Erste Abwicklungsanstalt

1

Interim Report as at 30 September 2015

Contents

EAA key figures

Income statement in EUR million	1/1 - 30/9/2015	1/1 - 30/9/2014
Net interest income	125.9	103.0
Net fee and commission income	38.0	41.6
Net trading result	-16.0	-18.8
Other operating result	2.3	-1.6
General administrative expenses	-223.0	-251.7
Results from financial assets and shareholdings	57.3	198.2
Results prior to risk provisioning	**-15.5**	**70.7**
Loan loss provisions	26.3	-40.3
Results before taxes	**10.8**	**30.4**
Taxes	-1.9	-0.8
Net profit for the year	**8.9**	**29.6**

Balance sheet in EUR billion	30/9/2015	31/12/2014
Total assets	75.7	79.5
Business volume	84.3	91.9
Loan transactions	38.9	39.9
Trading portfolio	28.7	33.8
Equity	0.6	0.6

Winding-up	30/9/2015	30/9/2014
Banking book		
Notional value (before FX effect) in EUR billion	37.7	56.2
Winding-up activities in EUR billion	-14.6	-14.5
Winding-up activities in %	-27.9	-20.5
Trading portfolio		
Notional value (before FX effect) in EUR billion	366.5	493.4
Winding-up activities in EUR billion	-99.6	-151.1
Winding-up activities in %	-21.4	-23.4

Employees	30/9/2015	31/12/2014
Number of employees	142	134

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,

The EAA finished the first nine months of 2015 with a net profit totalling around EUR 9 million. We are therefore confident we will be able to achieve our objectives for the current fiscal year and generate a break-even result for 2015 – even though the reduction in the portfolio inevitably results in lower income.

The wind-up result achieved to date is already better than the planned values for all of 2015. In the first nine months the banking book portfolio has decreased by EUR 14.6 billion to EUR 37.7 billion, which equates to a reduction of about 28%. One of the main reasons for this reduction was the successful sale of WestImmo. The notional volume of the trading portfolio fell by around EUR 100 billion to EUR 366.5 billion; that is a decrease of more than 21% since the start of the year.

The economic environment and ECB policy have facilitated the portfolio reduction until now, and from today's perspective the framework conditions for our work will also remain positive going forward. Moreover, the quality of the remaining portfolio continues to be good thanks to the stabilisation of the relevant markets and a wind-up strategy that has always aimed to scale back the portfolio in a balanced manner across all rating categories. The share of investment-grade securities in the banking book portfolio (rating categories A0-C2) was around 66% as at the end of the third quarter of 2015.

The portfolios of bonds from the so-called euro periphery have been reduced by EUR 1.8 billion since the end of 2014. At the same time, the economic recovery in Spain and Portugal has also led to improvements in credit ratings. The EAA has additionally made progress in reducing risky exposures in both the energy sector and in securities from the Phoenix portfolio, which has also benefited from improvements in credit ratings. The overall rapid wind-up and the improvements in the quality of the portfolio have allowed the EAA to reduce risk provisions recognised in previous years, among other things. The net balance of reversals and necessary additions is positive, which made a positive contribution to net profit in the first three quarters of 2015.

That being said, the wind-up of complex portfolios, such as Phoenix or the portfolios of US life insurance policies and municipal interest rate swap contracts that were acquired in 2012, remains a challenging task. We will continue to focus a significant portion of our capacity on these more risky assets. In order to continue performing our work successfully – preserving value and preventing losses to the greatest extent possible – we must also continuously work on securing the expertise we have acquired until now and the operational stability of the EAA.

Two issues are particularly relevant in this regard: the liable stakeholders and owners of the EAA and Portigon are currently discussing the possibility of linking PFS's corporate structure to the EAA. PFS is the EAA's main service provider. We have performed a detailed analysis and come to the conclusion that such a step is the most meaningful solution economically compared with the alternatives. All planned and already-implemented measures are intended to secure the EAA's operational stability for the next stages of the portfolio wind-up, to leverage synergies and to accelerate the risk reduction whenever possible in the interests of the liable stakeholders. To that end, additional responsibilities outsourced to service providers will be reintegrated into the EAA wherever it is commercially and operationally beneficial.

Sincerely Yours

Matthias Wargers
Spokesman
of the Managing Board

Markus Bolder
Member
of the Managing Board

Horst Küpker
Member
of the Managing Board

Interim management report

For the period from 1 January to 30 September 2015

Business and environment

Operating activities of the EAA

The EAA is winding 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 and risk-minimising manner so as to stabilise the financial market.

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

The EAA is subject to regulation by the German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung – FMSA). It is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – 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 German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz – 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.

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 reviews the wind-up 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. Changes or adjustments to the wind-up plan must be approved by the FMSA. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and the liable 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 German State of North Rhine-Westphalia (NRW), with a 48.2% stake; the Rheinische Sparkassen- und Giroverband and the Sparkassenverband Westfalen-Lippe, each with 25.0%; and the Landschaftsverband Rheinland and the Landschaftsverband Westfalen-Lippe, each with 0.9%.

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 12 members. 11 members are appointed by the Stakeholders' Meeting, and one member is delegated by the FMSA to act on its behalf. The members elect a Chairman and a Deputy Chairman on the recommendation of the State of NRW. The Supervisory Board advises and consults with the EAA's Managing Board, monitors its activities and carries out additional duties set forth in the EAA's charter.

The Stakeholders' Meeting is composed 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.

Since its founding, the EAA has outsourced key business processes to Portigon and to PFS, Portigon's service subsidiary. As of 1 July 2014, a portion of these outsourced services, especially portfolio management activities, has been transferred to EPA, a wholly-owned subsidiary of the EAA. The EPA's employees were primarily recruited from the former workforce of the Portfolio Exit Group, which was established in WestLB when the EAA was founded, as well as from EAA employees. The EAA provides two of the three managing directors of EPA. The service fee to be paid to PFS was reduced to the extent that services have been transferred from it to EPA. These services between the EAA and EPA, in contrast to PFS services, are not subject to value-added tax.

The EAA is currently reviewing the operational stability of this arrangement and the future business orientation of PFS in order to determine whether some of the activities currently outsourced to PFS can be integrated into the EAA and EPA.

Economic environment

The economy in the second half of 2015

In its autumn edition of the World Economic Outlook the IMF forecasts the global economy will grow by 3.1% in the current year. This means the IMF's economists have once again provided a more pessimistic assessment of the prospects for economic growth (-0.2 percentage points compared with the assessment in the spring). Market participants describe the development of the global economy as “bumpy”, “volatile”, “difficult” or “unusually slow”. The responsibility for the ongoing low pace of global growth is attributed to four developments:

- △ Instead of the usual growth rates of more than 9%, China’s economy is expected to grow this year and next year only between 6% and 7% per year. This slowdown is occurring because China is finding it difficult to realign its economy away from export-oriented growth towards an economic model based on domestic consumption.

- △ The slowdown of the second largest economy is radiating out to other countries. China needs fewer resources, causing commodity prices to fall since the middle of 2014. As a result, the exports of many emerging markets have fallen sharply, too. This transports China’s economic slowdown to other emerging countries.

- △ In contrast to previous years, the established industrialised economies are seen as the engines of growth. The US will likely bear the main burden in this regard. The eurozone will also contribute somewhat to global economic growth, albeit to a lesser extent. The arduous and necessary process to repair the balance sheets of euro countries has not yet been successfully concluded.

- △ In addition, the relatively robust economic development in the US has prompted the Fed to take action. The Fed has been contemplating the first interest rate hike for quite some time. Janet Yellen, the Fed Chair, and many of her colleagues from the Open Market Committee have been using public appearances to prepare market participants and borrowers in the real economy for higher interest rates. At the same time they are trying to dispel exaggerated expectations about the timing and the extent of the interest rate hikes. In the eurozone, on the other hand, the signs point to an even stronger easing of monetary policy than in the past, because the ECB finds itself facing the problem that inflation expectations, in its opinion, are too low. To address this problem, the ECB’s President Mario Draghi hinted at the press conference following the Board meeting in late October 2015 that a further easing of the ECB’s monetary policy might be coming, without providing more details on this possibility.

These developments or trends have led to interesting price patterns. Riskier asset classes, such as equities and high-yield bonds, have experienced significant price declines due to the economic slowdown in the emerging economies. The German stock index “DAX 30” slumped to 9,325 points on 29 September 2015 (-24.7% from its peak), after reaching an all-time high of 12,391 points on 10 April 2015. The stronger the growth problems in China manifested themselves and the global economy lost momentum, the stronger the correction on the market became. Credit risks were also assessed to be much worse in this environment. The risk premium to hedge the default risk of a European company with an investment-grade rating nearly doubled from 48 bp to 93 bp (as at the end of August).

Demand was strong in this volatile market environment for euro government bonds, especially because their yields had risen sharply between March and June 2015. The yield on the ten-year German Bund fell from 0.98% (10 June 2015) to 0.44% (27 October 2015). Spanish and Italian bonds were in demand, too. However, the lows in yields seen in March and April 2015 have not been revisited again.

Slowdown in the US economy in the third quarter due to inventory reductions

The US economy expanded by only 0.4% in the third quarter of 2015 compared with the second quarter of 2015. This growth rate of only 0.4% versus the expansion of around 1% in the second quarter was a considerable slowdown. An unusually sharp decline in the inventories of US companies prevented the strong growth in consumer spending (+0.8% on the previous quarter) and the positive development of investments, particularly residential construction (+1.5% versus the previous quarter) and equipment (+1.3% compared to the previous quarter) from unfolding their full effect on the growth rate. The additional demand was largely satisfied from inventory on hand. The run-down of inventories probably trimmed more than 0.5% off the US growth rate compared to the previous quarter.

Spain is one of the fastest growing economies in the eurozone

Spain's economic output grew by more than 1.4% in 2014, following contractions of -1.7% and -2.6% in 2012 and 2013. The Spanish economy is continuing to grow in 2015 as well. Following an increase in economic output by 0.9% in the first quarter and 1% in the second, Spain's gross domestic product rose by 0.8% in the third quarter. This means that on an accumulated basis Spain's economy grew by more than 2.7% in the previous nine months, nearly reaching already the 3.1% expansion the EAA expects to see in Spain for all of 2015.

The positive trend in the current account, which has been in surplus since 2013, demonstrates how Spain has realigned its economy with a stronger focus on export-driven economic growth. Labour market reforms are paying off for Spain, too. In the second quarter of 2015 the country's unemployment rate stood at 22.6%, and it probably improved in the third quarter to 22.3%. Although these rates are high when measured against the average unemployment rate between 1999 and 2015 (15.4%), the current rate is nevertheless 2.1 percentage points lower than one year ago and 3.6 percentage points below the historic peak of 26.2% in the first quarter of 2013. The fact that the reduction in unemployment is making relatively slow progress has to do with structural change in the Spanish economy. Prior to the crisis, the real estate and construction sectors were the most important drivers of growth. A new use must be found for the redundant labour force in these sectors, which is frequently a difficult task in light of the different qualification needs.

Parliamentary elections in Spain and Portugal pose risks

Spain's conservative government under the leadership of Mariano Rajoy will stand for re-election on 20 December 2015. Many Spanish voters believe that the debt crisis, the economic decline since the outbreak of the crisis and the corruption among the established political parties are the fault of the conservative governing party – Partido Popular – and the main opposition – the Social Democrats (PSOE). Consequently, new parties have become popular. One of these newcomers, the Podemos party, enjoyed success among the Spanish electorate until into the summer by making populist demands. Buzzwords such as "exit from the EU and the euro", "debt relief for Spain" and "repeal of austerity measures" are central demands of the party. Recently, however, the popularity of Podemos has suffered at the hands of the new Ciudadanos party, with its pro-European and liberal programme. Podemos's share of the vote has fallen in polls from about 20% and more in the summer to now between 13% and 17%, while Ciudadanos has reached a 22.5% share of the electorate. Polls indicate it will probably be difficult to form a government, as is currently the case in Portugal.

In Portugal parliamentary elections took place on 4 October 2015. The governing coalition, consisting of the conservative-liberal "Social Democrats" and the conservative "People's Party" (the junior partner in the coalition), was jointly able to win the most votes (38.5%) with its election platform titled "Portugal Forward". But it won only 107 seats and therefore failed to gain a majority (116) of the 230 seats in parliament. The left of the political spectrum therefore has a majority that could enable it to form a government. But to do that, the Socialist party (pro-euro and pro-EU) would have to form a government with the "Communists" and the "Left Block". Among other things, the "Communists" and the "Left Block" demand debt relief for Portugal and an exit from the euro and the EU.

The Portuguese President, Cavaco Silva, has given the "Social Democrats" and "People's Party" the mandate to form a government. It is likely, however, that this coalition will lose the vote on its programme in parliament because the Socialists and other left-wing parties have announced their intention to vote against the programme. This would mean the attempt to form a government has failed. As President Cavaco Silva has already stated that he will not accept any government participation by anti-European forces (Communists and Left Block), it appears likely new elections will be necessary.

Despite the political risks, Portugal's economy has enjoyed encouragingly strong growth in 2015

Despite the political uncertainties following the elections from 4 October 2015, Portugal has stood up relatively well. There have been no problems to place on the market the new bond issues by the Republic of Portugal, such as the issues from 14 October 2015 with terms of 10 and 22 years. Investors' search for yield has made this possible. Overall, the Portuguese debt authority can be quite satisfied with the results of its debt issuance. The average coupon on the outstanding debt currently stands at 4.44% and is therefore 0.01% lower than in the fourth quarter of 2009.

The easing created by the ECB's monetary policy has made it possible for the Portuguese to extend the average maturity of their debt from 6.5 years (end of 2009) to now 11.9 years. At the same time, Portuguese reforms are paying off. Portugal's economic output rose by 0.9% in 2014 (2012: -4.0%, 2013: -1.6%), and the unemployment rate has fallen from 17.5% in the first quarter of 2013 to 11.9% in June of 2015. The rate is likely to rise again to 13% by December 2015 due to seasonal factors.

France can at least maintain its current level

The past three years were difficult for the economy in France. France's GDP posted limited growth of between 0% and 0.7% during these years, and in 2014 France just narrowly escaped a recession (+0.2%). A major cause of this development was that many of France's important trading partners – Italy for example – have themselves been experiencing a disappointing economic trend.

In addition, France's international competitiveness has decreased significantly due to government intervention in the labour market (for example, the introduction of the 35-hour working week). Yet until now, the government of socialist President Hollande has made only tentative attempts at addressing these problems, because resistance within the Socialist party against reforms remains strong. Growth in the French economy appears to be accelerating moderately in the second half of 2015. France's economic output rose by 0.7% in the first quarter of

2015 compared with the fourth quarter of 2014, driven by more investment and the effects from the lower oil price, and held this level of momentum in the second quarter of 2015.

Germany: on track to achieve robust economic growth of 1.6%

Germany had a more leisurely start to the New Year compared with France. In the first quarter of 2015 its economic output rose by just slightly more than 0.3% compared to the previous quarter. Its economic output in the second quarter of 2015 rose by somewhat more than 0.4%. Quarterly growth rates of 0.3% and 0.4% mean that the German economy is exactly on track to achieve the expected growth target of 1.6% in the current year. As of today it is difficult to predict how the current refugee crisis will impact Germany and Europe. One problem, however, is that the crisis has exposed the difference of opinions among the member states of the EU, who have clearly been unable to agree a common strategy to address the refugee crisis. A blow to Germany's economy resulted from foreign trade. Weaker economic growth in emerging economies has radiated out to German exporters.

Outlook for the second half: the eurozone economy continues to recover

The decrease in the price of oil is an additional economic stimulus for the oil-importing countries of the eurozone. Lower oil prices redistribute purchasing power away from oil producers to consumers. This phase of low oil prices is likely to persist, as OPEC countries and US shale-oil producers are competing for market share. The fact that Iran will now also be able to resume its exports in 2016 without restrictions following the agreement in the nuclear dispute will increase the global supply of oil even further, making it likely that oil prices will linger at the current low level of USD 46 per barrel over the next several months. Yet despite these favourable factors, the fact remains that following the sharp downturn in the aftermath of the global financial crisis, the economic recovery is not automatic everywhere.

The eurozone's recovery in 2015 continues at different speeds, even though you can no longer make the distinction between "slow" and "fast" based on the simple criterion of "peripheral country" or "non-peripheral country". Instead, the pace of growth is determined by the international competitiveness of countries. The performance of the economy thus reflects the extent to which governments have implemented reforms to correct institutional mistakes and obstacles to growth.

Germany, together with Portugal, Spain and Ireland, are likely to be among the fastest growing economies in the eurozone. German GDP will grow by a good 1.6% in 2015. This is above Germany's growth potential, which the Bundesbank, Germany's central bank, estimates to be about 1.25% per year. In 2016 the German economy is forecast to grow by 1.8%, again above its potential. The French economy will probably add to its momentum somewhat and post growth of 1.1% in 2015 and 1.4% in 2016.

The EAA also expects an improvement in the countries of the euro periphery. This upturn will be much stronger for Spain, despite the upcoming parliamentary elections, and Portugal, in spite of the political uncertainty, than for countries such as Italy. Their growth rates differ because of the reforms that Portugal and Spain implemented in the recent past, whereas the Italian government under Premier Mateo Renzi has only just started to launch reforms to address Italy's institutional growth weaknesses. Based on the growth of 0.8% in the third quarter, that the Spanish economy generated, the EAA has increased its growth forecast for 2015 as a whole by 0.2 percentage points to 3.1%. Besides Ireland (+4.9%), Spain is therefore one of the top performers in the eurozone. The EAA forecasts that Spain's growth rate will reach 2.7% in 2016. This pick-up in the economy will go hand-in-hand with a further improvement in the labour market. The unemployment rate is expected to be 22.3% at the end of 2015, a decrease on the rate of 23.1% at the end of the first quarter of 2015. Portugal's economy is likewise anticipated to grow both this year (1.6%) and in 2016 (1.7%) at rates which are quite strong compared with the experience over the past five years. With luck, Italy might succeed in 2015 at escaping from the grasps of its protracted downturn. The EAA expects the country will achieve growth of 0.8%. But the risks to growth predominate.

The key factor for this growth outlook is monetary support from the ECB. Low interest rates and yields make it possible to finance sharply higher levels of debt (private and public). The costs of this policy are borne by investors. The ECB's bond-buying programme reduces the interest burden on the euro periphery additionally and thus eases the pressure on indebted countries even more. And as the ECB is hinting it will expand its purchase programme (the actual decision will be taken at the start of December 2015), the countries of the eurozone should continue to benefit from low financing costs, too.

Relatively robust US economic growth suggests the Fed will take action

Most data and economic indicators point to a continued recovery in the American economy. The Fed believes it is highly likely that this trend will continue. The Fed's assessment of regional economic indicators, its so-called "Beige Book", indicated that the economy in most Fed districts is growing moderately, although the Purchasing Managers Index for the Manufacturing Industry in October 2015 was 50.1 points, just barely above the expansion threshold of 50 points.

2015 is a crucial year for the Fed. Following the successful completion of the purchase programme for US Treasuries and securitisations, the next important step in the normalisation of US monetary policy is coming up in the next several months. The Fed must decide when the right time has come to start raising interest rates. One thing is clear to market participants and borrowers: the Fed will not be satisfied with just one rate hike. The first rate hike since June 2006 would be the beginning of a new cycle of tightening. This means for banks and financial service providers that the era of very generous supply of central bank liquidity is over. In the not-too-distant future money market departments will have to adapt again to genuine scarcity prices for central bank liquidity – at least in the US.

Summary of important macroeconomic forecasts

Key economic indicators	Growth		Inflation		Unemployment		Budget balance (% GDP)	
	2015	2016	2015	2016	2015	2016	2015	2016
	in %	in %	in %	in %	in %	in %	in %	in %
USA	2.5	2.6	0.2	1.9	5.3	4.9	-2.4	-2.4
Eurozone	1.5	1.6	0.1	1.1	11.0	10.6	-2.1	-1.8
Core & semi core								
Germany	1.6	1.8	0.2	1.4	6.4	6.4	0.5	0.4
France	1.1	1.4	0.2	1.0	10.3	10.1	-3.8	-3.5
Periphery								
Greece	-1.1	-1.6	-1.3	0.2	25.7	26.4	-3.8	-3.0
Ireland	4.9	3.5	0.1	1.3	9.5	8.2	-2.7	-2.2
Portugal	1.6	1.7	0.5	1.0	12.6	12.0	-3.1	-2.6
Spain	3.1	2.7	-0.4	0.8	22.3	20.5	-4.5	-3.4
Italy	0.8	1.2	0.2	1.0	12.2	11.8	-2.7	-2.2
Emerging Markets								
Asia	5.9	6.0	1.7	2.5	4.1	4.1	-2.2	-2.3
Latin America	-0.5	0.7	11.1	12.7	7.3	8.5	-6.3	-5.3
Eastern Europe & Africa	0.8	2.5	8.2	5.9	9.8	9.7	-2.9	-2.6
BRIC countries								
Brazil	-2.8	-0.9	8.8	6.5	7.0	9.0	-7.7	-6.7
Russia	-3.9	0.2	15.4	8.0	6.0	6.0	-3.4	-2.5
India	7.4	7.4	6.2	5.0	n.s.	n.s.	-4.0	-3.9
China	6.9	6.5	1.6	2.0	4.1	4.2	-2.5	-2.5

Source: Bloomberg, EAA.

As expected, the Fed Chair, Janet Yellen, did not announce a change in the Fed's monetary policy at the meeting of the Open Market Committee on 27 and 28 October 2015. But as the Federal Open Market Committee has indicated in the recent past that there is a need for a first rate hike in the US, only the meeting on 16 December 2015 remains if Yellen intends to follow up her words with actions and still raise interest rates in the current year. Nevertheless, it is difficult for markets to predict the date of the first interest rate hike. US interest rate futures that are due on this date currently provide only inconclusive information in this regard. The implied probability of a first small increase in the interest rate in December 2015 is 50%. The Fed, however, has made its decision on a first rate hike dependent on labour market data, which from the perspective of the markets creates an information dilemma since at present there are both positive and negative economic indicators.

The Federal Open Market Committee has not named any specific numeric targets for an improvement in the labour market. While this may seem surprising in view of the very low unemployment rate in the US (5.2% in the third quarter 2015), it also shows that Fed policy-makers are still not satisfied with the quality of the employment situation in the US. First, many potential workers drop out of the official statistics after reaching the maximum duration of unemployment assistance – they become classified as “not seeking work”. Second, there are now more part-time and fixed-term contracts.

The current inflation environment in the US provides the Fed with the necessary leeway, if necessary, to delay the first interest rate hike somewhat. In September 2015 the country’s inflation rate stood at 0.1%, and a minor increase to 0.2% is expected in the fourth quarter of 2015, which is below the Fed’s comfort zone. In other words, a sharp increase of inflation in 2015 and 2016 will not force the Fed to respond with higher benchmark interest rates in order to battle inflation. The market anticipates the US inflation rate will return to 1.9% per year only at the end of 2016.

A first increase in US interest rates would be another sign that the US economy is returning to normal. And after all, even in this case monetary policy would still remain historically very accommodative. Interest rates are expected to reach 0.45% by the end of 2015. The US economy will grow by 2.5% in 2015 and by 2.6% in 2016.

Financial market outlook for 2015

The trend in yields on the financial markets for euro government bonds and US Treasuries demonstrates the differences between the monetary policies of the ECB and the Fed. While the Fed is already working on a normalisation of its monetary policy, the ECB has only just begun to flood the money and financial markets with fresh central-bank liquidity through its asset purchases.

Overview of key financial markets

Fixed income markets 2015	Policy rate in %	2Y yield in %	10Y yield in %
USA	0.45	0.90	2.30
Eurozone	0.05	0.10	0.70
Core & semi core			
Germany	0.05	0.10	0.70
France	0.05	-0.10	1.00
Periphery			
Spain	0.05	0.20	2.00
Italy	0.05	0.20	1.80

Source: Bloomberg, EAA.

This policy divergence causes the considerable difference that exists, and will continue to persist, in the current level of yields between the eurozone and the US. In 2015 the development of US yields is likely to diverge again from those of the eurozone. The ECB’s bond purchases are focused on bonds with long residual maturities. As a result, the ECB is limiting the upside potential for euro yields at the long end of the yield curve. At the short end the level of euro yields is limited by the additional easing hinted at by the ECB.

The EAA therefore anticipates that for 2015 the US will see moderately higher yields at the long end of the yield curve, while yields in the eurozone will either linger at a low level (Germany and other core countries) or fall slightly (Spain, Italy and Portugal). The yield on ten-year German Bunds is likely to be at slightly more than 0.7% at the end of 2015, whereas the US equivalent is forecast to hit 2.3%.

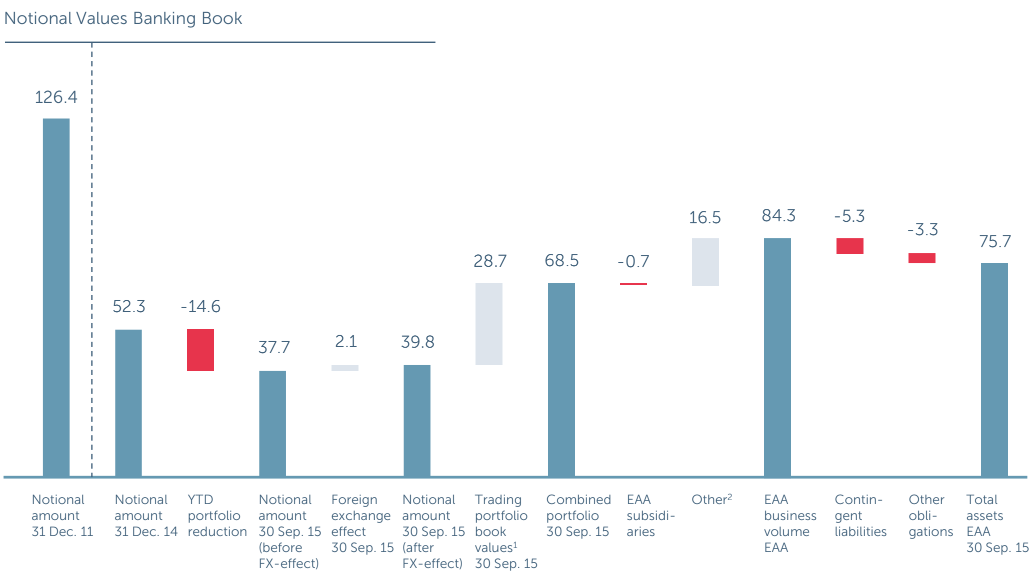
Wind-up report

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).

The following overview shows the development of the portfolio's notional amounts since 1 January 2015 and the reconciliation to the EAA's balance sheet as at 30 September 2015:

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 31 December 2011 for the banking book and as at 30 June 2012 for the trading portfolio) as well as in terms of the effects on the wind-up plan. The latter takes into consideration the impact of sale proceeds, book values, expected losses, interest income and funding costs for the respective risk exposures.

Wind-up success in the banking book

From 1 January until 30 September 2015, the notional volume of the banking book was reduced from EUR 52.3 billion to EUR 37.7 billion (at exchange rates as of 31 December 2011, including the notional amounts of the guaranteed risk exposures held by the EAA's subsidiaries). That equates to a decline in notional volume of EUR 14.6 billion (27.9%). The volume at exchange rates as of 30 September 2015 is EUR 39.8 billion. Since 1 January 2012 the total banking book portfolio has decreased by EUR 88.7 billion or 70.2%.

	Notional volume (at exchange rates as of 31/12/2011)				Notional volume (at exchange rates as of 30/9/2015)	
	Notional	Notional		Delta	Notional	FX effect[1]
	30/9/2015	31/12/2014		to 31/12/2014	30/9/2015	
Clusters	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Structured Securities	12,166.7	16,824.0	-4,657.3	-27.7	13,121.0	954.3
Liquidity Portfolio	7,847.2	0.0	7,847.2	n.s.	8,318.4	471.2
NPL	4,252.8	4,129.5	123.3	3.0	4,572.4	319.6
Energy	3,674.8	4,398.8	-724.0	-16.5	3,905.9	231.1
Public Finance	2,830.3	7,799.2	-4,968.9	-63.7	2,804.7	-25.6
Structured Tax	1,423.0	1,420.7	2.3	0.2	1,424.5	1.5
Other clusters	5,500.5	17,695.4	-12,194.9	-68.9	5,682.9	182.4
Total	**37,695.3**	**52,267.6**	**-14,572.3**	**-27.9**	**39,829.8**	**2,134.5**

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

At the start of the first quarter of 2015, assets the EAA can liquidate on short notice totalling EUR 8.1 billion – including the exposures of EAA CBB – were split off into the new Liquidity Portfolio cluster. The reclassifications were made from the Structured Securities (EUR 2.7 billion), Public Finance (EUR 4.0 billion) and Financial Institutions (EUR 1.4 billion) clusters. The notional volume of the Liquidity Portfolio cluster stood at EUR 7.8 billion as at 30 September 2015.

The sale of WestImmo resulted in a significant reduction in the portfolio during the current fiscal year, with the banking book portfolio decreasing by EUR 7.7 billion. Prior to the sale, around EUR 0.4 billion was transferred from WestImmo to the EAA into the NPL and Real Estate clusters.

In addition, during the first three quarters of 2015 the banking book registered a considerable reduction in the Structured Securities, Public Finance and Energy clusters. The notional reduction in the Structured Securities cluster is primarily due to partial repayments of the Phoenix A1 (USD) and A2 (EUR) notes as well as the complete repayment of the Phoenix X note (EUR).

The notional reduction in the Other clusters is distributed over the rest of the portfolio, with the main changes taking place due to the sale of WestImmo (WestImmo Commercial cluster) and in the Industry and Infrastructure - Project Finance clusters.

There was a EUR +30.7 million positive effect on the wind-up plan in the first three quarters of 2015 associated with sales and early repayments from the banking book portfolio, in part due to the sale of WestImmo.

Wind-up success in the trading portfolio

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 amounted to EUR 366.5 billion as at 30 September 2015. The notional volume of the trading portfolio decreased by a total of EUR 99.6 billion during the period from 1 January 2015 until 30 September 2015 (at exchange rates as at 30 June 2012). Since its transfer, the trading portfolio has been reduced by EUR 697.5 billion or 65.6%.

	Notional volume (at exchange rates as of 30/6/2012)				Notional volume (at exchange rates as of 30/9/2015)	
	Notional	Notional		Delta	Notional	FX effect[1]
	30/9/2015	31/12/2014		to 31/12/2014	30/9/2015	
Clusters[2]	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Rates	360,983.5	459,544.9	-98,561.4	-21.4	366,075.7	5,092.2
Equity	4,537.5	4,804.6	-267.1	-5.6	4,063.3	-474.2
Credit	617.8	1,384.3	-766.5	-55.4	642.5	24.7
Other clusters	341.9	375.3	-33.4	-8.9	369.5	27.6
Total	**366,480.7**	**466,109.1**	**-99,628.4**	**-21.4**	**371,151.0**	**4,670.3**

[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.

The decline is predominantly the result of maturities as well as liquidation and management measures. The principal driving force was the Rates cluster with a total notional decrease of EUR 98.6 billion. This decline resulted primarily from maturities of around EUR 89.0 billion, active reduction measures totalling EUR 20.6 billion and offsetting hedging transactions in the amount of EUR 11.0 billion.

The Credit cluster was reduced by EUR 0.8 billion or around 55% in the first three quarters of 2015 compared with the same period last year (at exchange rates as at 30 June 2012). The decline in the portfolio is mostly the result of maturities.

The notional volume of the remaining clusters did not change significantly.

EAA's overall situation

Earnings situation

The EAA's earnings situation was impacted by positive net interest income of EUR 125.9 million, net fee and commission income of EUR 38.0 million, net expense of the trading portfolio totalling EUR 16.0 million and a financial investment result of EUR 57.3 million. Administrative expenses amounted to EUR 206.5 million and mainly consisted of expenses for services rendered by PFS.

After taking account of a net result of EUR 26.3 million from allocations to and releases from loan loss provisions, earnings before taxes were EUR 10.8 million.

On 15 January 2015 the Swiss National Bank changed its exchange rate policy and abandoned its peg of the Swiss franc to the euro. The resulting change in the exchange rates for the Swiss franc did not have a material impact on the earnings situation of the EAA because it does not hold any significant exposures in this currency. However, the value of some transferred derivative transactions with municipalities depends on the Swiss franc exchange rate. The corresponding and cumulative change in the risk provision for these transactions was recognised in the net expense of the trading portfolio as at 30 September 2015.

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

Income statement

	1/1 - 30/9/2015 EUR million	1/1 - 30/9/2014 EUR million	Delta EUR million	in %
Net interest income	125.9	103.0	22.9	22.2
Net fee and commission income	38.0	41.6	-3.6	-8.7
Net trading result	-16.0	-18.8	2.8	14.9
Total other operating income/expenses	2.3	-1.6	3.9	>100
Personnel expenses	-16.5	-16.4	-0.1	-0.6
Other administrative expenses	-206.5	-235.3	28.8	12.2
of which: expenses for service level agreements with PFS	-146.8	-197.4	50.6	25.6
Net income from investment securities and long-term equity investments	57.3	198.2	-140.9	-71.1
Results prior to risk provisioning	**-15.5**	**70.7**	**-86.2**	**>-100**
Loan loss provisions	26.3	-40.3	66.6	>100
Results before taxes	**10.8**	**30.4**	**-19.6**	**-64.5**
Taxes	-1.9	-0.8	-1.1	>-100
Net profit for the year	**8.9**	**29.6**	**-20.7**	**-69.9**
Net retained losses brought forward	-2,397.7	-2,460.2	62.5	2.5
Net retained losses	-2,388.8	-2,430.6	41.8	1.7

Financial position and issuing activity

As at the reporting date, the EAA's outstanding portfolio of issued bearer bonds, promissory note loans and commercial paper totals EUR 42.5 billion. It includes the global Commercial Paper Programme with a notional amount equivalent to EUR 16.5 billion.

During the reporting period the notional volume of new issues for medium- and long-term funding totalled an amount equivalent to around EUR 2.72 billion, consisting of USD 1.5 billion (EUR 1.37 billion), GBP 0.5 billion (EUR 0.68 billion) and EUR 0.67 billion.

A notional amount equivalent to EUR 16.5 billion was issued under the global Commercial Paper Programme during the period under review, consisting of USD 14.6 billion (EUR 13.0 billion), GBP 2.5 billion (EUR 3.4 billion) and EUR 0.1 billion.

As at the reporting date the portfolio contains own securities with a notional volume of around EUR 0.4 billion that were redeemed for liquidity management purposes.

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

Asset position

The EAA's total assets as at 30 September 2015 amount to EUR 75.7 billion (previous year: EUR 79.5 billion). The business volume, which also includes off-balance-sheet components, amounts to EUR 84.3 billion (previous year: EUR 91.9 billion).

Assets

	30/9/2015 EUR million	31/12/2014 EUR million	Delta EUR million	in %
Loans and advances to banks	14,568.8	14,591.4	-22.6	-0.2
Loans and advances to customers	15,646.4	12,961.4	2,685.0	20.7
Securities (no trading portfolio)	15,996.9	16,141.2	-144.3	-0.9
Trading portfolio	28,731.5	33,768.3	-5,036.8	-14.9
Long-term equity investments and shares in affiliates	631.2	1,801.9	-1,170.7	-65.0
Other assets	102.5	210.4	-107.9	-51.3
Total assets	**75,677.3**	**79,474.6**	**-3,797.3**	**-4.8**

Liabilities and equity

	30/9/2015 EUR million	31/12/2014 EUR million	Delta EUR million	in %
Deposits from banks	4,713.4	5,013.1	-299.7	-6.0
Deposits from customers	4,773.6	5,545.1	-771.5	-13.9
Debt securities in issue	37,536.3	34,747.9	2,788.4	8.0
Trading portfolio	27,272.1	32,874.1	-5,602.0	-17.0
Provisions	381.0	410.3	-29.3	-7.1
Other liabilities	373.6	265.7	107.9	40.6
Equity	627.3	618.4	8.9	1.4
Total liabilities and equity	**75,677.3**	**79,474.6**	**-3,797.3**	**-4.8**
Contingent liabilities	5,321.5	8,410.6	-3,089.1	-36.7
Other obligations/loan commitments	3,344.6	3,970.0	-625.4	-15.8
Business volume	**84,343.4**	**91,855.2**	**-7,511.8**	**-8.2**

In February 2015 EAA CBB transferred to the EAA assets in the amount of EUR 4.5 billion. This transaction, which had no impact on earnings or the result of the wind-up plan, resulted in no additional economic risk for the EAA because of the existing global guarantee that the EAA has issued on behalf of EAA CBB.

In addition, assets totalling EUR 0.4 billion and liabilities amounting to EUR 0.3 billion were transferred from WestImmo to the EAA prior to the sale of WestImmo.

There was only an immaterial decline in loans and advances to banks as at 30 September 2015 compared with year-end 2014.

Loans and advances to customers are higher on the prior year-end by EUR 2.7 billion, primarily because of additions related to the portfolio transfer from EAA CBB.

The net decline of EUR 0.1 billion in securities is the result of two offsetting factors: on the one hand, the effects from the portfolio transfer of EAA CBB and the repurchase of own issues, and on the other hand, the effects from repayments and maturities in the securities business.

The EUR 5.0 billion decline in trading assets is attributable to a rising trend in the yield curve and the corresponding present value effects. This is reflected in trading liabilities by virtually the same amount.

The sale of WestImmo and capital repayments by EAA CBB and EAA KK were the main reasons why long-term equity investments and shares in affiliates decreased by EUR 1.2 billion.

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

Lending business

The lending business comprises receivables, payment obligations arising from irrevocable loan commitments, sureties and other guarantees. Contingent liabilities also include Portigon risk exposures, 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

	30/9/2015	31/12/2014	Delta	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	14,568.8	14,591.4	-22.6	-0.2
Loans and advances to customers	15,646.4	12,961.4	2,685.0	20.7
Contingent liabilities	5,321.5	8,410.6	-3,089.1	-36.7
Other obligations/loan commitments	3,344.6	3,970.0	-625.4	-15.8
Lending business	**38,881.3**	**39,933.4**	**-1,052.1**	**-2.6**

Summary of the business situation

The EAA has generated a positive year-to-date result because its net interest income was higher, its financial investment result was positive, and its administrative expenses were lower. The asset position of the EAA is in good order. Its equity as at 30 September 2015 amounts to EUR 627.3 million. Adequate liquidity was available at all times.

Risk report

The common objective of the liable stakeholders, the FMS and the EAA is to minimise the strategic wind-up risk. The EAA made further progress during the reporting period towards realising the wind-up plan. Its wind-up activities focused primarily on continuing to reduce the portfolio transferred from the former WestLB 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 organisation

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 EAA's 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 risks, market price risks, liquidity risks, operational risks and other risks. Risk management strategies are reviewed at least once a year.

The Risk Controlling department is responsible for the independent monitoring and communication of the EAA's risks. Its tasks 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 organisation 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 monitoring market price, liquidity and operational risks. The Credit Risk Management department comprises the market succession function in the lending business as defined by German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk). In particular, this department comprises the lending authority. It is also responsible for credit risk steering and credit risk controlling and is supported by the Controlling & Planning department. The Risk Controlling and Credit Risk Management departments monitor and analyse risk exposures as well as the utilisation of the limits. They also take measures to reduce risks as necessary.

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

Risk reporting

Risks can be controlled and monitored in a sustainable manner only if they are transparent, and the underlying analysis results are prepared and communicated in a manner that is conducive to decision-making processes. Accordingly, risk reporting is among the key tasks of the Risk Controlling department, which fulfils this responsibility together with the Controlling & Planning department. The FMSA, the responsible committees, the Managing Board, 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 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 analyse their credit risk in detail so as to identify, analyse, 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.

The notional volume of the banking book (which primarily consists of loans and securities) declined by EUR 14.6 billion to EUR 37.7 billion as at the end of the third quarter of 2015 (at constant exchange rates as of 31 December 2011). The sale of WestImmo in the first half of 2015 and the transfer of EAA CBB assets to the EAA mean that the portfolio presented in the risk report is now nearly completely included in the EAA's balance sheet or is guaranteed by the EAA. Please refer to the section "Wind-up report" for more detailed information on the wind-up success.

Breakdown of notional volume by internal rating category[1]

	30/9/2015 EUR billion	31/12/2014 EUR billion
A0-A2	3.2	2.3
A3-A5	10.8	9.0
B1-B3	1.6	6.1
B4-B5	4.2	4.9
C1-C2	5.2	6.8
C3-C5	4.8	5.6
D1-D3	1.4	4.2
D4-E	3.9	8.5
S.R.[2]	2.4	4.6
N.R.[3]	0.2	0.3
Total	**37.7**	**52.3**

[1] Excluding exchange rate effects (based on exchange rates on 31 December 2011). The basis of the ratings was converted to "Rating based on transfer stop risk" as of the first quarter of 2015. The values as at 31 December 2014 were adjusted accordingly.
[2] Special rating pursuant to the not-rated concept.
[3] Not rated.
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 66% (31 December 2014: 56%). About 37% (31 December 2014: 22%) of the notional volume has a very good rating (A0-A5) and around 29% (31 December 2014: 34%) are assigned to the rating categories B1-C2. The S.R. rating category includes the opening clauses of the rating process and has a share of around 6% of the total portfolio.

The EAA continues to aim for a portfolio reduction across all rating categories. The increase of EUR 0.9 billion in the A0-A2 category is primarily the result of a shift of positions in the Structured Securities portfolio from the A3-A5 category. The EUR 4.5 billion decline in the B1-B3 category is in part attributable to the partial repayment of the Phoenix A1 note (USD) in the amount of EUR 1.3 billion. The sale of WestImmo had a positive effect, too.

The volumes in categories D1-D3 and D4-E have declined by EUR 7.4 billion since the start of the year. This reduction is predominantly the result of an improvement in the ratings of the Phoenix Notes, which are now included in the rating category A3-A5. The disproportionately low increase in the volumes in this rating category is due, in part, to the sale of WestImmo.

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	Baa2	BBB	BBB	
C1	Baa2	BBB	BBB	
C2	Baa3	BBB-	BBB-	
C3	Ba1	BB+	BB+	
C4	Ba2	BB	BB	
C5	Ba3	BB-	BB-	
D1	B1	B+	B+	
D2	B2	B	B	Non-Investment Grade
D3	B2	B	B	
D4	B3	B-	B-	
D5	Caa1 to C	CCC+ to C	CCC+ to C	
E	C	C	C	

Breakdown of notional volume by clusters[1,2]

	30/9/2015 in %	31/12/2014 in %
Structured Securities	32.3	32.2
Liquidity Portfolio	20.8	n.s.
NPL	11.3	7.9
Energy	9.7	8.4
Public Finance	7.5	14.9
Structured Tax	3.8	2.7
Other	14.6	33.9
Total	**100.0**	**100.0**

[1] 30 September 2015 = EUR 37.7 billion; 31 December 2014 = EUR 52.3 billion.
[2] Excluding exchange rate effects (based on exchange rates on 31 December 2011).

The EAA's banking book portfolio consists of 19 clusters. At the start of the first quarter of 2015, assets that the EAA can liquidate on short notice, including EAA CBB's exposures from the Structured Securities, Public Finance and Financial Institutions clusters, were transferred into the new Liquidity Portfolio cluster. The notional volume of the Liquidity Portfolio cluster stood at EUR 7.8 billion as at 30 September 2015.

The largest cluster, Structured Securities, with a total share of 32.3%, consists of three sub-portfolios: Phoenix (84.3% – please refer to section "Phoenix" for further details), Asset Backed Securities (4.8%) and EUSS (10.9%).

Breakdown of notional volume by maturities[1,2]

	30/9/2015 EUR billion	31/12/2014 EUR billion
<= 6 M	1.2	2.5
> 6 M <= 1 Y	4.4	3.8
> 1 Y <= 5 Y	12.3	21.3
> 5 Y <= 10 Y	5.2	7.5
> 10 Y <= 20 Y	9.5	10.9
> 20 Y	5.1	6.3
Total	**37.7**	**52.3**

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

The largest part of the portfolio, with a share of approximately 33%, is comprised of medium-term exposures with contractual maturities of one to five years. These are primarily exposures held in the Structured Securities (mainly Phoenix, please also refer to the "Phoenix notes capital structure" table in the "Phoenix" section), NPL and Liquidity Portfolio clusters.

The decline in the maturity ranges of one to five years and of five to ten years is partly due to the sale of WestImmo.

The other changes within the maturity ranges reflect the portfolio management measures undertaken during the first three quarters of 2015.

Breakdown of notional volume by region[1]

	30/9/2015 EUR billion	31/12/2014 EUR billion
EMEA	14.7	20.0
Germany	4.6	11.0
Americas[2]	17.1	19.6
APAC	1.3	1.7
Total	**37.7**	**52.3**

1 Excluding exchange rate effects (based on exchange rates on 31 December 2011). Regional breakdown by borrowers, or for securitisations based on the main risk country of the asset pool.
2 Contains EUR 3.6 billion for the Phoenix B note guaranteed by the state of NRW.

The regional breakdown of the notional volume has changed only insignificantly compared to 31 December 2014. About 39% of the notional volume (31 December 2014: 38%) is attributable to the EMEA region – Europe (excluding Germany), Middle East and Africa. The decline in this region's notional volume in the amount of EUR 5.3 billion is mainly due to the sale of WestImmo as well as active measures and maturities in the Public Finance cluster.

The notional volume for German borrowers and guarantors (share in portfolio: about 12%; 31 December 2014: 21%) was reduced by EUR 6.4 billion through the sale of WestImmo.

Approximately 46% of the notional volume (31 December 2014: 38%) is attributable to the Americas region. Sales and maturities led to a decline of EUR 2.5 billion, with most of the decrease occurring in the Structured Securities cluster (primarily Phoenix) and through the sale of WestImmo.

The APAC region represents around 3% (31 December 2014: 3%). The EUR 0.4 billion decline in notional volume is primarily due to sales and early repayments at EAA KK.

Problem loans and risk provision

Problem loan exposures are subject to special risk monitoring pursuant to MaRisk. The recoverability of the receivables is reviewed on a regular basis by performing an impairment test (a test to determine whether a receivable is non-performing or at risk of non-performance). The assessment of a possible need for a risk provision takes into account collateral values, a company valuation, a discounted cash flow analysis or observable market prices. It is reviewed on a regular basis.

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	**148.1**	**159.4**	**11.3**	**15.5**	**26.8**
Credit risk	148.1	159.4	11.3	10.9	22.2
Other risk	-	-	-	4.6	4.6
Contingent counterparty default risk	**0.5**	**-**	**-0.5**	**-**	**-0.5**
Total	**148.6**	**159.4**	**10.8**	**15.5**	**26.3**

Special banking book issues

Phoenix

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

By far the largest part of the securitised 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 reported in euros to EUR 10.3 billion as at 30 September 2015 (calculated at constant exchange rates as of 31 December 2011).

Phoenix notes capital structure

Tranche	Amount as of 30/9/2015 in million		S&P rating	Legal maturity	Expected maturity in years
Class X	-	EUR	-	9/2/2015	n.s.
Class A1	98.7	USD	AAA	9/2/2091	0.36
Class A2	3,102.0	USD	AAA	9/2/2091	0.86
	-	EUR	-	9/2/2091	n.s.
Class A3	2,386.6	USD	A	9/2/2091	2.37
	692.1	EUR	A	9/2/2091	2.86
Class A4	1,909.0	USD	B+	9/2/2091	11.37
	180.9	EUR	B+	9/2/2091	11.37
Class B	3,566.6	EUR	N.R.	9/2/2091	2.50

Based on the continuous repayments of the Phoenix Notes, S&P raised the rating of all Phoenix Notes during the reporting period. In the third quarter of 2015 repayments were made totalling EUR 0.6 billion.

The expected maturities shown above relate to the anticipated amortisation 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. The expected maturity specified for the Class B relates to the expected premature liquidation of the Phoenix Structure in 2018.

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

	30/9/2015 EUR billion	31/12/2014 EUR billion
A0-A2	-	-
A3-A5	8.6	3.6
B1-B3	-	1.4
B4-B5	-	-
C1-C2	1.7	-
C3-C5	-	-
D1-D3	-	2.5
D4-E	-	4.2
S.R./N.R.	-	-
Total	**10.3**	**11.7**

[1] Excluding exchange rate effects (based on exchange rates on 31 December 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.

All of the Phoenix notes have an investment grade rating (rating categories A0-C2), taking into account the rating of the State of NRW, the guarantor, for the Phoenix B note. So far, EUR 1.4 billion of the total EUR 5 billion guarantee from the State of NRW for the Phoenix B note has been utilised.

One security from the Phoenix portfolio was sold in the first three quarters of 2015. In addition to the ongoing sale of parts of the portfolio by taking advantage of market opportunities, the EAA continues to work with the parties involved in Phoenix to optimise the portfolio. These measures include both legal measures in relation to individual portfolio securities and the restructuring of non-performing securities.

Public Finance

The exposure to the public sector (including the Public Finance exposures from the NPL portfolio and the Liquidity portfolio) as at 30 September 2015 comprise a notional amount of EUR 6.7 billion (excluding exchange rate effects, based on exchange rates on 31 December 2011). EUR 3.9 billion of this amount is attributable to Cyprus, Ireland, Italy, Portugal, Slovenia and Spain. Further information can be found in the section “Exposures to selected EU member states”.

Securities account for 88% of the total public sector exposure (including regional and municipal issuers). Some of these are held directly by the EAA and some by EAA CBB. The remaining 12% is largely lending transactions with federal, municipal or other public-law institutions.

By far the largest part of the overall exposure, at 77%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from European countries outside the eurozone, Africa and the Middle East (13%), North and South America (6%), and Asia and Australia (4%).

Credit risks – trading portfolio

Trading portfolio credit risks are divided into counterparty risks (pre-settlement risk and settlement risk) from derivatives and 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 booked daily against the corresponding credit limits. Risk-mitigating measures (such as close-out netting [offsetting] and collateral in the OTC derivatives business) are used whenever possible. Active hedging of risk exposures takes place only with counterparties where corresponding master agreements are in place.

OTC derivative counterparty default risks are assessed independently from the Front Office using credit valuation adjustments (CVA). When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. CVA amounted to EUR 57.2 million as at 30 September 2015 (31 December 2014: EUR 72.1 million).

Counterparty and issuer risks

Direct counterparty risks

As the EAA concludes OTC derivatives both from the trading portfolio as well as the banking book, and counterparty risks are measured and controlled per counterparty, the explanations and figures below relate to the trading portfolio and the banking book. In accordance with an established management process, risks are managed by the Treasury/Capital Markets department, a front-office function, and the Credit Risk Management and Risk Controlling departments, which are market succession functions.

The following schedule shows direct counterparty risks. These are counterparty risks from those transactions which the EAA accounts for directly in its balance sheet and not those that have been transferred to it synthetically.

	30/9/2015 Exposure	30/9/2015 Limit EUR million	31/12/2014 Exposure EUR million	31/12/2014 Limit EUR million
Counterparty risk - OTC derivatives	967.8	3,835.0	845.1	3,570.0
Credit risk - Money market positions[1]	3,901.8	7,457.5	691.9	8,342.5
Counterparty risk - Repos	36.3	1,955.0	10.3	2,730.0

[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). 15.1% of the credit risk for money market exposures stems from monetary investments with Portigon. As the EAA has sufficient liquidity on the reporting date, the utilisation of the limits for repo transactions (EUR 36.3 million) is only approximately 1.9%.

Issuer risk

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

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

	< 1 Y EUR million	1-4 Y EUR million	4-8 Y EUR million	8-15 Y EUR million	> 15 Y EUR million	Total exposure EUR million
Public Finance	526.3	957.6	1,138.4	1,876.5	1,637.0	6,135.8
Financial Institutions	484.4	510.6	408.3	29.3	-	1,432.6
Other securities	80.3	150.3	127.9	1,013.3	2,581.0	3,952.8
Total 30/9/2015	**1,091.0**	**1,618.5**	**1,674.6**	**2,919.1**	**4,218.0**	**11,521.2**
Total 31/12/2014	1,806.8	1,966.8	1,914.2	3,023.5	3,870.7	12,582.0

The Public Finance sub-portfolio accounts for the largest share with about EUR 6.1 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 and total only EUR 23.3 million. EUR 21.0 million of this amount is attributable to securities and credit derivatives, with equities and equity derivatives accounting for the remaining EUR 2.3 million.

Participation risks

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 EAA's Controlling & Planning department supports the participation controlling process.

Of the total portfolio of the EAA Group, a notional amount of EUR 2.4 billion (6.4%) is held by subsidiaries, primarily EAA CBB with EUR 1.9 billion (79.2%) and EAA KK with EUR 0.5 billion (20.8%).

The notional volume of EAA CBB decreased during the first three quarters of 2015 by EUR 5.5 billion to EUR 1.9 billion. The main reason for this decrease was the transfer of loans and securities totalling EUR 4.5 billion to the EAA. The impact of this transfer was offset by the netting of liabilities between the two entities and the repayment of a portion of EAA CBB's equity capital in February 2015. The notional volume of EAA KK stood at EUR 0.5 billion as at 30 September 2015. EAA CBB and EAA KK are included in the risk management and business management of the EAA. These participations are subject to monitoring by the EAA and the EAA's approved internal limit system. Representatives of the EAA exercise non-managerial control functions as members of the governing bodies and committees of EAA CBB.

In some situations the EAA will enter into new participations via a restructuring (debt-to-equity swap) if such an approach is deemed beneficial to preserve the value of the asset. The total volume of new participations is low compared with the existing participations.

In 2014 Erste EAA-Beteiligungs GmbH founded American LLPs in connection with enforcement measures. These newly founded entities hold portfolios of American life insurance policies. This company was fully funded by the EAA (EUR 1.2 billion).

On 22 February 2015 an agreement was signed to sell WestImmo to the Aareal Group. The transfer of the shares (closing) took place at the end of May 2015. The sale of WestImmo reduced the EAA's portfolio of loans and securities, and had a positive impact on the EAA's earnings and its long-term wind-up planning. When the closing took place, all of WestImmo's funding liabilities to the EAA as well as all of the financial guarantees that the EAA has issued on behalf of the WestImmo portfolio were redeemed.

Exposures to selected EU member states

The banking book exposure of the EAA and its subsidiaries to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain totals EUR 6.9 billion as at 30 September 2015. This exposure has been reduced by EUR 1.8 billion since the beginning of 2015. The decrease is mainly attributable to Spain (EUR -0.9 billion, of which EUR -0.4 billion is from the sale of the WestImmo portfolio), Portugal (EUR -0.4 billion) and Italy (EUR -0.4 billion).

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

Country[1]	Debtor group	30/9/2015 Notional in EUR million[2,3]	31/12/2014 Notional in EUR million[2,3]
Greece	Corporates	91.9	122.2
	Financial Institutions	0.0	0.0
Σ Greece		**91.9**	**122.2**
Ireland	Corporates	10.1	76.7
	Financial Institutions	0.2	0.1
	Public Finance	115.0	115.0
Σ Ireland		**125.2**	**191.8**
Italy	Corporates	958.7	1,106.3
	Financial Institutions	126.4	174.7
	Public Finance	1,839.8	2,069.8
Σ Italy		**2,924.9**	**3,350.7**
Portugal	Corporates	17.8	50.9
	Financial Institutions	11.2	-
	Public Finance	1,076.3	1,444.0
Σ Portugal		**1,105.4**	**1,494.8**
Slovenia	Public Finance	40.0	40.0
Σ Slovenia		**40.0**	**40.0**
Spain	Corporates	1,086.4	1,674.9
	Financial Institutions	635.9	636.1
	Public Finance	864.1	1,202.4
Σ Spain		**2,586.4**	**3,513.4**
Cyprus	Corporates	67.5	69.6
	Public Finance	-	0.2
Σ Cyprus		**67.5**	**69.8**
Total[4]		**6,941.3**	**8,782.7**
of which	Corporates	2,232.4	3,100.5
of which	Financial Institutions	773.7	810.9
of which	Public Finance	3,935.2	4,871.3

[1] Economic view may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
[2] Based on current exchange rates.
[3] Presentation of the notional volume, including hedges (net).
[4] Of which EAA CBB EUR 1,096.3 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]	30/9/2015 EUR million [4,5]	31/12/2014 EUR million [4,5]
Single CDS	Notional	Italy	-	-
		Portugal	-	-
		Spain	-	-
Σ Single CDS			**-**	**-**
Decomposed CDS	EaD	Italy	0.0	0.0
		Portugal	0.0	0.0
		Spain	0.0	0.0
Σ Decomposed CDS			**0.0**	**0.0**
Equities	MtM	Greece	0.0	0.0
		Italy	1.1	1.7
Σ Equities			**1.1**	**1.7**
Equity derivatives	EaD	Greece	-	-0.0
		Italy	-	-0.3
Σ Equity derivatives			**-**	**-0.4**
Other derivatives	MtM	Ireland	-	0.4
		Italy	407.6	509.8
		Portugal	0.0	0.2
		Spain	369.2	275.0
		Cyprus	22.3	24.1
Σ Other derivatives			**799.2**	**809.5**
ALM	MtM	Ireland	1.9	5.1
		Italy	41.8	43.4
		Spain	201.7	100.0
Σ ALM			**245.4**	**148.5**

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.
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 price risk exposures are controlled on a daily basis by the Treasury/Capital Markets department and are monitored and analysed by the Risk Controlling department.

Market price risks – banking book

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

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

Interest rate risk (EAA Group)

	30/9/2015 EUR thousand	31/12/2014 EUR thousand
< 1 Y	116.0	141.3
1-4 Y	6.4	-98.0
4-8 Y	-42.6	-46.6
8-15 Y	-41.6	119.3
> 15 Y	-14.3	20.2
Total	**23.9**	**136.2**

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

The interest rate sensitivity PV01 is EUR 23.9 thousand and has decreased compared with the end of 2014 (EUR 136.2 thousand) due to market trends. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	30/9/2015 EUR thousand	31/12/2014 EUR thousand
AUD	4,135.7	1,574.0
CHF	9,108.1	-4,569.7
GBP	-5,301.3	8,151.3
JPY	4,165.4	7,305.9
PLN	-1,791.1	63.9
RUB	-274.7	228.9
SGD	9,543.0	1,724.6
TRY	325.9	136.6
USD	36,597.4	31,815.6
Other	7,105.6	4,837.1
Total	**63,614.0**	**51,268.2**

The EAA's currency position is determined based on the principle of special cover in accordance with section 340h of the German Commercial Code (Handelsgesetzbuch – HGB). The exposures in the various currencies are within the limits and they change based on market fluctuations and as part of the EAA's normal operations.

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

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

Market price risks – trading portfolio

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 exposures and also contains non-linear options risks. In line with market practice, risks in the trading portfolio are hedged at the portfolio level. This entails residual risks which change due to market movements and developments in the portfolio and are hedged dynamically (dynamic hedging strategy).

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.

During the second quarter of 2015 the EAA converted its VaR model from a Monte-Carlo-based simulation to a linear variance-covariance approach. The associated streamlining of the processes and the IT infrastructure boosts operational stability and reflects the reduction in the EAA's trading portfolio.

Historical and parametric stress tests have been calculated on a daily basis since June 2015. 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 exposures are continuously subjected to backtesting. 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 year to date until the conversion of the model on 29 May 2015, thresholds were breached four times in backtesting at the highest level of the trading portfolio structure. 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%. The higher number of backtesting outliers in the first half of the year is due to a combination of volatile market phases and the sharply lower level of interest rates.

There have been no backtesting breaches since the conversion to the new VaR model.

Value at Risk by clusters

	Value at risk 30/9/2015 EUR thousand	Value at risk 31/12/2014 EUR thousand
EAA Trading	1,127.2	1,486.2
Interest Rate Options	188.5	201.3
Interest Rate Exotics	991.8	985.6
Interest Rate Flow	292.2	275.0
Credit Derivatives	10.4	9.0
Fund Derivatives & Credit Repacks	0.4	0.8
Foreign Exchange Options and Hybrids	93.6	75.1
Equity Structured Products	71.4	43.2
Muni GIC Portfolio	321.4	500.4
Commodities	0.9	0.6

The VaR for the trading portfolio declined because of market movements and the model conversion mentioned above to EUR 1,127.2 thousand (31 December 2014: EUR 1,486.2 thousand).

Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

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

All stress scenarios demonstrated a viable liquidity situation as at 30 September 2015. The liquidity reserve consists of collateralised liquidity (the portfolio’s securities holdings which are highly likely to be eligible for bilateral repo transactions) and short-term investments. Liquidity reserves were always higher than the liquidity reserve requirement during the reporting period. The liquidity reserve amounted to EUR 10.3 billion when the stress test was performed on the last day of September 2015.

Owing to the good ratings of its guarantors, the EAA does not consider it necessary to limit the strategic liquidity risk.

Operational risks

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

Operational risks within the EAA are determined using a risk inventory, which is performed on a regular basis. The EAA's most recent risk inventory revealed no valuation object with high risks. Of the valuation objects, 12% are characterised by medium risks and 88% by low risks. The overall risk situation therefore remains largely unchanged. The conclusion of the EPA integration and the completion of the migration of WestImmo's carve-out portfolio have led to a general stabilisation.

EAA has outsourced key business processes to PFS and EPA. Portigon continues to undergo a process of transformation to implement a restructuring ordered by the European Commission. In this connection, for example, PFS was split off from Portigon during the last fiscal year. As a consequence of this split-off, Portigon's service obligations were transferred to PFS. PFS reserves the right, however, to procure some services from Portigon for provision to the EAA. If in the future Portigon is no longer able to render certain services for the EAA (for example, if it returns its banking license), the EAA will need to look for new service providers for the corresponding services. Any possible operational risks associated with the separation of PFS from Portigon are covered by the EAA's existing range of tools.

This year's risk inventory at the Portigon Group regarding the processes attributable to the EAA showed a high risk for 4.8% of the evaluated risks (previous year: 3.0%), especially in the case of measurements related to personnel. The EAA has been monitoring this development and has prepared measures to take, if necessary, in order to minimise the operational risk. The foundation of EPA and the transfer of essential portfolio management services from PFS to EPA were an example of such a measure to stabilise the EAA.

The EAA has established a function to manage its third-party service providers. It monitors the interfaces between the service providers and the EAA – as the service recipient – in terms of the content, form and quality of the services. Using a continuous and timely monitoring process, the EAA accordingly ensures that the EAA's requirements, which are defined in service level agreements, are understood and accepted by the service provider and also regularly fulfilled in the agreed form. In this process, the EAA records the outsourcing risks and assesses them by applying a traffic light logic.

There have been no elevated risks so far in 2015, and the quality of the services rendered during the period was fundamentally stable in accordance with the service agreement.

The EAA is currently reviewing the operational stability of this arrangement and the future business orientation of PFS in order to determine whether some of the activities currently outsourced to PFS can or should be integrated into the EAA and EPA.

Other risks

Reputational risks

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

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

Legal risks

The EAA has appointed PFS to manage the transferred assets. Accordingly, PFS is responsible for promptly recognising 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 responsibilities PFS may, in turn, involve Portigon.

On 28 April 2015 the German Supreme Court (BGH) issued its first ruling in a proceeding about municipal interest swap transactions. The BGH ruled in favour of the EAA, overturning the judgement of the prior instance, and referred the matter back to the Higher Regional Court in Düsseldorf. The BGH emphasised that a bank is fundamentally obliged to inform its clients about the pricing of its costs and net profit in a transaction, i.e. about the incorporation of an initial negative market value into the structure of the transaction. This applies regardless of the specific design of the contractual conditions of the swap agreement (complexity), according to the court. The BGH also confirmed that the bank is not obliged to inform its clients about the initial negative market value if the swap agreement is intended to hedge offsetting interest or currency risks from connected underlyings. In addition, the BGH emphasised further possible objections against a bank's obligation to pay damages in respect to causality and the statute of limitations. Nevertheless, the risk cannot be ruled out that future judicial rulings may be unfavourable for the EAA.

When necessary, the EAA has established sufficient financial reserves and initiated other measures to cover judicial and extra-judicial disputes. For further details, please refer to the corresponding section in the 2014 annual report.

Tax risks

The EAA uses clearly defined governance structures and processes to analyse 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.

Longevity risks

The EAA funds premium payments for American life insurance policies under so-called life settlement engagements. The payouts from these policies flow to the EAA when the insured individual dies. Longevity risks exist when the insured individual lives longer than originally calculated. In this case, the insurance premiums must be paid longer than forecast, and the death benefits are paid to the EAA at a later date.

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

The EAA has engaged external actuarial advisors and service providers who provide the EAA with monthly analyses on the life settlement exposure. Based on these analyses the EAA constantly monitors the relevant cash flows and thus the longevity risk so that potential deviations from the original forecast can be identified.

Summary of risk situation

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

To that end in particular, wind-up agencies in accordance with section 8a of the FMStFG are exempt 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 towards assuming credit risks.

The EAA strives in its risk management activities to reduce the risk resulting from the wind-up of the portfolio. To that end, the wind-up result and any deviations from the wind-up plan are continually monitored and compared against the plan (please refer to the section "Wind-up report" for more detailed information).

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 Phoenix and EUSS credit products continue to constitute the largest individual risks. This means 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 30 September 2015 have not given rise to any need for adjustments to the wind-up plan during the year. As at 31 December 2014 a new wind-up plan was prepared as scheduled. This wind-up plan shows positive equity capital as at the end of the planning period. This means that as of the end of planning horizon for the wind-up plan, the only possibility that a loss would occur which would require utilisation of the EAA's liability mechanism would be if adverse scenarios were to materialise which, from today's perspective, are unlikely to occur.

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

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

Opportunities report

The solvency of eurozone countries is at the core of the European sovereign debt crisis. Because banks in the eurozone invested heavily in euro government bonds prior to the outbreak of the debt crisis, the deterioration in the credit quality of these economies very rapidly affected the creditworthiness of the banking sector in general. Only the most affluent countries in the core of the eurozone could afford to provide support for their banks. The high and growing indebtedness of peripheral economies made it impossible in many countries to recapitalise and stabilise stricken or faltering banks.

Consequently, the credit quality of the banks deteriorated too, because it became less likely that governments would bail out the banks in the event of a crisis. A country risk premium (risk surcharge over German government bonds), like the one seen in the markets for government bonds, became increasingly prevalent in the pricing of bank bonds, corporate bonds, covered bonds and loans. This led to further adverse effects and created a need for additional write-downs at banks, triggering an expansion in spreads. This phenomenon, called the fragmentation of the euro financial markets, has only started to recede since the OMT programme was put in place.

The ECB underscored its determination even further with its government bond-buying programme in March 2015, and will perhaps augment its purchases in December 2015. In 2014 it had already begun to purchase securitisations and covered bonds. But in order to achieve its target for total assets of around EUR 3 trillion, the ECB has been additionally purchasing euro government bonds since March 2015 and is spending around EUR 60 billion every month for euro government bonds, covered bonds and securitisations. As of 23 October 2015 the ECB has purchased euro government bonds with a volume of EUR 383.1 billion, thereby easing the supply of liquidity to the capital markets even more.

This purchase programme will join the other mechanisms already in place, such as the ECB's OMT programme and TLTROs. These ECB measures are seen as having been a major reason why the resurgence of the Greek crisis in 2015 did not expand into a more widespread conflagration. Evidence of contagion, such as higher yields and risk premiums, has appeared to only a very limited extent among other peripheral issuers from Portugal, Spain or Italy.

Growth rates of the eurozone economies continue to converge as well. It appears likely that in 2015 Italy will finally be able to grow its economy again. Former crisis countries such as Spain or Portugal are among the fastest growing economies in the eurozone in 2015. This also means that the turmoil experienced over the last five years in the markets for euro government bonds is waning. Countries in the core of the eurozone (especially Germany) have enjoyed robust growth rates over the last several quarters.

This boosts the valuations of euro government bonds of the periphery as well as other risky financial products. This process is not limited to just listed products; it also affects other segments of the euro credit markets such as promissory notes, traditional loans and project financing. The EAA's portfolios benefit from this normalisation process because the further "pricing out" of an additional country risk premium means that prices will recover considerably. Going forward, this process will probably continue to bolster financial markets in 2015, too. The ECB's OMT programme and its purchases have created new confidence in the euro periphery. At the same time, the euro crisis was a key catalyst for the region. Structural problems in Spain and Portugal, such as rigid labour and product markets, a retirement age that is too low and an incorrect export mix, have been resolved, thereby increasing competitiveness. The effect on bonds of periphery issuers from the trend toward slowly rising yields at the long end of the yield curve will probably be largely offset by falling spreads.

The EAA anticipates that these developments will have a fundamentally beneficial effect on the portfolio (please also refer to the section "Forecast report" for more information).

Forecast report

The EAA anticipates that in 2015 active measures and contractual maturities will reduce the notional volume of the banking book by around 31% to about EUR 35.9 billion.

To date, the original plan for the wind-up of the total portfolio has been met or exceeded. The sale of WestImmo in the second quarter of 2015 means that another major portion of the EAA's portfolio has been wound up earlier than planned. As a consequence, the current wind-up plan's original target of EUR 43.2 billion for the end of the year has already been considerably surpassed.

The EAA's objective is to wind up by the end of 2016 around 78% of the banking book's portfolio as at 31 December 2011 (including the exposures held by subsidiaries and the replenishment). As in previous years, the EAA's wind-up activities will focus on premature portfolio-reducing measures and active participation management.

For 2015 the plan calls for a reduction in the notional volume of the trading portfolios by around 25% to about EUR 348 billion compared with the previous year. The EAA will continue to analyse to what extent it is possible to accelerate the reduction of the assumed trading portfolios in an effective and cost-efficient manner.

As for the transferred exposures in the trading portfolios, the EAA continues to target a more than 70% reduction in the notional volume by the end of 2016 since the transfer in 2012. The book values are set to decrease to the same extent during this period – depending on market valuations.

Net interest income and net fee and commission income will probably decrease in the fiscal year 2015 as the volume of the portfolio declines. The plan is to generate close to EUR 174 million (including dividend income) from this portfolio. 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 continues to adhere to its value-preserving reduction strategies and expects – based on the assumptions listed above – that it can achieve a break-even result for the fiscal year 2015.

Based on its wind-up planning, the EAA does not foresee the need to utilise the existing liability guarantees.

For 2015 the EAA has once 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 minimising losses while taking into account expected risk developments. Independent of the sales portfolio for 2015, 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 new interventions by the ECB in 2015 (programme to purchase government bonds, covered bonds and securitisations) and the robust state of the economy in Spain and Portugal appear to have improved the situation. France and Italy are also showing a pick-up in activity again, following several quarters of stagnation. Nevertheless, the current economic recovery is very slow compared with previous economic upturns because an attempt to overcome a debt crisis through austerity measures takes a very long time. Empirical studies of sovereign debt crises have shown that on average, such crises tend to last a good 25 years. These efforts are even more difficult when additional aspects of the economy besides the public sector, such as private households and the corporate sector, must likewise make cut-backs in order to reduce excessive debt.

Nevertheless, the EAA's ambitious objectives are bolstered by current economic trends. The ECB's programme to purchase euro government bonds should have a particularly positive impact on the EAA's portfolios. During the critical escalation once again of the situation in Greece, the ECB's purchases and its OMT programme successfully prevented the spread of the problems to other peripheral countries, such as Italy or Portugal. The effect of the ECB's purchases will probably not be limited to just government bonds and will additionally radiate out to other segments. This seems likely because in today's environment of low interest rates and yields, investors are looking for investment alternatives.

Subsequent events

The services rendered by PFS are very important for the operational stability of the EAA and thus for the continued success of the wind-up of the portfolio of the former WestLB. In light of this background, a privatisation of PFS would entail uncertainties for the EAA, among other things.

The liable stakeholders of the EAA, including the State of NRW – and therefore also the direct and indirect sole shareholder of Portigon – have come to the conclusion that linking the corporate structure of PFS to the EAA could be a meaningful measure, particularly in light of the EAA's overriding goal of winding up the acquired portfolios in a loss-minimising manner.

The focus of the EAA's due diligence was on the capital base of PFS. This due diligence also involved analysing and evaluating the opportunities and risks associated with a potential link of PFS's corporate structure to the EAA with regard to the EAA's wind-up plan and, in particular, the EAA's capital base. The results of this due diligence are currently being analysed in light of the decisions to be made by the EAA's liable stakeholders about a potential link of PFS's corporate structure to the EAA.

No further events need to be reported.

Balance sheet

Assets

	Notes	EUR	EUR	30/9/2015 EUR	31/12/2014 EUR
1. Cash reserve					
a) Balances with central banks			914		(50)
of which:					
with Deutsche Bundesbank EUR 914 (py: EUR 50)					
				914	50
2. Loans and advances to banks	3, 27				
a) payable on demand			7,332,129,071		(6,715,689,869)
b) other loans and advances			7,236,646,932		(7,875,689,956)
				14,568,776,003	14,591,379,825
3. Loans and advances to customers	4, 5, 14, 27			15,646,406,515	12,961,376,080
of which:					
secured by mortgage charges EUR 361,816,921 (py: EUR 301,149,719)					
Public-sector loans EUR 1,292,276,586 (py: EUR 1,029,743,537)					
4. Bonds and other fixed-income securities	6, 15, 27				
a) Bonds issued by					
aa) public issuers		2,344,533,934			(2,018,642,403)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 2,117,461,396 (py: EUR 1,884,254,808)					
ab) other issuers		13,256,018,580			(14,030,821,225)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,148,125,867 (py: EUR 1,075,968,037)					
			15,600,552,514		(16,049,463,628)
b) Own bonds Notional value EUR 392,339,000 (py: EUR 91,237,000)			396,318,883		(91,746,421)
				15,996,871,397	16,141,210,049
5. Equities and other non-fixed-income securities	7, 14			1,055,520	25,345,144
5a. Trading portfolio	8			28,731,517,353	33,768,281,602

	Notes	EUR	EUR	30/9/2015 EUR	31/12/2014 EUR
6. Long-term equity investments	9			98,136,334	109,378,843
of which:					
in banks EUR 12,421,102 (py: EUR 12,421,102)					
7. Shares in affiliates	10			533,137,737	1,692,481,177
of which:					
in banks EUR 452,308,825 (py: EUR 1,611,828,596)					
in financial service providers EUR 16,735,978 (py: EUR 10,797,344)					
8. Trust assets	11			247,504	262,425
of which:					
trust loans EUR 247,504 (py: EUR 262,425)					
9. Intangible assets					
a) paid concessions, trademarks and similar rights and values such as licenses in such rights			4,936,854		(5,212,861)
				4,936,854	5,212,861
10. Tangible fixed assets				245,497	228,686
11. Other assets	12			51,268,791	123,011,147
12. Prepaid expenses/accrued income	13			44,724,481	56,456,587
Total assets				**75,677,324,900**	**79,474,624,476**

Liabilities and equity

	Notes	EUR	EUR	30/9/2015 EUR	31/12/2014 EUR
1. Deposits from banks	13, 16				
a) payable on demand			2,851,724,318		(2,544,876,905)
b) with an agreed maturity or withdrawal notice			1,861,689,032		(2,468,239,131)
				4,713,413,350	5,013,116,036
2. Deposits from customers	13, 17				
other deposits					
a) payable on demand			140,089,031		(144,809,684)
b) with an agreed maturity or withdrawal notice			4,633,502,422		(5,400,251,820)
				4,773,591,453	5,545,061,504
3. Debt securities in issue	13, 18				
a) Bonds			21,056,408,691		(26,334,620,862)
b) Other debt securities in issue			16,479,932,092		(8,413,263,553)
of which:					
Money market instruments EUR 16,479,932,092 (py: EUR 8,412,117,951)					
				37,536,340,783	34,747,884,415
3a. Trading portfolio	19			27,272,149,249	32,874,091,231
4. Trust liabilities	20			247,504	262,425
of which:					
trust loans EUR 247,504 (py: EUR 262,425)					
5. Other liabilities	21			359,305,584	242,797,550
6. Accruals/deferred income	22			13,898,909	22,691,986
7. Provisions	23				
a) Tax provisions			828,715		(828,715)
b) Other provisions			380,216,378		(409,460,393)
				381,045,093	410,289,108
8. Fund for general bank risks				0	0
of which special item pursuant to § 340e (4) HGB EUR 0 (py: EUR 0)					

	Notes	EUR	EUR	30/9/2015 EUR	31/12/2014 EUR
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			-2,388,835,647		(-2,397,738,401)
				627,332,975	618,430,221
Total liabilities and equity				**75,677,324,900**	**79,474,624,476**
1. Contingent liabilities	29				
a) Liabilities on guarantees and warrantees			5,321,526,420		(8,410,571,795)
				5,321,526,420	8,410,571,795
2. Other obligations	29				
a) Irrevocable loan commitments			3,344,596,636		(3,969,976,758)
				3,344,596,636	3,969,976,758

Income statement

	Notes	EUR	EUR	1/1 - 30/9/2015 EUR	1/1 - 30/9/2014 EUR
1. Interest income from	25				
a) Lending and money market transactions		291,497,560			(423,182,443)
b) Fixed-income securities and debt register claims		164,200,032			(169,216,348)
			455,697,592		(592,398,791)
2. Interest expense			368,253,055		(492,263,440)
				87,444,537	100,135,351
3. Current income from	25				
a) Equities and other non-fixed-income securities			193,085		(6,631)
b) Long-term equity investments			37,404,477		(1,748,044)
c) Shares in affiliates			9,753		(1,116,323)
				37,607,315	2,870,998
4. Income from profit pooling, profit transfer or partial profit transfer agreements	25			858,654	(0)
5. Fee and commission income	25		55,345,273		(64,221,361)
6. Fee and commission expense			17,298,579		(22,599,518)
				38,046,694	41,621,843
7. Net trading result				-15,953,264	-18,800,543
8. Other operating income	25, 26			4,780,861	1,900,231
9. General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		14,803,997			(14,804,251)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		1,692,755			(1,594,854)
of which					
for pensions EUR 467,271 (py: EUR 444,255)					
			16,496,752		(16,399,105)
b) Other administrative expenses			206,126,055		(235,220,232)
				222,622,807	251,619,337

	Notes	EUR	EUR	1/1 - 30/9/2015 EUR	1/1 - 30/9/2014 EUR
10. Depreciation and write-offs of intangible assets and tangible fixed assets				353,747	57,396
11. Other operating expenses	26			2,578,749	3,484,083
12. Depreciation and write-offs of claims and certain securities as well as additions to provisions in the lending business	23, 27			0	37,583,089
13. Income from reversals of write-offs of loans and advances and certain securities and from reversals of loan loss provisions	23, 27			26,724,811	0
14. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	27			56,888,252	195,450,405
15. Result from ordinary activities				10,842,557	30,434,380
16. Taxes on income and earnings	28			426,867	801,042
17. Other taxes not reported under item 11	28			1,512,936	78
18. Net profit for the year				8,902,754	29,633,260
19. Net retained losses brought forward				-2,397,738,401	-2,460,266,692
20. Net retained losses				-2,388,835,647	-2,430,633,432

Cash flow statement

			1/1 - 30/9/2015 EUR	1/1 - 30/9/2014 EUR
1.	+/-	Result for the period	8,902,754	29,633,260
		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	12,085,197	-200,015,443
3.	+/-	Increase/decrease in provisions	-29,244,015	90,733,215
4.	+/-	Other non-cash income/expense	-491,567,213	318,897,611
5.	+/-	Gain/loss on disposal of long-term financial assets	-96,244,514	-27,369,741
6.	=	Subtotal	-596,067,791	211,878,902
		Change in operating assets and liabilities		
7.	+/-	Increase/decrease loans and advances to banks (no trading portfolio)	70,989,303	-2,077,637,768
8.	+/-	Increase/decrease loans and advances to customers (no trading portfolio)	-2,642,960,366	1,955,127,883
9.	+/-	Increase/decrease securities (no financial assets and no trading portfolio)	188,017,380	2,781,760,776
10.	+/-	Trading assets	198,632,061	144,165,931
11.	+/-	Increase/decrease other operating assets	86,707,036	519,729,954
12.	+/-	Increase/decrease of deposits from banks (no trading portfolio)	-396,144,550	-797,081,273
13.	+/-	Increase/decrease of deposits from customers (no trading portfolio)	-791,223,149	-557,597,128
14.	+/-	Increase/decrease debt securities in issue	2,869,111,783	-1,639,198,327
15.	+/-	Trading liabilities	-272,242,582	-952,799,600
16.	+/-	Increase/decrease other operating liabilities	117,921,663	72,801,648
17.	+/-	Interest expenses/Interest income	-125,051,851	-103,006,349
18.	+/-	Tax expenses/-income	426,867	801,042
19.	+	Interest payments and dividend payments received	455,954,216	613,522,993
20.	-	Interest paid	-409,762,444	-576,907,534
21.	+/-	Income tax payments	-16,049,305	-4,932,622
22.	=	Cash flows from operating activities (sum of 1 to 21)	-1,261,741,729	-409,371,472
23.	+	Proceeds from disposal of long-term financial assets	1,395,452,016	466,415,345
24.	-	Purchase of long-term financial assets	-171,517,141	-198,797,928
25.	-	Purchase of tangible fixed assets	-43,020	-19,347
26.	-	Purchase of immaterial assets	-51,532	-17,850
27.	=	Cash flows from investing activities (sum of 23 to 26)	1,223,840,323	267,580,220
28.	+/-	Changes in other capital (net)	0	0
29.	=	Cash flows from financing activities (sum of 28)	0	0
30.		Net change in cash funds (sum of 22, 27, 29)	-37,901,406	-141,791,252
31.	+	Cash funds at beginning of period	54,972,869	163,239,343
32.	=	Cash funds at end of period (sum of 30 to 31)	17,071,463	21,448,091

The cash flow statement as at 30 September 2015 has been prepared in accordance with the new DRS 21. The previous year has likewise been adjusted. The cash and cash equivalents include the current accounts maintained at Portigon and Deutsche Bundesbank (demand deposits). Further cash funds as defined by DRS 21 do not exist at the present time.

Statement of changes in equity

	Balance as of 1/1/2015 EUR	Appropriation of the result EUR	Balance as of 30/9/2015 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,397,738,401	8,902,754	-2,388,835,647
Equity under HGB	**618,430,221**	**8,902,754**	**627,332,975**

	Balance as of 1/1/2014 EUR	Appropriation of the result EUR	Balance as of 30/9/2014 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,460,266,692	29,633,260	-2,430,633,432
Equity under HGB	**555,901,930**	**29,633,260**	**585,535,190**

Condensed notes

For the period from 1 January to 30 September 2015

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 HGB for large public companies and the German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV). The condensed financial statements comply in particular with the requirements of DRS 16 (Interim Reporting).

The information contained in this interim report should be read in conjunction with the disclosures contained in the published and audited financial statements for the fiscal year from 1 January to 31 December 2014. All facts were considered up to the time these interim financial statements were prepared.

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 fiscal year from 1 January to 31 December 2014.

The assumptions and estimates required, in particular in connection with illiquid portfolios, are based on subjective management judgement 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

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**14,568.8**	**14,591.4**
of which:		
- to affiliates	1,172.4	6,431.5
payable on demand	7,332.1	6,715.7
due		
- within 3 months	6,931.6	6,756.0
- 3 months to 1 year	36.5	440.4
- 1 to 5 years	234.9	642.6
- after 5 years	33.7	36.7

Receivables also include registered and other non-marketable debt instruments. Hidden liabilities totalled EUR 0.0 million (previous year: EUR 0.0 million).

4. Loans and advances to customers

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**15,646.4**	**12,961.4**
of which:		
- to affiliates	1,589.6	1,390.8
- to long-term equity investments	15.6	71.8
due		
- within 3 months	2,229.5	2,162.9
- 3 months to 1 year	2,028.6	2,299.7
- 1 to 5 years	3,887.4	4,385.4
- after 5 years	7,500.9	4,113.4

Receivables also include registered and other non-marketable debt instruments. Hidden liabilities increased to EUR 448.7 million (previous year: EUR 82.9 million).

5. Loans and advances secured by mortgages

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**361.8**	**301.1**
Loans and advances to customers due		
- within 3 months	9.9	10.8
- 3 months to 1 year	23.8	8.3
- 1 to 5 years	43.7	75.5
- after 5 years	284.4	206.5

6. Bonds and other fixed-income securities

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**15,996.9**	**16,141.2**
of which:		
Amounts due in the following year	689.2	341.6
Breakdown		
- Bonds issued by public issuers	2,344.5	2,018.6
- Bonds issued by other issuers	13,256.1	14,030.9
- Own bonds	396.3	91.7
Breakdown by marketability		
- Marketable securities	15,996.9	16,141.2
of which		
- listed	4,548.1	3,654.4
- unlisted	11,448.8	12,486.8
Breakdown by type		
- Liquidity reserve	530.8	91.7
- Investment securities	15,466.1	16,049.5
Breakdown by affiliation		
- Securities from affiliates	-	324.9

The bonds and other fixed-income securities in the amount of EUR 15.5 billion (previous year: EUR 16.0 billion) of the investment securities portfolio are included in long-term financial assets. As at the reporting date, investment securities with a book value of EUR 11.9 billion (previous year: EUR 13.1 billion) were recognised above their fair value of EUR 11.3 billion (previous year: EUR 12.4 billion) because the EAA expects to receive repayments totalling at least the amount of the book value. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the investment securities.

This difference is primarily attributable to structured loan products, EUR 0.1 billion of which (previous year: EUR 0.1 billion) relates to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the aforementioned investment portfolio that was not hedged with swaps (EUR 11.8 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

7. Equities and other non-fixed income securities

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**1.1**	**25.3**
Breakdown by marketability		
- Marketable securities	1.1	25.3
of which:		
- listed	1.1	5.8
- unlisted	-	19.5
Breakdown by type		
- Liquidity reserve	1.1	5.4
- Investment securities	-	19.9

8. Trading portfolio

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**28,731.5**	**33,768.3**
of which:		
- Derivative financial instruments	28,712.2	33,734.6
- Equities and other non-fixed-income securities	20.8	35.8
- Loans and advances	2.0	2.4
- Bonds and other fixed-income securities	-	0.2
- Risk allowance pursuant to § 340e (3) sentence 1 HGB	-3.5	-4.7

9. Long-term equity investments

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**98.1**	**109.4**
of which:		
- in banks	12.4	12.4
Breakdown by marketability		
- Marketable securities	29.1	52.1
of which:		
- listed	13.0	29.7
- unlisted	16.1	22.4

The decline in long-term equity investments compared with 31 December 2014 is primarily the result of the planned portfolio wind-up.

10. Shares in affiliates

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**533.1**	**1,692.5**
of which:		
- in banks	452.3	1,611.8
- in financial service providers	16.7	10.8
Breakdown by marketability		
- Marketable securities	434.3	1,184.3
of which:		
- unlisted	434.3	1,184.3

The decrease is mostly due to capital repayments by EAA CBB and EAA KK as well as the sale of WestImmo.

11. Trust assets

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**0.2**	**0.3**
of which:		
- Loans and advances to customers	0.2	0.3

12. Other assets

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**51.3**	**123.0**
of which:		
- Tax refund claims	31.3	15.5
- Guarantee fees and commissions	19.5	24.9
- Receivables from profit and loss pooling agreements	-	80.1
- Premiums for options	-	2.1

The guarantee fees included in Other assets consist of receivables from Portigon totalling EUR 12.5 million (previous year EUR 13.3 million).

13. Prepaid expenses/accrued income

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**44.7**	**56.5**
of which:		
- Non-recurring payments on swaps	30.0	35.6
- Discount on issuing business	9.3	14.0
- Discount on liabilities	3.4	5.8
- Other	2.0	1.1

14. Subordinated assets

Subordinated assets are included in:

	30/9/2015 EUR million	31/12/2014 EUR million
Loans and advances to customers	**726.7**	**647.9**
of which:		
- to affiliates	306.7	254.4
- to long-term equity investments	1.9	1.9
Equities and other non-fixed-income securities	**-**	**19.6**
Total	**726.7**	**667.5**

The increase in subordinated assets is primarily due to the provision of liquidity for a subsidiary.

15. Assets sold under repurchase agreements

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

16. Deposits from banks

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**4,713.4**	**5,013.1**
of which:		
- Deposits from affiliates	11.6	32.4
Payable on demand	2,851.7	2,544.9
due		
- within 3 months	1,286.8	340.1
- 3 months to 1 year	152.1	1,602.4
- 1 to 5 years	176.4	287.4
- after 5 years	246.4	238.3

17. Deposits from customers

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**4,773.6**	**5,545.1**
Other deposits	4,773.6	5,545.1
of which:		
- payable on demand	140.1	144.8
due		
- within 3 months	1,740.9	1,144.1
- 3 months to 1 year	258.0	945.7
- 1 to 5 years	774.3	946.0
- after 5 years	1,860.3	2,364.5

18. Debt securities in issue

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**37,536.3**	**34,747.9**
Bonds	21,056.4	26,334.6
of which:		
Amounts due in the following year	12,829.7	12,803.1
Other debt securities in issue	16,479.9	8,413.3
of which due:		
- within 3 months	10,964.0	6,889.7
- 3 months to 1 year	5,515.9	1,523.6
- 1 to 5 years	-	-
- after 5 years	-	-

19. Trading portfolio

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**27,272.1**	**32,874.1**
of which:		
- Derivative financial instruments	27,271.8	32,874.1
- Liabilities	0.3	-

20. Trust liabilities

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**0.2**	**0.3**
of which:		
- Deposits from banks	0.2	0.3

21. Other liabilities

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**359.3**	**242.8**
of which:		
- Currency translation adjustments	313.4	171.1
- Deposits from the assumption of losses	8.9	12.6
- Obligations from swap transactions	-	0.1
- Premiums from options	-	2.1
- Other	37.0	56.9

Other liabilities mostly include unpaid invoices.

22. Accruals/deferred income

	30/9/2015 EUR million	31/12/2014 EUR million
Carrying amount	**13.9**	**22.7**
of which:		
- Non-recurring payments on swaps	8.6	16.4
- Premium on issuing business	2.6	5.0
- Premiums for sold interest rate caps and floors	1.3	1.3
- Other	1.4	-

23. Provisions

	Balance as of 31/12/2014 EUR million	Additions EUR million	Unwinding of discount EUR million	Charge-offs EUR million	Reversals EUR million	Other changes EUR million	Final balance 30/9/2015 EUR million
Taxes	**0.8**	**-**	**-**	**-**	**-**	**-**	**0.8**
Other provisions	**409.5**	**52.7**	**1.7**	**64.7**	**20.3**	**1.3**	**380.2**
- Loans	274.1	18.4	-	33.8	16.9	-14.1	227.7
- Long-term equity investments	24.5	-	0.6	-	0.3	1.5	26.3
- Legal actions	21.5	0.4	0.3	1.6	0.8	0.2	20.0
- Personnel	0.4	-	-	-	-	-	0.4
- Other	89.0	33.9	0.8	29.3	2.3	13.7	105.8
Total	**410.3**	**52.7**	**1.7**	**64.7**	**20.3**	**1.3**	**381.0**

When loans previously guaranteed by the EAA were transferred to the EAA, the provisions that had been recognised until then for the guaranteed holdings had to be converted into allowances for the assumed exposures. This effect is included in the category "Other change in provisions for loans" in the table shown above.

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

24. Equity

The EAA's subscribed capital amounts to EUR 500,000 as at 30 September 2015.

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

Other reserves amount to EUR 2.4 million and originate 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 German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).

The EAA's year-to-date result for the first three quarters of 2015 amounts to a net profit of EUR 8.9 million and decreases net retained losses carried forward to EUR 2,388.8 million as at 30 September 2015.

Notes on the income statement

25. Geographical breakdown of income components

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

	Interest income	Current income	Fees and commission income	Other operating income
	1/1 - 30/9/2015 EUR million	1/1 - 30/9/2015 EUR million	1/1 - 30/9/2015 EUR million	1/1 - 30/9/2015 EUR million
Germany	356.1	38.0	52.3	4.8
Great Britain	55.5	0.5	2.3	-
Rest of Europe	2.9	-	0.1	-
Far East and Australia	6.6	-	-	-
North America	34.6	-	0.6	-
IS amount	**455.7**	**38.5**	**55.3**	**4.8**

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

Current income also includes the income from profit pooling, profit transfer and partial profit transfer agreements, if such agreements exist.

26. Other operating and prior-period expenses and income

Net other operating expenses and income in the first three quarters of 2015 amount to EUR 2.3 million (previous year: EUR -1.6 million) and consist of EUR 2.5 million (previous year: EUR 3.5 million) in expenses and EUR 4.8 million (previous year: EUR 1.9 million) in income.

There were no material prior-period expenses and income in either the first three quarters of 2015 or in the previous year.

27. Risk provision

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

	1/1 - 30/9/2015 EUR million	1/1 - 30/9/2014 EUR million
Risk provision and financial investment result including loss assumption (regarding RechKredV)	**83.6**	**157.9**
Loans and securities income/expense	**26.7**	**-37.6**
of which: - Lending operations	22.3	-37.7
- Securities	4.4	0.1
Equity investments and securities income/expenses	**56.9**	**195.5**
of which: - Long-term equity investments	54.1	186.6
- Securities	2.8	8.9
Expenses from loss assumption	**-**	**-**
Risk provision and financial investment result including loss assumption (regarding risk report)	**83.6**	**157.9**
Result of risk provisions - loans and advances/securities due to credit risk	**26.3**	**-40.3**
of which: - Lending operations	29.7	-47.8
- Structured securities	-3.4	7.5
Net income from investment securities, long-term equity investments and loss assumption	**57.3**	**198.2**

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 income amounts to EUR 26.7 million (previous year: net expense of EUR 37.6 million).

According to section 340c (2) of the HGB, the expenses for long-term equity investments, shares in affiliates as well as for long-term investment securities may be offset against the corresponding income. Overall, the EAA shows a net income of EUR 56.9 million (previous year: net income EUR 195.5 million) as the risk result for equity investments and securities.

28. Taxes

Taxes on income and earnings amounting to EUR 0.4 million (previous year: EUR 0.8 million) primarily relate to foreign taxes.

In the current financial year, the EAA incurred other taxes of EUR 1.5 million, which primarily relate to foreign stamp taxes.

Other disclosures

29. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 5.3 billion (previous year: EUR 8.4 billion) primarily result from guarantees for Portigon's risk exposures. They include obligations from credit default swaps amounting to EUR 358.6 million (previous year: EUR 767.3 million). Regarding these contingent liabilities, the EAA has no detailed knowledge of whether, when or to what extent these specific contingent liabilities will be realised. A provision will be made as soon as there are sufficient concrete indications of probable losses being realised on the contingent liabilities.

Other liabilities

The reported volume of EUR 3.3 billion (previous year: EUR 4.0 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 the following types of forward contracts and derivative financial instruments:

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

- **Currency-related products**
  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 as at the reporting date amounts to EUR 448.6 billion based on notional values (previous year: EUR 526.2 billion). Most of the balance continues to be in interest rate-related products, whose share declined to 83.0% (previous year: 83.5%) 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 and exchange rates).

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	30/9/2015 EUR million	31/12/2014 EUR million	30/9/2015 EUR million	31/12/2014 EUR million	30/9/2015 EUR million	31/12/2014 EUR million
Interest rate-related products	**372,395.2**	**439,535.8**	**26,885.3**	**32,689.5**	**27,294.7**	**32,418.7**
OTC products	366,628.7	436,659.9	26,885.3	32,689.5	27,294.7	32,418.7
Exchange-traded products	5,766.5	2,875.9	-	-	-	-
Currency-related products	**69,704.4**	**78,688.9**	**2,057.5**	**2,199.9**	**1,192.1**	**1,725.4**
OTC products	69,704.4	78,688.9	2,057.5	2,199.9	1,192.1	1,725.4
Equity- and other price-related products	**5,467.1**	**5,673.5**	**226.1**	**258.6**	**263.6**	**308.5**
OTC products	2,566.7	2,764.0	131.9	153.7	156.2	190.2
Exchange-traded products	2,900.4	2,909.5	94.2	104.9	107.4	118.3
Credit derivatives	**997.8**	**2,342.6**	**8.2**	**13.0**	**10.3**	**15.5**
OTC products	997.8	2,342.6	8.2	13.0	10.3	15.5
Total derivative financial instruments	**448,564.5**	**526,240.8**	**29,177.1**	**35,161.0**	**28,760.7**	**34,468.1**
OTC products	439,897.6	520,455.4	29,082.9	35,056.1	28,653.3	34,349.8
Exchange-traded products	8,666.9	5,785.4	94.2	104.9	107.4	118.3

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 482.1 billion in the current fiscal year 2015 (previous year: EUR 578.4 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	30/9/2015 EUR million	31/12/2014 EUR million	30/9/2015 EUR million	31/12/2014 EUR million	30/9/2015 EUR million	31/12/2014 EUR million
Interest rate-related products	**400,283.2**	**475,949.7**	**29,795.9**	**29,157.0**	**30,016.6**	**28,735.2**
OTC products	396,751.3	472,110.4	29,795.9	29,157.0	30,016.6	28,735.2
Exchange-traded products	3,531.9	3,839.3	-	-	-	-
Currency-related products	**74,421.6**	**91,336.8**	**2,470.3**	**2,208.1**	**1,680.1**	**1,905.0**
OTC products	74,421.6	91,336.8	2,470.3	2,208.1	1,680.1	1,905.0
Equity- and other price-related products	**5,634.2**	**8,925.9**	**233.3**	**414.9**	**279.8**	**632.8**
OTC products	2,741.7	3,364.5	141.4	189.6	176.7	237.2
Exchange-traded products	2,892.5	5,561.4	91.9	225.3	103.1	395.6
Credit derivatives	**1,722.1**	**2,176.6**	**9.6**	**16.8**	**11.6**	**19.4**
OTC products	1,722.1	2,176.6	9.6	16.8	11.6	19.4
Total derivative financial instruments	**482,061.1**	**578,389.0**	**32,509.1**	**31,796.8**	**31,988.1**	**31,292.4**
OTC products	475,636.7	568,988.3	32,417.2	31,571.5	31,885.0	30,896.8
Exchange-traded products	6,424.4	9,400.7	91.9	225.3	103.1	395.6

Without exception, forward and derivatives transactions are 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	
	30/9/2015 EUR million	31/12/2014 EUR million	30/9/2015 EUR million	31/12/2014 EUR million	30/9/2015 EUR million	31/12/2014 EUR million	30/9/2015 EUR million	31/12/2014 EUR million
Due								
- within 3 months	35,111.3	41,490.5	17,240.9	12,707.5	2,728.7	34.6	225.2	295.4
- 3 months to 1 year	138,501.3	61,213.5	20,053.9	17,424.8	953.0	2,953.3	372.7	1,235.2
- 1 to 5 years	55,692.1	174,202.2	19,019.2	33,737.1	359.9	813.6	360.4	705.9
- after 5 years	143,090.5	162,629.6	13,390.4	14,819.5	1,425.5	1,872.0	39.5	106.1
Total	**372,395.2**	**439,535.8**	**69,704.4**	**78,688.9**	**5,467.1**	**5,673.5**	**997.8**	**2,342.6**

31. Number of employees

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

	Female	Male	Total 1/1 - 30/9/2015	Total 1/1 - 30/9/2014
Number of employees	53	82	135	130

32. EAA shareholders

	30/9/2015 in %	31/12/2014 in %
State of NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
Total	**100.000**	**100.000**

33. Memberships of other bodies held by Managing Board members

In the first three quarters of 2015 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 classed as large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB.

Matthias Wargers
EAA Portfolio Advisers GmbH *
Westdeutsche ImmobilienBank AG (until 31 May 2015)

Markus Bolder
EAA Portfolio Advisers GmbH *
Westdeutsche ImmobilienBank AG (until 31 May 2015)

Horst Küpker
Börse Düsseldorf AG *

34. Memberships of other bodies held by employees

In the first three quarters of 2015 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 with * are provided on a voluntary basis as the companies are not classed as large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB.

Dr. Ulf Bachmann
Westdeutsche ImmobilienBank AG (until 31 May 2015)

Gabriele Müller
EAA Covered Bond Bank Plc
EAA Portfolio Advisers GmbH *

Hartmut Rahner
EAA Covered Bond Bank Plc

Alexander Tcherepnine
Banco Finantia S.A. (until 31 January 2015)

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

Matthias Löb
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. h.c. 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, 11a und 11b HGB
Shareholdings denominated in a foreign currency have been converted into EUR using the balance sheet rate
Disclosure of capital share and voting rights in %, amounts in EUR thousand
Disclosure of voting rights only if the percentage share differs from the share of capital

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Börse Düsseldorf AG [11]	Düsseldorf	21.95		EUR	127,304	94,356
2	Castello di Casole Agricoltura S.r.l. società agricola [1] [11]	Casole d'Elsa, Italy	100.00		EUR	68	-18
3	Castello di Casole S.r.l. [11]	Casole d'Elsa, Italy	100.00		EUR	-8,979	-13,860
4	Castello Resort Villas S.r.l. [11]	Casole d'Elsa, Italy	100.00		EUR	651	7
5	CBAL S.A. [2] [10]	Braine l'Alleud, Belgium	100.00		EUR	975	6,086
6	COREplus Private Equity Partners GmbH & Co. KG [1] [11]	Düsseldorf	36.52	0.00	EUR	28,760	5,240
7	COREplus Private Equity Partners II - Diversified Fund, L. P. [11]	Wilmington, USA	24.75	0.00	USD	47,592	9,424
8	Dussinvest2 Beteiligungsgesellschaft mbH [4] [11]	Düsseldorf	100.00		EUR	246	0
9	Dusskapital Zwanzig Beteiligungsgesellschaft mbH [11]	Düsseldorf	100.00		EUR	39	11
10	EAA Covered Bond Bank Plc [11] [13]	Dublin 1, Ireland	100.00		EUR	831,309	-60,756
11	EAA DLP I LLP [1] [11]	Wilmington, USA	100.00		USD	135,722	4,157
12	EAA DLP II LLP [1] [11]	Wilmington, USA	100.00		USD	144,527	8,586
13	EAA DLP III LLP [1] [11]	Wilmington, USA	100.00		USD	181,483	15,287
14	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. [11]	Sao Paulo, Brazil	100.00		BRL	2,355	136
15	EAA Europa Holding GmbH [4] [11]	Düsseldorf	100.00		EUR	12,570	0
16	EAA Japan K.K. 3) 11) [3] [11]	Tokyo, Japan	100.00		JPY	178,622	-45,889
17	EAA LAT ABC LLP [1] [11]	Wilmington, USA	100.00		USD	176,112	-6,484
18	EAA LAT II LLP [1] [11]	Wilmington, USA	100.00		USD	217,243	-11,902
19	EAA LS Holdings LLC [1] [11]	Wilmington, USA	100.00		USD	104	n.s.
20	EAA PF LLP [1]	Wilmington, USA	100.00			n.s.	n.s.
21	EAA Portfolio Advisers GmbH [11]	Düsseldorf	100.00		EUR	459	435
22	EAA Portfolio Advisers LLC [1] [11]	New York, USA	100.00		USD	64	64
23	EAA Spyglass Holdings LLC [1] [11]	Wilmington, USA	100.00		USD	24,985	2,336
24	EAA Triskele LLP [1] [11]	Wilmington, USA	100.00		USD	203,016	-7,427
25	EAA US Holdings Corporation [11]	Wilmington, USA	100.00		USD	40,930	-906
26	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH [11]	Berlin	47.50		EUR	316	-199
27	Erste EAA-Beteiligungs GmbH [4] [11]	Düsseldorf	100.00		EUR	16	0
28	Fischerinsel Beteiligungs-GmbH i.L. [9]	Mainz	100.00		EUR	13	-3
29	Fischerinsel Vermietungs GmbH & Co.KG i.L. [11]	Mainz	100.00		EUR	3	-2
30	Frankonia Eurobau Max-Viertel GmbH [6]	Nettetal	25.00		EUR	-38,759	-2,911
31	GID Gesellschaft für Innenstadtentwicklung in Duisburg mbH [7]	Hamburg	45.00		EUR	-3	-1

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
32	GKA Gesellschaft für kommunale Anlagen mbH [1) 11)]	Düsseldorf	100.00		EUR	96	-58
33	Heber Avenue Partners, LLC [11)]	Dover, USA	100.00		USD	0	n.s.
34	KA Deutschland Beteiligungs GmbH & Co KG [1) 11)]	Düsseldorf	100.00		EUR	3,974	1,008
35	Kassiterit Beteiligungs GmbH [1) 11)]	Düsseldorf	100.00		EUR	3,432	-7
36	KB Zwei Länder Beteiligungs- und Verwaltungs GmbH & Co. KG [1) 7)]	Düsseldorf	100.00		EUR	683	-28
37	KB Zwei Länder Beteiligungsgesellschaft mbH [1) 7)]	Düsseldorf	100.00		EUR	440	-27
38	Leasing Belgium N.V. 1) 10) [1) 11)]	Antwerp, Belgium	100.00		EUR	488	-93
39	LIFE.VALUE Construction GmbH [1) 11)]	Düsseldorf	100.00		EUR	381	3,038
40	Life.Value Properties GmbH [1) 11)]	Düsseldorf	100.00		EUR	342	704
41	MCC Bradley LLC [1) 11)]	East Hartford, USA	100.00		USD	688	-398
42	MCC Diamond Point LLC [1) 11)]	Wilmington, USA	100.00		USD	801	-422
43	MCC Divot Place LLC [1) 11)]	Wilmington, USA	100.00		USD	741	-54
44	MCC Lake Unity LLC [1) 11)]	Wilmington, USA	100.00		USD	1,991	-518
45	MCC Paris LLC [1) 11)]	Wilmington, USA	100.00		USD	2,096	-673
46	MCC SB Condo LLC [1) 11)]	Wilmington, USA	100.00		USD	2,545	-185
47	MCC Tern Landing LLC [1) 11)]	Wilmington, USA	100.00		USD	-22	-74
48	MCC WK Commercial LLC [1) 11)]	Wilmington, USA	100.00		USD	616	-31
49	MCC WK Residential LLC [1) 11)]	Wilmington, USA	100.00		USD	360	-104
50	Methuselah Life Markets Limited [11)]	London, Great Britain	100.00		GBP	1,248	13
51	MFC CMark LLC [1) 11)]	New York, USA	100.00		USD	172	-57
52	MFC Eagle Realty LLC [1)]	New York, USA	100.00			n.s.	n.s.
53	MFC Holdco, LLC [1) 11)]	New York, USA	100.00		USD	16,002	-4,575
54	MFC New Paradigm LLC [1)]	New York, USA	100.00			n.s.	n.s.
55	MFC Pinecrest LLC [1)]	New York, USA	100.00			n.s.	n.s.
56	MFC Real Estate LLC [1) 11)]	New York, USA	100.00		USD	6,016	-2,165
57	Mod CapTrust Holding LLC [1) 11)]	Dover, USA	100.00		USD	-21	1,057
58	Monolith Grundstücksverwaltungsgesellschaft mbH [1) 11)]	Mainz	100.00		EUR	98	6
59	Nephelin Grundstücksverwaltungsgesellschaft mbH [1) 11)]	Mainz	100.00		EUR	-51	-3
60	ParaFin LLC [1) 11)]	New York, USA	100.00		USD	-18	-18
61	Pathos Bay LLC [11)]	Dover, USA	100.00		USD	1,337	-4,475
62	PE Projekt-Entwicklungsgesellschaft mbH [1) 11)]	Düsseldorf	100.00		EUR	27	1
63	PE Projekt-Entwicklungsgesellschaft mbH & Co. Büro- und Businesscenter Leipzig Park KG [2) 11)]	Düsseldorf	94.90	83.33	EUR	524	-82
64	PM Portfolio Management GmbH [1) 11)]	Düsseldorf	100.00		EUR	63	0
65	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG in Insolvenz [1) 5)]	Bad Homburg	51.00		EUR	-3,572	-117
66	Projekt Carrée am Bahnhof Verwaltungs GmbH in Insolvenz [1) 5)]	Bad Homburg	51.00		EUR	-13	0
67	Projektentwicklungsgesellschaft Gartenstadt Wildau Röthegrund II mbH [11)]	Wildau	94.00		EUR	-6,304	-3
68	Projektgesellschaft Klosterberg mbH [11)]	Münster	94.00		EUR	-594	-27

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
69	S-Chancen-Kapitalfonds NRW GmbH i.L. [11]	Haan	50.00		EUR	2,103	-60
70	Sechste EAA-Beteiligungs GmbH [11]	Düsseldorf	100.00		EUR	20	-5
71	Special PEP II GP Investors, L.L.C. 10) [11]	Wilmington, USA	50.00	0.00	USD	296	14
72	Vierte EAA-Beteiligungs GmbH [11]	Düsseldorf	100.00		EUR	7	-8
73	Vivaldis Gesellschaft für strukturierte Lösungen S.A. [11]	Luxembourg, Luxembourg	100.00		EUR	70	-69
74	West Equity Fonds GmbH [4) 11]	Düsseldorf	100.00		EUR	25	0
75	West Life Markets GmbH & Co. KG [4) 11]	Düsseldorf	100.00		EUR	1,312	0
76	West Merchant Limited [11]	London, Great Britain	100.00		GBP	67	44
77	West Zwanzig GmbH [4) 11]	Mainz	100.00		EUR	25	0
78	Westdeutsche Immobilien Fonds Beteiligungsgesellschaft mbH [1) 11]	Düsseldorf	100.00		EUR	42	0
79	Westdeutsche ImmobilienHolding GmbH [4) 11]	Mainz	94.60		EUR	5,539	0
80	Westfälische Textil-Gesellschaft Klingenthal & Co. Mit beschränkter Haftung [8]	Salzkotten	25.26		EUR	10,216	52
81	WestFonds 5 Büropark Aachen Laurensberg KG [1) 11]	Düsseldorf	49.16	49.01	EUR	3,320	390
82	WestFonds 5 Palazzo Fiorentino Frankfurt KG i.L. [1) 11]	Düsseldorf	45.66	45.53	EUR	2,239	-61
83	WestFonds 5 Walle-Center Bremen KG i.L. [1) 11]	Düsseldorf	46.07	45.94	EUR	4,259	-108
84	WestFonds BI-Management GmbH [1) 11]	Düsseldorf	100.00		EUR	22	-5
85	WestFonds Dachfonds Schiffe GmbH [1) 11]	Düsseldorf	100.00		EUR	-109	5
86	WestFonds Fondsvermögensverwaltungs GmbH [1) 11]	Düsseldorf	100.00		EUR	20	-6
87	WestFonds Geschäftsführungsgesellschaft 1 mbH [1) 11]	Düsseldorf	100.00		EUR	74	-16
88	WestFonds Geschäftsführungsgesellschaft 2 mbH i.L. [1) 12]	Düsseldorf	100.00		EUR	0	-4
89	WestFonds Gesellschaft für geschlossene Immobilienfonds mbH [1) 11]	Düsseldorf	100.00		EUR	57	-4
90	WestFonds Holland Grundstücksgesellschaft Voorburg und s'Hertogenbosch mbH [1) 11]	Düsseldorf	100.00		EUR	-18	-9
91	WestFonds Immobilien Gesellschaft Objekt Halle/Saale Charlottenstraße mbH [1) 11]	Düsseldorf	100.00		EUR	4,530	10
92	WestFonds Immobilien Gesellschaft Objekt Magdeburg An der Steinkuhle 2-2e mbH i.L. [1) 11]	Düsseldorf	100.00		EUR	303	188
93	WestFonds Immobilien Gesellschaft Objekt Wien Heiligenstädter Lände 29 mbH i.L. [1) 11]	Düsseldorf	100.00		EUR	335	23
94	WestFonds Immobilien-Anlagegesellschaft mbH [4) 11]	Düsseldorf	94.90		EUR	4,302	0
95	WestFonds Immobiliengesellschaft Objekt Essen Schnieringshof 10-14 mbH [1) 7]	Düsseldorf	100.00		EUR	2,192	540
96	WestFonds Management GmbH & Co KG i.L. [1) 7]	Düsseldorf	94.90		EUR	78	59
97	WestFonds Premium Select Management GmbH [1) 11]	Düsseldorf	100.00		EUR	24	-2
98	WestFonds Premium Select Verwaltung GmbH [1) 11]	Düsseldorf	100.00		EUR	43	1
99	WestFonds Verwaltung GmbH [1) 11]	Schönefeld	100.00		EUR	115	28
100	WestFonds-PHG Gesellschaft RWI-Fonds 125 mbH [1) 11]	Düsseldorf	100.00		EUR	21	-5
101	WestFonds-PHG Gesellschaft RWI-Fonds 140 mbH [1) 11]	Düsseldorf	100.00		EUR	26	-4

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
102	WestFonds-PHG Gesellschaft RWI-Fonds 43 mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	18	-5
103	WestFonds-PHG Gesellschaft RWI-Fonds 47 mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	22	-5
104	WestFonds-PHG Gesellschaft WestFonds 1 mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	21	-6
105	WestFonds-PHG Gesellschaft WestFonds 2 D mbH [1) 11)]	Düsseldorf	100.00		EUR	27	-3
106	WestFonds-PHG Gesellschaft WestFonds 2 H mbH [1) 11)]	Düsseldorf	100.00		EUR	27	-3
107	WestFonds-PHG Gesellschaft WestFonds 5 Aachen mbH [1) 11)]	Düsseldorf	100.00		EUR	24	-5
108	WestFonds-PHG Gesellschaft WestFonds 5 Frankfurt mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	21	-5
109	WestFonds-PHG Gesellschaft WestFonds 7 mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	30	-6
110	WestFonds-PHG Gesellschaft WestFonds Wien 2 mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	24	-3
111	WestFonds-PHG-Gesellschaft BI-Fonds 12 mbH [1) 11)]	Düsseldorf	100.00		EUR	27	-3
112	WestFonds-PHG-Gesellschaft BI-Fonds 14 mbH [1) 11)]	Düsseldorf	100.00		EUR	28	-3
113	WestFonds-PHG-Gesellschaft BI-Fonds 18 S mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	25	-3
114	WestFonds-PHG-Gesellschaft BI-Fonds 19 S mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	23	-5
115	WestFonds-PHG-Gesellschaft BI-Fonds 23 mbH [1) 11)]	Düsseldorf	100.00		EUR	22	-5
116	WestFonds-PHG-Gesellschaft BI-Fonds 6 mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	19	-5
117	WestFonds-PHG-Gesellschaft KA Deutschland Beteiligungsgesellschaft mbH [1) 11)]	Düsseldorf	100.00		EUR	27	-4
118	WestFonds-PHG-Gesellschaft KB Zwei Länder Beteiligungsgesellschaft mbH [1) 11)]	Düsseldorf	100.00		EUR	28	-4
119	WestFonds-PHG-Gesellschaft RWI-Fonds 25 mbH [1) 11)]	Düsseldorf	100.00		EUR	74	-4
120	WestFonds-PHG-Gesellschaft RWI-Fonds 34 mbH [1) 11)]	Düsseldorf	100.00		EUR	48	-10
121	WestFonds-PHG-Gesellschaft RWI-Fonds 40 mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	22	-5
122	WestFonds-PHG-Gesellschaft WestFonds 3 Berlin mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	22	-5
123	WestFonds-PHG-Gesellschaft WestFonds 3 Düsseldorf mbH [1) 11)]	Düsseldorf	100.00		EUR	29	-4
124	WestFonds-PHG-Gesellschaft WestFonds 4 mbH i.L. [1) 11)]	Düsseldorf	100.00		EUR	21	-5
125	WestFonds-PHG-Gesellschaft WestFonds 6 mbH [1) 11)]	Düsseldorf	100.00		EUR	35	-1
126	WestGKA Management Gesellschaft für kommunale Anlagen mbH [2) 4) 11)]	Düsseldorf	100.00		EUR	642	0
127	WestLB Asset Management (US) LLC [11)]	Wilmington, USA	100.00		USD	25,671	-1,204
128	WestLB Venture Capital Management GmbH & Co. KG [7)]	Cologne	50.00		EUR	41	-5
129	WestLeasing International GmbH [1) 11)]	Düsseldorf	100.00		EUR	182	-9
130	WestLeasing Westdeutsche Leasing Holding GmbH [4) 11)]	Düsseldorf	94.90		EUR	11,625	0
131	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. [1) 4) 11)]	Düsseldorf	100.00		EUR	276	0
132	WestVerkehr Beteiligungsgesellschaft mbH [1) 11)]	Düsseldorf	100.00		EUR	112	3
133	WLB CB Holding LLC [1) 11)]	New York, USA	100.00		USD	-18	293
134	WMB Beteiligungs GmbH [1) 11)]	Düsseldorf	100.00		EUR	26	-10

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
135	AKA Ausfuhrkredit-Gesellschaft mbH [11)]	Frankfurt am Main	5.02		EUR	201,032	14,125
136	Banco Finantia S.A. [11)]	Lisbon, Portugal	8.57		EUR	383,711	11,871

Other companies for whom the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
137	GBR Industrie- und Handelskammer Rheinisch-Westfälische-Börse	Düsseldorf	5.88	5.00		n.s.	n.s.
138	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] Data as of 31 December 2009.
[6] Data as of 31 October 2013. The financial statements have been prepared but not yet adopted.
[7] Data as of 31 December 2013.
[8] Data as of 30 June 2014.
[9] Data as of 14 July 2014.
[10] Data as of 31 October 2014.
[11] Data as of 31 December 2014.
[12] Data as of 31 March 2015.
[13] A global guarantee exists. The company's capital was reduced by EUR 750 million in the first half of 2015.

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, 13 November 2015

Erste Abwicklungsanstalt

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

List of abbreviations

ALM	Asset liability management
APAC	Asia, Pacific and Japan
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
BGH	German Supreme Court (Bundesgerichtshof)
BilMoG	German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)
bp	Basis points
CCY	Currency code
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., Tokyo/Japan
EaD	Exposure at default
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
ELA	Emergency Liquidity Assistance
EMEA	Europe, Middle East and Africa
EU	European Union
EUSS	European Super Senior Notes
Fed	U.S. Federal Reserve
Fitch	Fitch Ratings
FMS	Financial Market Stabilisation Fund
FMSA	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
FMStFG	German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz)
FX effect	Foreign exchange effect
GDP	Gross domestic product
HETA	HETA Asset Resolution AG, Klagenfurt/Austria
HGB	German Commercial Code (Handelsgesetzbuch)
IMF	International Monetary Fund
IS	Income statement
IT	Information technology
LLP	Limited liability partnership
MaRisk	Statutory German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)
Moody´s	Moody´s Investors Service
MtM	Mark to market
NPL	Non-performing loans
N.R.	Not rated
NRW	North Rhine-Westphalia

LIST OF ABBREVIATIONS

OMT	Outright Monetary Transactions
OPEC	Organisation of Petroleum Exporting Countries
OTC	Over the counter
PFS	Portigon Financial Services GmbH, Düsseldorf
Portigon	Portigon AG, Düsseldorf (until 2 July 2012 WestLB AG)
RechKredV	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
S.R.	Special rating
S&P	Standard and Poor's Corporation
TLTRO	Targeted Long Term Refinancing Operations (of the ECB)
VaR	Value at risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz
WestLB	WestLB AG, Düsseldorf (from 2 July 2012 operating as Portigon AG)