany: According to the World Bank, economic growth in the US fell to 2.3 % in 2019 from 2.9 % in the previous year, but was nevertheless higher than in the eurozone or Japan. Although the industrial sector suffered as a result of the international trade conflict, the US economy is less dependent on industry compared to the German situation. The economy was bolstered by tax cuts and robust consumer spending, assisted by a strong labour market[4].

Economic development in the eurozone could not escape the effects of the weaker global economy. According to the European Commission's autumn forecast, aggregate gross domestic product (GDP) in the 19 eurozone countries grew by 1.1 % in 2019 (down from 1.9 % in the previous year)[5]. As an export nation, Germany was particularly affected by the slowdown.

According to initial estimates from the Federal Statistical Office, the German economy grew by just 0.6 % in 2019 compared to 1.5 % the previous year[6]. As in many other countries, divergent economic development was also evident in Germany. Growth was boosted by the domestic demand, but export-oriented sectors faced a headwind from the global economy. Private consumer spending benefited from the strong labour market, thereby stimulating growth.

While the construction industry recorded above-average growth of 4 % in a low interest rate environment, the downturn in export-oriented industrial activity persisted[7]. Production was weak in the automotive industry in particular, due in part to technological (electric mobility) and regulatory changes[8].

Emerging markets and developing countries: In emerging and developing countries, the economic situation reflected the described global factors, but was also marked by lower commodity prices compared to the previous year as well as country-specific factors including political turbulence, extreme weather events and tighter financing conditions in higher-risk economies.

Asia
In Asia, the economy is largely influenced by China. China's GDP grew by 6.1 %[9] also in the context of a gradual transition to a lower growth path. The ongoing trade conflict of the last two years affected exports to the US due to higher import duties. The economic slowdown also reflected the government's efforts to reduce the high level of domestic debt in order to limit financial risks[10].

In India, stricter credit guidelines in the non-financial sector also contributed to a substantial weakening of domestic demand. The economy in Bangladesh, on the other hand, grew by 8.1 % in fiscal year 2019, one of the highest growth rates worldwide[11], due to high inflows of migrant worker remittances from abroad and net exports. Due to the focus on the textile sector, the export sector benefited from strong consumer spending worldwide.

Latin America
While Mexico, whose economy stagnated in 2019, has close trade links with the US, most Latin American countries have less international trade relations than Asia or Eastern European countries. Nevertheless, commodity exporters (Chile, Peru and Ecuador) were faced with declining demand from China. In some Latin American countries there were violent protests sparked by government attempts at fiscal consolidation. Brazil recorded modest economic growth of 1.1 % in the face of limited fiscal space, a weaker economy on the part of neighbouring trade partners and a major dam collapse[12]. The pension reform adopted in autumn, however, was an important step towards rebuilding confidence[13].

Eastern Europe
Economic activity in Eastern Europe was dominated by two of the biggest economies in the region – Turkey and Russia. After a GDP contraction in the second half of 2018, Turkey's economy recovered during the course of 2019. This was driven by fiscal stimulus measures, key interest rate reductions, increased private consumer spending following currency stabilisation and an improved trade balance. Russia had one of the lowest growth rates among emerging marktes in 2019. The economy was hampered by the situation on the world's oil markets and the international sanctions imposed on the country.

Africa
Africa exhibited major differences in growth momentum. Countries with small raw material endowments and a low level of international trade integration had some of the highest expansion rates both regionally and internationally. Egypt's economy, boosted by reforms and migrant worker remittances, grew by 5.6 % (compared to 5.3 % the previous year). However, growth in most oil-exporting countries was weaker. Nevertheless, countries such as Nigeria continued to recover following the oil price shock of 2014 and 2015. According to the World Bank, the Nigerian economy grew by 2.0 % (compared to 1.9 % in 2018)[14].

International financing conditions: Financing conditions improved worldwide in 2019. In response to a slowdown in the global economy, uncertainty due to trade conflicts and muted inflation expectations worldwide, central banks adopted a more loose monetary policy. Yields on government bonds fell almost across the board despite the upward trend at the end of the year because of the slight improvement in market sentiment. Interest rates reached record lows in many industrialised countries in 2019. Financing conditions also improved in emerging markets, thanks mainly to the decline in bond yields and diminishing yield spreads, but with the notable exception of economies deemed to be a higher risk (Argentina, for example). The currencies of many emerging and developing countries were devalued and a growing number fell to their lowest level against the US dollar for a decade. By contrast, migrant worker remittances grew strongly in emerging markets.

Central banks: Inflation in the eurozone stood at 1.2 % in 2019, below the ECB inflation target of 2 %. In September 2019, the ECB provided monetary stimulus by further cutting the interest rate on the deposit facility from -0.4 % to -0.5 %. At the same time, it offered the option of depositing excess liquidity at 0 % within certain parameters in order to mitigate the effects of the reduced negative interest rates on banks. From 1 November 2019, the ECB restarted net purchases under the asset purchase programme, which had ended the previous year, at a monthly pace of EUR 20 billion. Redemptions continued to be fully reinvested. Against the general economic background and in view of the subdued inflation outlook, the ECB once again emphasised the need for a continued accommodative monetary policy stance for an extended period at its meeting at the end of the year[15].

In the face of a weak global environment and low inflation rate, the US Federal Reserve cut interest rates by a total of 75 basis points in 2019, introducing three separate rate cuts within a short period of time. This brought to an end the phase of rising US key interest rates that had begun in 2015. The Federal Reserve signalled a pause in interest rate cuts following its last rate cut on 30 October 2019. US key interest rates were between 1.5 % and 1.75 % at the end of the year[16].

Commodities: Prices for most commodities fell in 2019 due to weaker growth prospects, with restrictions in supply having a stabilising effect on prices in some cases. Oil prices were also affected by expectations of weak global demand. Over the year 2019 as a whole, the average oil price was 61 dollars per barrel, down by 10 % in 2018, but still significantly higher than in 2014 and 2015[17].

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1 cf. The World Bank: Global Economic Prospects. Slow Growth, Policy Challenges. Washington, DC: International Bank for Reconstruction and Development / The World Bank, January 2020. URL: https://www.worldbank.org/en/publication/global-economic-prospects (Date: Feb. 11, 2020). Short reference: World Bank 2020.
2 cf. World Bank 2020.
3 cf. „Phase Eins" ist erfolgreich absolviert. In: Nachrichten für Außenhandel Jan. 15., 2020.
4 cf. World Bank 2020.
5 cf. European Commission. European Economic Forecast – Autumn 2019. In: Institutional Paper 115. November 2019. URL: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2019-economic-forecast-challenging-road-ahead_de (Date: Feb. 11, 2020).
6 cf. Statistisches Bundesamt. Deutsche Wirtschaft ist im Jahr 2019 um 0,6 % gewachsen. Press release No. 018 of Jan. 15, 2020. URL: https://www.destatis.de/EN/Press/2020/01/PE20_018_811.html (Date: Feb. 11, 2020).
7 cf. ibid.
8 cf. Federal Ministry for Economic Affairs and Energy. 2020 Annual Economic Report, Jan. 29, 2020.
9 cf. Ankenbrand, Hendrik: "Wie Anleger an Chinas Wachstum verdienen." In: "Frankfurter Allgemeine Zeitung", Jan. 16, 2020.
10 cf. European Central Bank. Economic Bulletin – Issue 8/2019, Dec. 27, 2019. URL: https://www.ecb.europa.eu/pub/economic-bulletin/html/eb201908.en.html (Date: Feb. 11, 2020).
11 cf. World Bank 2020.
12 cf. ibid.
13 cf. European Commission. European Economic Forecast – Autumn 2019. In: Institutional Paper 115. November 2019. URL: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2019-economic-forecast-challenging-road-ahead_de (Date: Feb. 11, 2020).
14 cf. World Bank 2020.
15 cf. European Central Bank. Press release, Dec. 12, 2017. URL: https://www.ecb.europa.eu/press/pressconf/2019/
16 html/ecb.is191212~c9e1a6ab3e.en.html.
cf. Federal Reserve. Monetary Policy. FOMC Statements. Federal Reserve key interest rates.
17 URL: https://www.federalreserve.gov/monetarypolicy/openmarket.htm.
cf. World Bank 2020.

2.2 Business development

AKA recorded a new business volume to the tune of EUR 1,655 million in 2019. This represents a reduction of 18 % compared to 2018. The target figure of EUR 1,800 million was also not reached.

At 38 %, the long-term, ECA-covered financing business accounted for the biggest proportion of the business volume by individual product. This was followed by the FI Desk business with 27 %. Participations in syndicated trade loans (STL) accounted for a 19 % proportion. The proportion of structured financing was 10 %, while participations in non-recourse forfeiting accounted for 4 %. The proportions of other product groups such as guarantees, advance payment financing or other types of financing stood at 2 %.

The focus of AKA's business activity remains on cooperation with its shareholder banks as well as selected banks with a good international reputation.

2.2.1 New business developments in detail

ECA-covered financing: Following a record result the previous year, AKA's ECA-covered financing business recorded a decline in commitments to EUR 627.7 million. This was due to the fact that a number of major projects were not or have not yet been realised.

The first transactions using SmaTiX (Small Ticket Express), the solution developed in cooperation with exporters, shareholders and ECAs, were realised.

Most of the commitments were again made in cooperation with the German ECA Euler Hermes. Financing was also conducted with other European ECAs.

FI Desk: Business in this area, which mainly involves participations in bank risks associated with LC transactions, was – as expected –slightly down compared to last year's record high result with a business volume of EUR 447.1 million.

Syndicated Trade Loans (STL): AKA's STL financing is trade-related and provided for banks and corporates. The risk profile of individual transactions was improved through the involvement of private insurance (PRI). The previous year's result was exceeded with a business volume of EUR 308.6 million.

Structured financing (SF): AKA's participations in structured financing (including non-recourse financing and others) are always related to commodities or trade. The previous year's result was exceeded with a business volume of EUR 253.6 million.

While the shareholder banks account for most of AKA's uncovered financing business (FI Desk, SF, STL), business with non-shareholder banks also grew.

2.2.2 Total commitments

AKA's total commitments performed well as of the reporting date of 31 December 2019, rising to around EUR 6.3 billion (previous year: EUR 5.8 billion). This total includes both AKA's loan volume as well as receivables held in trust by AKA. Total transactions in preparation, which include credit agreements already confirmed but not yet concluded, amounted to EUR 1,544 million.

2.3 Earnings position

Various factors affected the results of fiscal year 2019.

Overall, the result from the loan business amounted to EUR 44.8 million compared to EUR 43.1 million in the previous year. Net earnings from the loan business, which provide a relevant indication of performance, amounted to EUR 44.3 million, which is 3.9 % above the previous year's level. The planned expectation for 2019, amounting EUR 45.2 million, was not achieved, mainly as a result of reduced net margins in the ECA business and a decline in receipts from upfront fees. Net earnings generated from the loan business were 2.1 % lower than forecast (target: EUR 45.2 million).

The Cost Income Ratio (CIR) constitutes a key performance indicator for AKA. The ratio of administrative expenses to net interest and net fee and commission income was 52.0 % (or 48.3 % before the innovation and investment budget [IIB]) and thus 3.8 % higher than the previous year. The target figure after IIB was 54.8 %.

Net interest income during the past fiscal year lay at EUR 38.6 million, which is 4.4 % above the previous year's level (2018: EUR 37.0 million). The positive earnings growth in interest income can be attributed mainly to an increase in the volume of loans. Reduced net margins in the ECA business compared to the previous year had the opposite effect.

The net commission income of EUR 6.2 million increased by 3.0 % compared to the previous year. In particular, this is the result of the positive development in the LC sector, which overcompensated for the decline in net fee and commission income from the management of loan receivables held in trust.

General administrative expenses (including depreciation) rose by EUR 2.6 million in 2019, triggered mainly by higher personnel and other administrative expenditures. Other administrative expenditures included expenses in the amount of EUR 1.7 million, which was spent on the basis of the innovation and investment budget approved by AKA's Supervisory Board for topics relating to the digitalisation strategy. Personnel expenditures increased by 3.4 % compared to the previous year.

The operating result fell by EUR 0.8 million to EUR 21.5 million compared to the previous year.

Other operating expenditures largely contain interest-rate-induced charges for pension provisions, whereas other operating earnings mainly originate from the reimbursement of affiliates as well as the reversal of provisions.

AKA has adequately taken into account the risks arising from the loan business in the 2019 annual financial statements. In total, allocations to risk provisions of EUR 16.4 million contrasted with reversals of EUR 10.7 million. Appreciation in the amount EUR 0.9 million was registered as a net position on the securities portfolio.

After deducting the profit-related taxes, a net profit of EUR 10.6 million was posted. This is higher than the target value of EUR 9.1 million, projected in the business plan.

The return on equity (RoE) before taxes, the company's third financial performance indicator, fell from 7.6 % to 6.7 %, but was above the annual plan of 5.8 %. It is determined as the ratio of net profit before taxes to the equity capital available at the beginning of the year less the distributable profit.

Overview of the earnings position	**2019**	**2018**	**Delta**	
	EUR million	EUR million	absolute	in %
Net interest income	38.6	37.0	1.6	4.4
Net fee and commission income	6.2	6.1	0.1	3.0
Administrative expenses (including depreciation)	-23.3	-20.7	2.6	12.6
Operating result	21.5	22.3	-0.8	-3.6
Other earnings/expenses	-0.3	-0.5	-0.2	-40.5
Risk provisioning	-5.1	-4.1	1.0	23.7
Income taxes	-5.5	-5.7	-0.2	-2.9
Net profit	10.6	12.0	-1.4	-11.8
Financial performance indicators	**2019**	**2018**	**Delta**	
Net earnings from the loan business	44.3	42.7	1.7	3.9
Cost Income Ratio	52.0 %	48.2 %	3.8 %	–
RoE (before taxes)	6.7 %	7.6 %	-0.9 %	–

2.4 Asset and financial position

AKA's balance sheet total rose by 9.6 % to EUR 3.516 billion as of 31 December 2019 from EUR 3.207 billion as of 31 December 2018. Including contingent liabilities and other liabilities, business volume experienced an increase of 3.0 % to EUR 5.0 billion. An increase of EUR 2.6 million to a total of EUR 499.1 million was recorded in letters of credit, guarantee obligations and guarantee transactions posted under contingent liabilities. The irrevocable loan commitments disclosed under other liabilities fell by EUR 167.2 million to a total of EUR 994.2 million.

Loans and advances to banks and customers constitute the key asset positions and result from the loan business of the bank. They increased in the past fiscal year by EUR 389.6 million to a total of EUR 3.033 billion.

Debenture bonds and other fixed-interest securities were held in an amount of EUR 62.7 million (31 December 2018: EUR 56.0 million). Insofar as they formed part of AKA's liquidity reserve, they were short-term securities with a very good credit rating. As of the balance sheet date, this proportion of stock amounted to EUR 58.3 million (31 December 2018: EUR 52.3 million). As part of a rescheduling, the company also received EUR 4.4 million in long-term government bonds.

To refinance the business, AKA has available liabilities to banks in the amount of EUR 2.451 billion and to customers in the amount of EUR 0.489 billion. As a result, the loan volume financed by banks increased by EUR 157.4 million.

The proportion of transactions financed by customer deposits likewise increased by EUR 206.2 million.

Provisions increased in the past fiscal year by EUR 1.2 million to a total of EUR 11.6 million. They consist mainly of provisions for contingent losses of the loan business and provisions for completion bonuses.

AKA's equity capital is composed of the subscribed capital of EUR 20.5 million and the revenue reserves. After the revenue reserves had increased to EUR 222.1 million as of 1 January 2019, the net profit for the year of EUR 10.621 million is to be used to further increase the revenue reserves by EUR 6.521 million to EUR 228.6 million and for a disbursement of EUR 4.1 million of the envisaged share of the balance sheet profit.

Further information on the asset and financial position can be found in the section entitled "AKA risk report 2019".

Special events after the balance sheet date: No special events occurred after the balance sheet date that might have had an impact on the net asset, finance and earnings position.

AKA views the net asset, finance and earnings position as sound.

3.1 Aims, principles and structure of risk management

Corporate aims of AKA: AKA controls and monitors its risks with the aim of structuring its risk and income profile in the optimum manner and thus at the same time guaranteeing the necessary risk bearing capacity at all times.

Risk policy: The active risk policy relating to overall bank management includes all measures for scheduled and targeted analysis, management and control of all of the risks incurred. It is AKA's business policy first and foremost to limit credit default risks associated with the key business field of Trade and Export Finance.

Risk management principles: The Management sets the policy guidelines for all detectable risks, taking the risk bearing capacity into account on the basis of an analysis of the starting position in terms of business policy and of an assessment of the opportunities and risks associated with the loan business. These are documented in the risk strategy, which encompasses all major risk types for AKA. Management conducts an annual review of the risk strategy, which is then discussed with AKA's Supervisory Board. It falls within the overall responsibility of the Management to ensure that the risk concept is integrated throughout the organisation and that the risk culture is firmly anchored in the company's culture.

This is ensured by means of a structural and procedural organisation. The responsibility for the operational implementation of the risk policy determined by Management is predominantly held by the Credit Risk Management (CRM), Export and Agency Finance (EAF), Structured Finance and Syndication (SFS), Portfolio Management (PM) and Treasury (TSY) departments, which are entrusted with the loan business.

Risk strategy: The risk strategy is based on the principles of MaRisk and the requirements of the Supervisory Review and Evaluation Process (SREP) and contains provisions on all major aspects of risk management such as risk bearing capacity, risk management, stress tests, early warning indicators plus the principles for calculating risk provisions and the risk inventory covering all risks.

Risk organisation: Risk organisation forms the structural and organisational framework for the implementation of the risk strategy. It has an impact on the internal control procedure. The manner in which this procedure is structured is described in AKA's written rules of procedure, the "Management and Organisation Manual" (MOM), and encompasses:

- the structural and procedural organisation (including separation of functions between front office and back office)
- risk management of risk control processes (risk management in the proper sense of the phrase)
- Internal audit

The MOM describes how the duties and areas of responsibility within the risk management system are demarcated.

Management: The Management is responsible for AKA's risk strategy based on the target risk/return ratio and ensures that an adequate risk infrastructure is in place.

The Management has delegated the coordination of an adequate risk management and control system that meets internal and external standards to the heads of the CRM and Finance (FI) departments. Internal Audit has been tasked with the responsibility for conducting an independent assessment of the appropriateness of the risk management and control system and for adhering to existing procedures.

Credit Risk Management: As an operative specialist department, Credit Risk Management is responsible for managing the individual risk of all credit default risks. After a detailed analysis, CRM makes loan approval decisions involving portfolio-related issues and on an individual basis within the framework of individual powers of approval delegated by the Management. CRM votes on loan approval decisions that concerns the authority level of the Management. With regard to loan approval decisions, the objective is to maximise the risk/return ratio, taking account of the implemented RAROC system (Risk-Adjusted Return on Capital). Social and environmental aspects also play a role when assessing transactions and the associated risks.

As an integral part of overall bank management, the Credit Risk Management process is subject to regular quality assurance. This includes the analyses of the credit worthiness of countries, banks, corporates, insurance policies and on commodities and Trade Finance risks as well as the benchmarking of results with available rating data from external agencies. CRM is in some cases also responsible for decisions about portfolio-oriented risk reduction, for example through the sale of receivables, as well as recommendations for decisions about adequate risk provisioning.

Furthermore, the CRM department coordinates with Risk Controlling with regard to the development of the bank's internal risk management systems for countries, banks, corporates, sectors and limits.

Liquidity management: The Treasury department (TSY) is responsible for liquidity management and the associated potential market, liquidity and refinancing risks. TSY is required to adhere to and monitor the liquidity risk and market risk limits established in the risk strategy. The Finance (FI)/ Team Controlling department is responsible for determining and controlling liquidity risk and market risk positions as well as forecasting and reporting thereof. Both departments (TSY and FI) are responsible for compliance with regulatory requirements as part of the Internal Liquidity Adequacy Assessment Process (ILAAP).

Risk Controlling: Risk Controlling supports the Management and executive managers in the planning, organisation and control of all planned business activities. Risk Controlling is part of the Finance department.

Important subtasks of Risk Controlling at AKA involve risk identification as well as risk classification, measurement, assessment, management, control and reporting as a contribution to the planning and achievement of company objectives. Risk Controlling discharges these tasks independently, that is, objectively and neutrally. This includes the coordination of an adequate risk management and control system that meets internal and external standards.

Risk Controlling supports the Management in all risk-related issues, especially in the development and implementation of the risk strategy and the creation of a system for limiting risks. As the entity responsible for the risk controlling function, the head of FI department is involved in important risk policy decisions made by management.

Risk Controlling is responsible for developing risk methods, standards and the associated processes for all key risks identified in the risk inventory, and for coordinating between the pertinent units. In addition, Risk Controlling measures and monitors risk positions and analyses possible losses related to the risk positions.

Its tasks include the planning, development and implementation of risk management systems and methods. The setup and further development of early risk detection methods also fall under the responsibility of Risk Controlling. The methods used are subjected to regular validation to ensure that they comply with regulatory requirements.

Risk Controlling coordinates management and control processes related to the available risk capital such as the limit allocation process and the management or control of the risk/return profile.

Risk Controlling ensures ongoing monitoring of the risk situation, particularly in relation to risk bearing capacity and adherence to the established risk limits. The Finance/Team Controlling department, working together with the departments responsible for the risks, ensures that risk limits for all significant risks are established and reviewed. Risk situation monitoring also involves the regular performance of risk inventories to determine significant risks and to create a complete risk profile.

The results of risk identification, assessment, quantification and management are communicated to the Management, the Supervisory Board, the responsible heads of department and Internal Audit as part of the report.

Compliance: A compliance function is a mandatory part of the internal control system (ICS). The compliance officer fulfils the compliance function. The compliance officer is the head of the Compliance and Money Laundering department. It is the compliance officer's duty to ensure the implementation of effective procedures for compliance with the substantially legal regulations and requirements for the institution and appropriate controls. The Compliance function also supports and advises the Management with regard to compliance with these legal regulations and requirements.

Important legal regulations and requirements, which if not complied with can put the institution's assets at risk, are identified decentrally at regular intervals in co-operation with the Compliance function, taking account of risk aspects. The Compliance officer reports to Management, the Supervising Body and Internal Audit at least once a year as well as occasion-related.

Data security management (DSM): The Management has prepared a data security policy and communicated this within the institution. The data security policy is consistent with the institution's strategies.

AKA has created the position of the data security officer. This position includes the responsibility for dealing with all data security matters within the institution and towards third parties. The data security officer ensures that the data security objectives and measures set forth in the institution's IT strategy, data security policy and data security guidelines are made transparent internally and to third parties, and compliance with them can be checked and monitored.

DSM includes rules for data security, defines processes and manages their implementation. DSM follows an ongoing process that includes planning, implementation, success control, optimisation and improvement stages. The content of the data security officer's reports to Management and the reporting cycle are based on BT 3.2 paragraph 1 MaRisk. The model of procedure of DSM is based on BSI data security standards and serves the purpose of establishing a security level that is consistent with AKA's risk strategy.

The Finance/Team Controlling department monitors the task of information risk management and its risk analysis. The goal of this organisational structure is to meet regulatory requirements (e.g. BAIT) and to allow all company risks to be managed centrally.

Business continuity management (BCM): BCM is the setup of emergency and crisis management whose goal is to ensure that important business processes are not interrupted or are only temporarily interrupted when damaging events occur, to reduce losses to an acceptable minimum and thus secure the bank's economic viability.

AKA determines which of its IT applications are essential based on requirements of business operations and as part of a Business Impact Analysis (BIA). A protection requirements analysis (PRA) is also carried out to examine what protection requirements are required by applications and other resources in terms of confidentiality, integrity and availability.

In an emergency preparedness plan based on the BSI standard, AKA has set up provisions that encompass the availability of electronically stored data and of IT systems essential for business operations in case of an emergency.

Building on the content of these provisions and likewise based on the BSI standard, AKA has drawn up guidelines for emergency management, an emergency preparedness plan, an emergency manual and an emergency and crisis communication plan.

As part of emergency management, the individual functional divisions of AKA can also resort to recovery plans to address emergency situations, in addition to the Business Impact Analyses (BIA).

During the course of emergency arrangements, appropriate exercises are regularly performed based on an appropriate emergency test plan. Emergency exercises, BIAs and PRAs are carried out at least once a year.

Risk Committee: The Risk Committee (RC) is the overall committee that handles all issues relating to risk, in particular the profile encompassing all risk types.

The Management responsible for CRM chairs the RC. The head of Finance department is his or her proxy. In addition, the Management responsible for front office, all heads of department as well as the DSM officer take part in the RC. Other people can be added if required.

The RC meets regularly, at least four times a year. The agenda of these meetings will always include the last available controlling or risk report and new developments in the area of compliance and regulatory controlling, as well as the processing status of audit findings.

The primary goal of the RC is to monitor AKA's risk situation from an economic and regulatory point of view, and to determine risk-reducing measures and the parameters and methods needed to manage risks.

Within the course of monitoring the risk situation at AKA, the RC discusses risk-related topics plus the results of the risk inventory to be carried out at least once a year and takes decisions on any risk-minimising measures to strengthen internal control structures and reduce operational risks, for instance. The RC is also responsible for adopting methods, models and parameters relating to risks. Decisions to be made by management in accordance with MaRisk must be approved by Management after the Risk Committee's approval.

Credit Committee: The Credit Committee (CC) has an operative focus and handles issues relating to credit risks.

The Management responsible for CRM holds the chair of the Credit Committee. The CRM department head is the deputy. Other committee members are the Management responsible for front office and other department heads. Other departments may be invited to take part if required.

The primary aim is to discuss issues relating to business policy and methodical credit (such as facilities, limits, products, countries and sectors). In addition, individual loan exposures with a special structure or high risk ratio are discussed. Regular portfolio analysis and monitoring are also carried out, and topics such as Large Exposures, Watch Lists and risk concentrations, among others, are discussed in the CC as needed.

The CC as an organisational unit does not constitute a separate level of authority. Individual transactions, facilities and limits may be decided if key personnel meet within the framework of a Credit Committee meeting. Existing authorities shall apply and every decision taken in the CC shall be documented in a traceable manner regarding third parties.

Internal Audit: As the third line of defence, Internal Audit (IA) performs an independent and objective function, is part of the bank's internal control procedure and reviews the appropriateness and effectiveness of the internal control system (ICS) and risk management. Areas of focus of audits are systematically selected based on risk and are aligned with regulatory requirements.

Its tasks, among others, include the independent audit and analysis of the MOM based on a target/performance comparison with business processes and controls actually put into practice, the identification of weaknesses in the ICS and the assessment of the effectiveness of risk management instruments and early warning indicators. In addition, as part of its audits it checks the correctness and completeness of risk reports submitted to Management.

IA takes accompanying part in projects and participates in steering committee meetings.

3.2 Credit default risks

Because of its business purpose and the focus of its business structure on emerging markets, the credit default risk associated with individual transactions is AKA's main risk type.

The classic credit default risk associated with individual transactions means for AKA possible losses or loss of profit resulting from the default of a business partner, due to:

- unexpected full, partial or temporary illiquidity or unwillingness to pay
- a reduction in the value of a receivable associated with an unexpected deterioration of a debtor's credit worthiness (credit risk)
- an unexpected reduction in the value of collateral or guarantees (collateral risk)

A new non-financial, but key performance indicator for AKA is the percentage of counterparty ratings in the ratings level as "greater than 70". The target value for the fiscal year of less than 10 % was achieved with 7.2 %.

Country risks: The country risk defines the risk associated with a country's limited ability or inability to pay interest and repayments on foreign debts and those denominated in foreign currencies in a timely and correct manner. A significant aspect in this regard, in addition to the political risk, is the transfer risk. This is when an individual debtor is willing and able to pay but a country might limit or prevent payments abroad due to a lack of currency, for example. Despite this, national governments and economies may still be solvent.

The AKA rating tool used for the assessment of probability of default operates on a scale of 10-100. The rating results are comparable with the results of international rating agencies through corresponding mapping tables. Rating classes 10-50 are classified as investment grade, and 60-100 as non-investment grade.

Country ratings are calculated, and regularly updated in which the AKA has a notable commitment, by CRM on the basis of reports from rating agencies (predominantly Fitch), international organisations, central banks and other well-known reliable sources.

For the main markets of AKA, CRM prepares additional reports or ad hoc information where necessary in addition to the annual country risk analyses. Particular crisis regions/countries with particular problems are intensively monitored by credit analysts and Management.

The country reporting system is reviewed and further developed on a regular cycle. The focus lies on the analysis of political stability, an economy's vulnerability to shocks, the development of inflation and foreign trade, state budget and financing as well as the banking system and its stability and regulation.

In the financing of emerging markets, which remains AKA's focus, the solvency of individual borrowers is also primarily dependent on the political and economic situation of the country in question. This thus heavily influences the creditworthiness of the borrower.

Corporate risks: Using the bank's own rating system, a borrower is assessed based on an analysis of the last two annual financial statements and, where applicable, a quarterly report. Important indicators for assessing the creditworthiness of corporates are profitability over the last two years, leverage, return on investment and liquidity. In addition, the debt service capacity is analysed as another key factor for the successful continuation of a company. When preparing a rating for a company, the type of auditors' opinion and its accounting basis are both taken into account. The assessment is initially based on financial figures. When calculating them, AKA reverts to a benchmarking system based on a subdivision into several sectors and various geographical regions. These benchmarks are reviewed and updated on a regular basis to ensure comparisons with AKA's national and international corporate business.

Additional qualitative factors are taken into account for the conclusive assessment, which can lead to a change in the calculated probability of default. Primarely, the size of the company and current information about the borrower are processed here. In addition, if necessary, the characteristics of local accounting and a potential qualified audit opinion are included in the result of the basic rating. Affiliation to a group is assessed based on the level of interdependency and, finally, the country rating is viewed as the overriding factor as long as it is weaker than the borrower's rating.

The rating tool is fine-tuned and adjusted to the risend portfolio of AKA as needed. As part of an internal validation process, the predictive power of individual key indicators is examined and if necessary adjusted both in regard to their accuracy and overall rating result. This process is supported by external experts.

Bank risks: Financial statements of banks are analysed using the bank's own rating system. Each rating is based on an analysis of the last two annual financial statements plus, where applicable, a quarterly report. The quantitative data input includes, among others, the areas of capitalisation, profitability, deposit cover and liquidity. The financial figures are allocated to the respective AKA rating classes using a benchmarking system. Qualitative aspects analyse foreign exchange risks, interest rate sensitivity, the matching maturities of assets and liabilitiesand, in particular, the asset quality. Other information relating to ratings are included in the rating assessment using bonus or penalty points.

In addition, like in the corporate business, the country rating applies as the "overriding factor". A further significant component is the assessment of possible state support. The background is the experience with banks, whereby institutions can, as part of their systems, rely on the support of the state in an emergency.

As part of a quality assurance process, AKA works closely with external experts to ensure the further development of the rating tool in terms of its compliance with regulatory requirements and current market practice. The review serves to optimise and, if necessary, to assign a new weighting of individual rating parameters.

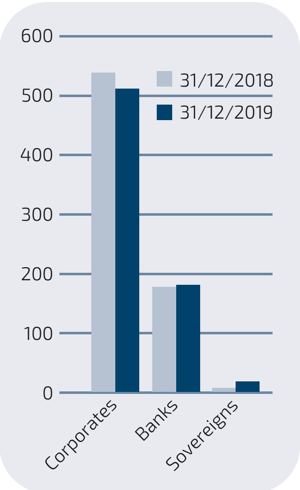
Risks from structured and project financing: When assessing project risks from the aforementioned financing deals, AKA relies on a separate rating tool. Major rating elements to assess the expected project success are the sponsorship risk, completion risk, operating risk and market risk. In addition, AKA assesses the financing and modelling risk. These credit rating factors are assessed qualitatively and quantitatively in accordance with the other AKA rating modules and provide the overall rating.

Insurance risks: The client group insurance (for minimising other credit default risks) is analysed and assessed using a further AKA rating tool. As an insurer, the bank only accepts counterparties with an internal investment grade rating as part of its risk management process to ensure limit headroom. In this regard, the ratings mainly focus on the areas of contribution and result development plus the reserve and contribution ratio.

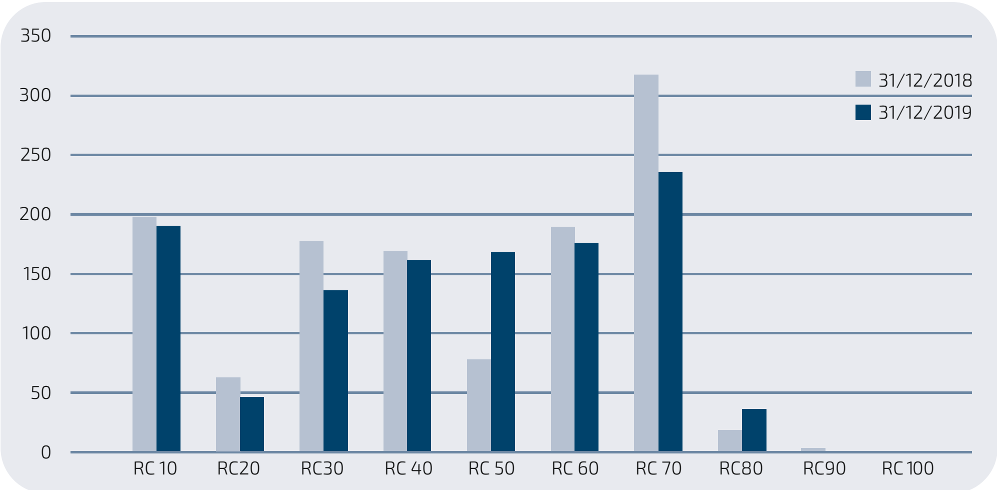
Sector risks: To further structure the credit default risks associated with individual transactions, the corporate risks, they are assigned to individual sectors to avoid concentration risks. Long-term and short-term sector limits apply in this case. As a result, the country limit can have a corrective impact, depending on the country rating.

Risk concentration: For the purposes of risk limitation, control and management in relation to the portfolio or concentration risks, AKA utilises a limit management system in which limits are installed for the risks at country, sector and counterparty level. The total individual limits at individual borrower level are in turn limited by country and/or sector limits. In addition, the criteria of large exposures within the meaning of Section 13 KWG and Large Exposures pursuant to Section 387 et seq. CRR Part IV and counterparty limits in regard to refinancing are observed.

Structure of medium and long-term loan portfolio (net) by credit risk category in EUR million



Structure of loan portfolio (net) by country risk categories in EUR million



The above-mentioned controls and criteria used to limit and monitor risk concentrations are recorded in the bank's operating procedures and process descriptions and are published in the Management and Organisation Manual ("Führungs- und Organisations-Handbuch"). They are regularly applied as part of controlling activities; amended requirements and conditions are continuously adapted on this basis and at least once a year as part of a review of the risk strategy and its suitability.

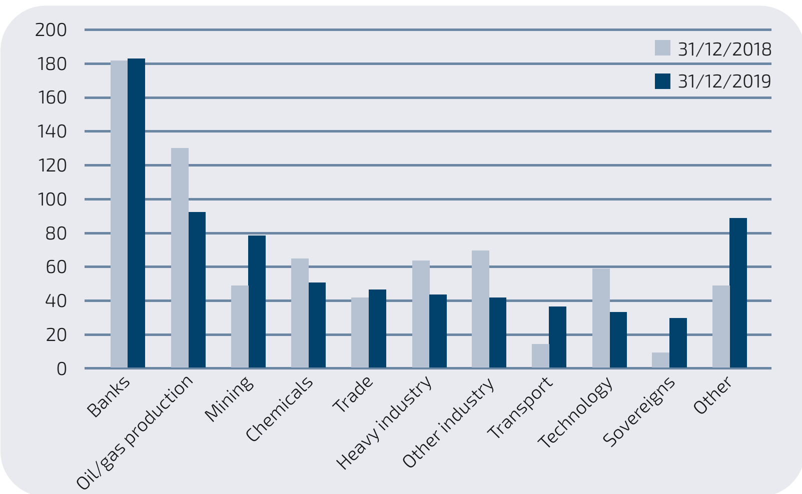
Limit framework for credit default risks and portfolio management: The limit framework used by AKA in its portfolio management caps gross exposures taking account of eligible collateral as per CRR. These are unevaluated financial securities from state export credit insurance providers. As part of its risk management process and to ensure limit headroom, the bank also accepts insurers as long as they have an investment grade rating. The limit framework is based on the maximum own funds made available for credit default risk in accordance with pillar 1, whose use is calculated as part of regular risk bearing capacity calculations. The bank has defined a limit as an upper limit for losses for all credit default risks. This is regularly adjusted based on the own funds requirements imposed by the supervisory authority and with regard to the risk coverage potential.

The net obligation framework, the quantitative amount of which is determined by the bank's normatively allocated own funds for credit default risks (EUR 2 billion), is structured with decreasing nominal limits based on internal rating classes. The use of these respective limits is reported to the Supervisory Board at least once a quarter at the relevant meetings.

Compliance with all risk-related management parameters is monitored on an ongoing basis by the CRM department itself and by Finance/Team Controlling additionally. The suitability of control parameters is checked as part of the risk strategy review which takes place at least once a year. In this regard, AKA aligns the size and structure of its limit framework every year with its business policy targets and submits this to the Supervisory Board for its attention. The risk strategy and the limit framework set out therein were discussed with the Supervisory Board in regard to credit default risks.

An economic internal monitoring and management component supplements the aforementioned limit framework and its use of equity capital according to the credit risk standard approach (CSA).

Structure of medium and long-term credit risks (net) by sector in EUR million



Internal credit model for risk management: Internal risk assessment at portfolio level is based on the credit risk model CreditMetrics (registered trademark). Important decision-making benchmarks are considered based on credit volumes, recovery factors according to the foundation internal ratings-based approach (F-IRB – internal ratings-based approach) based on AKA's own calculated probability of defaults (PD) and correlations. These include "expected loss" and "unexpected loss" among other aspects.

The confidence level used is 99.9 %. This conforms with AKA's target rating of A-. The bank uses the system as part of its simulation calculations to assess the economic risk capital consumption and to calculate the stress tests on credit default risks. The data continues to be used to validate AKA's own rating systems as part of an accuracy analysis.

The data gained using the internal model is also regularly compared to the applicable regulatory CSA parameters applicable to AKA. This remains the basis for risk management pursuant to the capital adequacy value calculated based on the CSA.

Credit decision-making process and allocation of authority as part of limit management: In accordance with the separation of functions under MaRisk, each loan decision requires two consenting votes from the EAF and SFS departments as well as CRM. AKA does not differentiate between risk-relevant and non-risk relevant loan business in accordance with MaRisk BTO 1.1 paragraph 4. The EAF and SFS departments as well as CRM together have a single-transaction-related net loan approval limit (i.e. after taking account of collateral relieving the burden on own funds) of EUR 1 million.

If Credit Risk Management votes to reject a credit transaction falling within its own approval authority, New Business can escalate the loan application and have the Management making the final decision. The EAF or SFS departments and the Management responsible for the front office cast the first votes on loans with a defined net risk. CRM and the Management responsible for the back office cast the decisive second vote. If the vote is tied (2:2), then the loan is rejected. When it comes to risk issues, the back office cannot be overruled.

The approved individual counterparty, sector or country limits can be exceeded for a given period for the purposes of limit management if approved by the relevant authority level.

If necessary in the context of business development, the Management can request that the Supervisory Board approves the establishment of appropriate special limits based on demand and according to the overall credit profile. This course of action was used for Turkey's country limit in fiscal year 2019.

Country Risk Provision (CRP): AKA composes country risk provisions for loans in those countries where urgent country risks exist. The amount of the risk provision determined is based on the permissible ranges of the Federal Ministry of Finance. If the borrower-related risk is assessed to be higher than the country risk, the former will be the basis for a possible individual value adjustment. No risk provision is formed for country risks with a residual maturity of less than twelve months. Markdowns can be applied to the CRP for certain types of loans.

Individual value adjustment (IVA): Individual value adjustments are recognised for loans classified as problem loans based on homogeneous criteria. Depending on the rating of the borrower, the collateral provided and, if applicable, possible restructuring measures, a real-time single allowance amounting to the potential loss will be made. CRM, in coordination with Management, is responsible for establishing the exact amount of the required allowance.

Lump-sum provisions (LSP): Lump-sum provisions are created as a provision for inherent default risks. AKA makes LSP to the extent approved for tax purposes. The Federal Ministry of Finance letter, dated 10 January 1994, is the basis for the creation of lump-sum provisions approved for tax purposes.

Risk limit/monitoring: The primary goals of AKA's Credit Risk Management are to maintain a risk-appropriate non-performing loans rate for AKA, to protect the bank's equity and to continue to ensure AKA's risk bearing capacity. The main measures for achieving these goals are:
– early identification of negative developments
– effective and efficient management of intensive and problem exposures
– supporting and granting appropriate forbearance measures
– appropriate sales or liquidation measures

The early identification of increased risks follows defined, qualitative and quantitative early warning indicators. Exposures which might become conspicuous due to negative qualitative developments and changes in the borrower's economic circumstances or in the country of residence or the borrower's environment are maintained by the bank in a pre-watch list.

The detailed development of risk provisioning in the loan business in the past year:

	2019		2018	
	IVA	CRA	IVA	CRA
	in EUR million		in EUR million	
Allowances in the loan business				
Brought forward on 1 January	3.6	17,5	4.5	16.9
Utilisation	0.0	0,0	0.9	0.0
Written back	0.0	6,6	0.1	8.1
Reformed	0.6	10,8	0.3	8.5
Rebooked	0.0	0,0	-0.2	0.2
As at 31 December	**4.2**	**21,7**	**3.6**	**17.5**
Provisions for loan business				
Brought forward on 1 January	0.1	6,2	0.1	3.4
Utilisation	0.0	0,0	0.0	0.0
Written back	0.0	3,2	0.0	1.6
Reformed	0.0	3,9	0.0	4.4
Rebooked	0.0	0,0	0.0	0.0
As at 31 December	**0.1**	**6,9**	**0.1**	**6.2**
Lump-sum provisions	1.0		0.8	
Risk provisioning	**33.8**		**28.1**	
340f HGB reserve	16.1		16.1	
Total risk provision	**49.9**		**44.2**	

If there is a necessity for action (with given opportunities of action) resulting from (imminent) financial difficulties, the respective exposure is transferred to Intensive Care. This means that it is classified as an intensive loan.

Following a detailed analysis of the determining factors and, in particular, of the debt service capacity of intensive loan and problem loan exposures, i.e. non-performing loans (NPLs), one of the following strategic options (or a combination of different options) is chosen in close coordination with the associated bank or the respective banking syndicate:
– maintaining the unchanged risk position
– active decrease (sale, allowance of doubtful accounts)
– termination (liquidation of collateral, insolvency or other legal actions, out-of-court settlement, write-off)
– restructuring/initiation of forbearance measures

If forbearance measures are introduced, classification as an intensive loan or, if required, as a problem loan is mandatory.

Risk type	Risk indicator	31.12.2019	31.12.2018
		in EUR million or in %	
Credit default risk	Own funds as per CRR	115.0	110.9
	cVaR	57.9	61.7
	NPL ratio (net after collateral)	0.6	0.6
	Risk provisioning (without 340f HGB)	33.8	28.1

The watch list reports on the exposures of intensive and problem loans. Management and the Supervisory Board are regularly informed as part of risk reporting about the performance of exposures on the watch list and about the performace of any actions initiated.

3.3 Market price risks

The market price risks relevant for AKA result from the structure of the loan and refinancing business. Sub-risks of market price risks include interest rate risks (IRRBB), foreign exchange risks (FX risks) from loans and refinancing issued in foreign currencies as well as credit spread risks in the case of securities. The latter, however, are not significant, as AKA buys securities only for the purposes of maintaining the liquidity reserve and thus buys only securities with a first-class rating (HQLA in the context of CRR).

3.3.1 Foreign exchange risks

Foreign exchange risks arise from an imbalance between receivables and liabilities in a currency other than the balance sheet currency (EUR). A change in the exchange rate thus has an effect on the result.

AKA endeavours to avoid currency risks. Receivables from the loan business that are not denominated in EUR are refinanced by means of compliant refinancing in the relevant currency. If refinancing in the respective currency is not possible, a security transaction (cross-currency swap, forward exchange transaction) is required.

3.3.2 Interest rate risks

In Capital Requirements Regulation (CRR) reporting, foreign exchange risks are calculated on a monthly basis by comparing, for each currency, the valued receivables converted into EUR with the liabilities. The total across all foreign currencies (in absolute amounts) must be backed with own funds in the amount of the currently valid own funds requirement and is considered a factor for AKA's foreign exchange risk from the normative perspective of risk bearing capacity.

The foreign exchange risk is calculated using a value-at-risk model (VaR). The result is calculated using a historical simulation as an empirical 99.9 % quantile with a holding period of one year.

The interest rate risk (IRR) is defined as the current or projected risk for the earnings and the economic value of an institution arising from adverse rate movements with an impact on interest rate-sensitive instruments.

The IRR is calculated using a VaR model. This model calculates an empirical 99.9 % quantile with a holding period of one day, which is scaled up to one year by applying the square root of time formula.

The changes in the cash values of the IRR in the investment book are calculated on the basis of the procedure prescribed for regulatory interest rate shocks, in accordance with the currently valid circular.

To meet the requirements arising from the Minimum Requirements for Risk Management (MaRisk), the impact of an interest rate shock on interest earnings/interest expenses is examined and the effect over the coming twelve months is calculated.

Risk type	**Risk indicator**	31.12.2019 in EUR million	31.12.2018 in EUR million
Foreign exchange risk	Own funds as per CRR	0.6	0.3
	VaR model	3.6	1.9
Interest rate risk	VaR model	10.0	15.1
	Parallel shift +200 bps	-2.0	-3.9
	Parallel shift -200 bps	1.5	-6.5
	Parallel shift upwards	-2.0	–
	Parallel shift downwards	1.5	–
	Steepening	-1.4	–
	Flattening	0.1	–
	Short-term shock upwards	-0.9	–
	Short-term shock downwards	-0.4	–

3.4 Liquidity risks

The insolvency risk and the liquidity maturity transformation risk are subsumed under the liquidity risk.

Risk type	Risk indicator	31.12.2019	31.12.2018
		in EUR million or in %	
Liquidity risk	Liquidity risk VaR	4,0	3,4
	LCR	128	126
	Liquidity coefficient	202	323
	Funding ratio	100	98
	Maturity transformation	5	49
	Liquidity reserve	175	200

The insolvency risk represents the risk that the borrower will not be able to meet its current or future payment obligations at all, in full or on time. It includes the risk that refinancing funds are not acquired or only acquired at extortionate market rates (refinancing risks) or that assets can only be liquidated at a discount (market liquidity risk).

The liquidity maturity transformation risk represents the risk that due to a change in the bank's own refinancing curve (spread risk), a loss may occur from the liquidity maturity transformation within a stipulated period.

Strategic liquidity management involves determining, planning and managing refinancing demands (structural liquidity) and maturity transformations. The observation period is in the range of over one year. Forward liquidity exposures reported on the balance sheet date and based on forecasts are created for analysis purposes.

Liquidity risk measurement in the context of the insolvency risk is performed on the basis of forward liquidity exposures. These represent, divided according to terms to maturity, the cash flows from the loan business and the borrowings required to finance them. Scenarios take into account various assumptions concerning development of cash flows.

While operational liquidity risks can be minimised through provisions (maintaining a liquidity reserve), the liquidity risk that derives from maturity transformation must be quantified, controlled and taken into account in the risk bearing capacity.

The spread risk is a quantifiable expression of the liquidity maturity transformation risk. This risk is formed insofar as lending that is not fully financed incurs an additional refinancing cost, shifting the AKA refinancing curve upwards at the time when follow-on financing is necessary and requiring higher additional charges to be factored in as a result.

A value-at-risk model (VaR) is used to quantify the liquidity risk. AKA's own spreads are taken into account on the basis of AKA's historical money market transactions. The current refinancing spreads to be paid by AKA are deducted from the historical spreads. The adjusted spreads are multiplied by the calculated financing gaps for the coming 12 months from the forward liquidity exposures. The results represent a VaR with a confidence level of 99.9 %.

The liquidity coverage ratio (LCR), liquidity coefficient, funding ratio and maturity transformation are also calculated as liquidity figures.

An important source of financing is loans granted by shareholders and non-shareholders. Nevertheless, shareholder banks also provide funds for short-term refinancing in the form of money market lines. To diversify its refinancing portfolio, AKA also uses refinancing funds from customers from the public and private sectors. These are accepted in the form of time deposits and promissory note loans. In addition, with individual customers there are unconfirmed lines for the regular trading of time deposits.

The refinancing structure of AKA is therefore based on multiple pillars which have been used to the following extent:

3.5 Operational risks

AKA generally defines operational risk as the threat of losses which may occur due to the inadequacy and/or failure of internal processes, people and systems or through external incidents or calamities. The following risks in particular are managed, controlled and monitored as part of the management of operational risks:

- Compliance risks
- Model risks
- Reputation risks
- IT risks
- Legal & Compliance risks
- Conduct risk
- Outsourcing risks

AKA examines all operational risks in detail in an annual RCSA (risk and control self-assessment) for operational risks.

Compliance risks as a sub-risk of operational risk: Compliance risks are risks that result from non-compliance with statutory regulations. AKA factors in and monitors compliance with pertinent statutory, regulatory and internal regulations as well as customary market codes of conduct (compliance) as part of its global business activity.

Refinancing	Source	31.12.2019 in EUR million	31.12.2018 in EUR million
Refinancing	Shareholders	680	685
	Non-shareholders	870	687
	Publicly accessible funds	1,330	1,150
	Total borrowings	2,880	2,522

Model risks as a sub-risk of operational risk: Model risks are relevant insofar as the risk models used within the bank produce false or incorrect results, and business policy decisions are made on the basis of these results. This can result in asset losses for the bank.

Reputation risks as a sub-risk of operational risk: Reputation risks can lead to the bank suffering a loss of the trust placed in it, not only in regard to the shareholders but the general public as well. Reputation risks mostly result from existing or already known risks and can intensify these by making them public. Against this background, all measures and activities by the bank in regard to its external appearance, but also in regard to the business partners and shareholder banks involved, are carefully assessed and adopted. All risk drivers for the bank are assessed and evaluated, taking account of reputation aspects.

IT risks as a sub-risk of operational risk: IT risks are part of operational risk. They are examined in terms of the need for operational adjustment and their materiality for business operations based on the business strategy and current developments of AKA's business operations in the form of regular and, if necessary, event-related risk assessments.

Legal risks as a sub-risk of operational risk: The legal risk is also subsumed under operational risks. It comprises the following elements: consultancy risks, risks from court proceedings or from unlawful, invalid or unenforceable loan and/or security agreements, liability risks arising from non-compliance with foreign or international legal provisions and risks relating to supervisory law. In the narrow sense, the Legal department also checks, where possible, the extent to which the bank would be exposed under lawful contracts to contractual obligations that cannot in fact be fulfilled.

Conduct risks as a sub-risk of operational risk: Behavioural risks can be divided into risks of error, risks of negligence and criminal risks. An error exists if AKA suffers a loss when in compliance with internal guidelines and external laws. The risk of error thus arises due to human error and mainly comprises input errors, clerical errors and mistakes. Negligence occurs when an employee does not gain a personal advantage from a harmful action, but has violated internal requirements and external laws. Criminal risks include mainly fraud, embezzlement or sabotage.

Outsourcing risks as a sub-risk of operational risk: AKA already examines outsourcing risks in a risk analysis conducted before making an outsourcing decision.

The Basic Indicator Approach (BIA) is used as per CRR as a methodology for calculating the own funds requirement from the normative perspective for operational risks.

From the economic perspective, AKA quantifies operational risks using scenario analyses (key risk drivers +low-frequency/high-impact scenarios from the risk inventory), whose results are aggregated to form a value-at-risk (VaR). Bayesian networks are used as models.

Risk type	Risk indicator	31.12.2019 in EUR million	31.12.2018 in EUR million
Operational risk	Own funds as per CRR	6.5	6.0
	VaR model	3.2	–

3.6 Risk reporting

The continued commercial success of AKA depends to a large extent on whether it is in a position to consciously take and manage risks. This requires transparency and thus an effective risk reporting system for all activities that lead to the assumption of risk.

Internal reporting comprises risk-specific communication to cover information requirements within AKA. External reporting focuses on compliance with regulatory requirements and activities to safeguard the interests of the shareholder banks.

In addition to the general information about AKA's risk profile, further analyses are conducted, covering aspects such as initiated or planned corrective action, relationships between various risk types and risks of various departments, trends in risk activities, risk concentration, violations of company principles and ineffectiveness of operational control. Appropriate precautions are taken at AKA.

External risk reports are submitted to the Supervisory Board, the supervisory authorities and, on account of participation in the private banking sector's Deposit Protection Fund, the Auditing Association of German Banks (Prüfungsverband Deutscher Banken) and GBB-Rating.

Reporting on all of the risks relating to business operations is carried out in the regular risk report. The aim of the reporting is to promptly and comprehensively present the developments requiring consideration in risk and business controlling in the interest of achieving the bank's targets.

In accordance with MaRisk requirements, the report serves as a continuous management and monitoring instrument at portfolio level with a particular focus on the decisive, significant risks for AKA, including in particular credit default risks, the development of foreign exchange, refinancing, interest rate and liquidity risk as well as operational risk as the basis for recognising and limiting risk concentrations. The objective is to ensure transparency in relation to the individual risk types, taking into account AKA's risk bearing capacity.

The report is itself divided into the following subject areas:
1. New business development
2. Earnings position
3. Risk management
4. Loan portfolio
5. Liquidity management
6. External auditor findings
7. Appendices

The risk report contains a summary of the key findings and recommendations in the form of a cockpit at the start. These statements are supported by the traffic light system.

The Management is informed on an ad hoc basis about major changes to risk occurring at short notice, for example payment problems, breach of major credit limits, exceeding of limits or any emerging liquidity shortfalls.

In accordance with the procedure agreed with the Supervisory Board, the Management initially informs the Chairman on an ad hoc basis in the above cases in electronic form (for example by telephone or email). The subsequent course of action, notification of the Risk Commission and of the Supervisory Board is then coordinated with the Chairman of the Supervisory Board.

3.7 Internal Capital Adequacy Assessment Process (ICAAP)

From the normative perspective, the data is transferred from the regulatory reporting from the COREP reporting forms. The own funds set out in supervisory law, including supplementary capital, function as risk coverage capital. As per CRR, AKA takes into account the following risk types from the normative perspective:
- Credit default risk (Credit risk standardized approach)
- Foreign exchange risk (Market risk standardized approach)
- Operational risk (OpRisk standardized approach approach)

The risk positions identified in the reporting in the form of risk-weighted-assets (RWA) are multiplied by the regulatory capital requirements.

The values determined from the normative perspective of the risk bearing capacity are presented in the monthly report or quarterly risk report. The calculated capital ratios are presented and compliant with the regulatory minimum ratios is verified.

AKA's capital planning is executed as part of its multi-year business planning, which is updated annually, taking into account the requirements from the business and risk strategy. The Finance department Team Controlling is responsible for this, together with the Management and the departments involved in the planning.

In the baseline scenario, the risk positions and own funds requirements are updated on the basis of the multi-year business planning and appropriate compliant with the minimum capital ratios as well as other regulatory indicators is verified. In the adverse scenario, a serious economic downturn in line with MaRisk AT 4.3.3. paragraph 2 is used and the impact on the risk positions as well as own funds is reviewed.

The final capital planning is submitted to the Management for approval and is discussed and approved by the Risk Commission and Supervisory Board.

From the economic perspective, AKA uses a Pillar 1 Plus approach. This means that the risk coverage potential is calculated on the basis of the balance sheet equity capital. This position – if available – is adjusted by hidden reserves or losses. The following positions are taken into account as risk coverage potential:

- operating result achieved as of the reporting date
- changes in risk provisioning in the current fiscal year
- planned dividend payment

Risk type	**Procedure**
Credit default risk	Credit risk standardized approach (CSRA) from pillar 1
Foreign exchange risk	Value-at-risk model on the basis of a historical simulation in accordance with balance sheet FX surpluses
Operational risk	Value-at-risk model in accordance with scenarios using Bayesian networks
Interest rate risk	Value-at-risk model on the basis of a historical simulation in accordance with interest rate development statement surpluses
Liquidity risk in accordance with refinancing spread risks	Value-at-risk model on the basis of a historical spreads and refinancing gaps from the forward liquidity exposure

AKA uses an empirical quantile in all value-at-risk models. This corresponds to a confidence level of 99.9 %. In addition, an observation period of 12 months is assumed.

The results from the economic perspective are presented in the monthly report or risk report.

When determining the risks, the following key risks are taken into account based on the risk inventory.

Perspective	Risk indicator	31.12.2019	31.12.2018
		in EUR million or in %	
Normative perspective	Risk-weighted assets	1.536.4	1.465.7
	Core capital	241.8	233.7
	Supplementary capital	16.1	16.1
	Own funds	257.9	249.8
	Hard core capital ratio	15.7	15.9
	Core capital ratio	15.7	15.9
	Total capital ratio	16.8	17,0
Economic perspective	Risk coverage amount	270.2	263.9
	Risk positions	135.9	137.4
	RCA degree of utilisation	50.3	52.1

3.8 Internal Liquidity Adequacy Assessment Process (ILAAP)

In the ILAAP, AKA takes into account all regulatory and supervisory requirements as well as the resulting internal requirements from the normative perspective. These include in particular maintaining the liquidity coverage ratio (LCR) as well as, in perspective from first-time application, the net stable funding ratio (NSFR). Both ratios are calculated using regulatory requirements.

AKA also maintains a permanent liquidity reserve in the form of central bank balances and highly liquid assets. AKA identifies and quantifies liquidity risks as per the descriptions for the liquidity risk.

AKA manages, monitors and reports Compliance with requirements for operational liquidity using the instruments specified for the liquidity risks. These include the structuring of risk management, liquidity stress tests/scenarios, stipulated limits as well as regulations for a possible liquidity shock. Refinancing planning is also carried out as part of the multi-year business and capital planning, covering aspects of operational and strategic liquidity management. Compliance with regulatory liquidity requirements is also verified.

AKA distinguishes between operational and strategic liquidity. Because AKA has no deposit business, it always refinances itself for its lending activities on the time deposit and capital market as well as using various other AKA-specific refinancing sources. AKA's specific refinancing structure is part of the refinancing strategy.

Operational liquidity ensures financial solvency at all times and covers a period of one year at AKA. This operational and short-term or tactical liquidity is guaranteed in particular through money market lines and the maintenance of a liquidity reserve. The LCR should also be maintained and monitored at all times.

Long-term and strategic or structural liquidity ensures the sustainable refinancing of AKA as well as compliance with regulatory requirements. Due to the specific structure of AKA activities with a high level of security from state institutions, AKA can access various refinancing sources, including public sources. AKA aims to have refinancing in compliance with maturities in the long-term and monitors this using various indicators.

Based on the refinancing strategy and multi-year business planning, AKA determines the expected refinancing demands for a multi-year period once a year, similar to business planning.

AKA uses existing business as well as planned activities to forecast a liquidity profile to be covered, and compares possible refinancing sources. In the planning, AKA takes into account perspective compliance with normative factors, as well as scenarios that impact AKA's liquidity position.

The assessment of the realisation of refinancing must be taken into account in the business planning. This includes any adjustment of the business planning that may be required.

At the start of the year, survey data indicated a moderate upturn in the global economy. However, the uncertainty caused by the spread of the coronavirus will have an impact on the economy in the first half of the year, with the actual effects still too difficult to assess based on the information currently available. The economy should return to the originally expected growth path once the pandemic has abated, helped by an easing of monetary policy in the key industrialised countries and fiscal stimulus over the course of the year. The International Monetary Fund and the World Bank issued a joint statement announcing their intention to use all available instruments to provide assistance, with special attention to poorer countries[1].

Influencing parameters: In its January 2020 forecast, the World Bank predicted that the global economy would stabilise slightly. The global trends were evident in the eurozone and in Germany as well as in emerging and developing countries. Forecasts for international trade activities are following these same trends, predicting a slight overall improvement but nevertheless a subdued outlook for 2020.

With more stable economic conditions, the World Bank expects a slight recovery in the global economy during 2020, with growth of 2.5 % in real terms compared to 2.4 % the previous year. Growth in emerging markets is forecast to accelerate to 4.1 %, ahead of more developed economic regions, where growth of just 1.4 % is expected[2]. Overall, the economy will benefit from the low interest rate environment globally. Economic stimuli could come from fiscal policy, but even in a low interest rate environment, many countries have limited resources for employing fiscal measures due to high levels of government debt.

Global trade is expected to increase by 1.9 % in 2020[3]. The forecast figures are only slightly above the 1.4 % growth achieved in 2019, and growth is expected to continue at a slower pace compared to the global economy. The signing of the preliminary trade agreement between the US and China on 15 January 2020, which envisages a planned partial reversal of US tariffs in exchange for an increase in imports by China, eased trade tensions[4].

For the eurozone, the European Commission predicts growth of 1.2 % in 2020, just marginally higher than in 2019 (1.1 %)[5]. As a result of the prevailing global conditions – including remaining protectionist issues – growth is expected to be slower in 2020 than in previous years, with the export-oriented manufacturing sector being hardest hit. Growth rates are likely to remain dependent on domestic business sectors and on an accommodative monetary policy stance by the ECB[6]. In a growing number of cases, green investment initiatives are providing justification for fiscal stimuli and the associated burden on budgets[7].

The Federal Ministry of Economics expects the German economy to gradually emerge from its weak phase in 2020, with a 1.1 % increase in GDP compared to just 0.6 % the previous year. "The headwind from the environment for foreign trade will ease as global trade recovers."[8] Due to structural changes in industry and a relatively high level of dependence on exports[9], the German economy will expand at a slower rate than most other eurozone countries. German exports grew by 1 % in 2019 and are expected to grow by 2 % in 2020[10].

The expected improvement in growth figures in emerging and developing countries is supported by an almost global accommodative monetary policy stance and associated financing conditions on international capital markets, but will come from a small number of larger economies, including Turkey, Russia, Argentina, Brazil, Mexico, India and Saudi Arabia. These are mostly countries slowly recovering from a downturn triggered by financial pressure or country-specific disruptions. By contrast, economic growth in China is set to fall below 6 % in 2020, ending a long period of strong growth as the country shifts to a lower growth path[11]. The Chinese government is increasing its focus on financial market stability and reducing imbalances[12].

It is still too early to assess the economic impact caused by the spread of the coronavirus.

Apart from the assessment of the economic situation, it is important for AKA's business focus to assess the risks that may arise from international political developments. A renewed escalation of international trade tensions, geopolitical tensions and conflicts, sanctions and the spread of pandemics could have a negative impact on growth prospects. By contrast, an easing of trade tensions and a de-escalation of geopolitical conflicts would stimulate growth.

Opportunities: In a business context, opportunities can be defined as the prospect of possible future development or the occurrence of events that could lead to a positive deviation from a forecast or objective for the company. Opportunities are therefore seen as the opposite of risks.

AKA sees opportunities in the following areas:

In 2019, AKA continued the process of developing a digital strategy that it had begun the previous year and identified several areas of action. Implementation of the various issues will be continued in 2020. They include, on the one hand, the areas of digital readiness, inside-out innovation and outside-in innovation. Digital readiness means increasing efficiency through system-supported processes and enabling a flexible, service-oriented infrastructure.

AKA hopes that such measures will increase its existing volumes. Inside-out innovation involves the development of new products and services for shareholder banks as well as the expansion and further integration of the SmaTiX portal. With SmaTiX in particular, AKA hopes to develop its business in the area of small-scale ECA financing up to EUR 10 million and thus increase its volume and revenue despite growing pressure on margins in the ECA segment. Outside-in innovation involves the continuous evaluation of the Trade Finance market and the testing of new business models for and with AKA's shareholder banks. In cases where cooperation with fintechs and other industry partners appears to make sense, the opportunities arising from such cooperation should be examined and utilised where applicable.

Development forecast: In summary, AKA plans a new business volume of around EUR 2 billion across all product groups for 2020.

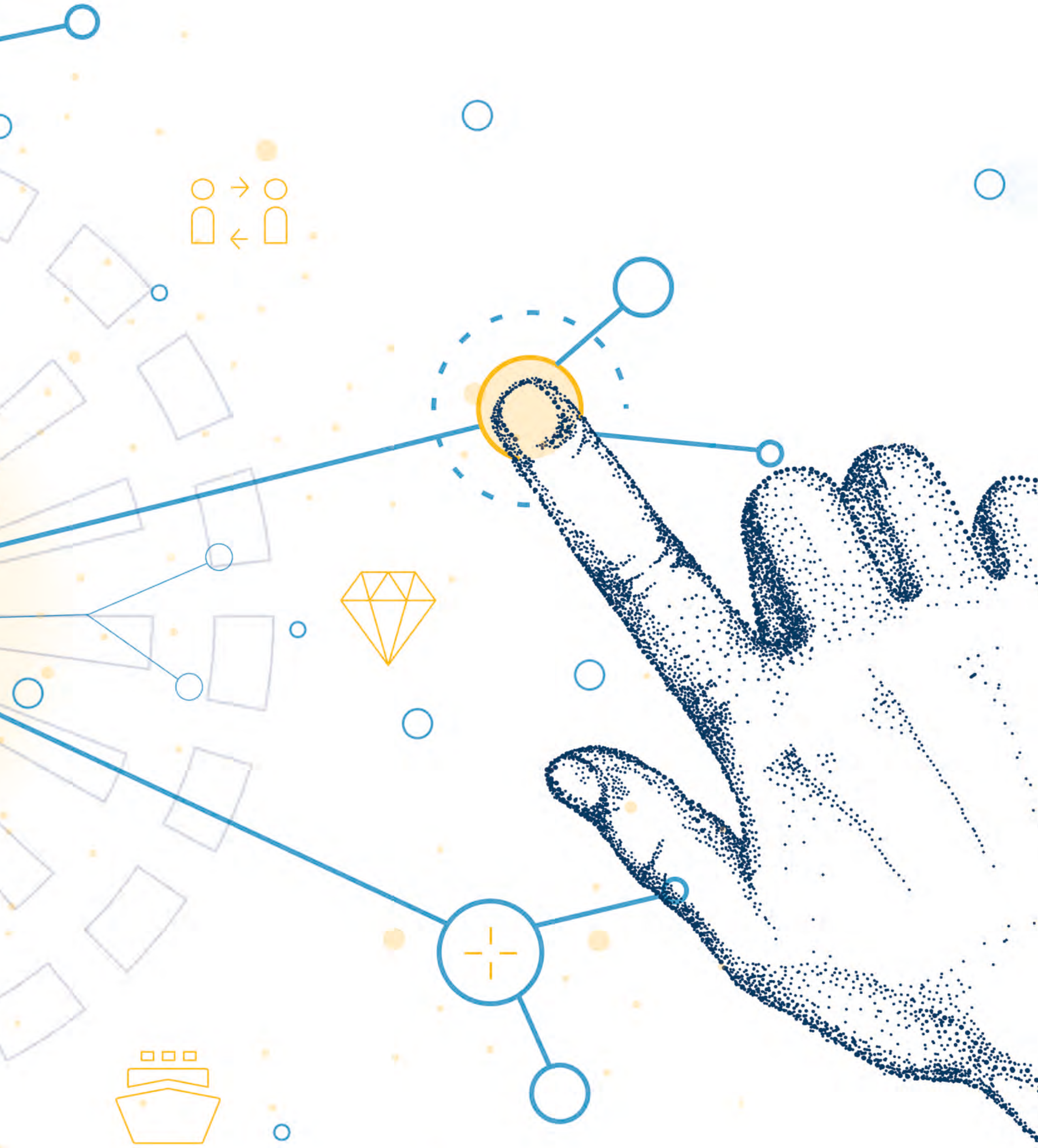
AKA measures a key performance indicator (KPI) which relates to the quality of its loan business. The percentage of counterparty ratings in the ratings level "greater than 70" when it comes to AKA's total loan portfolio should therefore not exceed 10 %.

In the case of financial KPIs, net earnings from the loan business of around EUR 49 million are forecast.

On the cost side, the 2019 plan once again has an innovation and investment budget earmarked. AKA expects a Cost-Income Ratio of 53 % as well as return on equity before taxes of around 6 % when this additional expense is taken into account.

As is the case at macroeconomic level, it is still too early for AKA to assess the impact of the coronavirus on the forecast KPIs for 2020. Nevertheless, a negative deviation from the budgeted figures is expected.

[1] cf. "Alarmstufe Rot für die Weltwirtschaft." In: "Frankfurter Allgemeine Zeitung", March 2, 2020. URL: https://www.faz.net/aktuell/wirtschaft/mehr-wirtschaft/coronavirus-alarmstufe-rot-fuer-die-weltwirtschaft-16660470.html.
[2] cf. The World Bank: Global Economic Prospects. Slow Growth, Policy Challenges. Washington, DC: International Bank for Reconstruction and Development / The World Bank, January 2020. URL: https://www.worldbank.org/en/publication/global-economic-prospects (Date: Feb. 11, 2020). Short reference: World Bank 2020.
[3] cf. ibid.
[4] cf. "Phase Eins ist erfolgreich absolviert." In: "Nachrichten für Außenhandel", Jan. 15, 2020.
[5] cf. European Commission. European Economic Forecast – Autumn 2019. In: Institutional Paper 115. November 2019. URL: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2019-economic-forecast-challenging-road-ahead_de (Date: Feb. 11, 2020).
[6] cf. ibid.
[7] cf.. Berschens, Ruth: "Schulden machen für den Klimaschutz." In: "Handelsblatt", Jan. 20, 2020.
[8] cf. Federal Statistical Office. German economy grew 0.6 % in 2019. Press release No. 018 of Jan. 15, 2020. URL: https://www.destatis.de/EN/Press/2020/01/PE20_018_811.html (Date: Feb. 11, 2020).
[9] cf. Záboji, Niklas: "Nur die Industrie schrumpft." In: "Frankfurter Allgemeine Zeitung", Jan. 16, 2020.
[10] cf. Federal Statistical Office. "German economy grew 0.6 % in 2019." Press release No. 018 of Jan. 15, 2020. URL: https://www.destatis.de/EN/Press/2020/01/PE20_018_811.html (Date: Feb. 11, 2020).cf. World Bank 2020.
[11] cf. World Bank 2020.
[12] cf. European Central Bank. Economic Bulletin – Issue 8/2019, Dec. 27, 2019. URL: https://www.ecb.europa.eu/pub/economic-bulletin/html/eb201908.en.html (Date: Feb. 11, 2020).



Balance sheet contents

Balance sheet as at 31 December 2019

Assets	EUR	31.12.2019 EUR	31.12.2018 EUR thousand
1. Cash reserve			
a) Cash on hand	4,628.48		6
b) Cash held at central banks	103,612,358.48	103,616,986.96	133,350
including: at Deutsche Bundesbank EUR 103,612,358.48 (2018: EUR 133,350,000)			
2. Loans and advances to banks			
a) On demand	15,942,347.91		16,981
b) Other receivables	604,831,473.36	620,773,821.27	507,193
3. Loans and advances to customers		2,412,438,197.09	2,119,396
4. Debenture bonds and other fixed-interest securities			
a) Money market instruments			
aa) from public issuers	4,436,778.54		17,373
including: eligible as collateral at Deutsche Bundesbank EUR 0 (2018:EUR 0 thousand)			
b) Loans and debenture bonds			
ba) from public issuers	4,447,210.49		3,700
including: eligible as collateral at Deutsche Bundesbank EUR 0 (2018:EUR 0 thousand)			
bb) from other issuers	53,824,515.04	62,708,504.07	34,924
including: eligible as collateral at Deutsche Bundesbank EUR 4,450,551.90 (2018: EUR 0 thousand)			
5. Shares in affiliated companies		8,387,107.30	8,387
6. Trust assets		304,616,941.68	363,117
including: Trust asset loans EUR 304.616.941,68 (2018: EUR 363.117,000)			
7. Intangible assets Acquired licences, industrial property rights and similar rights and assets as well as licences to such rights and assets		568,000.19	402
8. Fixed assets		1,100,914.07	1,130
9. Other assets		778,158.87	506
10. Accrued and deferred items		323,663.84	301
11. Active difference resulting from asset offsetting		1,024,826.26	212
Total assets		**3,516,337,121.60**	**3,206,978**

Liabilities		EUR	31.12.2019 EUR	31.12.2018 EUR thousand
1. Amounts due to banks				
a) On demand		29,004,867.23		27,182
b) With an agreed term or period of notice		2,421,523,064.79	2,450,527,932.02	2,265,984
2. Amounts due to customers – other liabilities				
a) On demand		33,891,463.96		26,678
b) With an agreed term or period of notice		455,170,686.08	489,062,150.04	256,171
3. Trust liabilities including: Trust asset loans EUR 304,616,941.68 (2018: EUR 363,117,000)			304,616,941.68	363,117
4. Other liabilities			583,547.96	330
5. Accrued and deferred items			6,722,231.00	7,250
6. Provisions				
a) Provisions for pensions and similar obligations			0.00	0
b) Tax provisions		10,216.04		3,128
c) Other provisions		11,620,999.71	11,631,215.75	10,466
7. Equity capital				
a) Subscribed capital		20,500,000.00		20,500
b) Revenue reserves				
Other revenue reserves				
As at 1 January 2019	214,132,103.15			214,132
Transfers from net profit for the year 2018	7,940,000.00	222,072,103.15		0
c) Retained earnings brought forward		0		0
d) Balance sheet profit		10,621,000.00	253,193,103.15	12,040
Total liabilities			**3,516,337,121.60**	**3,206,978**
1. Contingent liabilities				
Contingent liabilities from guarantees			499,133,426.83	496,491
2. Other obligations				
Irrevocable loan commitments			994,167,100.21	1,161,349

Profit and loss account for the period from 01 January to 31 December 2019

Expenses	EUR	EUR	2019 EUR	2018 EUR thousand
1. Interest expenses			46,713,832.04	40,840.41
2. General administrative expenses				
a) Personnel expenses				
aa) Löhne und Gehälter	10,428,720.37			9,647.48
ab) Wages and salaries				
Social charges and expenses for pensions and for support	3,821,937.35	14,250,657.72		4,136.58
including: for pensions EUR 2,303,871.07 (2018: EUR 2,818,000)				
b) Other administrative expenses		8.619,202.53	22,869,860.25	6,499.82
3. Depreciation and value adjustments on intangible and tangible assets			474,711.35	456.62
4. Depreciation and value adjustments on receivables and certain securities plus allocations to provisions in the loan business			5,055,036.42	4,085.38
5. Other operating expenses			1,022,978.47	1,250.27
6. Taxes on income and revenue			5,536,983.55	5,702.95
7. Other taxes			24,727.52	22.83
8. Net profit			10,621,000.00	12,040.00
Total expenses			**92,319,129.60**	**84,682.34**

1. Net profit/loss	10,621,000.00	12,040.00
2. Adjustments to other revenue reserves	0.00	0.00
3. Balance sheet profit	**10,621,000.00**	**12,040.00**

Earnings	EUR	2019 EUR	2018 EUR thousand
1. Interest income from			
a) Loan and money market transactions	84,158,080.68		77,108.47
b) Fixed-interest securities	1,151,805.74	85,309,886.42	717.17
2. Net fee and commission income		6,248,191.93	6,065.51
3. Earnings from appreciation on receivables and certain securities as well as from the reversal of provisions in the loan business		0.00	0.00
4. Other operating earnings		761,051.25	791.19
Total earnings		**92,319,129.60**	**84,682.34**

General explanations: The registered office of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung is in Frankfurt/Main, Germany. The company is registered at Frankfurt/Main local court under company register number 7955.

The annual financial statements of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung (AKA) for the fiscal year running from 1 January to 31 December 2019 were prepared in accordance with the provisions of the German Commercial Code (HGB), the German Limited Liability Company Act (GmbH) and the Bank Accounting Ordinance (RechKredV).

Accounting policies and valuation methods: Cash reserve, loans and advances to banks and customers plus other assets shall be quoted at their nominal value or acquisition cost. Assets set off pursuant to Section 246 (2) HGB are to be recognised at fair value pursuant to Section 253 (1) sentence 4 HGB. Risks in the loan business were taken into account through the creation of individual value adjustments, country risk provisions and provisions for contingent losses. In addition, general banking risks are covered by a prudential reserve pursuant to Section 340f HGB. The overall credit risk was also taken into account by means of a lump-sum provision. Necessary revaluations were made up in accordance with Section 253 (5) HGB.

According to the rules for current assets, with the strict lower-of-cost-or-market principle, liquidity reserve securities are shown at the lower of acquisition cost and fair value.

The proportions of affiliated companies are assessed at their acquisition costs, less depreciation pursuant to Section 253 (3) HGB, where applicable.

Intangible and fixed assets are capitalised at acquisition cost less scheduled depreciation.

Liabilities are recorded at their settlement amount.

The accrued and deferred items include accrued net interest and commission income which were already received at the balance sheet date pursuant to Section 250 (2) HGB but only constitute earnings for a specific time after this day.

The pension obligations are formed according to actuarial principles. The calculation occurs according to the Projected Unit Credit Method using biometric data based on the 2018 G mortality tables of Dr Klaus Heubeck. The calculation is based on the expected salary and wage increases of 2.0 % per annum and a pension dynamic of 1.6 % per annum. According to Section 253 (2) and (6) HGB, pension obligations with a remaining term of more than one year are now discounted at the average market interest rate from the past ten fiscal years corresponding to their remaining term. The calculated interest rate for the ten-year average amounts to 2.71 %. In comparison, the calculation interest rate for the seven-year average amounts to 1.97 %.

Pursuant to Section 253 (1) sentence 2 HGB, provisions for taxes and other provisions are recognised at the settlement amount according to reasonable commercial assessment. Provisions with a term of more than one year are discounted at the average market interest rate from the past seven fiscal years corresponding to their remaining term.

Currency is converted in accordance with the provisions of Section 256a HGB in conjunction with Section 340h HGB. Earnings and expenses from currency conversion, taking the special coverage into account, are reported under other result. Foreign currency receivables and foreign currency liabilities were converted using the European Central Bank's reference rate of 31 December 2019.

The cash value method is used for a loss-free evaluation of the banking book. The banking book includes all on and off-balance sheet financial instruments. For losses resulting from the netting of the banking book's present value taking into consideration administration expenses and risk costs and the banking book's carrying amount, provisions will be made pursuant to Section 340a in conjunction with Section 249 (1) sentence 1 alternative 2 HGB.

Valuation units will be formed pursuant to Section 254 HGB. Underlying transactions to be hedged (credit receivables and/or time deposits on the liabilities side) will be transferred to a valuation unit with corresponding security transactions (interest rate swaps, interest rate/currency swaps). Market price change risks should be hedged against in accordance with the risk strategy. Valuation units can be formed on the basis of micro-hedges, macro-hedges and portfolio hedges.

Deferred taxes will not be recognised in exercise of the option set out under Section 274 (1) sentence 2 HGB.

Assets

Loans and advances to banks: Loans and advances to banks result from the loan business. Other loans and advances to banks are broken down by their residual terms as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
up to three months	78,085	65,575
between three months and a year	239,726	172,543
between one and five years	235,857	253,486
more than five years	51,163	15,589
	604,831	**507,193**

Loans and advances to banks contain loans to shareholders in a total amount of EUR 13,479,000 (2018: EUR 15,674,000).

There are no receivables with an indefinite maturity.

Loans and advances to customers: Loans and advances to customers have the following residual terms:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
up to three months	126,342	102,169
between three months and a year	331,313	274,632
between one and five years	1.246,483	1.136,489
more than five years	708,300	606,106
	2,412,438	**2,119,396**

Debenture bonds and other fixed-interest securities: Securities of the liquidity reserve are predominantly comprised of debenture bonds and other fixed-interest securities. There was a credit-related security in the portfolio as at the balance sheet date.

	börsenfähig		börsennotiert		nicht börsennotiert	
in EUR thousand	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debenture bonds and other fixed-interest securities	62,708	55,997	62,708	52,297	0	3,700

This item includes securities amounting to EUR 58,313,000 (2018: EUR 52,348,000) which become due within one year of the balance sheet date.

Shares in affiliated companies: AKA holds a 100 % participation in the share capital of Grundstücksverwaltung Kaiserstrasse 10 GmbH, Frankfurt/Main, Germany (GVK) amounting to EUR 31,000. For fiscal year 2018, the company recorded a net profit of EUR 1,075,000 (2017: net loss EUR 763,000). In addition, AKA holds a 100 % share (EUR 51,000) in Privatdiskont-Aktiengesellschaft (PDA), Frankfurt/Main. This company currently does not carry out any business operations. For fiscal year 2018, PDA posted a net loss of EUR 0.9 thousand (2017: EUR 0.7 thousand). The shares are not marketable.

Trust assets: Trust assets include trust loans, which were granted by AKA for third parties (banks) as well as receivables from indemnified or rescheduled loans managed on behalf of third parties. These assets are divided up as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Loans and advances to banks		
a) Other receivables	2,518	2,580
Loans and advances to customers		
a) Other receivables	302,099	360,537
	304,617	**363,117**

Fixed asset schedule: The schedule of fixed assets was prepared in accordance with Article 31 (6) of the German Introductory Act to the Civil Code (EGHGB).

	Shares in affiliated companies	Intangible assets	Fixed assets
Historical acquisition costs			
As at 1 January 2019	8,387	1,991	4,241
Additions	0	285	453
Disposals	0	0	1,359
As at 31 December 2019	8,387	2,276	3,335
Accumulated depreciations			
As at 1 January 2019	0	1,589	3,111
Additions	0	119	356
Disposals	0	0	1,233
As at 31 December 2019	0	1,708	2,234
Book value as at 31 December 2019	**8,387**	**568**	**1,101**
Historical acquisition costs			
As at 1 January 2018	8,387	1,937	4,012
Additions	0	54	403
Disposals	0	0	174
As at 31 December 2018	8,387	1,991	4,241
Accumulated depreciations			
As at 1 January 2018	0	1,451	2,904
Additions	0	138	319
Disposals	0	0	112
As at 31 December 2018	0	1,589	3,111
Book value as at 31 December 2018	**8,387**	**402**	**1,130**

Tangible assets include operating and office equipment with a book value of EUR 940,000 as at 31 December 2019.

Other assets: Other assets include receivables from affiliated companies amounting to EUR 272,000 (2018: EUR 244,000) as well as collateral given for irrevocable payment commitments amounting to EUR 458,000 (2018: EUR 242,000).

Active difference resulting from asset offsetting: The item of the active difference resulting from asset offsetting in the amount of EUR 1,025,000 (2018: EUR 212,000) represents the carrying amount of fund assets in excess of the settlement amount of pension provisions.

Liabilities

Amounts due to banks: Amounts due to banks with an agreed term or period of notice have the following residual terms:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
up to three months	357,262	376,895
between three months and a year	382,990	315,462
between one and five years	991,296	999,868
more than five years	689,875	573,758
	2,421,523	**2,265,983**

Amounts due to banks with an agreed term or period of notice contain amounts due to shareholders in the amount of EUR 645,923,000 (2018: EUR 633,847,000).

Assets in a total amount of EUR 2,023,510,000 (2018: EUR 1,659,848,000) were transferred as collateral for liabilities to banks.

Amounts due to customers: Other amounts due to customers with an agreed term or period of notice have the following residual terms:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
up to three months	30,803	38,620
between three months and a year	105,000	50,000
between one and five years	255,551	128,551
more than five years	63,817	39,000
	455,171	**256,171**

Amounts due to customers and unsecured amounts due to affiliated companies in the amount of EUR 4,564,000 (2018: EUR 4,310,000).

No assets were transferred as collateral for amounts due to customers.

Trust liabilities: Trust liabilities are broken down as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Amounts due to banks		
a) with an agreed term or period of notice	272,650	333,920
Amounts due to customers		
a) with an agreed term or period of notice	31,967	29,197
	304,617	**363,117**

Other liabilities: Other liabilities mainly include trade payables of EUR 502,000 (2018: EUR 288,000).

Accrued and deferred items: The accrued and deferred items are composed as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Risk premium	4,972	5,233
Administration fee	1,602	2,016
Other	148	1
	6,722	**7,250**

Provisions for pensions and similar obligations: The pension provision is offset with fund assets as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
The settlement amount of pension provisions	26,223	24,739
Cover assets	27,248	24,951
Active difference resulting from asset offsetting	**-1,025**	**-212**

The settlement amount of the pension provisions was offset within the framework of a Contractual Trust Arrangement (CTA) with the cover assets transferred to AKA Treuhand e.V., Frankfurt/Main. Cover assets consist of Euler Hermes-covered credit claims and cash balances with AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung and another bank. Allocations to cover assets amounted to EUR 2,297,000 (2018: EUR 1,778,000). The amount of cover assets in excess of the settlement amount of pension provisions is classified as an active difference resulting from asset offsetting. No offsetting of expenses and earnings was carried out. The fair values of the cover assets correspond to the nominal value and therefore do not exceed it. To this extent, there is no prohibition on distribution. In the case of allocations to cover assets, an adjustment of the previous year's value (2018: EUR 70,000) had to be carried out, as the company had omitted to indicate the amount for the allocations of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung to cover assets.

Due to the change in Section 253 (2) and (6) HGB, the difference between the valuation of the pension provision and the ten-year average interest rate and the seven-year average interest rate is indicated on every balance sheet date. This is presented as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Pension provision valued at		
ten-year average interest rate	26,223	24,739
seven-year average interest rate	28,929	27,738
	-2,706	**-2,999**

Tax provisions: Tax provisions include provisions for current taxes amounting to EUR 10,000 (2018: EUR 1,915,000). On the basis of an external tax audit, which concluded without findings, the provision for tax risks was reversed in full in 2019 (2018: EUR 1,213,000).

Other provisions: Other provisions comprise provisions for imminent credit risks arising from the loan business in an amount of EUR 7,299,000 (2018: EUR 6,591,000). The change in the portfolio took into account the discounting of provisions for imminent credit risks from the loan business amounting to EUR 184,000 (2018: EUR 69,000) with the allocation and discounting of these provisions and in the amount of EUR 59,000 (2018: EUR 63,000) on write-back. In addition, human resource provisions in the amount of EUR 2,731,000 (2018: EUR 2,525,000) were also formed.

Profit and loss account

Interest expenses: Interest expenses comprise EUR 523,000 (2018: EUR 523,000) positive interest expenses from time deposits of banks and investment funds.

Other operating expenses: Other operating expenses primarily include interest expenses from the discounting of provisions amounting to EUR 790,000 (2018: EUR 823,000) as well as expenses for non-deductible prepaid taxes of EUR 230,000 (2018: EUR 410,000).

Taxes on income and revenue: Taxes on income and revenue are only applicable to the result of normal business activity.

Interest earnings from loan and money market transactions: Interest earnings from loan and money market transactions according to their geographical origin can be broken down as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Africa	5,293	5,141
Asia and Oceaniea	7,067	6,890
EU	10,808	7,690
Europe outside EU	4,283	6,160
CIS and Russia	13,561	13,315
Southwest Asia	2,784	2,186
Middle East	23,255	21,749
North and Central America	16,329	13,708
South America	778	269
	84,158	**77,108**

Earnings from credit and money market transactions in the amount of EUR 552,000 (2018: EUR 491,000) contains negative interest resulting from assets held at Deutsche Bundesbank exceeding the minimum provision requirements as well as deposits with other banks.

Interest earnings from fixed-interest securities: Interest income from fixed-interest securities is attributable to the following geographic regions:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Asia and Oceania	158	150
EU	710	346
North and Central America	284	221
	1,152	**717**

Net fee and commission income: Net fee and commission income results primarily from risk sub-participations, letter of credit confirmations and purchase agreements as well as AKA's trust business with domestic banks. Net fee and commission income can be broken down according to geographic origin as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Africa	583	654
Asia und Oceania	229	300
EU	853	888
Europe outside EU	166	35
CIS and Russia	833	782
Southwest Asia	1,373	1,235
Middle East	1,697	1,847
North and Central America	123	88
South America	391	236
	6,248	**6,066**

Other operating earnings: Other operating earnings primarily resulted in 2019 from the reversal of provisions amounting to EUR 428,000 (2018: EUR 320,000) as well as compensation for expenses of the subsidiary GVK GmbH in the amount of EUR 250,000 (2018: EUR 250,000). During the last fiscal year, interest-related earnings accrued from the discounting of provisions amounting to EUR 10,000 (2018: EUR 4,000) as well as earnings from currency conversion of EUR 16,000 (2018: EUR 81,000).

Foreign currency business: The total amount of assets denominated in foreign currencies, following the deduction of adjustments, is made up of the following:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Cash held at central banks	23	279
Loans and advances to banks	163,025	106,085
Loans and advances to customers	794,778	902,900
Debenture bonds	62,709	55,997
Trust assets	5,048	13,799
Intangible assets	0	0
Prepaid expenses	8	36
	1,025,591	**1,079,096**

The total amount of liabilities in foreign currencies comprises as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Amounts due to banks	1,008,791	1,069,195
Amounts due to customers	72	35
Trust liabilities	5,048	13,799
Provisions	82	65
Deferred income	169	52
	1,014,162	**1,083,146**

Irrevocable loan commitments in the amount of EUR 259,161,000 (2018: EUR 167,213,000) and contingent liabilities from guarantees amounting to EUR 270,693,000 EUR (2018: EUR 234,332,000) are posted in foreign currency as at the balance sheet date.
In principle, the receivables and liabilities in foreign currency are set out in currency, amount and due date.

Deferred taxes: The deferred taxes not recognised in exercise of the option set out under Section 274 (1) sentence 2 HGB essentially result from provisions for contingent losses, which cannot be verified fiscally, as well as from reserves formed in accordance with Section 340f HGB and temporary differences relating to pension provisions. There are no tax loss carry-forwards. Deferred taxes have been valued on the basis of tax rates specific to individual companies. For corporation tax plus the solidarity surcharge, 15.825 % was used as a calculation basis with 16.10 % for business tax.

Loss-free evaluation of the banking book: In the course of the loss-free evaluation of interest-based transactions of the banking book there were no provisions for contingent losses to be made as of the reporting date.

Contingent liabilities: Contingent liabilities from guarantees are broken down as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Loan guarantees	246,378	205,609
Letter of credit	216,898	255,747
Credit by way of bank guarantee	35,857	35,135
	499,133	**496,491**

The risk of contingent liabilities occurring is assessed as low as they relate to letters of credit and credit by way of bank guarantee in connection with the financing of foreign trade.

No assets were transferred as collateral.

Other obligations: Irrevocable loan commitments are broken down as follows:

	31.12.2019 EUR thousand	31.12.2018 EUR thousand
Irrevocable loan commitments for the loan business	994,167	1.161,349
	994,167	**1.161,349**

Irrevocable loan commitments for the loan business are expected because essentially there are still outstanding disbursements of ECA-covered export financing which will reduce the irrevocable loan commitments accordingly as soon as the disbursement conditions are met.

Other financial obligations: In order to secure refinancing loans, security guarantees have been concluded with the Federal Republic of Germany. Within the context of supplementary guarantee provision agreements, AKA undertakes to make use of security guarantees to pay the amount guaranteed. Possible payment claims from guarantee provisioning in connection with securitisation guarantees existed at the end of the year in the amount of EUR 1,054,132 (2018: EUR 771,207).

During the course of the 2019 annual subscription levy for the single resolution fund, AKA made use of the opportunity to provide 15 % of the contribution as hedged payment claims. The obligation arising from this amount to EUR 458,000 (2018: EUR 242,000).

Forward transactions/valuation units: As at the balance sheet date, there are forward transactions with interest risks in the form of an interest rate swap as well as forward transactions with interest and currency risks in the form of an interest rate/currency swap. These transactions serve exclusively as a hedge against the risk of a change in future cash flows from the loan and refinancing business. For the majority of the transactions, valuation units with the related underlying transactions were formed on the basis of micro-hedges.

The carrying amounts of the receivables or liabilities included in the valuation units correspond to the nominal volume of the forward transactions. Volumes for nominal values, fair values and maturities of these transactions are presented as follows:

	Volume 31.12.2019 USD thousand	Volume 31.12.2019 EUR thousand	Fair value 31.12.2019 EUR thousand	Volume 31.12.2018 EUR thousand
Interest risks				
up to 1 year residual maturity	0	0	0	0
up to 5 years residual maturity	0	136,500	164	0
over 5 years residual maturity	0	45,817	142	0
Interest/currency risks				
up to 1 year residual maturity	15,000	13,415	44	0
up to 5 years residual maturity	0	0	0	0
over 5 years residual maturity	0	0	0	0
	15,000	**195,732**	**350**	**0**

The hedge relationships are documented from the time they are concluded and the effectiveness of the hedging measures is reviewed. Future effectiveness (prospective effectiveness) is measured using the critical terms match method or the fair value method in the simulation process. Effectiveness in past periods (retrospective effectiveness) is verified using the critical terms match method or the dollar offset method. Effectiveness is given if the key value-determining factors of the transactions have the opposite effect or the ratio of the changes in the fair values of the cash flows ranges between 0.5 and 2.0. The net method is used to model the effective portions of the valuation unit.

The swaps not included in valuation units or originating from ineffective valuation units are broken down as follows:

	Volume 31.12.2019 USD thousand	Volume 31.12.2019 EUR thousand	Fair value 31.12.2019 EUR thousand	Volume 31.12.2018 EUR thousand
Interest risks				
up to 1 year residual maturity	0	0	0	0
up to 5 years residual maturity	0	31,500	289	16,000
over 5 years residual maturity	0	3,000	-17	0
Interest/currency risks				
up to 1 year residual maturity	0	0	0	0
up to 5 years residual maturity	0	0	0	0
over 5 years residual maturity	6,840	6,000	-37	0
	6,840	**40,500**	**235**	**16,000**

The counterparties of the swaps are exclusively AKA shareholders.

Remuneration: The members of the Supervisory Board receive a remuneration of EUR 290,000 (2018: EUR 290,000) plus VAT, where applicable.

As at 31 December 2019, provisions for pension obligations to former managing directors and their surviving dependents were formed in the amount of EUR 7,796,000 (2018: EUR 7,786,000). In 2019, remunerations amounted to EUR 657,000 (2018: EUR 635,000).

In regard to the remuneration of management, AKA makes use of the rule of exception set out in Section 286 (4) HGB in conjunction with Section 285 no. 9a HGB.

Auditor fees: Fees for the auditors of the annual financial statements for fiscal year 2019 are broken down as follows:

	2019 EUR thousand
Auditing of financial accounts	291
Other opinion and or assessment services	14
Tax consultancy	0
Other services	0
	305

Other opinion or assessment services relate to the analysis of the trust function guarantee upon transfer of trust assets as well as opinion services in connection with the audit of duly entered assignment notes for receivables indemnified in case of liability. The fees for the audit of the financial statements include EUR 41,000 for services from 2018.

Employees: AKA Ausfuhrkredit-Gesellschaft mbH and its subsidiaries Grundstücksverwaltung Kaiserstrasse 10 GmbH and Privatdiskont-Aktiengesellschaft plus Liquiditäts-Konsortialbank GmbH i.L. – all based in Frankfurt/Main – are run by the same staff.
The group's employees as an average over the past fiscal year can be broken down as follows:

	male	female	2019 total	2018 total
Full-time	57	31	88	85
Part-time	9	19	28	28
Parental leave	0	2	2	1
	66	**52**	**118**	**114**

Executive bodies: The AKA Supervisory Board is composed as follows:

Full members	Deputy members
Michael Schmid [1, 2] Economist Königstein/Ts. – Chairman –	**Jeannette Vogelreiter** Managing Director Commerzbank AG, Frankfurt/Main
Werner Schmidt [1, 2] Managing Director Deutsche Bank AG, Frankfurt/Main – First Vice Chairman –	**Frank Schütz** Director Deutsche Bank AG, Frankfurt/Main
Thomas Dusch [1, 2] Senior Vice President UniCredit Bank AG, Munich – Second Vice Chairman –	**Inés Lüdke** Managing Director UniCredit Bank AG, Munich
Alexander von Dobschütz [1, 2] Board Member Deutsche Kreditbank AG, Berlin – Third Vice Chairman –	**Florian Seitz** Director Bayerische Landesbank, Munich
Michael Maurer [1] Senior Vice President Landesbank Baden-Württemberg, Stuttgart	**Nanette Bubik** Vice President Landesbank Baden-Württemberg, Stuttgart
Michiel de Vries Managing Director ING-Diba AG, Frankfurt/Main as of 24 April 2019	**Bartholomeus Ponsioen** Managing Director ING-Diba AG, Frankfurt/Main as of 24 April 2019
Dr. Hartmut Schott Executive Director Erste Abwicklungsanstalt, Düsseldorf until 23 April 2019	
Winfried Münch [1] Director DZ BANK AG Deutsche Zentral- Genossenschaftsbank, Frankfurt/Main	**Manfred Fischer** Director DZ BANK AG Deutsche Zentral- Genossenschaftsbank, Frankfurt/Main
Yoram Matalon Managing Director Hamburg Commercial Bank AG, Hamburg	**Jutta Arlt** Director Hamburg Commercial Bank AG, Hamburg
Florian Witt Managing Director ODDO BHF Aktiengesellschaft, Frankfurt/Main as of 1 March 2019	**Birgitta Heinze** Director ODDO BHF Aktiengesellschaft, Frankfurt/Main
Sandra Gansberger Head of Internal Audit ODDO BHF Aktiengesellschaft, Frankfurt/Main until 28 February 2019	
Knut Richter Director Landesbank Berlin AG, Berlin	**Béatrice du Hamél** Vice President Landesbank Berlin AG, Berlin

[1] Member of the Risk Commission [2] Member of the Nominations Control Committee and Remuneration Committee

The Management of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung consists of:

Beate Bischoff
Frankfurt/Main

Marck Wengrzik
Frankfurt/Main

Events after the balance sheet date: No particular events occurred after the balance sheet date.

Appropriation of result: We propose that a part of the balance sheet profit amounting to EUR 4,100,000 be distributed to our shareholders and the resulting surplus amount of EUR 6,521,000 be transferred to other revenue reserves.

Frankfurt/Main, 16 March 2020

Management of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung

Beate Bischoff   Marck Wengrzik

Specifications according to Section 26a of the German Banking Act (KWG)

Country-specific reporting: The requirements of Article 89 of EU Directive 2013/36/EU (Capital Requirements Directive, CRD IV) were transposed into German law in accordance with Section 26a KWG. This requires a "country-specific reporting" in conjunction with Section 64r (15) KWG.
This reporting discloses the following required information:

1. Company name, type of activities and geographic location of the branches
2. Turnover
3. Number of wage and salary earners in full-time equivalents
4. Profit or loss before taxes
5. Taxes on profit or loss
6. Public aid received

Sales were defined as the sum of interest and net fee and commission income plus other operating earnings.
The number of employees refers to full-time employees as of 31 December 2019.
The information was determined based on the HGB individual financial statements of AKA as of 31 December 2019.

Company	Country	Location	Type of activity	Turnover	Employees	Profit before taxes	Taxes on profit	Public aid received
EU countries				EUR million		EUR million	EUR million	EUR million
AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung	Germany	Frankfurt/M.	Bank	45.6	136	16.2	5.5	0.0

Return on investment: Article 90 of the EU directive 2013/36/EU (Capital Requirements Directive, CRD IV) was also transposed into German law in accordance with Section 26a KWG.
As of 31 December 2019, the return on investment within the meaning of Section 26a (1) sentence 4 KWG is 0.36 %.

1

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main, comprising of the balance sheet as of 31 December 2019, and the income statement for the financial year from 1 January to 31 December 2019, and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of AKA Ausfuhrkredit-Gesellschaft mbH for the financial year from 1 January to 31 December 2019.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to financial institutions and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Opinions

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

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Determining country risk provisioning

Please refer to Section 3.2 of the management report for more information on the risk provisioning system. Please refer to the notes to the financial statements for information on the accounting policies used by AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung.

The Financial Statement risk: As of 31 December 2019, AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung recognized EUR 33.8 million in provisions for expected credit losses in its financial statements. Of this amount, EUR 28.5 million is applicable to lump-sum country risk provisioning, EUR 4.3 million to specific allowances determined for specific cases, and EUR 1.0 million to general allowances.

Country risk provisions are to be recognized pursuant to the prudence principle stipulated in Section 252 (1) No. 4 HGB in order to take country default risks into account.

The Company calculates its country risk provisions using a lump-sum approach on the basis of the country risk provisioning rates issued by German Federal Ministry of Finance which are provided to the banking industry the in the form of a range with an upper and lower limit. Furthermore, the Company's calculations include customer and business data, e.g. credit volumes, collateral and industry affiliation, as well as internal risk parameters such as the customer and country ratings. Additional markdowns are applied for certain loans that meet internally defined characteristics. Thus, the calculation of country risk provisioning depends heavily on the accuracy of the data and parameters included in the calculation.

The financial statement risk consists especially in the possibility of the amount for country risk provisioning being inaccurately calculated due to incorrect data recording or parameterization.

Our audit approach: Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion. We therefore performed the following audit procedures, among others:

In the first step, we gained comprehensive insights into the development and composition of the loan portfolio and, thus, the associated country risks as well as the process used to record, for instance, customer and business data, collateral and country risk provisioning rates, and how the Bank calculates its customer and country ratings.

We inspected the relevant organizational guidelines and additional relevant documents, as well as conducted surveys and mapped the processes, in order to assess the appropriateness of the internal control system in terms of recording the necessary data, parameters and country risk provisioning rates. In addition, we verified the implementation and effectiveness of relevant controls, the correct recording of data, parameters as well as the country risk provisioning rates used to determine country risk provisioning. For the IT systems used, we involved our IT experts to verify the rules and procedures relating to the numerous IT applications and the effectiveness of application controls.

We inspected the relevant organizational guidelines, conducted survey and mapped processes in order to assess the appropriateness of the internal control system in terms of calculating customer and country ratings. In addition, we verified the implementation and effectiveness of the relevant controls designed to ensure appropriate rating determination.

We used a statistical sample as well as a risk-based selection of individual cases to verify that the customer and business data, the parameters as well as the upper and lower limits of the country risk provisioning rates were appropriately and correctly recorded. Furthermore, we recalculated the posted country risk provisioning as of 31 December 2019 on portfolio level on the basis of a listing of all credit engagements.

Our observations: The parameters underlying the calculation of lump sum country risk provisioning were accurately recorded and processed in line with the relevant accounting standards. The processes used to record calculation-relevant data, parameters and country risk provisioning rates are suitable for appropriately calculating proper risk provisioning.

Other information

Management is responsible for the other information. The other information comprises the remaining parts of the annual report, with the exception of the audited annual financial statements and the substantially audited statements of the management report and our related auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the substantially audited statements of the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation: We were elected as auditors by the shareholders' meeting held on 4 April 2019. We were engaged by the Supervisory Board on 10 July 2019. We have been the auditor of AKA Ausfuhrkredit-Gesellschaft mbH without interruption since the financial year 2017.

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

German Public Auditor Responsible for the Engagement
The German Public Auditor responsible for the engagement is Benedikt Sturm.

Frankfurt am Main, 16 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Sturm	Robbe
Wirtschaftsprüfer	Wirtschaftprüfer
(German Public Auditor)	(German Public Auditor)

Shareholders

Bayerische Landesbank, Munich

Commerzbank AG, Frankfurt/Main

DekaBank Deutsche Girozentrale, Frankfurt/Main

Deutsche Bank AG, Frankfurt/Main

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main

Erste Abwicklungsanstalt, Düsseldorf-Münster, until 23 April 2019

Hamburg Commercial Bank AG, Hamburg

IKB Deutsche Industriebank AG, Düsseldorf

ING-Diba AG, Frankfurt/Main, as of 24 April 2019

KfW IPEX-Bank GmbH, Frankfurt/Main

Landesbank Baden-Württemberg, Stuttgart

Landesbank Berlin AG, Berlin

Landesbank Hessen-Thüringen Girozentrale, Frankfurt/Main-Erfurt

Norddeutsche Landesbank Girozentrale, Magdeburg-Braunschweig-Hannover

Oldenburgische Landesbank AG, Oldenburg

ODDO BHF Aktiengesellschaft, Frankfurt/Main

Skandinaviska Enskilda Bank AB (SEB AB), Stockholm/Sweden

UniCredit Bank AG, Munich

Imprint

AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung
Grosse Gallusstrasse 1–7
60311 Frankfurt/Main
Germany
Phone: +49 (0) 69 2 98 91 – 00
Fax: +49 (0) 69 2 98 91 – 2 00
E-mail: info@akabank.de
Website: www.akabank.de

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