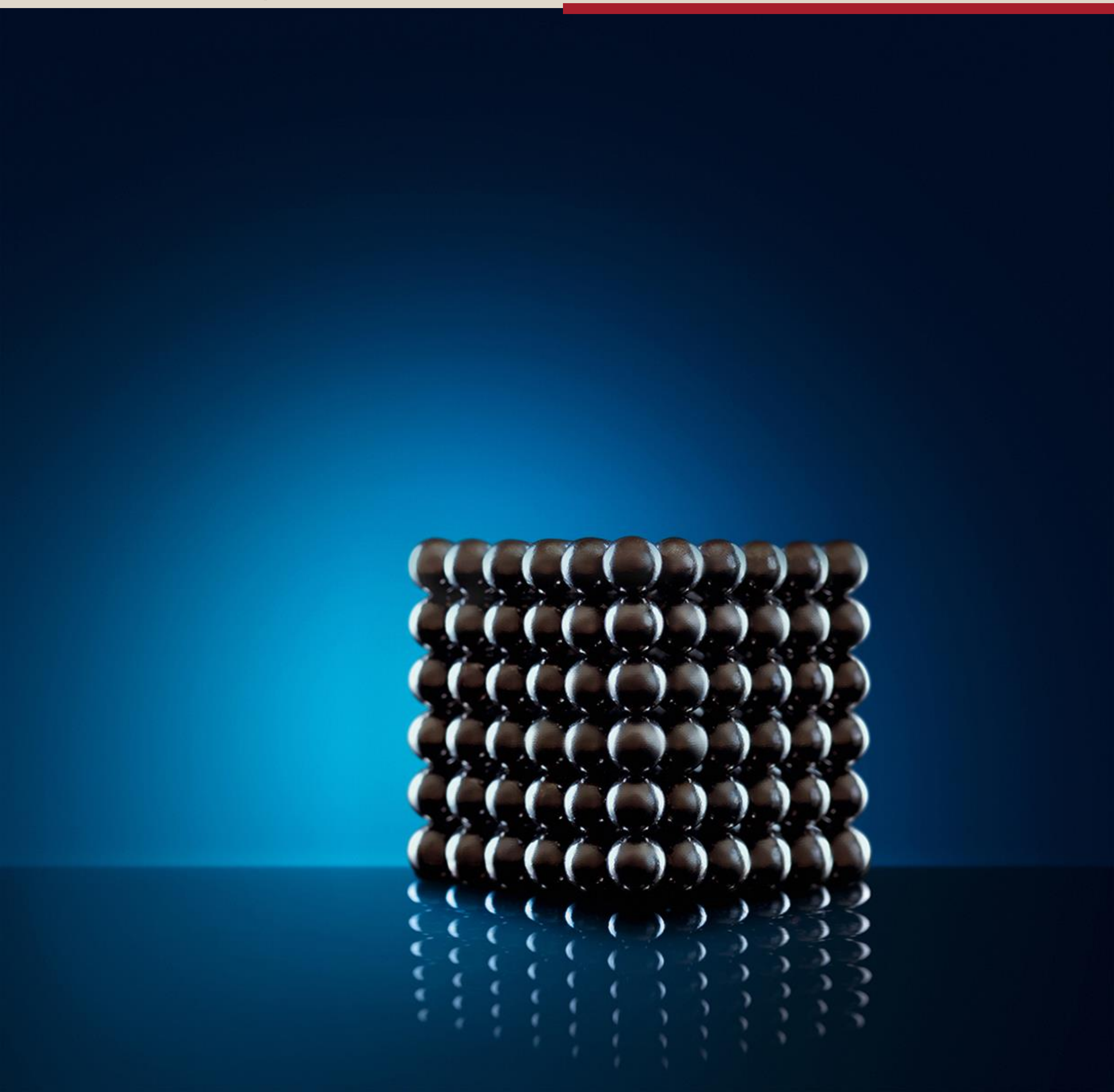
Erste Abwicklungsanstalt

Interim Report as at June 30, 2014



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EAA key figures

Income statement	1/1 - 6/30/2014 EUR million	1/1 - 6/30/2013 EUR million
Net interest income	63.1	156.5
Net fee and commission income	27.3	46.8
Net trading result	-2.7	36.2
Other operating result	-0.7	-2.4
General administrative expenses	-167.6	-196.5
Results from financial assets and shareholdings	175.9	-9.7
Results prior to risk provisioning	**95.3**	**30.9**
Loan loss provisions	-64.8	-5.3
Earnings before taxes	**30.5**	**25.6**
Taxes on income and earnings	-0.6	-0.5
Earnings after taxes	**29.9**	**25.1**

Balance sheet	6/30/2014 EUR billion	12/31/2013 EUR billion
Total assets	76.9	78.9
Business volume	92.4	95.1
Loan transactions	44.2	46.8
Trading portfolio	28.9	26.9
Equity	0.6	0.6

Winding-up	6/30/2014	6/30/2013
Banking book		
Notional value (before FX effect) in EUR billion	63.1	82.4
Winding-up activities in EUR billion	-7.6	-12.0
Winding-up activities in %	-10.7	-12.7
Trading portfolio		
Notional value (before FX effect) in EUR billion	532.8	727.2
Winding-up activities in EUR billion	-111.8	-157.6
Winding-up activities in %	-17.3	-17.8

Employees	6/30/2014	12/31/2013
Number of employees	131	123

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

Foreword

Dear Ladies and Gentlemen,

Our objective for the current 2014 financial year is to build on the successes we have achieved to date at reducing the portfolio, while at the same time – based on steadily declining portfolios – continuing to generate net profit. In the first half of 2014 we created a good basis for doing that: The notional volume of derivatives in the trading portfolio decreased further by around EUR 112 billion to EUR 532.8 billion. This means that it is now just half the size it was when it was transferred to the EAA as at July 1, 2012. Loans and securities in the banking book portfolio are lower as well, falling by EUR 7.6 billion to about EUR 63 billion. This is equivalent to a 50% reduction in the portfolio since the start of 2012, too.

The wind-up result remains ahead of schedule. And despite the rapid pace of reduction, the EAA closed the first half of 2014 with a net profit of EUR 30 million. Although net interest income as well as net fee and commission income decreased sharply compared with the same period last year, this trend is consistent with the logic of the wind-up process, and was offset as at June 30, 2014 by considerably better net income from investment securities and long-term equity investments. And as far as cost control is concerned: Our spending on administrative activities was EUR 30 million (-16.5%) lower than in the comparable period of the prior year.

As previously announced, in the first half of 2014 the EAA implemented important restructuring measures at significant participations. The sales processes for Basinghall Finance Plc (Basinghall) and Westdeutsche Immobilienbank AG (WestImmo) were initiated and are making good progress.

In order for WestImmo to continue to focus on its business as a pure covered bond bank (Pfandbriefbank), in the first half of 2014 the EAA assumed securities and loans totaling roughly EUR 900 million as part of this restructuring process. This transaction as well as market fluctuations on derivatives in the trading portfolio are the reason why the EAA's total assets as at June 30, 2014 decreased by just EUR 2 billion. That also explains why the progress made at reducing the portfolio is only partially reflected in the reduction of total assets.

To date, the EAA's wind-up planning and wind-up principles have proven to be solid. We are therefore confident that we will be able to achieve the ambitious objectives we have established for 2014 and the years beyond.

The foundation of a new subsidiary for portfolio management will also help us to achieve these objectives. EAA Portfolio Advisers GmbH assumed 68 employees of the Portigon Group as of July 1, 2014. This step ensures that the EAA retains for its future responsibilities the unique expertise it has developed in the wind-up process, while strengthening its operational stability at the same time. This was also the objective of consolidation measures in Japan that were likewise concluded in July. The EAA transferred assets – which it has guaranteed until now – from Portigon AG to its Japanese subsidiary. This creates conditions to optimize processes further and leverage synergies even more.

The chances are therefore good that the EAA will take a further step towards reducing the transferred portfolio during the second half of 2014 and thus, in particular, significantly reducing the risks connected with the portfolios. In the interests of our stakeholders – and the taxpayer.

Sincerely yours,

Matthias Wargers	**Markus Bolder**	**Horst Küpker**
Spokesman	Member	Member
of the Managing Board	of the Managing Board	of the Managing Board

Interim management report

For the period from January 1 to June 30, 2014

Business and environment

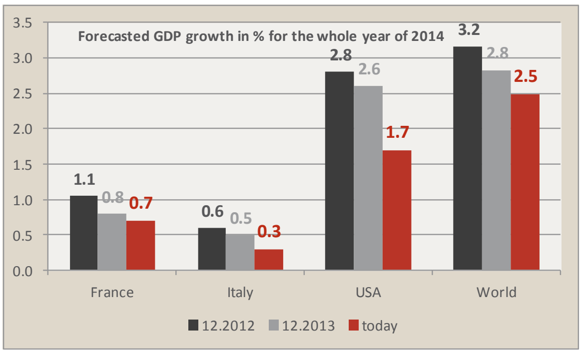
Economic environment

2014: Economic recovery continues

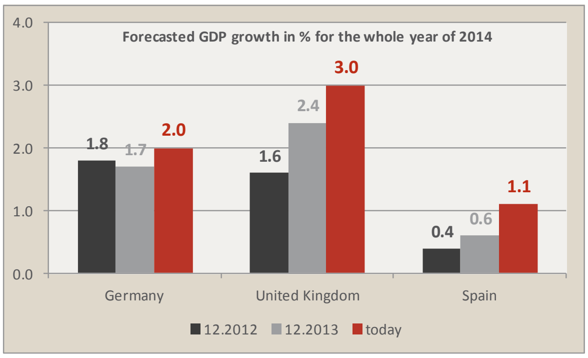
First the good news: The economic recovery following the global financial crisis continued in the first half of 2014. That is the good news. The not-so-good news, however, is that the growth momentum in 2014 has not accelerated to the extent anticipated, which reinforces, once again, what we already know: Financial crises and the economic slumps they generate are long-term phenomena; the recovery phases are both protracted and difficult. Banks, companies, private households and countries are deeply mired in a difficult adjustment process, in many places at the same time. Excessive levels of sector debt must be reduced. This process is characterized by reduced consumer spending and investment in the private sector, and tax increases as well as benefit cuts in the public sector. Under such circumstances, it should not come as a surprise that economic growth in the affected economies has not skyrocketed.

Forecasts of bank economists for 2014 over the course of time (Bloomberg consensus):

Less growth: US, France & Italy



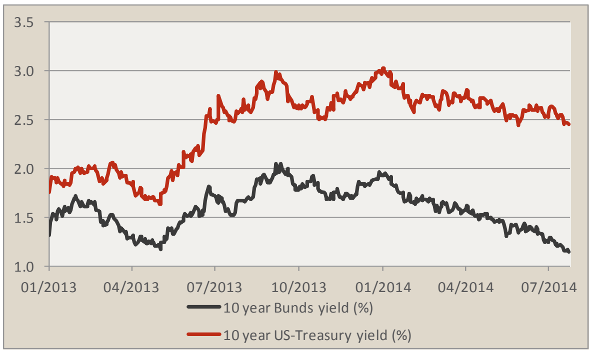
More growth: United Kingdom & Spain



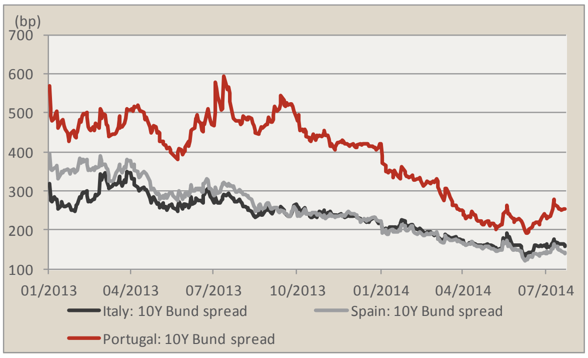
Source: Bloomberg, EAA

In particular, the growth prospects for France, Italy and the US have deteriorated noticeably. Whereas in December 2012 market participants expected that the economic output of the US economy would increase in 2014 by 2.8%, now this growth expectation has been revised downward to a much more modest increase of “only” 1.7%. To be sure, it is not expected that any of these economies will relapse into recession, but in the case of Italy, the remaining gap between today's environment and a new recession has become very small indeed. Growth expectations for France have been lowered as well. On the other hand, the forecasts for the United Kingdom, Germany and Spain have improved. Nevertheless, market participants have lowered their growth expectations for the global economy significantly.

Financial markets:
Decoupling of US yields from the euro core



Investors continue to favor peripheral bonds



Source: Bloomberg, EAA

It does not appear that this differentiated and not-quite-as-positive growth picture has dampened the buying mood of actors in the financial markets. At most, interesting (because unusual) patterns are developing. For instance, investors still seem interested in the safety of German government bonds. The significant decline in the yield on the ten-year German Bund during 2014 cannot be explained any other way. The bond currently trades with a yield of 1.17%, which is 76 bp lower than at the beginning of the year. But investors are buying more than just safe havens. Riskier to particularly risky forms of investment are interesting, too. Spanish and Italian government bonds experienced an impressive rally in the first half of 2014. The yield on the ten-year Spanish bond, for example, fell from 4.15% at the end of December 31, 2013 to now 2.56% (-159 bp). Investors have also not shied away from investments in high-yield corporate bonds either. Over the same period, the iTraxx Crossover fell by 43 bp to 243 bp (all figures as at July 24, 2014). Admittedly, this is still quite a long way from the previous all-time low of 171 bp. But it does show the extent to which market participants rely on intervention by the European Central Bank (ECB) to continue stabilizing the situation on the financial markets.

The fact that "real-money" investors, and not just hedge funds, are once again investing in bonds of peripheral countries confirms the theory that the euro sovereign debt crisis has entered a new phase. The ECB's promise to do whatever it takes to save the euro has provided lasting reassurance to the financial markets. This easing, for example, has enabled Portugal to regain complete access to the primary market.

Crises – such as the confusing situation surrounding the company Espirito Santo International or the crisis in eastern Ukraine – have had little impact on financial markets because of the generous provision of liquidity by central banks – at least until now. The fear of a possible collapse of Banco Espirito Santo (Portugal's second largest bank) was therefore short-lived. When it became known that the Portuguese bank stabilization fund still has capital amounting to EUR 6.4 billion, making it possible to stabilize the bank, the market turmoil quickly subsided. Portugal's ten-year benchmark bond is currently trading with a yield of 3.7%, which is very close to the absolute all-time low in yields that the Portuguese ten-year bond has reached in the past.

Crisis in Ukraine and Russia – a brief update

To date, the crisis in eastern Ukraine appears to have had relatively little impact on other economies. To the contrary: The impact of this crisis has so far been limited to Russia and Ukraine. This is even more remarkable when you consider that the Russian economy is one of the world's ten largest economies. It demonstrates the limited extent to which Russia is integrated into the global economy. The influence of the Russian economy on global supply chains is relatively small, as no important interim products are produced in Russia.

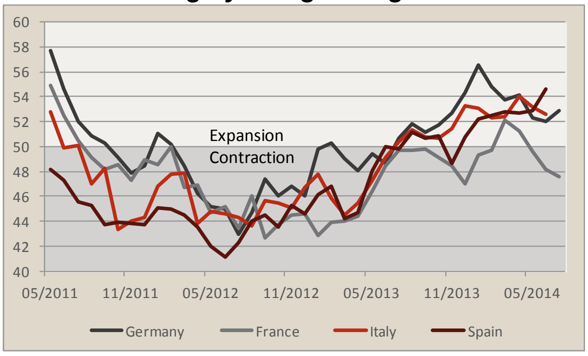
But with the downing of flight MH 17 over eastern Ukraine, possibly by pro-Russian separatists supported by Moscow in the Don basin, this situation could change rapidly. Many countries in the EU – in particular the Netherlands, but also Germany – now argue for more far-reaching sanctions against Russia and its economy in the wake of this blatant violation of international law. In particular, an interruption of gas deliveries from Russia could (in the short and medium term) be a problem for the eurozone economy because due to a lack of the necessary infrastructure (gas terminals, pipelines and special tankers), it is not easy for countries such as Germany or the Netherlands to revert to alternative suppliers. However, concluding from this that Russia has a strong negotiating position would be short-sighted because the dependency tends to be mutual. The Russian state is dependent on the tax proceeds from oil and gas exports. Indeed, 36% of Russia's government revenue comes from this sector. In 2007, an average oil price of just USD 34 per barrel (USD/bbl) was sufficient to balance the budget of the Russian government. In 2013, 118 USD/bbl were necessary to do this. The driving factor behind this increase is a rise in Russian public spending in the recent past (particularly for defense and infrastructure). This is a problem from a Russian perspective because the price for a barrel of Brent crude oil is currently USD 107.8 on average.

Russia is dependent on the West for financing and as a provider of expertise. The developed Russian oil and gas fields have largely exceeded their peak production. Although Russian explorers have discovered new oil and gas fields, they are located at relatively great depths and are difficult to develop.

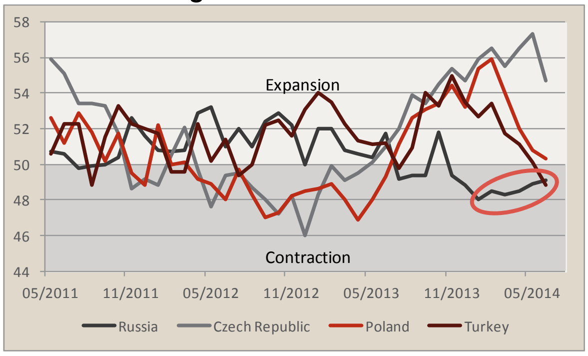
Economically, Russian companies would find it difficult to cope with tougher sanctions by the EU and the US – particularly sanctions that exclude Russia from the international capital markets. According to calculations by the rating agency Moody's, the heavyweights of the Russian oil industry (for example, OJSC Oil Company Rosneft, OJSC Gazprom) and Russian (state) banks must refinance or repay many loans and bonds in the period between 2015 and 2018. During this period, debt totaling USD 112 billion will become due at Russia's firms. Nevertheless, Vladimir Putin's government is adhering to its course. Attempts to calm the crisis are only superficially supported by the Kremlin. Instead, it supplies arms to the separatists of the self-declared “People's Republic of Donetsk” and continues to antagonize the EU and the US.

Purchasing managers' indices of selected economies:

Eurozone – largely still growing



Russia – feeling the effects of the crisis



Source: Bloomberg, EAA

It is hoped that the Ukraine crisis has escalated to a point that the costs from Russia's standpoint are sufficiently high for it to agree to a negotiated settlement. From a rational perspective, these should be high enough for the territorial gains in the Crimea. In the wake of the crisis, capital outflows from Russia have accelerated further. According to estimates, USD 50–70 billion flowed out of Russia in the first quarter of 2014. In 2014, the Russian economy is forecast to grow by just under 0.5%, thus performing worse than the poor year in 2013 when growth totaled +1.3%. The variability of economic forecasts for Russia is quite high at the moment. The forecasts for 2014 range between +1.6%, which is too optimistic, and -1.3%, which is likely too pessimistic. The expectations of market participants for 2015 remain quite vague, too. While the average forecast calls for growth of 1.5% in 2015, the variation in this forecast is very high. The most pessimistic estimate is a contraction of 1.8%, whereas strong optimists expect growth of 3%.

A difficult start to the New Year hampers the US economy

Although the pace leaves something to be desired, the signs in the US point to recovery and expansion. The starting point for 2014 is better than in previous years. In the recent past, the US has successfully dealt with many obstacles to growth. In particular, the ritual of endless renegotiation of the government debt ceiling appears to be a thing of the past, at least for the time being. The agreement reached in the US Senate and House of Representatives in the budget dispute has finally provided the country again with a constitutionally acceptable fiscal budget. The positive effect on the business climate and consumer confidence should not be underestimated. Consumers know that there will be no further general tax increases. In addition, the fact that there will be no across-the-board cutbacks in government spending is good for the sectors and companies that depend on government orders.

Yet despite this improved starting point, the US economy lags behind the original growth expectations. At the beginning of 2014 the EAA expected the US economy to grow by 2.7%, whereas now its current assessment for 2014 is that growth is likely to be lower. The dampening effects of the severe weather in the first quarter of 2014 – a veritable cold shock – and the correction of obviously unintended inventory buildup in the second half of 2013 have been too onerous.

Progress at the eurozone periphery

In many eurozone economies the worst of the recession was reached in 2013.

Since the third quarter of 2013 economic activity in Spain has started to increase again. For the first time after nine quarters of recession, the Spanish national income posted a slight increase of 0.4% in the first quarter of 2014 (compared with the previous quarter). This economic trend reversal is driven by the Spanish government's reform and consolidation program. For example, the pension system reform that has been implemented has prevented a cost explosion in the future. The first positive effects of the reform on the fiscal budget are expected to be felt as early as 2014. Reforms in Spain have increased the efficiency of the Spanish labor market. In the first quarter of 2014 the country's unemployment rate stood at 25.4%. Although this rate is quite high when measured against the average unemployment rate between 1999 and 2014 (14.7%), it is 0.9 percentage points below last year's peak. Nonetheless, tax increases and the high, only slowly declining level of unemployment weigh heavily on Spanish consumption, even though the realignment of the Spanish economic growth model is on the right path. The latter can be seen in the positive development of the Spanish current account. As at the end of 2013, the country achieved a current account surplus totaling 0.8% of GDP. This means Spain generated an annual surplus for the first time since 1995.

In the second quarter of 2014 Portugal was discharged without any further requirements or a precautionary credit line from the rescue and adjustment program monitored by the Troika (EU, IMF and ECB). The troika members have again praised how smoothly the Portuguese government implemented the austerity measures. As a result of these improvements and reforms, in the second quarter of 2013 Portugal was for the first time able to report increases in economic activity again. But then a slight damper took place at the beginning of 2014. After increasing by 0.5% in December 2013, the Portuguese economy declined by -0.6% in the first quarter of 2014. However, this should remain an exception in 2014.

The economic situation in Italy is somewhat different. In 2013, the country's economic output declined by more than 2%, much more than in Portugal (-1.4%) or in Spain (-1.2%). This difference is due to the peculiarities of the political situation in Italy. Since the end of Mario Monti's government of technocrats there have already been two governments in place, most recently under the leadership of Prime Minister Matteo Renzi. This new government has announced several reform initiatives in the meantime, including electoral reform. But so far it has not achieved any major accomplishments. Overall, the Renzi government aims to consolidate the budget at a much slower pace and only just barely met the Maastricht deficit criteria in 2013 (3.0%). One positive side effect of this slower approach is that the economic downturn has lost some of its momentum and that the Italian economy will probably grow in 2014, albeit quite slowly. Italy's international competitiveness remains a key problem. According to estimates by the OECD, Italy's unit labor costs continue to increase, whereas those in Spain have decreased noticeably.

Core and semi-core of the eurozone: recovery from a low level

This growth scenario for the economically more robust core of the eurozone and the nations of the semi-core, for example France, means that the sky is not the limit here, either. The recovery in Spain, Portugal and Italy is still too weak for that. These countries are not ready to be the growth drivers in intra-European trade. While in the US the extreme winter noticeably disrupted production, many businesses in Germany benefited from a rather mild winter. This meant, for example, that in many outdoor professions work continued nearly uninterrupted in the first quarter of 2014. In Germany, this favorable weather boosted the economy in the first quarter of 2014 by 0.8% compared with the previous quarter.

France is feeling the effects of the crisis-related drop in demand from its major trading partners in the eurozone periphery. In addition, France's international competitiveness has decreased significantly due to incorrect government intervention in the labor market (for example, the introduction of the 35-hour working week). Yet until now, the government of socialist President Hollande has made only very tentative attempts at addressing these problems.

Outlook: Wait for 2015! The look forward

The improved economic environment has not had the anticipated positive effect on growth in the global economy. Although the basic formula for rescuing the euro has not been changed (financial support in exchange for reforms), Portugal's economic slump in the first three months of the year shows that the recovery of the euro periphery is not automatic. The imbalances in the balance sheets of the private and public sector seem to be too massive.

Economic prospects for the US: 2014 like 2013, but 2015 will be better

The extremely cold weather under which the US suffered in the first quarter of 2014 caused economic activity to slow dramatically (growth Q1/2014: -0.7% to -0.8%). In many places, companies reported production capacity was underutilized because workers could not get to work due to the onset of winter, or could only do so with great difficulty. It appears, however, that in the second quarter of 2014 the US economy has overcome the negative consequences of this extremely cold weather. In particular, sentiment in the US economy continues to improve according to the Purchasing Managers' Index for the manufacturing sector (PMI), which rose +2.8 points to 55.3 points as at June 2014. The weather-related slump in January 2014 to 51.3 points has therefore been offset.

2014 is and remains a very interesting year for the Fed and its Chair, Janet Yellen. Under her predecessor at the Fed, Ben Bernanke, the central bank had already started to reduce the third round of its program to purchase US government bonds and mortgage-backed bonds. The program's scope has decreased from a total of USD 85 billion per month to the current level of USD 35 billion per month – divided into USD 20 billion for US Treasuries and USD 15 billion for US mortgage-backed securities. So far the Fed has been relatively successful in this process. The feared loss of trust in the financial markets has not materialized. Should the Fed continue to taper its bond-buying program at its current rate, it would then conclude the purchasing of bonds in October of this year. This end-date for securities purchases by the Fed was confirmed in the recent past through public speeches by members of the Federal Open Market Committee and the minutes of Fed meetings.

Nevertheless, the risks and difficulties of an exit from the Fed's extraordinary monetary measures should not be underestimated. The Fed is not the first central bank to implement a program of government bond buying. And so far, only a few have succeeded at exiting from these measures. The Bank of Japan at the beginning of the 2000s is likely to be one particularly daunting example. With a premature interest rate hike and a too-rapid exit from its quantitative easing program, the Bank of Japan stalled the economic recovery process and thus extended the recession. The Fed Chair Janet Yellen aims to limit the risks associated with initiating the exit by making it clear in a creditable manner that the Fed's policy is to maintain the US benchmark rate at the current level of 0% to 0.25% (forward guidance).

The success of this strategy is not ensured. Despite all the communication tricks that the Fed undoubtedly possesses, the markets already expect interest rates to rise. The two-year US Treasury currently trades at a yield of 0.54%, i.e., the first small rate hike of 25 bps to 0.5% is already priced in. A view of the futures contracts on US interest rates shows that market participants expect this first interest rate hike to take place early in the second quarter of 2015. However, if the brilliant improvement in the US labor market continues as it has in the last several months, it is likely market speculation about an earlier rate hike will increase. From the Fed's perspective, it will therefore probably be especially important in the coming months to very actively guide this process and the formation of expectations in the markets so that the level of yields in the US does not rise hastily and choke off the recovery of the US economy.

The current inflation trend still fits into the Fed's planning, making a change in policy unnecessary as far as the inflation target is concerned. At the end of 2014 the core rate is likely to be 1.5%, with a headline rate of 2%. However, the expected rates for 2015 are rising and, at a forecasted 2.2%, are above the Fed's comfort zone. As the situation on the labor market is also improving, the Fed will soon have a lack of arguments against raising rates. The fact that many potential employees have disappeared from the official statistics due to the crisis might be used by Janet Yellen as an argument to console the inflation hawks in the Open Market Committee. Yet even if the Fed were to conduct an initial rate hike in 2015, this should be seen more as a sign that the US economy is normalizing. And after all, even in this case monetary policy would still remain historically very accommodative. The EAA therefore anticipates there will be a noticeable acceleration of the US economy in 2015, with economic growth reaching 3% in 2015.

Summary of important macroeconomic forecasts

Key economic indicators	Growth		Inflation		Unemployment		Budget balance (% GDP)	
	2014 in %	2015 in %	2014 in %	2015 in %	2014 in %	2015 in %	2014 in %	2015 in %
USA	1.7	3.0	2.0	2.2	6.2	5.7	-2.5	-2.4
Eurozone	1.0	1.5	0.7	1.2	11.6	11.3	-2.6	-2.2
Core & semi core								
Germany	2.0	2.0	1.0	1.6	6.7	6.5	0.1	0.0
France	0.7	1.3	0.8	1.2	10.4	10.3	-3.8	-3.3
Periphery								
Greece	0.3	1.7	-1.0	0.1	26.5	25.8	-2.0	-1.3
Ireland	1.9	2.4	0.5	1.2	11.6	10.6	-4.8	-3.0
Portugal	0.9	1.5	0.0	0.7	15.1	14.6	-4.0	-3.0
Spain	1.1	1.6	0.3	0.9	25.1	24.0	-5.7	-4.8
Italy	0.3	1.0	0.5	1.0	12.6	12.4	-2.9	-2.5
Emerging Markets								
Asia	6.4	6.3	2.7	3.7	4.1	4.1	-1.8	-2.0
Latin America	1.8	2.7	10.4	9.3	5.9	6.1	-3.6	-3.3
Eastern Europe & Africa	1.7	2.5	5.5	4.9	9.0	8.9	-1.8	-1.7
BRIC countries								
Brazil	1.3	1.7	6.4	6.2	5.2	5.6	-3.9	-3.5
Russia	0.5	1.5	7.0	5.6	5.6	5.7	-0.3	-0.5
China	7.4	7.2	2.5	3.0	4.1	4.1	-2.1	-2.1
India	4.7	5.4	9.5	8.0	n.s.	n.s.	-4.7	-4.5

Source: Bloomberg, EAA

Eurozone: The end of the double-dip recession?

The varying speeds of recovery in the eurozone will continue in the second half of 2014 and 2015. Germany’s GDP will probably grow by a good 2% in 2014. This pace, when compared with the weak growth in 2013 (+0.4%), is a dramatic acceleration and above Germany's potential growth rate. According to an estimate by the German Bundesbank, this potential is 1.25% per year. The German economy is forecast to grow by 2% in 2015 as well, meaning the positive trend on the German labor market is likely to continue in the coming months. Growth in France is also expected to be somewhat higher in 2014 than in 2013 (around 0.7%). For 2015 a further acceleration to 1.3% is anticipated. A modest improvement is likewise forecast in the countries of the euro periphery.

Spain’s economy is expected to grow by more than 1.1% in 2014. Improvements in Spain’s competitiveness are bearing fruit and are the driving factor behind this acceleration. The EAA believes a growth rate of 1.6% is possible in 2015. This pickup in the economy will go hand-in-hand with a further improvement in the labor market. The EAA expects an unemployment rate of 24% (currently 25.4%) at the end of 2015. However, it is important that the recovery of the Spanish financial system makes further progress. Ongoing declines in real estate prices and the rising number of problem loans continue to plague Spain's banks. They are therefore reluctant to lend to Spanish companies and households. In 2014 the turning point may be reached in both Portugal and Italy, too. Portugal's economic output is expected to increase by 0.9% in 2014. Italy has probably escaped from this period of recession and will return to very weak growth of around 0.3% in 2014.

Financial market outlook for 2014

In terms of the real economy, signs continue to point to a recovery for the world economy – albeit at a very slow pace. The trend in yields in the eurozone and the US will largely develop in parallel. International bond markets will therefore ensure that an interest and yield increase in the US in the second half of 2014 will also be reflected in German federal bonds. Yields on ten-year German Bunds are likely to be at around 1.7% by the end of 2014, whereas the US equivalent is forecast to hit 3.1%.

Overview of key financial markets

Fixed income markets 2014	Policy rate in %	2-Y yield in %	10-Y yield in %
USA	0.25	0.80	3.10
Eurozone	0.15	0.10	1.70
Core & semi core			
Germany	0.15	0.10	1.70
France	0.15	0.20	1.90
Periphery			
Spain	0.15	0.60	2.80
Italy	0.15	0.80	3.00

Source: Bloomberg, EAA

As the peripheral economies will also continue to stabilize, risk premiums compared to German government bonds should drop further. Portfolio reallocations are currently supporting this trend. The ECB's monetary policy is playing its part, too. According to the ECB's calculations, its new tool, targeted longer-term refinancing operations (TLTROs), will provide eurozone banks with fresh liquidity totaling up to EUR 400 billion. Although banks are expected to use this liquidity to make fresh loans to the eurozone's real economy, the banks first have to find projects worth financing. The ECB therefore has no objection to an interim investment in euro-denominated government bonds of peripheral countries. Otherwise it would not have established 2016 as the date for providing evidence regarding the usage of the TLTRO billions. This additional demand from banks will further support the trend towards the narrowing of spreads in the second half of 2014 and 2015. The different monetary-policy orientation of the Fed and the ECB will also have an impact on the foreign exchange market. The dollar will appreciate further against the euro. It is anticipated that the exchange rate will be around USD/EUR 1.30 by the end of 2014.

Operating activities of the EAA

The EAA winds up the risk exposures and non-strategic business units transferred from the former WestLB AG (now Portigon AG) and its domestic and foreign subsidiaries. When doing so, it proceeds in a value-preserving manner. This serves to stabilize the financial market in Germany.

The EAA conducts its transactions in accordance with business and economic principles with regard to its wind-up objectives. It is not a credit or financial services institution as defined by the German Banking Act (Kreditwesengesetz), an investment services firm as defined by the German Securities Trading Act (Wertpapierhandelsgesetz) or an insurance company pursuant to the German Insurance Supervision Act (Versicherungsaufsichtsgesetz). It does not conduct any transactions that require approval pursuant to Directive 2006/48/EC of the European Parliament and of the Council of June 14, 2006 or Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004, the amendment to Directives 85/611/EEC and 93/6/EEC of the Council and Directive 2000/12/EC of the European Parliament and of the Council and for the repeal of Directive 93/22/EEC of the Council, as amended.

The EAA is subject to regulation by the FMSA. It is also regulated by the BaFin with regard to banking law provisions applicable to the EAA.

The EAA's work is principally carried out on the basis of section 8a of the FMStFG, its charter, the rules of procedure for the Supervisory Board and the Managing Board plus their committees, as well as its wind-up and risk strategy. A wind-up plan was prepared by the former WestLB for each of the EAA's fillings and approved by the FMSA.

The wind-up plans for the EAA's fillings were then combined into an overall wind-up plan. The EAA reviews this plan at least once a quarter and makes adjustments, when necessary, in order to take account of changes in circumstances, for example current market developments. The FMSA must approve any changes or adjustments to the wind-up plan. The wind-up plan describes the intended wind-up activities of the EAA by classifying its asset positions into sub-portfolios (clusters) and standard strategies, and contains a schedule for the winding-up. The possible methods for winding up the portfolio include selling the assets prior to their maturity, holding them to maturity or restructuring them. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and shareholders about the progress of the winding-up and the implementation of the wind-up plan. When doing so, it also documents the wind-up result.

The following stakeholders participate in the EAA's share capital: The State of NRW, approximately 48.2%; the Rheinische Sparkassen- und Giroverband and the Sparkassenverband Westfalen-Lippe, approximately 25% each; and the Landschaftsverband Rheinland and the Landschaftsverband Westfalen-Lippe, approximately 0.9% each.

The governing bodies of the EAA are the Managing Board (Vorstand), the Supervisory Board (Verwaltungsrat) and the Stakeholders' Meeting (Trägerversammlung).

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

The Supervisory Board consists of twelve members. Eleven members are appointed by the Stakeholders' Meeting, and one member is delegated by the FMSA, acting on behalf of the FMS. Members elect a Chair and a Deputy Chair on the recommendation of the State of NRW. The Supervisory Board consults with and advises the EAA's Managing Board, monitors its activities and carries out additional duties set forth in the EAA's charter.

The Stakeholders' Meeting is composed of one representative from each of the institutions which hold a stake in the EAA's share capital. The Stakeholders' Meeting is responsible for adopting the annual financial statements of the EAA, among other things.

Wind-up report

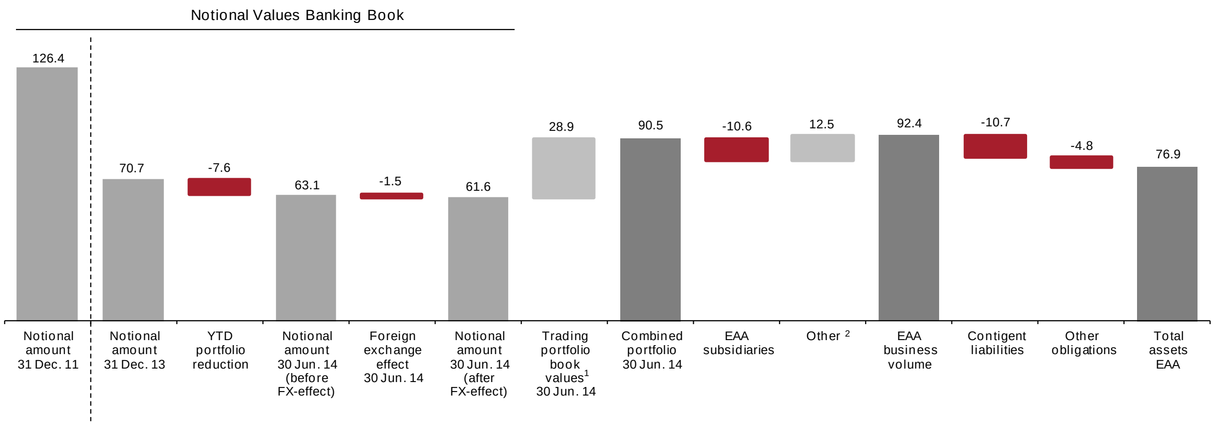
The figures and developments discussed in this section are regularly reported to the FMSA as part of its supervision of the EAA, as well as to the EAA's governing bodies. They relate to the entire risk portfolio transferred to the EAA, regardless of whether these figures are recorded on or off balance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

As at June 30, 2014, the banking book portfolio amounted to EUR 63.1 billion (all data are stated at exchange rates as of December 31, 2011). The notional volume decreased by EUR 7.6 billion during the first half of 2014. Since January 1, 2012, the total banking book portfolio has decreased by EUR 63.3 billion or 50.1%.

The notional volume of the trading portfolio amounted to EUR 532.8 billion as at June 30, 2014. The notional volume of the trading portfolio decreased by a total of EUR 111.8 billion during the period from January 1 to June 30, 2014 (stated at exchange rates as at June 30, 2012). Since its transfer, the trading portfolio has been reduced by EUR 531.3 billion or 49.9%.

The following overview shows the development of the portfolio’s notional amounts since January 1, 2014 and the reconciliation to the EAA’s balance sheet as of June 30, 2014:

Reconciliation of the transferred notional volume to the balance sheet
in EUR billion



1 Equates to the book values for trading portfolio assets
2 Contains money market transactions, cash collateral and other assets not relevant for the wind-up portfolio

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

In the first half of 2014 the EAA generated a positive wind-up-plan impact of EUR 25.8 million from sales and early repayments from the banking book portfolio. Measures in the NPL portfolio made a particularly strong contribution.

Wind-up success

Wind-up success in the banking book

From January 1 until June 30, 2014, the notional volume of the banking book was reduced from EUR 70.7 billion to EUR 63.1 billion (at exchange rates as of December 31, 2011, including the notional amounts of the guaranteed risk exposures held by the subsidiaries of the EAA). That equates to a decline in notional volume of EUR 7.6 billion (10.7%). At current exchange rates as of June 30, 2014, the volume is EUR 61.6 billion.

	Notional volume (at exchange rates as of 12/31/2011)				Notional volume (at exchange rates as of 6/30/2014)	
	Notional	Notional	Delta		Notional	FX effect[1]
	6/30/2014	12/31/2013	to 12/31/2013		6/30/2014	
Clusters	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Structured Securities	20,238.8	21,618.5	-1,379.7	-6.4	19,536.9	-701.9
WestImmo Commercial	9,250.8	11,115.4	-1,864.6	-16.8	9,259.6	8.8
Public Finance	8,593.2	7,353.6	1,239.6	16.9	8,458.0	-135.2
Energy	5,178.3	5,878.6	-700.3	-11.9	5,047.4	-130.9
NPL	4,317.1	6,320.9	-2,003.8	-31.7	4,124.5	-192.6
Financial Institutions	2,912.0	3,678.0	-766.0	-20.8	2,869.8	-42.2
Other clusters	12,609.3	14,689.5	-2,080.2	-14.2	12,337.8	-271.5
EAA (banking book) total	**63,099.5**	**70,654.5**	**-7,555.0**	**-10.7**	**61,634.0**	**-1,465.5**

1 Change in notional volume due to exchange rate effects

In the first half of 2014 the banking book recorded a considerable reduction in the Structured Securities, WestImmo Commercial and NPL clusters. The notional reduction in the Structured Securities cluster is primarily due to the partial repayments of the Phoenix A1 (USD), A2 (EUR), B and X notes as well as the complete repayment of the Phoenix A1 note (EUR). The notional reduction in the NPL and WestImmo Commercial clusters stands in contrast to notional increases in the Public Finance and Real Estate clusters (contained in Other clusters). The notional reduction in the NPL cluster is primarily caused by a recategorization of Portuguese exposures from NPL to Public Finance due to the improved risk situation. The change in the WestImmo Commercial cluster is partly caused by a reclassification of the WestImmo carve-out portfolio to the Real Estate and Public Finance clusters. Please refer to section "Asset position" for further details on the transfer of the carve-out portfolio. The notional reduction in Other clusters is distributed over the rest of the portfolio, with the main changes being recorded in the Industrials, Infrastructure and WestImmo Retail clusters.

Wind-up success in the trading portfolio

	Notional volume (at exchange rates as of 6/30/2012)				Notional volume (at exchange rates as of 6/30/2014)	
Clusters[2]	Notional 6/30/2014 EUR million	Notional 12/31/2013 EUR million	Delta to 12/31/2013 EUR million	in %	Notional 6/30/2014 EUR million	FX effect[1] EUR million
Rates	522,378.9	634,593.2	-112,214.3	-17.7	507,167.4	-15,211.5
Credit	1,479.3	1,969.4	-490.1	-24.9	1,447.7	-31.6
Equity	8,374.8	7,471.1	903.7	12.1	7,852.2	-522.6
Other clusters	523.9	507.0	16.9	3.3	491.0	-32.9
EAA (trading portfolio) total	**532,756.9**	**644,540.7**	**-111,783.8**	**-17.3**	**516,958.3**	**-15,798.6**

[1] Change in notional volume due to exchange rate effects
[2] The clusters are presented in the new structure of the 2014 wind-up plan; to improve comparability, the previous year values were restated accordingly

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

The notional volume of the trading portfolio decreased from EUR 644.5 billion to EUR 532.8 billion in the period from January 1 to June 30, 2014 (at exchange rates as at June 30, 2012). Essentially, the decline results from maturities and active liquidations/management of transactions. The principal driving force behind the reduction was the Rates cluster with a notional decrease of EUR 112.2 billion. This is divided into scheduled maturities of around EUR 74.2 billion and active management of about EUR 38.0 billion. The notional volume of the remaining clusters did not change significantly.

EAA's overall situation

Earnings situation

The EAA's earnings situation in the first half of 2014 was primarily impacted by positive net interest income of EUR 63.1 million, net fee and commission income of EUR 27.3 million and a financial investment result of EUR 175.9 million. Administrative expenses amounted to EUR 167.6 million and mainly consisted of expenses amounting to EUR 131.1 million for the provision of services by Portigon.

A net result of EUR -64.8 million was derived from net allocations to and releases from loan loss provisions.

The income statement below is presented in the format used internally by the EAA.

	1/1 - 6/30/2014 EUR million	1/1 - 6/30/2013 EUR million	Delta EUR million	Delta in %
Net interest income	63.1	156.5	-93.4	-59.7
Net fee and commission income	27.3	46.8	-19.5	-41.7
Net trading result	-2.7	36.2	-38.9	>-100
Total other operating income/expenses	-0.7	-2.4	1.7	70.8
Personnel expenses	-10.9	-8.8	-2.1	-23.9
Other administrative expenses	-156.7	-187.7	31.0	16.5
of which: expenses for service level agreements with Portigon	-131.1	-160.0	28.9	18.1
Net income from investment securities and long-term equity investments	175.9	-9.7	185.6	>100
Results prior to risk provisioning	**95.3**	**30.9**	**64.4**	**>100**
Loan loss provisions	-64.8	-5.3	-59.5	>-100
Earnings before taxes	**30.5**	**25.6**	**4.9**	**19.1**
Taxes on income and earnings	-0.6	-0.5	-0.1	-20.0
Net profit of the year	**29.9**	**25.1**	**4.8**	**19.1**
Net retained losses brought forward	-2,460.3	-2,519.3	59.0	2.3
Net retained losses	-2,430.4	-2,494.2	63.8	2.6

Financial position and issuing activity

The EAA's outstanding portfolio of issued bearer bonds, registered bonds, promissory note loans and commercial paper – mostly denominated in EUR, USD and GBP – totals EUR 41.3 billion. It includes the global Commercial Paper Program with a notional volume equivalent to EUR 6.9 billion.

In the period from January 1 to June 30, 2014 new issues were concluded under the Euro Medium Term Notes Program – mostly bearer bonds – in the amount of EUR 3.2 billion. EUR 1.9 billion of this amount was the equivalent in US dollars. A further EUR 30.0 million was issued in the form of promissory note loans.

As part of the global Commercial Paper Program, a notional volume equivalent to EUR 6.9 billion was issued as a replacement for due transactions.

As at June 30, 2014, the portfolio of securities redeemed for liquidity management purposes totaled EUR 88.8 million. These are mostly short-term securities.

In the liquidity stress test, the EAA reported net liquidity above the minimum at all times throughout the period from January 1 to June 30, 2014.

Asset position

Assets

	6/30/2014 EUR million	12/31/2013 EUR million	Delta EUR million	Delta in %
Loans and advances to banks	14,383.4	14,885.1	-501.7	-3.4
Loans and advances to customers	14,278.2	15,711.9	-1,433.7	-9.1
Securities (no trading portfolio)	17,408.6	18,856.8	-1,448.2	-7.7
Trading portfolio	28,854.7	26,897.8	1,956.9	7.3
Long-term equity investments and shares in affiliates	1,648.8	1,896.0	-247.2	-13.0
Other assets	297.2	663.5	-366.3	-55.2
Total assets	**76,870.9**	**78,911.1**	**-2,040.2**	**-2.6**

Liabilities and equity

	6/30/2014	12/31/2013	Delta	
	EUR million	EUR million	EUR million	in %
Deposits from banks	5,329.5	5,984.3	-654.8	-10.9
Deposits from customers	6,649.5	6,732.0	-82.5	-1.2
Debt securities in issue	35,009.2	38,123.5	-3,114.3	-8.2
Trading portfolio	28,823.7	27,119.6	1,704.1	6.3
Provisions	421.4	341.4	80.0	23.4
Other liabilities	51.8	54.4	-2.6	-4.8
Equity	585.8	555.9	29.9	5.4
Total liabilities and equity	**76,870.9**	**78,911.1**	**-2,040.2**	**-2.6**
Contingent liabilities	10,695.1	11,595.4	-900.3	-7.8
Other obligations/loan commitments	4,870.1	4,633.1	237.0	5.1
Business volume	**92,436.1**	**95,139.6**	**-2,703.5**	**-2.8**

The total assets of the EAA as at June 30, 2014 amount to EUR 76.9 billion (previous year: EUR 78.9 billion). The business volume, which includes off-balance-sheet components, amounts to EUR 92.4 billion (previous year: EUR 95.1 billion).

As part of a split-off, the EAA obtained assets and liabilities from WestImmo retroactively to January 1, 2014 in the amount of EUR 0.7 billion and EUR 0.3 billion, respectively. The book value of the affiliate was modified to reflect the lower business volume of WestImmo. Its equity was reduced in this respect by EUR 448.7 million.

As at June 30, 2014, loans and advances to banks are EUR 0.5 billion lower compared with the end of 2013. This change is due to a considerably lower amount of money market investments. Offsetting effects resulted from the advance of cash collateral in the derivatives business and the higher funding of a subsidiary.

The reduction of loans and advances to customers compared to the end of the previous year reflects the wind-up success in the first half of 2014. The position contains loans transferred from WestImmo in the amount of EUR 0.3 billion.

Securities decreased primarily due to repayments of structured securities. This reduction was offset by securities transferred from WestImmo in the amount of EUR 0.3 billion.

The increase in trading assets by EUR 2.0 billion is mostly due to a declining trend in the yield curve and the corresponding present value effects. This is reflected in trading liabilities in virtually the same amount.

Please refer to section “Wind-up report” for more information.

Lending business

The lending business comprises receivables, payment obligations arising from irrevocable loan commitments, sureties and other guarantees. Contingent liabilities also include Portigon risk positions, which were transferred using the “guarantee” alternative. Receivables also include registered and other non-marketable debt instruments as well as time deposits and mortgage-backed loans from the retail banking business.

Lending business

	6/30/2014	12/31/2013	Delta	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	14,383.4	14,885.1	-501.7	-3.4
Loans and advances to customers	14,278.2	15,711.9	-1,433.7	-9.1
Contingent liabilities	10,695.1	11,595.4	-900.3	-7.8
Other obligations/loan commitments	4,870.1	4,633.1	237.0	5.1
Lending business	**44,226.8**	**46,825.5**	**-2,598.7**	**-5.5**

Summary of the business situation

As shown, the net profit was attributable to the progress made in winding up the portfolio. The reduction in the portfolio had a significant influence on the income from both interest as well as fees and commissions. Loan loss provisions and the financial investment result were impacted as well.

The asset position of the EAA is in good order. Its equity as at June 30, 2014 amounts to EUR 585.8 million. Adequate liquidity was available at all times.

Risk report

The common objective of the liable stakeholders, the FMS and the EAA is to minimize the strategic wind-up risk. During the reporting period the EAA made further progress toward realizing the wind-up plan. Its wind-up activities focused primarily on continuing to reduce the portfolio transferred from Portigon and mitigating risks.

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

Risk management organization

The Managing Board defines the principles of risk management and steering, and discusses these with the Supervisory Board’s Risk Management Committee. On recommendation by the Risk Committee, the Supervisory Board will decide on the principles relating to risk assumption contained in the risk strategy.

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

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

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

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

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

Risk reporting

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

The Managing Board keeps the Supervisory Board and its committees regularly informed of the EAA's current wind-up status and the general risk situation based on the wind-up reports and a separate Risk Report, which is adapted to suit the needs of the governing bodies.

Credit risks

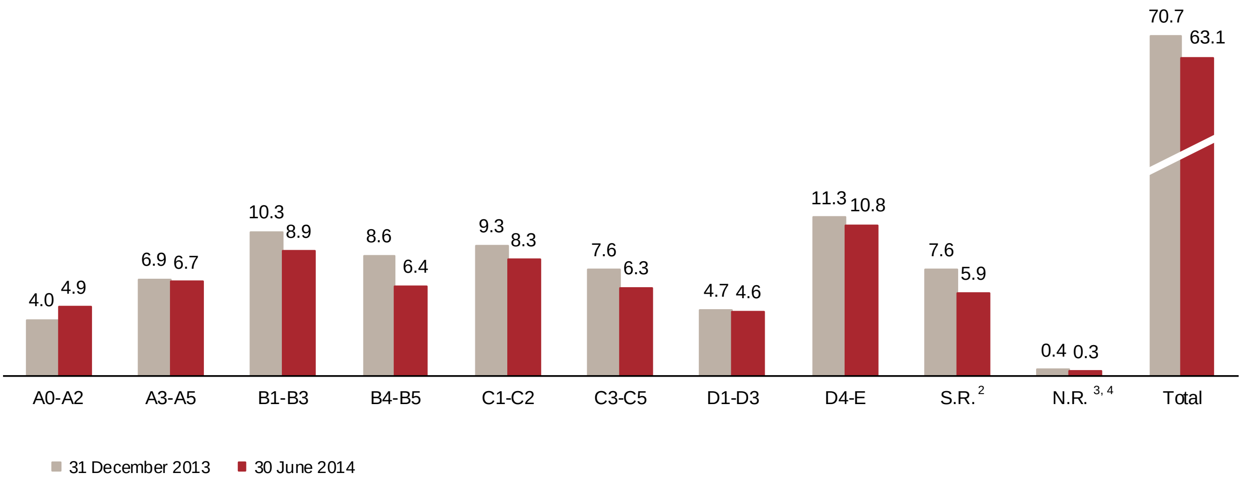
Credit risks – banking book

The EAA and its subsidiaries regularly analyze the credit risk volume in detail so as to identify, analyze, evaluate, and manage all default risks within the portfolio. A variety of parameters – such as risk type, rating categories, maturities and regions – are used to identify risk concentrations.

In the first half of 2014, the notional volume of the banking book portfolio – which primarily consists of loans and securities – was reduced by EUR 7.6 billion to EUR 63.1 billion (at constant exchange rates as of December 31, 2011). The EAA holds or guarantees 71% of the total banking book notional volume, and the remaining 29% is held by its subsidiaries. Please refer to section “Wind-up report” for more detailed information on the wind-up success.

The following illustrations relate to the notional volume of the EAA and its subsidiaries WestImmo, EAA CBB, Basinghall and EAA KK on a look-through basis.

Breakdown of notional volume by internal rating category
in EUR billion[1]



[1] Excluding exchange rate effects (based on exchange rates on December 31, 2011)
[2] Special rating pursuant to the not-rated concept
[3] Not rated
[4] Including own bonds repurchased by WestImmo
Please note: Where possible, the internal rating categories are based on the guarantor's rating.

The quality of the banking book portfolio is reflected by an investment grade rating share (rating categories A0-C2) of around 56% (December 31, 2013: 55%). About 18% (December 31, 2013: 15%) of the notional volume has a very good rating (A0-A5) and around 37% (December 31, 2013: 40%) has a medium rating of B1-C2. The S.R. rating category includes the opening clauses of the rating process, the EAA's non-rating concept, and has a share of around 9% of the total portfolio.

The EAA continues to aim for a portfolio reduction across all rating categories. The decline in the first half of 2014 is largely distributed over all rating categories with the exception of the A0-A2 rating category, which increased by EUR 0.9 billion. This is due to a shift of German municipal authorities in the WestImmo Commercial portfolio from the S.R. rating category to the A0-A2 rating category. The decline in the B1-B3 category is mostly attributable to a partial repayment of the Phoenix A1 note in the amount of EUR 1 billion. The reductions in the B4-B5 rating category are largely caused by shifts to the C1-C2 rating category as well as due to maturities and other measures.

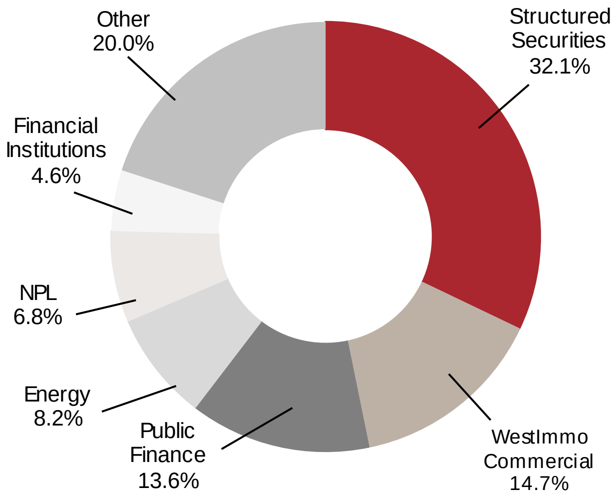
Due to changed conditions, the exposure in the energy sector, just over half of which was classified in the middle rating categories on the reporting date, is also subject to closer monitoring.

The remaining rating category, N.R., mainly includes WestImmo Commercial portfolio exposures.

The table below shows a reconciliation of the EAA's internal ratings to external ratings:

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

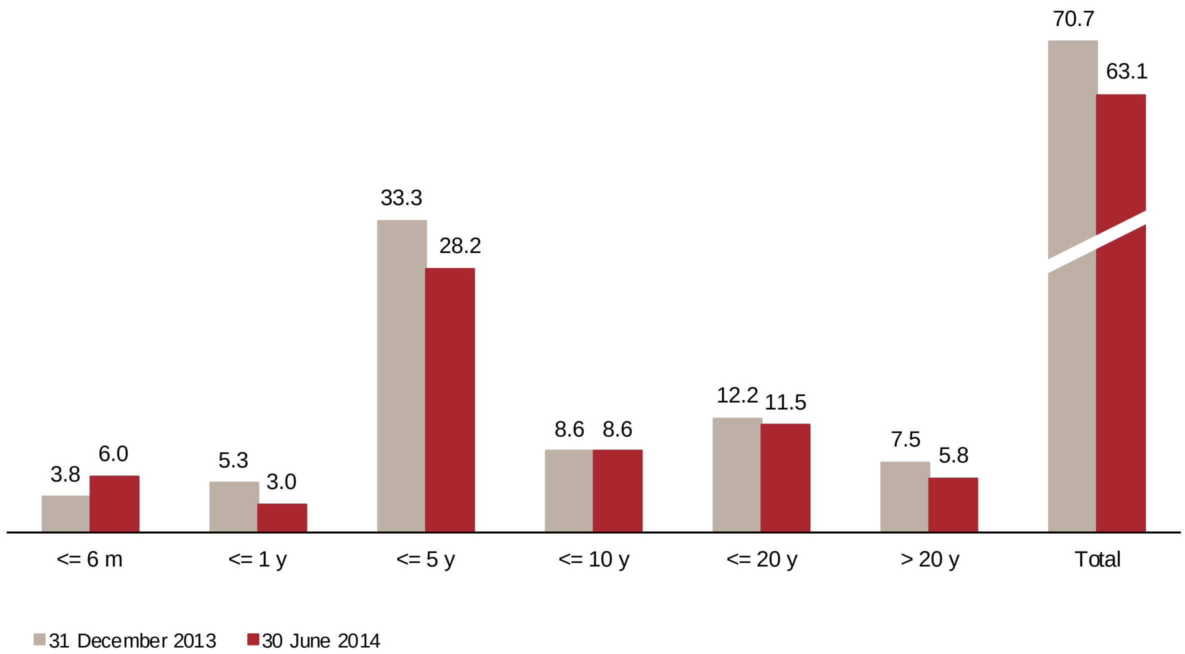
Breakdown of notional volume by headline clusters
100% = EUR 63.1 billion[1]



[1] Excluding exchange rate effects

The EAA's banking book portfolio consists of 19 headline clusters. The largest headline cluster is Structured Securities with a total share of around 32%. This portfolio consists of three sub-portfolios: Phoenix (66% – please refer to section "Phoenix" for further details), Asset Backed Securities (26%) and EUSS (8%). The WestImmo Commercial portfolio accounts for around 15% of the total portfolio (for further details, please refer to section "Participation risks").

Breakdown of notional volume by maturities[1]
in EUR billion[2]



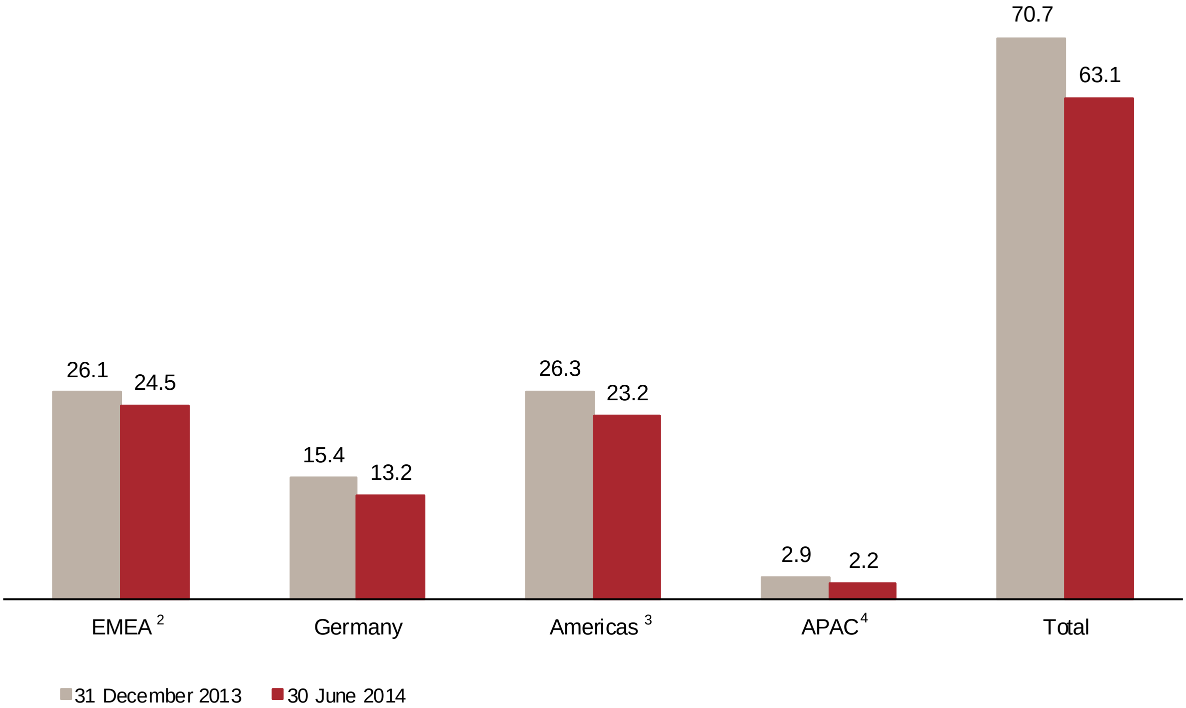
[1] For Phoenix: expected repayment profile
[2] Excluding exchange rate effects (based on exchange rates on December 31, 2011)

The largest part of the portfolio, with a share of approximately 45%, is comprised of medium-term exposures with contractual maturities of one to five years. These are primarily exposures held in the clusters Structured Securities (mainly Phoenix, please also refer to the "Phoenix notes capital structure" table in section "Phoenix"), WestImmo Commercial, Public Finance, NPL, Financial Institutions and Energy.

The decrease in the maturity range of up to five years is mainly caused by the partial repayment of the Phoenix A1 note in the amount of EUR 1 billion and repayments in the NPL and WestImmo Commercial portfolios. The increase in the maturity range of up to six months results additionally from the shift of parts of the NPL, Public Finance and WestImmo Commercial portfolios from longer maturity ranges.

The other changes within the maturity ranges reflect the portfolio management measures undertaken in the first half of 2014.

Breakdown of notional volume by region
in EUR billion[1]



[1] Excluding exchange rate effects (based on exchange rates on December 31, 2011). Regional breakdown by borrowers, or for securitizations based on the main risk country of the asset pool
[2] Europe, Middle East and Africa; excluding Germany
[3] Contains EUR 3.6 billion for the Phoenix B note guaranteed by the state of NRW
[4] Asia, Pacific and Japan

The breakdown of the notional volume has changed only insignificantly compared to December 31, 2013. About 39% of notional volume (December 31, 2013: 37%) is attributable to the EMEA region – Europe (excluding Germany), Middle East and Africa. The decline in notional volume in the amount of EUR 1.6 billion is mainly attributable to active measures and maturities in the Financial Institutions, Infrastructure and WestImmo Commercial clusters.

The notional volume for German borrowers and guarantors (share in portfolio: 21%, December 31, 2013: 22%) was reduced by EUR 2.2 billion. The decrease here relates primarily to the Industrials, Public Finance and Structured Tax clusters.

Approximately 37% of the notional volume (December 31, 2013: 37%) is attributable to the Americas. Repayments and maturities in the Structured Securities (mainly Phoenix), NPL and WestImmo Commercial clusters resulted in a decrease of EUR 3.1 billion.

The APAC region represents approximately 3% (December 31, 2013: 4%). The APAC region recorded a decline of EUR 0.7 billion.

Problem loans and risk provision

Problem loan exposures are subject to special risk monitoring pursuant to MaRisk. The assessment of possibly required risk provisioning takes into account collateral values, a company valuation, a discounted cash flow analysis or observable market prices. This is reviewed regularly.

Result of risk provisions

	Provisions for loan losses	Charge-offs	Net change in loan loss provision	Other exp./inc. due to risk	Total allow. losses
	EUR million	EUR million	EUR million	EUR million	EUR million
Acute counterparty default risk	**127.9**	**51.0**	**-76.9**	**6.0**	**-70.9**
Credit risk	127.9	51.0	-76.9	-1.1	-78.0
Other risk	-	-	-	7.1	7.1
Contingent counterparty default risk	**-**	**6.1**	**6.1**	**-**	**6.1**
Total	**127.9**	**57.1**	**-70.8**	**6.0**	**-64.8**

Special banking book issues

Phoenix

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

By far the largest part of the securitized Phoenix portfolio (approximately 90%) is denominated in US dollars and represents US risks, primarily in the real estate market. Repayments in the reporting period resulted in a decrease of the notional volume to EUR 13.2 billion as at June 30, 2014 (calculated at constant exchange rates as of December 31, 2011).

Phoenix notes capital structure

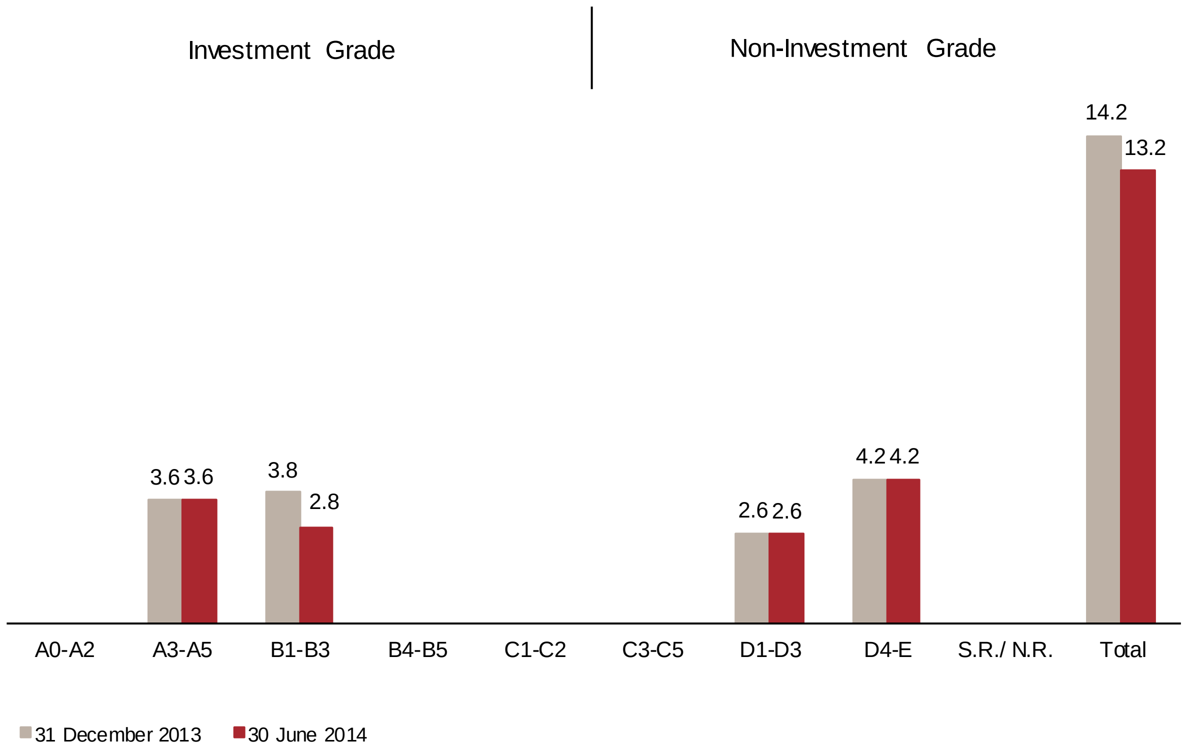
Tranche	Amount as of 6/30/2014 in million		S&P Rating	Legal maturity	Expected maturity in years
Class X	13.1	EUR	AAA	2/9/2015	0.61
Class A1	3,594.0	USD	A	2/9/2091	1.61
Class A2	3,102.0	USD	B	2/9/2091	2.11
	219.0	EUR	B	2/9/2091	1.61
Class A3	2,386.6	USD	CCC-	2/9/2091	3.62
	701.1	EUR	CCC-	2/9/2091	7.12
Class A4	1,909.0	USD	CCC-	2/9/2091	12.62
	180.9	EUR	CCC-	2/9/2091	15.12
Class B	3,574.7	EUR	not rated	2/9/2091	3.75

Approximately 48% of the Phoenix notes consist of risk positions with an investment grade rating (taking into account the rating of the guarantor, the State of NRW, for the Phoenix B notes) and a low probability of default. So far, the guarantee of the State of NRW for the Phoenix B note of EUR 5 billion has been utilized in the amount of EUR 1.4 billion.

In the first half of 2014 repayments totaled EUR 1 billion. These repayments led in particular to the complete repayment of the EUR A1 tranche and to a reduction in the notional value of the remaining USD A1 tranche.

The expected maturities shown above relate to the expected amortization profile of the respective Phoenix note. At the present time, the EAA assumes that the Phoenix structure will be dissolved prematurely in 2018 and that the underlying portfolio will be transferred to the EAA.

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



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

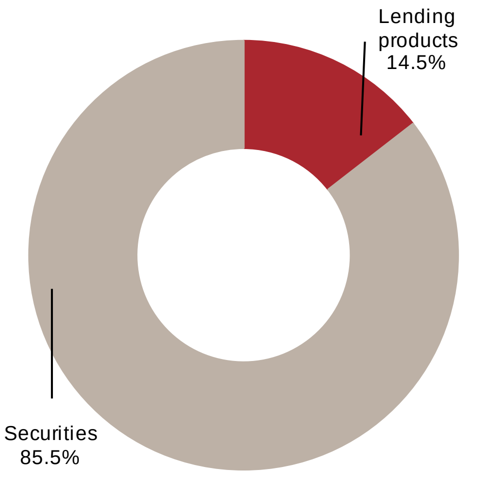
In the first half of 2014 the EAA utilized the favorable market environment to selectively dispose of especially risky securities. This resulted in a considerable reduction in the risk from the Phoenix portfolio for the EAA. In addition to the ongoing sale of parts of the portfolio by taking advantage of market opportunities, the EAA is working with the parties involved in Phoenix towards the implementation of further measures to optimize the wind-up result. These measures include both legal measures in relation to individual portfolio securities and the restructuring of non-performing securities. Work continues in conjunction with PIMCO, the administrator of the Phoenix structure, on the optimization of market price and credit risk hedging in the Phoenix portfolio.

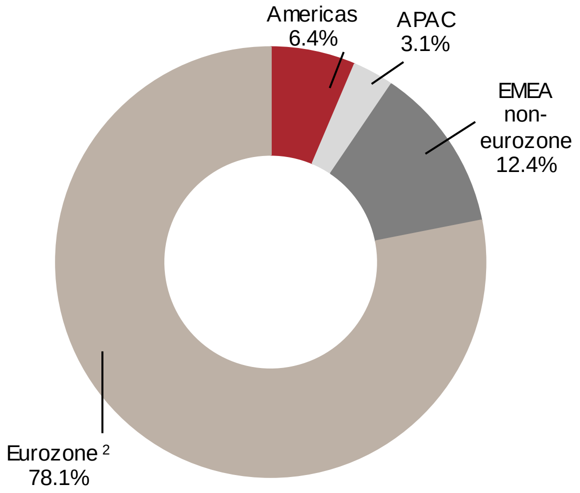
Public Finance

The exposure to the public sector (including the Public Finance positions from the NPL portfolio) as of June 30, 2014 comprise a total notional amount of EUR 8.7 billion.

Securities account for 85.5% of the total public sector exposure, in particular bonds issued by EU member states (including regional and municipal issuers). These are held in part directly by the EAA and partly by the EAA CBB. The majority of the remaining 14.5% are lending transactions granted to federal states, municipalities or other public law institutions in Europe.

Breakdown of Public Finance exposure by product and region
100% = EUR 8.7 billion[1]





[1] Excluding exchange rate effects (based on exchange rates on December 31, 2011). Regional distribution by borrower or guarantor
[2] Of which EUR 5.1 billion is attributable to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain. Further information can be found in section “Exposures to selected EU member states”
Please note: The regions for the securities result from the main risk country for the asset pool, for projects at the location of the project as well as other items from the country where the parent company is registered, provided the affected subsidiary is not located in a country with a worse country rating.

Credit risks – trading portfolio

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

Trading portfolio issuer risks from securities are calculated using the mark-to-market approach, while those in the banking book are determined based on book values. When calculating replacement risks (pre-settlement risks) from derivatives, the EAA applies a portfolio simulation tool based on the Monte Carlo method. Settlement risks are determined using the payment due per value date. Credit risks from trading transactions are calculated daily using the corresponding credit lines. Risk-minimizing measures (such as close-out netting [offsetting] and collateral in the OTC derivatives business) are used wherever possible. Active hedging of risk positions only takes place with counterparties where corresponding master agreements are in place.

OTC derivative counterparty default risks are assessed independently of trading using CVA. When doing so, externally traded credit spreads, when available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. As at June 30, 2014, CVA amounted to EUR 35.0 million (December 31, 2013: EUR 35.9 million).

Counterparty and issuer risks

Direct counterparty risk

As the EAA concludes OTC derivatives both from the trading portfolio as well as the banking book and counterparty risks are measured and controlled per counterparty, the explanations and figures relate to the trading portfolio and the banking book.

	6/30/2014 Exposure EUR million	6/30/2014 Limit EUR million	12/31/2013 Exposure EUR million	12/31/2013 Limit EUR million
Counterparty risk OTC derivatives	1,115.3	7,968.5	974.8	7,963.5
Credit risk money market[1]	3,305.6	10,610.0	2,941.5	11,045.0
Counterparty risk repos	157.8	3,051.0	214.7	3,101.0

[1] All money market transactions with counterparties outside the EAA Group have a maximum maturity of three months with the exception of transactions with the Central Bank of Ireland and with Portigon; some of these transactions have maturities of more than three months.

Counterparty risks from OTC derivatives are driven by transactions for liquidity steering (foreign exchange swaps) and interest rate hedging instruments (interest rate swaps). 68.2% of the credit risks for money market transactions result from deposits at Portigon. As the EAA has sufficient liquidity on the reporting date, the utilization of the limits for repo transactions (EUR 157.8 million) is only approximately 5.2%.

Issuer risk

The following table shows issuer risks of the banking book broken down by sub-portfolio:

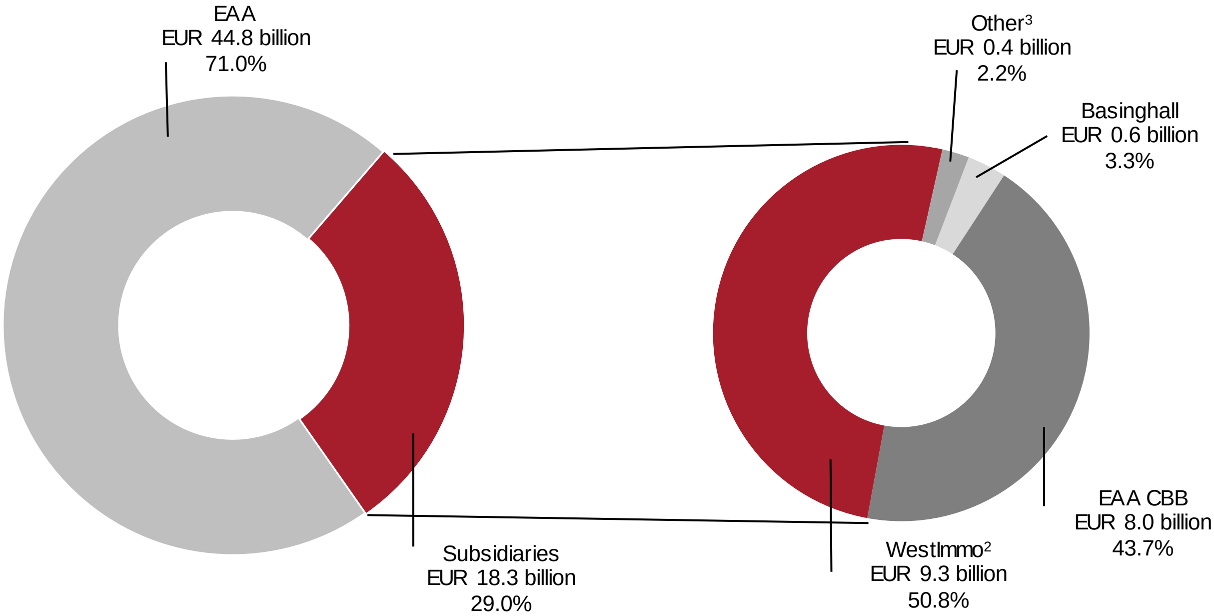
	< 1 Y EUR million	1-4 Y EUR million	4-8 Y EUR million	8-15 Y EUR million	> 15 Y EUR million	Total exposure EUR million
Public Finance	1,652.7	1,265.6	1,330.2	1,876.9	1,154.3	7,279.7
Financial Institutions	337.8	871.1	585.0	31.5	-	1,825.4
Other securities	89.0	278.9	130.6	1,034.3	2,188.3	3,721.1
Total 6/30/2014	**2,079.5**	**2,415.6**	**2,045.8**	**2,942.7**	**3,342.6**	**12,826.2**
Total 12/31/2013	1,812.5	3,146.3	2,032.6	3,145.8	3,741.7	13,878.9

The Public Finance sub-portfolio accounts for the largest share with about EUR 7.3 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, mainly student loans.

Issuer risks of the trading portfolio are low with EUR 87.9 million. EUR 68.9 million of this amount is attributable to securities and credit derivatives, with equities and equity derivatives accounting for an additional EUR 19.0 million.

Participation risks

Notional volumes held by subsidiaries
in EUR billion[1]



1 Excluding exchange rate effects (based on exchange rates on December 31, 2011)
2 Only WestImmo Commercial, excluding the retail portfolio
3 Others include primarily EAA KK

Participation risks result from the provision of subordinated capital and equity. The EAA's Strategic Project Management and Participation department is responsible for managing participations. The participation controlling is supported by the EAA's Controlling & Planning department.

The EAA's participation risk is primarily due to EAA CBB and WestImmo.

As at June 30, 2014, WestImmo holds a portfolio with a notional volume of EUR 9.3 billion (excluding the retail portfolio). The total notional reduction of EUR 1.8 billion includes the transfer of the "carve-out portfolio" to the EAA in June 2014 in the amount of EUR 826 million. The WestImmo portfolio primarily consists of commercial real estate financing and structured real estate transactions. WestImmo generally acts independently. The EAA monitors WestImmo via the Supervisory Board. The EAA is continuing the privatization process of WestImmo that was initiated by the former WestLB at that time, and remains committed to its objective of selling WestImmo.

In the first half of 2014, the notional volume of EAA CBB declined by EUR 557.8 million, and the notional volume of Basinghall was reduced by EUR 39.3 million. The position ''Other'' primarily includes EAA KK.

The subsidiaries EAA CBB, EAA KK and Basinghall are integrated into the EAA's risk management and business administration structure. These participations are subject to governance by the EAA and the EAA's approved internal limit system. EAA representatives are non-executive members of EAA CBB and Basinghall's supervisory bodies and committees and therefore exercise a control function.

Exposures to selected EU member states

The banking book exposure of the EAA and its subsidiaries to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia, Spain and the EFSF totals EUR 9.7 billion as at June 30, 2014. EUR 0.6 billion of this amount is attributable to the WestImmo portfolio. The exposure to these countries decreased by EUR 1.2 billion in the first half of 2014. The reduction is mainly attributed to Italy (EUR -0.8 billion, of which EUR -0.2 billion is a notional reduction caused by an internal change of the risk country definition, particularly Financial Institutions and Public Finance) and Spain (EUR -0.3 billion, especially Corporates and Financial Institutions). The notional increase in Greece results from the internal change of the risk country definition.

The total banking book exposure of the EAA and its subsidiaries to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia, Spain and the EFSF is shown in the table below:

Country[1]	Debtor group	6/30/2014 Notional in EUR million[2,3]	12/31/2013 Notional in EUR million[2,3]
Greece	Corporates	119.3	31.5
	Financial Institutions	-	-
	Public Finance	-	-
Σ Greece		**119.3**	**31.5**
Ireland	Corporates	77.1	108.8
	Financial Institutions	0.2	7.3
	Public Finance	115.0	115.0
Σ Ireland		**192.3**	**231.1**
Italy	Corporates	1,485.5	1,793.0
	Financial Institutions	305.8	383.8
	Public Finance	2,143.4	2,525.6
Σ Italy		**3,934.7**	**4,702.4**
Portugal	Corporates	84.3	157.2
	Financial Institutions	-	15.0
	Public Finance	1,576.9	1,573.2
Σ Portugal		**1,661.2**	**1,745.4**
Slovenia	Financial Institutions	-	-
	Public Finance	40.0	40.0
Σ Slovenia		**40.0**	**40.0**
Spain	Corporates	1,873.0	2,093.9
	Financial Institutions	635.9	735.9
	Public Finance	1,215.2	1,216.0
Σ Spain		**3,724.1**	**4,045.8**
Cyprus	Corporates	72.7	66.0
	Public Finance	0.3	0.5
Σ Cyprus		**73.0**	**66.5**
EFSF	Public Finance	-	83.1
Σ EFSF		**-**	**83.1**
Total[4]		**9,744.6**	**10,945.8**
of which	Corporates	3,711.9	4,250.5
of which	Financial Institutions	941.9	1,142.0
of which	Public Finance	5,090.8	5,553.4

1 Economic view may differ from the borrower's legal country of residence (for Corporates and Financial Institutions)
2 Based on current exchange rates as at June 30, 2014
3 Presentation of the notional volume, including hedges (net)
4 Of which WestImmo Commercial (EUR 642.9 million) and EAA CBB (EUR 3,154.1 million)

The EAA's total trading portfolio and ALM exposure to banks, companies and governments in Cyprus, Greece, Ireland, Italy, Portugal and Spain is shown in the table below:

Product[1]	Value[2]	Country[3]	6/30/2014 EUR million[4,5]	12/31/2013 EUR million[4,5]
Bonds	Notional	Italy	-	0.7
Σ Bonds			**-**	**0.7**
Single CDS	Notional	Italy	-	-
		Portugal	-	-
		Spain	-	-
Σ Single CDS			-	**-**
Decomposed CDS	EaD	Italy	-	0.1
		Portugal	-	-
		Spain	-	-
Σ Decomposed CDS			-	**0.1**
Equities	MtM	Greece	-	0.1
		Italy	1.2	1.6
Σ Equities			**1.2**	**1.7**
Equity derivatives	EaD	Greece	-	-
		Italy	-0.3	-0.1
Σ Equity derivatives			**-0.3**	**-0.1**
Other derivatives	MtM	Ireland	1.3	5.1
		Italy	463.8	553.7
		Portugal	-	-
		Spain	246.5	198.4
		Cyprus	22.1	18.1
Σ Other derivatives			**733.7**	**775.3**
ALM	MtM	Ireland	7.8	0.1
		Italy	31.3	31.9
		Spain	200.0	-
Σ ALM			**239.1**	**32.0**

1 CDS = credit default swaps; ALM = asset liability management (ALM cluster as part of the banking book is identified here as in the internal view and not as a banking book exposure); Derivatives = replacement risks from OTC derivatives and from CDS; Decomposed CDS = CDS positions that do not relate to an individual underlying but to a portfolio of underlying individual transactions such as a basket of reference debtors
2 EaD = exposure at default; MtM = mark to market
3 Economic view may differ from the borrower's legal country of residence (for Corporates and Financial Institutions)
4 Based on current exchange rates as at June 30, 2014
5 Presentation of the notional volume, including hedges (net)

Market price risks

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

Market price risks – banking book

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

These risks are hedged by refinancing with analogous currencies and/or maturities, or by concluding derivative transactions.

Interest rate risk

EUR thousand	< 1 Y	1-4 Y	4-8 Y	8-15 Y	> 15 Y	Total
EAA Group 6/30/2014	37.6	-166.3	-118.6	-81.1	10.1	**-318.3**
EAA Group 12/31/2013	264.0	-106.5	-152.7	-232.3	-21.3	**-248.8**

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

The interest rate sensitivity of EUR -318.3 thousand is higher than at the end of 2013 (EUR -248.8 thousand) due to the inclusion of the Phoenix notes in the interest rate risk calculation for the banking book. The utilization is within the limits.

Foreign exchange risk

EUR thousand	AUD	CAD	CHF	GBP	JPY	PLN	RUB	SGD	USD	Other	Total
EAA Group 6/30/2014	1,215.5	6,449.2	-3,606.1	13,687.6	-5,073.1	931.7	527.6	447.6	60,057.7	3,485.0	**78,122.7**
EAA Group 12/31/2013	1,924.0	546.5	-497.0	-13,234.9	-322.9	73.1	33.6	227.6	23,371.0	1,937.5	**14,058.5**

The determination of EAA's currency position is based on the concept of special cover in accordance with section 340h of the HGB. The currency position is higher compared to the previous year because of a higher limit utilization to control the foreign currency position.

The equity risk is of minor significance to the EAA's banking book.

The non-linear risks in the portfolio were eliminated using micro-hedges resulting in a simple, linear risk profile. Micro-hedge effectiveness is assessed regularly.

The wind-up strategy aims to realize the intrinsic value of the exposure rather than steering based on short-term capital market fluctuations and associated credit-spread changes. The exposures are monitored and, if required, decisions are made to exit specific exposures. Therefore, no limits for credit spread risks are in place.

Market price risks – trading portfolio

In the trading portfolio, equity price risks and, to a small extent, credit spread and commodity risks also exist alongside interest rate and foreign exchange risks. The trading portfolio predominantly includes derivative positions and thus also bears non-linear option risks. As is customary, the risk in the trading portfolio is hedged at the portfolio level. This entails residual risks which change due to market movements and developments in the portfolio and are hedged dynamically (dynamic hedging strategy).

When monitoring and limiting risks, the EAA applies both a VaR model and risk sensitivities. Risk management also makes use of a number of stress scenarios. On a daily basis, the VaR model calculates interest rate risks, equity risks and foreign exchange risks (including commodity risks) for the trading portfolio including the respective volatility risks. A confidence level of 99% and a one-day holding period are assumed when calculating the VaR.

Historic and parametric stress tests are calculated weekly. These also simulate the effects of market price risks not covered by the VaR, independent of statistically observed probabilities of occurrence.

The relevant market price risk positions are continuously subjected to back testing. This involves comparing on a daily basis the actual market value changes (hypothetical income statement) to the possible market value changes forecasted by the VaR model. In the first half of 2014, the results of the back testing did not exceed set thresholds at the highest level of the portfolio structure of the trading portfolio. From a statistical perspective, two to three exceeded limits must be taken into account per year for a VaR with a holding period of one trading day and a confidence level of 99%.

Value at Risk by clusters

	Value at Risk 6/30/2014 EUR thousand	Value at Risk 12/31/2013 EUR thousand
EAA Trading	1,067.7	1,864.0
Interest Rate Options	193.0	264.9
Interest Rate Exotics	656.2	1,038.8
Interest Rate Flow	279.2	652.0
Contingent Credit Risk	-	22.3
Corporate Synthetic Obligations	-	-
Basket Default Swaps	-	7.6
Credit Default Swaps	-	4.6
Credit Derivatives [1]	14.3	-
Fund Derivs & Credit Repacks	2.0	18.8
Foreign Exchange Options and Hybrids	183.1	203.0
Foreign Exchange Forwards [1]	-	15.5
Equity Flow Products [2]	-	13.9
Equity Structured Products	136.9	311.9
Muni GIC Portfolio	606.6	828.3
Commodities	11.4	13.6
Gold Aktiv Portfolio [2]	-	-
Other	-	-

[1] The sub-cluster structure changed as at January 2, 2014. The Contingent Credit Risk, Corporate Synthetic Obligations, Basket Default Swaps and Credit Default Swaps sub-clusters are now included as subunits in the Credit Derivatives sub-cluster. The Foreign Exchange Forwards sub-cluster is now part of the Interest Rate Flow sub-cluster.
[2] The Equity Flow Products and Gold Aktiv Portfolio sub-clusters are no longer disclosed because no further risk exists.

The VaR for the trading portfolio decreased to EUR 1,067.7 thousand (December 31, 2013 EUR 1,864.0 thousand). This is mostly the result of the portfolio reduction and changed market parameters.

Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

- Tactical liquidity risk is the risk of not being able to generate sufficient liquidity over the short term (time horizon of up to one year) to meet contractual payment obligations.
- Strategic liquidity risk is the risk of not being able to implement funding measures set out in the funding plan on the market, in whole or in part.

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

As at June 30, 2014, all stress scenarios demonstrated a viable liquidity situation. The capital commitment statement as of June 30, 2014 reports a liability surplus as in the previous year. The liability surplus is EUR 0.3 billion. The liquidity reserve consists of the collateralized liquidity (securities holdings of the portfolio, which can be used in bilateral repo transactions with high probability) and short-term investments. In the reporting period, liquidity reserves were always higher than the liquidity reserve requirements. At the time of the stress test as at the end of June 2014, the liquidity reserve amounted to approximately EUR 7 billion.

Operational risks

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

Operational risks within the EAA itself are determined by regular risk inventories. The EAA's most recent risk inventory revealed four valuation objects (1%) with high risks. Of the valuation objects, 13% are characterized by medium risks and 86% by low risks. The slight deterioration in the risk inventory was a result of uncertainties regarding service providers and possible regulatory changes.

The EAA has outsourced key business processes to Portigon, which is undergoing a process of transformation to implement a restructuring ordered by the European Commission. In this context, the split-up of Portigon into PAG and PFS, for example, was prepared during the previous fiscal year and implemented in February 2014. As a consequence of this split-up, Portigon's service obligations were transferred to PFS. PFS reserves the right, however, to procure some services from Portigon for provision to the EAA. Going forward, any additional operational risks possibly associated with this split-up will be covered within the EAA's existing range of risk management tools. Portigon's most recent risk inventory with respect to processes attributable to the EAA showed a high risk for 3% of the assessed risks, especially in the case of the assessments related to personnel. The EAA has been monitoring this development and has prepared, if necessary, measures to take in order to minimize the operational risk. Please refer to section "Subsequent events" for more information.

The EAA has established a service provider management system to monitor the interface between the service provider and the EAA – as the recipient of services – in terms of content, form and quality. Using a continuous and timely process, the EAA accordingly ensures that the EAA's requirements, which are defined in service level agreements, are fulfilled by the service provider in the agreed form. In this process the EAA records the outsourcing risks and assesses them by applying a traffic light logic. During the first half of 2014 the quality of the rendered services was in line with the service level agreement.

Other risks

Reputational risks

Given the strong public interest in the EAA, reputational risks are of particular relevance. The EAA also attaches particular importance to its public image with respect to its funding options on the capital market.

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

Legal risks

The EAA has appointed PFS to manage the transferred assets. Accordingly, PFS is responsible for promptly recognizing any legal risks arising in this context, and for communicating them in order to then mitigate or eliminate these risks to the greatest possible extent in consultation with the EAA. When fulfilling its obligations, PFS may, in turn, involve PAG.

When necessary, the EAA has established sufficient accounting provisions and initiated other measures in order to cover judicial and non-judicial disputes, such as those resulting from municipal lawsuits and investigations regarding potential manipulations in the trading activities of several banks. For further information, refer to the corresponding section of the 2013 annual report.

Tax risks

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

Summary of risk situation

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

Especially for this purpose, wind-up institutions pursuant to section 8a FMStFG are exempted from capital requirements, the obligation to prepare consolidated financial statements and other statutory provisions that apply to commercial banks. The EAA is thus primarily geared toward assuming credit and market price risks.

In its risk management activities, the EAA strives to reduce the risk resulting from the wind-up of the portfolio. To that end, the wind-up success and any deviations from the wind-up plan are continually monitored and compared against the plan. Please refer to section “Wind-up report” for more detailed information.

The liquidity risk is reduced to the same extent to which the EAA raises funding on the capital markets that is largely congruous in terms of maturities and currencies. Due to its good rating, the EAA enjoys a stable funding situation.

Market price risks are largely limited.

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

The structured securities Phoenix and EUSS continue to constitute the largest individual risks. The US economy and the development of the US real estate market play a prominent role in the EAA’s risk situation. The EAA has provided sufficiently for all known risks. Its equity is available as aggregate risk cover for risks that are not yet currently foreseeable.

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

The requirements for risk-bearing capacity pursuant to section AT 4.1 MaRisk are not relevant for the EAA. Instead, the EAA performs a quarterly analysis of the development of its equity to the end of the planning period using the wind-up plan as well as up-to-date variables and market parameters. This involves, in particular, the effects of changed framework conditions on equity in 2027. The analyses conducted as at June 30, 2014 have not given rise to any need for adjustments to the wind-up plan during the year. A new wind-up plan will be prepared, as regularly scheduled, as at December 31, 2014.

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

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

Opportunities report

The euro sovereign debt crisis entered a new phase in the summer of 2012 with the successful announcement of the OMT initiative of the ECB. Mario Draghi's promise to do whatever it takes to save the euro guaranteed the continued existence of the eurozone with its current members. Since this promise was made, crises have largely been confined to the place of origin and have not radiated out to other governments and markets.

The diverging rates of growth in the eurozone, which have prevailed for several months, continue to exist. Growth rates remain robust at the core of the eurozone (especially in Germany). But at the periphery and in the semi-core, the economies are mostly stagnating – especially in countries such as France or Italy, which so far have not taken sufficient steps to improve their international competitiveness. This growth rate, which the ECB considers to be too low, and the subdued rate of inflation in the eurozone make further support measures necessary. For this reason, it supplemented the OMT program with the new dedicated TLTRO initiative.

The solvency of eurozone countries is at the core of the European sovereign debt crisis. Because banks had exposed themselves heavily to government bonds from the euro periphery prior to the outbreak of the debt crisis, the deterioration in the credit quality of these peripheral economies affected the creditworthiness of the eurozone’s banking sector in general. At the same time, the implied guarantee of eurozone governments as the buyers of last resort became increasingly worthless in the view of the financial markets. Only the most affluent countries in the core of the eurozone could afford to provide public support for their banks. As a result, the crisis rapidly spread from governments to banks, simultaneously causing an even further deterioration in the creditworthiness of the governments. The high and growing indebtedness of peripheral economies made it impossible to recapitalize and stabilize stricken or faltering banks.

Consequently, the credit quality of the banks deteriorated, too. A country risk premium (risk surcharge compared to German government bonds) like the one seen in the markets for government bonds became increasingly prevalent in the pricing of bank bonds, corporate bonds, Pfandbriefe (German covered bonds) and loans. This led to further adverse effects and created a need for additional write-downs. The process of including various country risk premiums rescinded the integration of eurozone financial markets.

This phenomenon, known as the fragmentation of the eurozone financial market, has only been on the decline since the presentation of the European Central Bank's new program to acquire government bonds issued by peripheral countries. TLTROs – instruments the ECB plans to utilize in order to provide EUR 400 billion to eurozone banks in the second half of 2014 – are to be used, according to the ECB, for lending to the eurozone's real economy. But it will require evidence of this usage only in 2016. Banks will therefore be able to initially invest the liquidity they receive from the ECB in euro-denominated government bonds with attractive risk premiums over German Bunds. This is likely to normalize the valuation not only of euro government bonds of peripheral countries, but also of other risky financial products of the eurozone. This process is not limited to just the aforementioned listed financial products; it also applies to other parts of the eurozone credit market (such as promissory note loans, traditional loans and project financing). The EAA's portfolios benefit from this normalization as the further "pricing out" of additional country risk premiums means that prices will recover considerably.

If European banks continue to repair their balance sheets – motivated by the ECB's asset quality review and the subsequent stress test – there will be further progress in the eurozone. As the balance sheets of the banks in the euro periphery recover, these banks will again be able to perform their primary function as intermediaries for capital, thus enabling them to provide new credit to the real economy. This would result in a further boost to growth in the euro periphery, as access to new loans has been difficult for businesses in Spain, Portugal or Italy in the recent past.

Going forward, this process will probably continue in 2014 and 2015, too. The ECB's OMT program has created new confidence in the euro periphery. At the same time, the euro crisis was a key catalyst for the region. Many structural problems in the peripheral states (such as rigid labor and product markets, a retirement age that is too low, incorrect export mix) have been resolved, thereby increasing the competitiveness of these countries. This process is expected to continue in the coming months. The consequence of the improved growth prospects of the developed economies – above all the US and Great Britain, but also those in the eurozone – is that investors are withdrawing more capital from the emerging markets. These outflows of capital are tarnishing the growth prospects of these nations to the extent that they could lose their momentum as drivers of global growth. Such a slowdown would have an especially negative effect on the EAA's project finance portfolio.

Forecast report

The wind-up plan for 2014 calls for a reduction of the notional volume in the banking book of around 18% to about EUR 58 billion through both active measures and contractual maturities.

For 2014 the wind-up plan provides for a reduction in the notional volume of the trading portfolio totaling around 22% to about EUR 501 billion. The EAA will continue to analyze the extent to which a faster wind-up of the transferred trading portfolio can be conducted in an effective and cost-efficient manner.

In the 2014 fiscal year net interest income and net fee and commission income will probably decrease as the volume of the portfolio declines. A forecast for the trading result and for the result of risk provisions is difficult due to the imponderables with respect to developments on the global financial and other markets. The EAA will continue to adhere to its value-preserving wind-up strategies.

Additionally, the EAA's wind-up planning does not include any provision for making use of the existing liability guarantees.

As in previous years, the EAA's wind-up activities in 2014 and beyond will focus on premature portfolio-reduction measures and active participation management.

For 2014 the EAA has again defined a sale portfolio as its objective. In light of this, a number of exposures in the credit and securities portfolio have been identified that hold potential for sales, terminations or early redemptions. This course of action serves the overriding goal of minimizing losses while taking into account expected risk developments.

Independent of the sale portfolio for 2014, the EAA pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess premature and profitable wind-up potentials for all positions of the portfolio.

The state of the economy has demonstrated that an attempt to overcome a debt crisis through austerity measures will take a very long time. Empirical studies of sovereign debt crises have shown that on average, such crises tend to last a good 25 years. Nevertheless, the ambitious objectives that the EAA has established for the long term are supported by current economic trends. Despite the challenging environment in individual countries, global economic activity has been satisfactory recently. That is reason enough to have a positive outlook for the future over the medium term. The economic recovery continues in industrial countries – although the pace has been somewhat slower recently. This is evident in the further improvement in the fundamentals of the eurozone, where GDP is forecast to grow further in 2014.

Subsequent events

The EPA, a subsidiary of the EAA, assumed 68 employees of the Portigon Group after the reporting date. These portfolio experts come from Portigon's Loan & Portfolio Management department – the former Portfolio Exit Group of WestLB. They have been providing service to the EAA since 2010. The EPA is headquartered in Düsseldorf. It is also active in London and – via a subsidiary – in New York. The EAA's wind-up planning will not change as a result of the assumption of these portfolio experts. To the extent the expenses incurred by the EAA for its subsidiary will increase, the expenses incurred for the services of the Portigon Group will decrease.

The agreement reached with Portigon to assume these employees makes it possible to reorganize and optimize the roles and responsibilities between PAG, PFS and the EAA. The objective remains a long-term, stable partnership between the Portigon Group and the EAA. This is done in the enlightened self-interest of the EAA in order to guarantee the availability of all the services needed for the EAA portfolio.

In July 2014 the EAA concluded the consolidation of its Japanese activities. This took place after the necessary preconditions were created to transfer the assets of PAG (Tokyo branch), which are guaranteed by the EAA, to EAA KK. This transfer of assets also involved organizational adjustments in EAA KK. As part of this process, EAA KK, the EAA and PAG concluded a compensation agreement which ensures that the transaction will have a neutral impact on the EAA's wind-up plan. The finalization of the transfer in July 2014 created not only the requirements necessary to close the PAG's Tokyo branch; it also helps to ensure the operational stability of the EAA and forms the foundation for optimizing processes and exploiting synergies in Japan. A letter of comfort was provided to EAA KK on July 1, 2014.

Otherwise, there are no reportable events affecting any risk exposures held or guaranteed by the EAA.

Balance sheet

Assets

		Note	EUR	EUR	6/30/2014 EUR	12/31/2013 EUR
1.	Cash reserve					
a)	Balances with central banks			125		(230)
	of which:					
	with Deutsche Bundesbank EUR 125 (py: EUR 230)					
					125	230
2.	Loans and advances to banks	3, 27				
a)	Payable on demand			7,952,408,634		(6,671,729,501)
b)	Other loans and advances			6,430,999,969		(8,213,339,021)
					14,383,408,603	14,885,068,522
3.	Loans and advances to customers	4, 5, 14, 27			14,278,190,023	15,711,872,873
	of which:					
	secured by mortgage charges EUR 337,608,783 (py: EUR 324,108,660)					
	Public-sector loans EUR 903,379,107 (py: EUR 945,382,323)					
4.	Bonds and other fixed-income securities	6, 15, 27				
a)	Bonds issued by					
aa)	Public issuers		2,181,480,512			(1,919,896,885)
	of which:					
	eligible as collateral with Deutsche Bundesbank EUR 2,047,822,782 (py: EUR 1,785,526,385)					
ab)	Other issuers		14,978,872,853			(16,493,114,113)
	of which:					
	eligible as collateral with Deutsche Bundesbank EUR 1,333,024,796 (py: EUR 2,015,135,877)					
				17,160,353,365		(18,413,010,998)
b)	Own bonds Notional value EUR 241,735,000 (py: EUR 442,411,000)			248,214,963		(443,756,946)
					17,408,568,328	18,856,767,944
5.	Equities and other non-fixed-income securities	7, 14			35,361,798	35,713,403
5a.	Trading portfolio	8			28,854,654,117	26,897,754,743
6.	Long-term equity investments	9			110,052,950	105,112,448
	of which:					
	in banks EUR 12,421,102 (py: EUR 12,421,102)					
	in financial service providers EUR 0 (py: EUR 0)					
7.	Shares in affiliates	10			1,538,719,500	1,790,922,575
	of which:					
	in banks EUR 1,473,333,500 (py: EUR 1,722,941,373)					
	in financial service providers EUR 10,764,039 (py: EUR 10,719,705)					
8.	Trust assets	11			270,070	915,070
	of which:					
	trust loans EUR 270,070 (py: EUR 915,070)					
9.	Intangible assets					
a)	Paid concessions, trademarks and similar rights and values such as licenses in such rights			51,244		(50,036)
					51,244	50,036
10.	Tangible fixed assets				197.661	186.674
11.	Other assets	12			200,594,341	559,917,010
12.	Prepaid expenses/accrued income	13			60,784,214	66,866,534
Total assets					76,870,852,974	78,911,148,062

Liabilities and Equity

		Note	EUR	EUR	6/30/2014 EUR	12/31/2013 EUR
1.	Deposits from banks	13, 16				
a)	Payable on demand			2,241,190,782		2,144,560,920
b)	With an agreed maturity or withdrawal notice			3,088,354,876		3,839,763,162
					5,329,545,658	5,984,324,082
2.	Deposits from customers	13, 17				
	other deposits					
a)	Payable on demand			126,603,521		122,221,081
b)	With an agreed maturity or withdrawal notice			6,522,900,616		6,609,753,908
					6,649,504,137	6,731,974,989
3.	Debt securities in issue	13, 18				
a)	Bonds			1,332,863,763		2,786,995,201
b)	Other debt securities in issue			33,676,361,709		35,336,527,749
	of which:					
	Money market instruments EUR 6,906,081,633 (py: EUR 6,733,598,662)					
					35,009,225,472	38,123,522,950
3a.	Trading portfolio	19			28,823,651,777	27,119,574,619
4.	Trust liabilities	20			270,070	915.070
	of which:					
	trust loans EUR 270,070 (py: EUR 915,070)					
5.	Other liabilities	21			9,610,813	9,687,797
6.	Accruals/deferred income	22			32,555,262	34,552,072
7.	Provisions	23				
a)	Tax provisions			2,428,273		2,338,097
b)	Other provisions			418,925,025		339,033,316
					421,353,298	341,371,413
8.	Fund for general bank risks				9,323,140	9,323,140
	of which special item pursuant to section 340e (4) HGBEUR 9,323,140 (py: EUR 9,323,140)					
9.	Equity	24				
a)	Called capital					
	Subscribed capital		500,000			500,000
	less uncalled outstanding capital		0			0
				500,000		500,000
b)	Capital reserves			3,013,237,214		3,013,237,214
c)	Revenue reserves					
	Other revenue reserves		2,431,408			2,431,408
				2,431,408		2,431,408
d)	Net retained losses			-2,430,355,275		-2,460,266,692
					585,813,347	555,901,930
Total liabilities and equity					76,870,852,974	78,911,148,062
1.	Contingent liabilities	29				
	Liabilities on guarantees and warranties			10,695,050,718		(11,595,387,164)
					10,695,050,718	11,595,387,164
2.	Other obligations	29				
	Irrevocable loan commitments			4,870,064,285		(4,633,129,161)
					4,870,064,285	4,633,129,161

Income statement

		Note	EUR	EUR	1/1 - 6/30/2014 EUR	1/1 - 6/30/2013 EUR
1.	Interest income from	25				
a)	Lending and money market transactions		288,878,774			(498,560,913)
b)	Fixed-income securities and debt register claims		113,666,244			(147,805,221)
				402,545,018		(646,366,134)
2.	Interest expense			341,037,979		(492,226,141)
					61,507,039	154,139,993
3.	Current income from	25				
a)	Equities and other non-fixed-income securities			92		(1,309,101)
b)	Long-term equity investments			1,378,686		(909,003)
c)	Shares in affiliates			189,371		(118,387)
					1,568,149	2,336,491
4.	Fee and commission income	25		44,479,731		(61,406,953)
5.	Fee and commission expense			17,211,446		(14,567,403)
					27,268,285	46,839,550
6.	Net trading result				-2,703,967	36,194,290
7.	Other operating income	25, 26			886,585	563,498
8.	General and administrative expenses					
a)	Personnel expenses					
aa)	Wages and salaries		9,820,578			(8,099,435)
ab)	Compulsory social security contributions and expenses for pensions and other employee benefits		1,044,668			(715,488)
	of which					
	for pensions EUR 289,888 (py: EUR 0)					
				10,865,246		(8,814,923)
b)	Other administrative expenses			156,667,523		(187,697,463)
					167,532,769	196,512,386
9.	Depreciation and write-offs of claims and certain securities as well as additions to provisions in the lending business				25,001	33,547
10.	Other operating expenses	26			1,581,514	2,917,133
11.	Depreciation and write-offs of claims and certain securities as well as additions to provisions in the lending business	23, 27			62,096,530	170,772,509
12.	Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	27			173,182,487	155,756,987
13.	Result from ordinary activities				30,472,764	25,595,234
14.	Taxes on income and earnings	28			561,299	494,502
15.	Other taxes not reported under item 10				48	12,709
16.	Net profit of the year				29,911,417	25,088,023
17.	Net retained losses brought forward				-2,460,266,692	-2,519,309,076
18.	Net retained losses				-2,430,355,275	-2,494,221,053

Cash flow statement

			1/1 - 6/30/2014 EUR	1/1 - 6/30/2013 EUR
1.		Result for the period before extraordinary items	29,911,417	25,088,023
		Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities		
2.	+/–	Allowances for losses on loans and advances and write-offs on certain securities, depreciation, amortization on tangible fixed assets and long term financial assets as well as the reversal thereof	-179,372,204	67,851,073
3.	+/–	Increase/decrease in provisions	79,981,886	-52,506,951
4.	+/–	Other non-cash income/expense	-22,094,183	-112,991,092
5.	–/+	Gain/loss on disposal of long-term financial assets and tangible fixed assets	-6,342,330	-18,864,024
6.	–/+	Other adjustments (net)	-62,513,889	-155,981,982
7.	=	Subtotal	-160,429,303	-247,404,953
		Change in operating assets and liabilities		
8.		Loans and advances (no trading portfolio)		
8a.	+/–	– to banks	511,103,423	4,307,567,427
8b.	+/–	– to customers	1,443,828,814	2,826,289,823
9.	+/–	Securities (no trading portfolio)	1,455,132,369	3,564,444,936
10.	+/–	Trading assets	404,961,796	1,446,661,255
11.	+/–	Other operating assets	365,886,676	233,915,700
12.		Deposits (no trading portfolio)		
12a.	+/–	– from banks	-784,938,768	-1,251,863,264
12b.	+/–	– from customers	-94,126,425	-653,601,952
13.	+/–	Debt securities in issue	-3,016,911,132	-10,621,590,222
14.	+/–	Trading liabilities	-635,689,828	-1,513,015,849
15.	+/–	Other operating liabilities	2,220,749	-416,324,579
16.	+	Interest and dividends received	402,162,693	675,422,319
17.	–	Interest paid	-439,573,685	-636,314,827
18.	+	Extraordinary receipts	0	0
19.	–	Extraordinary payments	0	0
20.	+/–	Income tax payments	-1,761,721	-2,979,110
21.	=	Cash flows from operating activities	**-548,134,342**	**-2,288,793,296**
22.		Proceeds from disposal of	0	0
22a.	+	– long-term financial assets	454,208,646	12,563,473
22b.	+	– tangible fixed assets	0	0
23.		Purchase of	0	0
23a.	–	– long-term financial assets	-37,515,042	-42,653,030
23b.	–	– tangible fixed assets	-37,197	-54,881
24.	+	Receipts from disposal of consolidated subsidiaries and other business units	0	0
25.	–	Purchase of consolidated subsidiaries and other business units	0	0
26.	+/–	Changes in cash due to other investing activities (net)	0	0
27.	=	Cash flows from investing activities	**416,656,407**	**-30,144,438**
28.	+	Cash receipts from issue of capital	0	0
29.		Cash payments to owners and minority shareholders	0	0
29a.	–	– dividend payments	0	0
29b.	–	– other payments	0	0
30.	+/–	Changes in other capital (net)	0	-13,100,000
31.	=	Cash flows from financing activities	**0**	**-13,100,000**
32.		Net change in cash funds (sum of 21, 27, 31)	-131,477,935	-2,332,037,734
33.	+/–	Effect on cash funds of exchange rate movements, changes in reporting entity structure and remeasurement	0	0
34.	+	Cash funds at beginning of period	163,239,343	2,367,478,189
35.	=	Cash funds at end of period	**31,761,408**	**35,440,455**

The cash and cash equivalents contain the current accounts maintained at Portigon and Deutsche Bundesbank (demand deposits). Further cash funds in the sense of DRS 2.16 et seq. do not exist at the present time.

Statement of changes in equity

	Balance as of 1/1/2014 EUR	Transfer related changes EUR	Other change in capital EUR	Appropriation of the result EUR	Balance as of 6/30/2014 EUR
Called capital	500,000	0	0	0	500,000
Capital reserves	3,013,237,214	0	0	0	3,013,237,214
Other revenue reserves	2,431,408	0	0	0	2,431,408
Net retained losses	-2,460,266,692	0	0	29,911,417	-2,430,355,275
Equity under HGB	**555,901,930**	**0**	**0**	**29,911,417**	**585,813,347**

	Balance as of 1/1/2013 EUR	Transfer related changes EUR	Other change in capital EUR	Appropriation of the result EUR	Balance as of 6/30/2013 EUR
Called capital	500,000	0	0	0	500,000
Capital reserves	3,026,337,214	-13,100,000	0	0	3,013,237,214
Other revenue reserves	2,431,408	0	0	0	2,431,408
Net retained losses	-2,519,309,076	0	0	25,088,023	-2,494,221,053
Equity under HGB	**509,959,546**	**-13,100,000**	**0**	**25,088,023**	**521,947,569**

Condensed notes

For the period from January 1 to June 30, 2014

General disclosures

1. Preparation of the interim financial statements

In accordance with section 8a (1) sentence 10 in conjunction with section 3a (4) of the FMStFG and the additional guidance of the EAA's charter, these interim financial statements have been prepared under the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) for large public companies and the German Ordinance on Accounting for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV). The condensed financial statements comply in particular with the requirements of DRS No. 16 (Interim Reporting).

The information contained in this interim report should be read in conjunction with that contained in the published and audited financial statements for the fiscal year from January 1 to December 31, 2013. All facts were considered up to the time these interim financial statements were prepared.

The interim financial statements were reviewed by the EAA's independent auditor.

2. Accounting and measurement principles

The same accounting and measurement principles were applied to the interim financial statements as to the financial statements for the financial year from January 1 to December 31, 2013. Changes are explained in the notes.

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

Notes on the balance sheet

3. Loans and advances to banks

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**14,383.4**	**14,885.1**
of which:		
– to affiliates	5,096.7	4,388.1
– to long-term equity investments	-	-
payable on demand	7,952.4	6,671.7
due		
– within 3 months	3,548.3	6,736.8
– 3 months to 1 year	1,609.5	377.1
– 1 to 5 years	1,024.2	820.9
– after 5 years	249.0	278.6

4. Loans and advances to customers

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**14,278.2**	**15,711.9**
of which:		
– to affiliates	1,426.4	734.6
– to long-term equity investments	289.9	308.5
due		
– within 3 months	3,218.8	2,494.6
– 3 months to 1 year	1,433.0	2,187.2
– 1 to 5 years	5,314.8	6,263.2
– after 5 years	4,311.6	4,766.9

5. Loans and advances secured by mortgages

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**337.6**	**324.1**
Loans and advances to customers due		
– within 3 months	10.2	5.3
– 3 months to 1 year	33.7	36.7
– 1 to 5 years	75.6	57.4
– after 5 years	218.1	224.7

6. Bonds and other fixed-income securities

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**17,408.6**	**18,856.8**
of which:		
Amounts due in the following year	961.5	1,404.6
Breakdown		
– Bonds issued by public issuers	2,181.5	1,919.9
– Bonds issued by other issuers	14,978.9	16,493.1
– Own bonds	248.2	443.8
Breakdown by marketability		
– Marketable securities	17,408.6	18,856.8
of which		
– listed	4,272.8	4,836.5
– unlisted	13,135.8	14,020.3
Breakdown by type		
– Liquidity reserve	248.2	443.8
– Investment securities	17,160.4	18,413.0
Breakdown by affiliation		
– Securities of affiliates	327.7	477.1
– Securities of long-term equity investments	-	-

7. Equities and other non-fixed income securities

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**35.4**	**35.7**
Breakdown by marketability		
– Marketable securities	25.4	25.7
of which:		
– listed	5.8	6.1
– unlisted	19.6	19.6
Breakdown by type		
– Liquidity reserve	5.4	5.4
– Investment securities	30.0	30.3

8. Trading portfolio

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**28,854.7**	**26,897.8**
of which:		
– Derivative financial instruments	28,812.8	26,844.0
– Equities and other non-fixed-income securities	43.1	52.9
– Loans and advances	2.1	2.2
– Bonds and other fixed-income securities	0.1	4.6
– Risk allowance pursuant to section 340e (3) sentence 1 HGB	-3.4	-5.9

9. Long-term equity investments

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	110.1	105.1
of which:		
– in banks	12.4	12.4
– in financial service providers	-	-
Breakdown by marketability		
– Marketable securities	53.4	51.6
of which:		
– listed	31.0	29.2
– unlisted	22.4	22.4

The change in listed and marketable securities compared with the ending balance on December 31, 2013 is attributable to a company that has been listed on the stock exchange since December 6, 2013.

10. Shares in affiliates

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**1,538.7**	**1,790.9**
of which:		
– in banks	1,473.3	1,722.9
– in financial service providers	10.8	10.7
Breakdown by marketability		
– Marketable securities	1,184.4	1,184.6
of which:		
– unlisted	1,184.4	1,184.6

11. Trust assets

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**0.3**	**0.9**
of which:		
– Loans and advances to customers	0.3	0.9

12. Other assets

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**200.6**	**559.9**
of which:		
– Currency translation adjustments	133.2	432.5
– Guarantee fees and commissions	36.1	21.8
– Tax refund claims	12.3	11.3
– Receivables from profit and loss pooling agreements	11.4	61.6
– Premiums for options	2.1	2.1

The guarantee fees included in other assets consist of receivables from Portigon totaling EUR 17.4 million. In the prior year these transactions were reported under Loans and advances to banks.

13. Prepaid expenses/accrued income

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**60.8**	**66.9**
of which:		
– Non-recurring payments on swaps	36.5	42.5
– Discount on issuing business	19.2	19.6
– Discount on liabilities	3.5	3.8
– Other	1.6	1.0

14. Subordinated assets

Subordinated assets are included in:

	6/30/2014 EUR million	12/31/2013 EUR million
Loans and advances to customers	**572.9**	**392.1**
of which:		
– to affiliates	179.3	-
– to long-term equity investments	1.9	1.9
Equities and other non-fixed-income securities	**29.6**	**29.6**
of which:		
– to affiliates	-	-
– to long-term equity investments	-	-
Total	**602.5**	**421.7**

15. Assets sold under repurchase agreements

The carrying amount of the assets sold under repurchase agreements is EUR 0.0 million (previous year: EUR 0.2 million).

16. Deposits from banks

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**5,329.5**	**5,984.3**
of which:		
– Deposits from affiliates	313.5	185.5
– Deposits from long-term equity investments	-	-
Payable on demand	2,241.2	2,144.6
due		
– within 3 months	706.6	641.1
– 3 months to 1 year	451.6	965.6
– 1 to 5 years	1,688.4	1,987.4
– after 5 years	241.7	245.6

17. Deposits from customers

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**6,649.5**	**6,732.0**
of which:		
– Deposits from affiliates	-	-
– Deposits from long-term equity investments	-	-
Other deposits	6,649.5	6,732.0
of which:		
– payable on demand	126.6	122.2
due		
– within 3 months	2,002.0	1,340.6
– 3 months to 1 year	397.8	675.7
– 1 to 5 years	1,582.9	1,911.0
– after 5 years	2,540.2	2,682.5

18. Debt securities in issue

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**35,009.2**	**38,123.5**
of which:		
– from affiliates	-	-
– from long-term equity investments	-	-
Bonds	1,332.9	2,787.0
of which:		
Amounts due in the following year	1,099.8	1,806.9
Other debt securities in issue	33,676.3	35,336.5
of which due:		
– within 3 months	7,087.0	9,650.0
– 3 months to 1 year	7,862.0	4,037.5
– 1 to 5 years	18,572.8	21,494.5
– after 5 years	154.5	154.5

19. Trading portfolio

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**28,823.7**	**27,119.6**
of which:		
– Derivative financial instruments	28,823.6	27,119.4
– Liabilities	0.1	0.2

20. Trust liabilities

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**0.3**	**0.9**
of which:		
– Deposits from banks	0.3	0.2
– Deposits from customers	-	0.7

21. Other liabilities

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**9.6**	**9.7**
of which:		
– Deposits from the assumption of losses	4.3	4.3
– Payable syndication fees	2.3	2.3
– Premiums from options	2.1	2.1
– Obligations from swap transactions	0.1	0.1

22. Accruals/deferred income

	6/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**32.6**	**34.6**
of which:		
– Non-recurring payments on swaps	21.5	23.5
– Premium on issuing business	6.0	8.9
– Guarantee fees and commissions received in advance	3.0	-
– Premiums for sold interest rate caps and floors	1.2	1.3
– Other	0.9	0.9

23. Provisions

	Balance as of 12/31/2013 EUR million	Additions EUR million	Unwinding of discount EUR million	Charge-offs EUR million	Reversals EUR million	Other changes EUR million	Final balance 6/30/2014 EUR million
Taxes	**2.4**	**-**	**-**	**-**	**-**	**-**	**2.4**
Other provisions	**339.0**	**162.1**	**0.6**	**77.9**	**11.8**	**6.9**	**418.9**
– Loans	198.5	103.7	-	14.7	8.8	-1.7	277.0
– Long-term equity investments	19.9	0.1	0.3	0.6	-	0.1	19.8
– Legal actions	16.0	0.7	0.1	0.1	0.4	0.1	16.4
– Personnel	0.3	-	-	-	-	-	0.3
– Other	104.3	57.6	0.2	62.5	2.6	8.4	105.4
Total	**341.4**	**162.1**	**0.6**	**77.9**	**11.8**	**6.9**	**421.3**

24. Equity

The EAA's subscribed capital amounts to EUR 500,000.00 as at June 30, 2014.

From the transfers in the scope of the first fill, the EAA received additions to the capital reserve in the amount of EUR 3,137.0 million. Due to the refill in fiscal year 2012 the capital reserve was reduced by EUR 123.8 million, of which EUR 13.1 million in 2013 were due to a contractual value adjustment clause. This reduction is essentially caused by the measures agreed in the content of the key point agreement dated June 29, 2011 and the binding transcript dated June 18, 2012.

Other reserves amounted to EUR 2.4 million and result from the reversal of provisions for which the book values were reduced as a result of the change in the measurement of obligations under the BilMoG.

The EAA's net profit for the first half of 2014 amounts to EUR 29.9 million and decreases net retained losses carried forward to EUR 2,430.4 million as at June 30, 2014.

Notes on the income statement

25. Geographical breakdown of income components

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

	Interest income	Current income	Fees and commission income	Other operating income
	1/1 - 6/30/2014	1/1 - 6/30/2014	1/1 - 6/30/2014	1/1 - 6/30/2014
	EUR million	EUR million	EUR million	EUR million
Germany	285.6	1.3	41.1	0.9
Great Britain	63.9	0.1	2.2	-
Rest of Europe	2.6	-	0.5	-
Far East and Australia	10.9	-	0.3	-
North America	39.5	0.2	0.4	-
Income statement amount	**402.5**	**1.6**	**44.5**	**0.9**

The geographic attribution of the income is based the operating branch office structure of Portigon, in which the transactions were concluded prior to the transfer to the EAA.

26. Other operating and prior-period expenses and income

Net other operating expenses and income in the first half of 2014 amount to EUR -0.7 million (previous year: EUR -2.3 million) and consist of EUR 1.6 million (previous year: EUR 2.9 million) in expenses and EUR 0.9 million (previous year: EUR 0.6 million) in income.

There were no material prior-period expenses and income in either the first half of 2014 or in the previous year.

27. Risk provision

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

	1/1 - 6/30/2014	1/1 - 6/30/2013
	EUR million	EUR million
Risk provision and financial investment result (regarding RechKredV)	**111.1**	**-15.0**
Loans and securities income/expense	**-62.1**	**-170.8**
of which: - Lending operations	-62.3	-174.2
- Securities	0.2	3.4
Equity investments and securities income/expenses	**173.2**	**155.8**
of which: - Long-term equity investments	169.9	-2.1
- Securities	3.3	157.9
Risk provision and financial investment result (regarding risk report)	**111.1**	**-15.0**
Result of risk provisions - loans and advances/securities due to credit risk	**-64.8**	**-5.3**
of which: - Lending operations	-72.3	-56.1
- Structured securities	7.5	50.8
Net income from investment securities and long-term equity investments	**175.9**	**-9.7**

The EAA always makes use of the options available under section 340f (3) and section 340c (2) of the HGB. Under section 340f (3) of the HGB, income and expenses resulting from the valuation in the lending business may be reported on a net basis with risk provisions for securities and income from the reversal of risk provisions on securities of the liquidity reserve. The net expense totals EUR 62.1 million (previous year: net expense of EUR 170.8 million). According to section 340c (2) of the HGB, the expenses for long-term equity investments, shares in affiliates as well as for securities of the fixed assets may be offset against the corresponding earnings. Overall, the EAA shows an income of EUR 173.2 million (previous year: income of EUR 155.8 million) as the risk result for equity investments and securities.

28. Taxes on income and earnings and other taxes

Taxes on income and earnings amounting to EUR 0.6 million (previous year: EUR 0.5 million) primarily relate to foreign taxes.

Other disclosures

29. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 10.7 billion (previous year: EUR 11.6 billion) primarily resulted from guarantees for Portigon's risk exposures. They include obligations from credit default swaps amounting to EUR 767.9 million (previous year: EUR 739.7 million). Regarding these contingent liabilities, the EAA has no detailed knowledge whether, when, or the extent to which these specific contingent liabilities will be realized. A provision will be made as soon there are sufficient concrete indications of probable losses being realized on the contingent liabilities.

Other liabilities

The reported volume of EUR 4.9 billion (previous year: EUR 4.6 billion) is due to the lending business. The EAA constantly reviews whether losses from other liabilities are impending and if a provision needs to be made for impending losses from pending transactions.

30. Forward contracts/derivative financial instruments

As part of its business activities, the EAA enters into forward contracts and derivative financial instruments of the following types:

- **Interest rate-related products**
  Interest rate swaps, interest rate futures, forward rate agreements, interest rate caps, interest rate floors, interest rate collars, swaptions and interest rate options
- **Currency-related products**
  Cross-currency interest rate swaps, forward cross-currency interest rate swaps, forward exchange contracts and currency option contracts
- **Equity- and other price-related products**
  Share options, index options, share and index warrants in issue
- **Credit derivatives**
  Credit default swaps, total return swaps and credit linked notes

The total volume of forward transactions and derivatives transactions on the reporting date amounts, based on notional values, to EUR 588.7 billion (previous year: EUR 683.9 billion). Most of the balance continues to be in interest rate-related products, whose share declined to 82.2% (previous year: 82.7%) of the total volume.

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

The previous-year values for the notional volume and market values of exchange-traded interest and equity-related products were restated because more transactions were attributable to these categories than originally reported. These adjustments had no impact on the balance sheet or income statement.

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	6/30/2014 EUR million	12/31/2013 EUR million	6/30/2014 EUR million	12/31/2013 EUR million	6/30/2014 EUR million	12/31/2013 EUR million
Interest rate-related products	**484,120.0**	**565,336.4**	**27,942.9**	**25,098.8**	**27,365.1**	**24,504.8**
OTC products	480,830.5	560,153.2	27,942.9	25,098.7	27,365.1	24,504.7
Exchange-traded products	3,289.5	5,183.2	-	0.1	-	0.1
Currency-related products	**92,869.9**	**105,662.5**	**1,723.9**	**2,290.4**	**1,520.4**	**1,780.4**
OTC products	92,869.9	105,662.5	1,723.9	2,290.4	1,520.4	1,780.4
Equity- and other price-related products	**9,890.7**	**10,578.3**	**451.3**	**504.6**	**806.1**	**913.4**
OTC products	3,350.2	3,960.2	192.3	201.2	230.8	300.8
Exchange-traded products	6,540.5	6,618.1	259.0	303.4	575.3	612.6
Credit derivatives	**1,847.7**	**2,346.8**	**18.6**	**41.4**	**20.7**	**48.0**
OTC products	1,847.7	2,346.8	18.6	41.4	20.7	48.0
Total derivative financial instruments	**588,728.3**	**683,924.0**	**30,136.7**	**27,935.2**	**29,712.3**	**27,246.6**
OTC products	578,898.3	672,122.7	29,877.7	27,631.7	29,137.0	26,633.9
Exchange-traded products	9,830.0	11,801.3	259.0	303.5	575.3	612.7

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 636.4 billion during the current fiscal year 2014 (previous year: EUR 774.5 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	6/30/2014 EUR million	12/31/2013 EUR million	6/30/2014 EUR million	12/31/2013 EUR million	6/30/2014 EUR million	12/31/2013 EUR million
Interest rate-related products	**524,291.5**	**639,593.3**	**26,454.7**	**29,898.1**	**25,858.7**	**29,240.6**
OTC products	521,278.1	630,067.4	26,454.7	29,897.9	25,858.7	29,240.5
Exchange-traded products	3,013.4	9,525.9	-	0.2	-	0.1
Currency-related products	**99,627.7**	**117,413.8**	**1,965.0**	**3,960.9**	**1,613.6**	**3,604.7**
OTC products	99,627.7	117,413.8	1,965.0	3,960.9	1,613.6	3,604.7
Equity- and other price-related products	**10,397.2**	**14,755.9**	**484.5**	**992.7**	**872.0**	**1,332.9**
OTC products	3,817.9	5,526.2	203.3	373.7	278.1	459.5
Exchange-traded products	6,579.3	9,229.7	281.2	619.0	593.9	873.4
Credit derivatives	**2,123.8**	**2,721.1**	**27.1**	**157.2**	**30.9**	**164.6**
OTC products	2,123.8	2,721.1	27.1	157.2	30.9	164.6
Total derivative financial instruments	**636,440.2**	**774,484.1**	**28,931.3**	**35,008.9**	**28,375.2**	**34,342.8**
OTC products	626,847.5	755,728.5	28,650.1	34,389.7	27,781.3	33,469.3
Exchange-traded products	9,592.7	18,755.6	281.2	619.2	593.9	873.5

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

The received and paid option premiums for derivative financial instruments not included in the trading portfolio are reported in Other assets and Other liabilities.

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity- and other price-related products		Credit derivatives	
	6/30/2014 EUR million	12/31/2013 EUR million	6/30/2014 EUR million	12/31/2013 EUR million	6/30/2014 EUR million	12/31/2013 EUR million	6/30/2014 EUR million	12/31/2013 EUR million
Due								
– within 3 months	39,930.2	62,766.2	11,129.6	10,981.2	994.8	1,104.4	20.0	273.0
– 3 months to 1 year	75,295.2	75,099.8	22,226.6	24,056.2	3,147.5	4,053.0	765.2	382.6
– 1 to 5 years	193,510.6	233,122.1	42,856.3	53,145.1	3,811.5	3,544.2	1,006.8	1,571.5
– after 5 years	175,384.0	194,348.3	16,657.4	17,480.0	1,936.9	1,876.7	55.7	119.7
Total	**484,120.0**	**565,336.4**	**92,869.9**	**105,662.5**	**9,890.7**	**10,578.3**	**1,847.7**	**2,346.8**

31. Number of employees

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

	Female	Male	Total 1/1 - 6/30/2014	Total 1/1 - 6/30/2013
Number of employees	47	83	130	115

32. EAA shareholders

	6/30/2014 in %	12/31/2013 in %
NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
Total	**100.000**	**100,000**

33. Memberships of other bodies held by Managing Board members

In the first half of 2014, the following members of the Managing Board of the EAA were members of a Supervisory Board or other supervisory bodies of large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB. Details of the memberships of other bodies marked with * are provided on a voluntary basis as the companies are not classified as large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB.

Matthias Wargers
Börse Düsseldorf AG (until June 4, 2014) *
EAA Portfolio Advisers GmbH (since June 17, 2014) *
Westdeutsche ImmobilienBank AG

Markus Bolder
EAA Portfolio Advisers GmbH (since June 17, 2014) *
Westdeutsche ImmobilienBank AG

Horst Küpker
Börse Düsseldorf AG *

34. Memberships of other bodies held by employees

In the first half of 2014, the following employees of the EAA were members of a Supervisory Board or other supervisory bodies of public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB. Details of the memberships of other bodies marked * are provided on a voluntary basis as the companies are not classified as large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB.

Dr. Ulf Bachmann
Basinghall Finance Plc (since February 13, 2014)
Westdeutsche ImmobilienBank AG

Gabriele Müller
Basinghall Finance Plc
EAA Corporate Services Public Limited Company *
EAA Covered Bond Bank Plc
EAA Portfolio Advisers GmbH (since June 17, 2014) *

Hartmut Rahner
EAA Corporate Services Public Limited Company *
EAA Covered Bond Bank Plc

35. Executive bodies of the EAA

Members of the Managing Board of the EAA

Matthias Wargers (Spokesman)
Markus Bolder
Horst Küpker

Members of the Supervisory Board of the EAA

Dr. Rüdiger Messal
Chairman | State Secretary in the Finance Ministry of NRW

Joachim Stapf
Vice Chairman | Undersecretary (Leitender Ministerialrat) in the Finance Ministry of NRW

Dr. Karlheinz Bentele
Former President of the Rheinischer Sparkassen-und Giroverband,
Former Member of the Executive Committee (Leitungsausschuss) of the FMSA

Günter Borgel
Member of the Executive Committee (Leitungsausschuss) of the FMSA

Michael Breuer
President of the Rheinischer Sparkassen- und Giroverband

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

Wilfried Groos
Chairman of the Managing Board of the Sparkasse Siegen

Dr. Wolfgang Kirsch (until June 30, 2014)
Director of the Landschaftsverband Westfalen-Lippe

Matthias Löb (since July 1, 2014)
Director of the Landschaftsverband Westfalen-Lippe

Hans Martz
Chairman of the Managing Board of Sparkasse Essen

Michael Stölting
Member of the Managing Board of NRW.BANK

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

Dr. Uwe Zimpelmann
Former Chairman of the Landwirtschaftliche Rentenbank

Stakeholders' Meeting of the EAA

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

36. Information on shareholdings

Supplementary disclosures pursuant to section 285 Nos. 11 and 11a HGB

Disclosing party: Erste Abwicklungsanstalt; Dated: June 30, 2014
Target currency/unit: EUR/EUR thousand (all currency exchange rates have been converted into EUR as of June 30, 2014); Interest and voting rights in %

Other shareholdings

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
1	Basinghall Finance Plc 13)	London, Great Britain	100.00		GBP	23,103	2,821
2	BfP Beteiligungsgesellschaft für Projekte mbH 1) 9)	Düsseldorf	80.00		EUR	25	0
3	Börse Düsseldorf AG 13)	Düsseldorf	21.95		EUR	34,391	1,540
4	Castello di Casole Agricoltura S.r.l. società agricola 1) 9)	Casole d'Elsa, Italy	100.00		EUR	100	-40
5	Castello di Casole S.r.l. 9)	Casole d'Elsa, Italy	100.00		EUR	6,046	-14,731
6	Castello Resort Villas S.r.l. 9)	Casole d'Elsa, Italy	100.00		EUR	978	5
7	CBAL S.A. 2) 11)	Braine l'Alleud, Belgium	100.00		EUR	889	4
8	COREplus Private Equity Partners GmbH & Co. KG 1) 9)	Düsseldorf	36.52	0.00	EUR	27,722	5,001
9	COREplus Private Equity Partners II - Diversified Fund, L. P. 13)	Wilmington, USA	24.75	0.00	USD	35,794	3,042
10	Dussinvest2 Beteiligungsgesellschaft mbH 4) 13)	Düsseldorf	100.00		EUR	232	0
11	Dusskapital Zwanzig Beteiligungsgesellschaft mbH 13)	Düsseldorf	100.00		EUR	28	5
12	EAA Corporate Services Public Limited Company 13)	Dublin 1, Ireland	100.00		EUR	785	745
13	EAA Covered Bond Bank Plc 13) 14)	Dublin 1, Ireland	100.00		EUR	837,785	-3,026
14	EAA DLP I LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
15	EAA DLP II LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
16	EAA DLP III LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
17	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. 9)	Sao Paulo, Brazil	100.00		BRL	2,366	15
18	EAA Europa Holding GmbH 4) 9)	Düsseldorf	100.00		EUR	42,570	0
19	EAA Japan K.K. 12)	Minato-ku, Japan	100.00		JPY	70,210	4,373
20	EAA LAT II LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
21	EAA LS Holdings LLC 1)	Wilmington, USA	100.00			n. s.	n. s.
22	EAA Portfolio Advisers GmbH 13)	Düsseldorf	100.00		EUR	24	-1
23	EAA Portfolio Advisers LLC 1)	New York, USA	100.00			n. s.	n. s.
24	EAA Triskele LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
25	EAA US Holdings Corporation	Wilmington, USA	100.00			n. s.	n. s.
26	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH 1) 13)	Berlin	47.50		EUR	515	-119
27	Erste EAA-Beteiligungs GmbH 13)	Düsseldorf	100.00		EUR	16	-8
28	Fischerinsel Beteiligungs-GmbH i.L. 1) 13)	Mainz	100.00		EUR	13	-3
29	Fischerinsel Vermietungs GmbH & Co.KG i.L. 1) 13)	Mainz	100.00		EUR	5	-2,305
30	Frankonia Eurobau Max-Viertel GmbH 1) 6)	Nettetal	25.00		EUR	-31,484	-2,918
31	GID Gesellschaft für Innenstadtentwicklung in Duisburg mbH 1) 9)	Hamburg	45.00		EUR	-3	0
32	GKA Gesellschaft für kommunale Anlagen mbH 1) 13)	Düsseldorf	100.00		EUR	154	-37
33	GML Gewerbepark Münster-Loddenheide GmbH 1) 13)	Münster	33.33		EUR	11,549	1,698
34	Heber Avenue Partners LLC 13)	Dover, USA	100.00		USD	0	n. s.
35	Home Partners Holdco LLC 13)	Dover, USA	100.00		USD	80	-5
36	IFV ImmobilienFonds Verwaltungsgesellschaft Objekte Halle, Essen und Magdeburg mbH i.L. 13)	Ingelheim am Rhein	40.00		EUR	22	-4
37	International Leasing Solutions Japan KK 13)	Tokyo, Japan	100.00		JPY	142	-35
38	KA Deutschland Beteiligungs GmbH & Co KG 1) 9)	Düsseldorf	100.00		EUR	2,983	-1,898
39	Kassiterit Beteiligungs GmbH 1) 9)	Düsseldorf	100.00		EUR	19	-3
40	KB Zwei Länder Beteiligungs- und Verwaltungs GmbH & Co. KG 1) 9)	Düsseldorf	100.00		EUR	711	-10
41	KB Zwei Länder Beteiligungsgesellschaft mbH 1) 9)	Düsseldorf	100.00		EUR	467	-54
42	Leasing Belgium N.V. 1) 13)	Antwerp, Belgium	100.00		EUR	581	-101
43	LIFE.VALUE Construction GmbH 1) 13)	Düsseldorf	100.00		EUR	-2,658	2
44	LIFE.VALUE GmbH & Co. 11/14 Centre KG 1) 13)	Düsseldorf	100.00		EUR	559	509
45	Life.Value Properties GmbH 1) 13)	Düsseldorf	100.00		EUR	-362	37
46	Methuselah Life Markets Limited 13)	London, Great Britain	100.00		GBP	1,162	-15
47	MFC Black Horse LLC 1)	New York, USA	100.00			n. s.	n. s.
48	MFC CMark LLC 1) 13)	New York, USA	100.00		USD	142	-55
49	MFC Eagle Realty LLC 1)	New York, USA	100.00			n. s.	n. s.
50	MFC Holdco LLC 1) 13)	New York, USA	100.00		USD	7,599	-981

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
51	MFC Jennings Gateway LLC 1)	New York, USA	100.00			n. s.	n. s.
52	MFC Leominster LLC 1)	New York, USA	100.00			n. s.	n. s.
53	MFC MAR-COMM LLC 1)	New York, USA	100.00			n. s.	n. s.
54	MFC New Paradigm LLC 1)	New York, USA	100.00			n. s.	n. s.
55	MFC ParcOne LLC 1)	New York, USA	100.00			n. s.	n. s.
56	MFC Pinecrest LLC 1)	New York, USA	100.00			n. s.	n. s.
57	MFC Real Estate LLC 1) 13)	New York, USA	100.00		USD	7,381	-918
58	MFC Spanish Trails LLC 1)	New York, USA	100.00			n. s.	n. s.
59	MFC Twin Builders LLC 1) 13)	New York, USA	100.00		USD	77	-8
60	Mod CapTrust Holding LLC 1) 13)	Dover, USA	100.00		USD	0	n. s.
61	Monolith Grundstücksverwaltungsgesellschaft mbH 1) 9)	Mainz	100.00		EUR	87	6
62	Nephelin Grundstücksverwaltungsgesellschaft mbH 1) 9)	Mainz	100.00		EUR	-45	-3
63	ParaFin LLC 1) 13)	New York, USA	100.00		USD	0	1,797
64	Pathos Bay LLC 13)	Dover, USA	100.00		USD	4,184	-1,398
65	PE Projekt-Entwicklungsgesellschaft mbH 1) 9)	Düsseldorf	100.00		EUR	27	-2
66	PE Projekt-Entwicklungsgesellschaft mbH & Co. Büro- und Businesscenter Leipzig Park KG 2) 13)	Düsseldorf	94.90	83.33	EUR	6	-348
67	PM Portfolio Management GmbH 1) 13)	Düsseldorf	100.00		EUR	63	1
68	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG in Insolvenz 1) 5)	Bad Homburg	51.00		EUR	-3,572	-117
69	Projekt Carrée am Bahnhof Verwaltungs GmbH in Insolvenz 1) 5)	Bad Homburg	51.00		EUR	-13	0
70	Projektentwicklungsgesellschaft Gartenstadt Wildau Röthegrund II mbH 1) 9)	Wildau	94.00		EUR	-6,261	-7
71	Projektgesellschaft Klosterberg mbH 1) 13)	Münster	94.00		EUR	0	-19
72	S-Chancen-Kapitalfonds NRW GmbH i.L. 9)	Haan	50.00		EUR	4,971	84
73	Sechste EAA-Beteiligungs GmbH	Düsseldorf	100.00			n. s.	n. s.
74	Special PEP II GP Investors, L.L.C. 13)	Wilmington, USA	50.00	0.00	USD	281	-13
75	Standard Chartered (SFD No.2) Limited 7)	London, Great Britain	25.00		USD	0	0
76	Tanzbar CH Holdings LLC 13)	New York, USA	100.00		USD	0	n. s.
77	Tanzbar DB Holdings LLC 13)	New York, USA	100.00		USD	0	n. s.
78	Vierte EAA-Beteiligungs GmbH 13)	Düsseldorf	100.00		EUR	15	-8
79	Vivaldis Gesellschaft für strukturierte Lösungen S.A. 9)	Luxembourg, Luxembourg	100.00		EUR	34	48
80	West Equity Fonds GmbH 4) 13)	Düsseldorf	100.00		EUR	25	0
81	West Life Markets GmbH & Co. KG 4) 13)	Düsseldorf	100.00		EUR	1,312	0
82	West Merchant Limited 13)	London, Great Britain	100.00		GBP	21	-15
83	West Zwanzig GmbH 1) 4) 13)	Mainz	100.00		EUR	25	0
84	Westdeutsche Immobilien Fonds Beteiligungsgesellschaft mbH 1) 9)	Düsseldorf	100.00		EUR	42	0
85	Westdeutsche ImmobilienBank AG 3) 4) 13)	Mainz	100.00		EUR	876,577	0
86	Westdeutsche ImmobilienHolding GmbH 4) 13)	Mainz	94.60		EUR	5.539	0
87	Westfälische Textil-Gesellschaft Klingenthal & Co. mit beschränkter Haftung 10)	Salzkotten	25.26		EUR	10,165	-89
88	WestFonds 5 Büropark Aachen Laurensberg KG 1) 9)	Düsseldorf	49.16	49.11	EUR	3,751	-776
89	WestFonds 5 Palazzo Fiorentino Frankfurt KG 1) 9)	Düsseldorf	45.64	45.62	EUR	4,765	-1,223
90	WestFonds 5 Walle-Center Bremen KG 1) 9)	Düsseldorf	46.03		EUR	14,450	23
91	WestFonds Dachfonds Schiffe GmbH 1) 9)	Düsseldorf	100.00		EUR	26	-5
92	WestFonds Geschäftsführungsgesellschaft 1 mbH 1) 9)	Düsseldorf	100.00		EUR	103	61
93	WestFonds Geschäftsführungsgesellschaft 2 mbH 1) 9)	Düsseldorf	100.00		EUR	21	-4
94	WestFonds Gesellschaft für geschlossene Immobilienfonds mbH 1) 9)	Düsseldorf	100.00		EUR	66	-4
95	WestFonds Holland Grundstücksgesellschaft Voorburg und s'Hertogenbosch mbH 1) 9)	Düsseldorf	100.00		EUR	13	-13
96	WestFonds Immobilien Gesellschaft Objekt Halle/Saale Charlottenstraße mbH 1) 9)	Düsseldorf	100.00		EUR	-4,586	-1,621
97	WestFonds Immobilien Gesellschaft Objekt Magdeburg An der Steinkuhle 2-2e mbH 1) 9)	Düsseldorf	100.00		EUR	33	187
98	WestFonds Immobilien Gesellschaft Objekt Wien Heiligenstädter Lände 29 mbH 1) 9)	Düsseldorf	100.00		EUR	323	-23
99	WestFonds Immobilien-Anlagegesellschaft mbH 4) 9)	Düsseldorf	94.90		EUR	4,302	0
100	WestFonds Immobiliengesellschaft Objekt Essen Schnieringshof 10-14 mbH 1) 9)	Düsseldorf	100.00		EUR	-1,349	-422
101	WestFonds Management GmbH & Co KG 1) 9)	Düsseldorf	94.90		EUR	21	-5
102	WestFonds Premium Select Management GmbH 1) 9)	Düsseldorf	100.00		EUR	29	-4
103	WestFonds Premium Select Verwaltung GmbH 1) 9)	Düsseldorf	100.00		EUR	38	6
104	WestFonds Verwaltung GmbH 1) 9)	Schönefeld	100.00		EUR	51	26
105	WestFonds-PHG Gesellschaft RWI-Fonds 120 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-5
106	WestFonds-PHG Gesellschaft RWI-Fonds 125 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-5

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
107	WestFonds-PHG Gesellschaft RWI-Fonds 140 mbH 1) 9)	Düsseldorf	100.00		EUR	24	-3
108	WestFonds-PHG Gesellschaft RWI-Fonds 43 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-6
109	WestFonds-PHG Gesellschaft RWI-Fonds 47 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-8
110	WestFonds-PHG Gesellschaft WestFonds 1 mbH 1) 9)	Düsseldorf	100.00		EUR	22	-6
111	WestFonds-PHG Gesellschaft WestFonds 2 D mbH 1) 9)	Düsseldorf	100.00		EUR	25	-3
112	WestFonds-PHG Gesellschaft WestFonds 2 H mbH 1) 9)	Düsseldorf	100.00		EUR	25	-3
113	WestFonds-PHG Gesellschaft WestFonds 5 Aachen mbH 1) 9)	Düsseldorf	100.00		EUR	20	-5
114	WestFonds-PHG Gesellschaft WestFonds 5 Bremen mbH 1) 9)	Düsseldorf	100.00		EUR	20	-5
115	WestFonds-PHG Gesellschaft WestFonds 5 Frankfurt mbH 1) 9)	Düsseldorf	100.00		EUR	20	-5
116	WestFonds-PHG Gesellschaft WestFonds 7 mbH 1) 9)	Düsseldorf	100.00		EUR	28	0
117	WestFonds-PHG Gesellschaft WestFonds Wien 2 mbH 1) 9)	Düsseldorf	100.00		EUR	21	-6
118	WestFonds-PHG-Gesellschaft BI-Fonds 12 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-4
119	WestFonds-PHG-Gesellschaft BI-Fonds 14 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-4
120	WestFonds-PHG-Gesellschaft BI-Fonds 18 S mbH 1) 9)	Düsseldorf	100.00		EUR	20	-4
121	WestFonds-PHG-Gesellschaft BI-Fonds 19 S mbH 1) 9)	Düsseldorf	100.00		EUR	20	-4
122	WestFonds-PHG-Gesellschaft BI-Fonds 23 mbH 1) 9)	Düsseldorf	100.00		EUR	19	-5
123	WestFonds-PHG-Gesellschaft BI-Fonds 6 mbH 1) 9)	Düsseldorf	100.00		EUR	21	-5
124	WestFonds-PHG-Gesellschaft KA Deutschland Beteiligungsgesellschaft mbH 1) 9)	Düsseldorf	100.00		EUR	23	-4
125	WestFonds-PHG-Gesellschaft KB Zwei Länder Beteiligungsgesellschaft mbH 1) 9)	Düsseldorf	100.00		EUR	23	-4
126	WestFonds-PHG-Gesellschaft RWI-Fonds 25 mbH 1) 9)	Düsseldorf	100.00		EUR	24	-4
127	WestFonds-PHG-Gesellschaft RWI-Fonds 34 mbH 1) 9)	Düsseldorf	100.00		EUR	22	-4
128	WestFonds-PHG-Gesellschaft RWI-Fonds 40 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-6
129	WestFonds-PHG-Gesellschaft WestFonds 3 Berlin mbH 1) 9)	Düsseldorf	100.00		EUR	26	-3
130	WestFonds-PHG-Gesellschaft WestFonds 3 Düsseldorf mbH 1) 9)	Düsseldorf	100.00		EUR	25	-3
131	WestFonds-PHG-Gesellschaft WestFonds 4 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-5
132	WestFonds-PHG-Gesellschaft WestFonds 6 mbH 1) 9)	Düsseldorf	100.00		EUR	26	-2
133	WestGKA Management Gesellschaft für kommunale Anlagen mbH 2) 4) 13)	Düsseldorf	100.00		EUR	1,128	0
134	WestLB Asset Management (US) LLC 13)	Wilmington, USA	100.00		USD	22,045	-1.381
135	WestLB Servicios S.A. 1) 8)	Buenos Aires, Argentina	94.86		ARS	0	-1
136	WestLB Venture Capital Management GmbH & Co. KG 9)	Cologne	50.00		EUR	46	-5
137	WestLeasing International GmbH 1) 9)	Düsseldorf	100.00		EUR	201	-5
138	WestLeasing Westdeutsche Leasing Holding GmbH 4) 9)	Düsseldorf	94.90		EUR	11,625	0
139	WestMerchant Beteiligungs GmbH 1) 9)	Düsseldorf	100.00		EUR	26	-4
140	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. 1) 4) 13)	Düsseldorf	100.00		EUR	1,560	0
141	WestVerkehr Beteiligungsgesellschaft mbH 1) 9)	Düsseldorf	100.00		EUR	123	-17
142	WIP Westdeutsche Immobilien Portfolio Managementgesellschaft mbH 1) 4) 13)	Düsseldorf	100.00		EUR	627	-5
143	WLB CB Holding LLC 1) 13)	New York, USA	100.00		USD	0	179
144	WMB Beteiligungs GmbH 1) 9)	Düsseldorf	100.00		EUR	26	-3

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
145	AKA Ausfuhrkredit-Gesellschaft mbH 9)	Frankfurt am Main	5.02		EUR	183,872	11,425
146	Banco Finantia S.A. 13)	Lisbon, Portugal	8.57		EUR	362,458	6,266

Other companies for whom the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
147	GBR Industrie- und Handelskammer Rheinisch-Westfälische-Börse	Düsseldorf	5.88	5.00		n. s.	n. s.
148	GLB GmbH & Co. OHG	Frankfurt am Main	15.47			n. s.	n. s.

[1] Indirect shareholdings.
[2] Including indirectly held shares.
[3] A letter of comfort exists.
[4] A profit and loss transfer agreement is in place with this company.
[5] Only data as of December 31, 2009 is available.
[6] Only data as of October 31, 2011 is available.
[7] Only data as of December 31, 2011 is available.
[8] Only data as of October 31, 2012 is available.
[9] Only data as of December 31, 2012 is available.
[10] Only data as of June 30, 2013 is available.
[11] Only data as of October 31, 2013 is available.
[12] Only data as of November 30, 2013 is available.
[13] Only data as of December 31, 2013 is available.
[14] A global guarantee exists.

Responsibility statement

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

Düsseldorf, August 19, 2014

Erste Abwicklungsanstalt

Matthias Wargers Spokesman of the Managing Board	**Markus Bolder** Member of the Managing Board	**Horst Küpker** Member of the Managing Board

Review report

To the Erste Abwicklungsanstalt, Düsseldorf

We have reviewed the condensed interim financial statements - comprising the balance sheet, income statement, statement of cash flows, statement of changes in equity and selected explanatory notes - and the interim management report of Erste Abwicklungsanstalt for the period from January 1 to June 30, 2014, which are part of the half-year financial report pursuant to section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz or WpHG). The preparation of the condensed interim financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the WpHG applicable to interim management reports is the responsibility of the institution's Managing Directors. Our responsibility is to issue a review report on the condensed interim financial statements and on the interim management report based on our review.

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

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

Düsseldorf, August 20, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Peters
Wirtschaftsprüfer
(German Public Auditor)

ppa. Susanne Beurschgens
Wirtschaftsprüferin
(German Public Auditor)

List of abbreviations

ALM	Asset Liability Management
APAC	Asia-Pacific region
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
Basinghall	Basinghall Finance Plc, London/Great Britain
Bbl	Barrel
BilMoG	German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz)
Bp	Basis points
CDS	Credit default swaps
CVA	Credit valuation adjustments
DRS	German Accounting Standard (Deutscher Rechnungslegungsstandard)
EAA	Erste Abwicklungsanstalt, Düsseldorf
EAA CBB	EAA Covered Bond Bank Plc, Dublin/Ireland
EAA KK	EAA Japan K.K., Minato-ku (formerly WIB Real Estate Finance K.K. [WIB KK])
EaD	Exposure at default
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
EFSF	European Financial Stability Facility
EMEA	Europe, Middle East and Africa region
EPA	EAA Portfolio Advisers GmbH, Düsseldorf
EU	European Union
EUSS	European Super Senior Notes
FED	US Federal Reserve
FMS	Financial Market Stabilization Fund
FMSA	Financial Market Stabilization Authority (Bundesanstalt für Finanzmarktstabilisierung)
FMStFG	Financial Market Stabilization Fund Act (Finanzmarktstabilisierungsfondsgesetz)
FX effect	Foreign exchange effect

GDP	Gross domestic product
HGB	German Commercial Code (Handelsgesetzbuch)
iTraxx	Group of credit default indices
IDW	Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer)
IMF	International Monetary Fund
MaRisk	Minimum requirements for risk management (Mindestanforderungen an das Risiko-management)
Moody´s	Moody´s Investors Service
MtM	Mark to market
NPL	Non-performing loans
N.R.	Not rated
NRW	North Rhine-Westphalia
OECD	Organization for Economic Cooperation and Development
OMT	Outright Monetary Transactions
OTC	Over the counter
PAG/Portigon	Portigon AG, Düsseldorf (until July 2, 2012 WestLB AG)
PFS	Portigon Financial Services GmbH, Düsseldorf
PIMCO	Pacific Investment Management Company, LLC
RechKredV	Ordinance on Accounting for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
S.R.	Special rating
S&P	Standard and Poor's Corporation
TLTRO	Targeted Longer-term Refinancing Operations of the ECB
VaR	Value at risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz