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INTERIM REPORT
30 September 2016

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

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

To facilitate readability, only the masculine form of words is used. All personal designations apply to both genders, unless the content dictates otherwise.

EAA KEY FIGURES

EAA key figures

Income statement as used internally in EUR million	1/1 - 30/9/2016	1/1 - 30/9/2015
Net interest income	119.5	125.9
Net fee and commission income	10.8	38.0
Net trading result	8.0	-16.0
Total other operating income/expenses	0.6	2.3
General administrative expenses	-158.7	-223.0
Results from financial assets and shareholdings	50.5	57.3
Results prior to risk provisioning	30.7	-15.5
Loan loss provisions	-24.4	26.3
Results before taxes	6.3	10.8
Taxes	-0.5	-1.9
Net profit for the year	5.8	8.9

Balance sheet in EUR billion	30/9/2016	31/12/2015
Total assets	68.6	68.7
Business volume	78.8	81.7
Lending business	34.6	37.8
Trading assets	29.4	27.1
Equity	0.6	0.6

Winding-up	30/9/2016	30/9/2015
Banking book		
Notional value (before FX effect) in EUR billion	30.8	37.7
Winding-up activities (compared with previous year-end) in EUR billion	-5.2	-14.6
Winding-up activities (compared with previous year-end) in %	-14.5	-27.9
Trading portfolio		
Notional value (before FX effect) in EUR billion	288.9	366.5
Winding-up activities (compared with previous year-end) in EUR billion	-52.8	-99.6
Winding-up activities (compared with previous year-end) in %	-15.4	-21.4

Employees	30/9/2016	31/12/2015
Number of employees	171	144

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

Foreword

Dear Ladies and Gentlemen,

The EAA's business performed well in the period from January to the end of September 2016. We have already succeeded in implementing most of our plans for the current fiscal year. In fact, they have been exceeded in some cases. Both the banking book and the trading portfolio have been reduced by around 15% since the start of the year. At EUR 5.8 million as at 30 September, the result after taxes is once again better than planned. This is largely attributable to the significantly better-than-expected performance of financial assets and participations. We were likewise successful at cost management, which enabled us to decrease administrative expenses more than originally forecast.

The EAA will continue to focus on particularly complex components of the portfolio, with the objective of reducing the associated risks as quickly as possible in the interests of its stakeholders. From today's perspective, the portfolios with project financing, American life insurance policies and municipal interest swap transactions will need particularly close attention. The performance of the Phoenix Light SF Ltd. special purpose vehicle, whose financing instruments are held entirely with the EAA, must be scrutinised carefully, too.

Even though the EAA does not underestimate the risks remaining in the overall portfolio, it is clear that the existing risk buffer has improved further relative to the volume of the banking book. In absolute figures, the EAA's equity, equity draw-down facility and risk provisions add up to EUR 2.3 billion and therefore correspond to the level of the beginning of the year, even though the portfolio volume has decreased further.

As in the prior periods, the development of the EAA's total assets (30 September 2016: EUR 68.6 billion) does not reflect the success in winding-up the portfolio (31 December 2015: EUR 68.7 billion). This is mainly due to the rising market values of trading assets and liabilities, which are primarily influenced by the development of interest rates. The notional wind-up and the related reduction in risks are thus offset. The temporary increase in cash and cash equivalents, for instance, reinforces the effect. The EAA's total assets are also higher because it could now legally assume assets that it had previously guaranteed. While this measure does not change the risk situation, it facilitates the wind-up of the corresponding positions in the future.

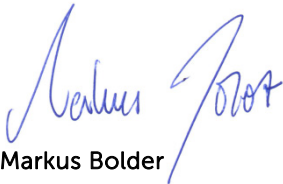
FOREWORD

In view of the progress the EAA has made in the first nine months, we are confident that fiscal year 2016 as a whole will conclude with a satisfactory result.

Sincerely yours



Matthias Wargers
Spokesman
of the Managing Board



Markus Bolder
Member
of the Managing Board



Horst K pker
Member
of the Managing Board

Interim management report

For the period from 1 January to 30 September 2016

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 and the principle of minimising its losses. The EAA is not a credit or financial services institution within the meaning of the German Banking Act (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 those provisions of banking law that are applicable to the EAA.

The EAA's work is principally carried out on the basis of section 8a 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 commitments, as well as its risk strategy and wind-up plan.

The wind-up plan describes the intended wind-up activities of the EAA by classifying its asset positions into sub-portfolios (clusters) and standard strategies, and contains a schedule for the winding-up of assets. The possible methods for winding up the portfolio include selling the assets prior to their maturity, holding them to maturity or restructuring the relevant items. The EAA reviews the wind-up plan at least once a quarter and makes adjustments, when necessary, mainly in order to take account of changes in circumstances, for example current market developments. Changes or adjustments to the wind-up plan must be approved by the FMSA. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and the liable stakeholders about the progress of the winding-up and the implementation of the wind-

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up plan. When doing so, it also documents the wind-up result. This annual wind-up plan must be adopted by a resolution of the Supervisory Board before it is submitted to the FMSA.

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

The governing bodies of the EAA are the Managing Board (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. Eleven 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. It is responsible for adopting the annual financial statements of the EAA, among other things.

Since its establishment the EAA has repeatedly adjusted its organisational structure to manage changes in the corporate environment. The gradual takeover of a multi-billion portfolio presented it with enormous challenges in developing an adequate organisation and recruiting the required experts. As the portfolio continues to be wound up, capacity and costs will have to be reduced without losing the expertise necessary to successfully complete the wind-up. Against this background, the EAA acquired its main service provider, EFS, in early 2016, having carried out a detailed due diligence. EFS will continue to focus on its activities as an IT service provider and on processing transactions for the EAA portfolio. Thus, the EAA is securing key services for the portfolio. Compared with alternative strategies, the takeover was the economically most favourable solution to continue to guarantee the operational stability of the EAA.

With EPA, the EAA had already established a subsidiary for portfolio management in 2014. EPA's employees were primarily recruited from the former employees of the Portfolio Exit Group, which was established in the former WestLB when the EAA was founded, as well as from EAA employees.

With its two service subsidiaries, the EAA is well prepared to carry out its future tasks. However, this corporate structure will not be permanent, either. The EAA understands that the gradual transformation of its service subsidiaries is a part of its mandate, which also entails sounding out options for selling EPA. The process for reviewing outsourcing measures for large parts of EFS has also been launched.

Economic environment

An accumulation of political risks

The year 2016 has been defined by a remarkable accumulation of political event risks. In the summer, UK citizens voted in a referendum on the UK's membership of the European Union, which ended with a vote to leave which took many political observers by surprise. The electorate in Spain was once again called to the polls at the end of June to elect a new government. The election results did not differ meaningfully from the outcome of the previous election held in December 2015, which led to a protracted political stalemate in the Spanish parliament.

Further events that investors had to have on this year's agenda were the ECB's and Fed's decisions on interest rates made every seven to eight weeks. At each of this year's Federal Open Market Committee (FOMC) meetings, the Fed has reaffirmed its intention to raise US benchmark interest rates in the not-too-distant future. However, it did not match these announcements with deeds. According to the ECB, the purchases of EUR denominated bonds (government bonds, covered bonds, corporate bonds and securitisations) will continue at least until March 2017 or until the inflation rate comes close to the ECB's target rate of 2%. Even though March 2017 is only four months or so away and eurozone inflation is still well below the target rate, the ECB has not yet commented on how it will proceed further with the purchases.

The US election was another significant event risk. To the surprise of many observers and analysts, Donald Trump won the election and will become the 45th president of the United States. Financial markets do not welcome such event risks, a fact that is reflected in the performance of important share indices in the US and the eurozone. Equity markets had been trading in a very tight range since the start of the crucial phase of the US election campaign. The announcement of the election results on 9 November was followed by marked price fluctuations in many markets, with US equity futures down by as much as 4% at times. European equity markets also slumped by between 3% and 4% overnight, although thereafter they immediately rebounded.

Despite this accumulation of event risks, there is no denying the ongoing recovery in the global economy, and there is evidence to suggest that the recovery will continue in the second half of 2016 and during 2017. The growth slump in many emerging markets has been offset in the eurozone and the US by an improvement in the employment situation because of rising disposable income thanks to higher wages and low energy prices.

Brexit and its fallout – a brief update

The expectations of those voters in the UK who believe Brexit will deliver only the advantages of the EU without the disadvantages are likely to be disappointed. The European Commission unanimously takes the view that such a concession would encourage other countries (Netherlands, France or Poland) to follow suit, especially amid the euro and migrant crises. The economic downturn that was feared in the UK and the eurozone has not materialised yet. The UK's economic output in the third quarter rose by 0.5% over the previous quarter. Economic output is expected to increase overall by a good 1.8% in 2016.

There are many ways on how the relationship between the UK and the EU could be structured in the future. It is likely to come down to one model in the end, which is usually described as the "Norwegian model". In return for access to the single market, the UK would continue to

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contribute towards the EU budget and adhere to many established EU standards. This would most likely include the freedom of movement. As compensation, concessions would be made to the UK concerning recognition of the banking passport. However, negotiations as to what rules will govern the relationship between the EU and the UK have yet to be held.

For these negotiations to start, the UK must invoke Article 50 of the Treaty of Lisbon to exit the EU. Theresa May's government had previously assumed this could be triggered without further consultation with parliament. The High Court refuted this view on 2 November, ruling that parliament must vote on triggering Article 50 of the Treaty of Lisbon.

UK companies are already feeling the effect Brexit is having on inflation. Many imports have become more expensive as the pound sterling has depreciated against the euro. This often puts pressure on margins. Consequently, 2017 is likely to be a rather difficult year. Economic output in the UK will probably increase by no more than 0.9%. Investments in particular will probably decline sharply (-2.8% compared with the previous year).

US: Growth accelerates in the third quarter

US economic output increased in the third quarter by a good 0.7% over the previous quarter, making it likely that US GDP for 2016 as a whole will rise by more than 1.5% (2015: +2.6%). The slight slowdown in US economic growth this year compared with 2015 is due in particular to the rather weak first half-year.

This is attributable not only to weaker US net exports but also to the decline in investment, which fell by more than 11% in the first half of 2016 and appears to have recovered only marginally in the third quarter (+3.1% over the previous quarter). One reason for this collapse was the decline in capital expenditure in the oil and gas sector (machinery and buildings) on account of the fall in oil prices. A barrel of WTI crude oil cost USD 95 on average in 2011. The highest price on a closing-price basis was slightly more than USD 114. A comparison with current prices highlights how dramatically the price has meanwhile fallen. The average price per barrel of WTI was USD 42 in the first eleven months of this year. The lowest price so far this year (USD 26.21 per barrel) was reached on 11 February. This price decline has called into question many of the sector's investment plans, as an oil price of between USD 50 and 60 must be reached for shale oil reserves and oil sands to break even.

Nonetheless, the weak growth in the first half of the year should not be seen as a symptom of an approaching recession. Instead, it appears that the US economic recovery, which is in its eighth year, has returned to normal cyclical patterns. In the early stages of the economic recovery, foreign demand in particular fuelled US economic growth. This was supported by the fall in the value of the US dollar against both the euro and against other important trading currencies.

In 2016 the traditional driver of US economic growth – US consumer sentiment – has been crucial. It has recovered since the recession peaked in the first quarter of 2009. At 98.6 points, US consumer confidence is significantly above the average of the last ten years (74.3) and has therefore reached pre-crisis levels. Rising employment, which in turn increases household incomes, is important for this development.

The number of jobs has been rising since February 2010, and has climbed by more than 15 million to 144.9 million jobs (as at October 2016). The current level of employment has 6.5 million more jobs compared with the best pre-crisis figures (138.4 million in January 2008). The Fed believes this trend is very likely to continue. In its assessment of regional economic indicators, the so-called "Beige Book", it has determined that the American economy is growing moderately at present in most regions of the country. Higher wages and a current increase in inflation could prompt the Fed to raise interest rates by a further 25 bp in December.

US election: Donald Trump is the president-elect and the Republicans control Congress

In the last phase of the election campaign Hillary Clinton had to endure a reopening of the FBI's investigation into her handling of digital communications (email affair). In addition, the FBI once again addressed the accusations about cash payments made by a pardoned tax evader against the Clintons and the Democratic Party. These allegations damaged Hillary Clinton in the closing stages of the election campaign.

The undecided states (so-called swing states) on which the candidates focused their attention were of crucial importance. The citizens of these swing states had voted in the recent past for alternating parties. In this election, Donald Trump secured the majority of the votes in many swing states, which is why the electoral college of these states will vote in favour of Donald Trump.

Just before the election, the polls had predicted a Hillary Clinton victory in many of the swing states. The financial markets' reaction to the unexpected election outcome was clear. The more the pre-election forecasts favoured Hillary Clinton to win, the greater the demand was for equities and other risky asset classes. Many market participants then reversed these positions once the outcome of the election was announced, so that the equity markets in Europe opened on average between 3% and 4% lower in the morning after the election. The euro also appreciated against the US dollar. However, some of these initial losses were recouped in the course of trading, and the US dollar strengthened again against the euro.

It is difficult to gauge the political agenda of the new President Donald Trump, given that he did not define many policy proposals during his election campaign. The key elements of his programme were lower taxes, less regulation, Fed restructuring, rebuilding the American infrastructure within the framework of a growth programme, renegotiating trade agreements – which could have negative implications for the large export nations of China and Germany in particular – and a stricter immigration policy. It is as yet unknown how Trump's administration will achieve these objectives. Given that the two houses of the US Congress continue to be controlled by the Republicans, it will be much easier for Donald Trump than his predecessor to push through his objectives – at least until the midterm elections two years from now. The consequences for foreign policy are also more difficult to assess. Donald Trump held hardly any consultations or talks with NATO partners during his election campaign. At the same time, he called into question the military alliance's security guarantees for eastern European states. It remains to be seen how Russia's President Putin will react to this.

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Forecast for the US: We will see one interest rate hike in 2016, with two more to come in 2017

So far this year the Federal Open Market Committee's meetings have not resulted in any decisions to increase interest rates, even though it had initially planned three to four rate hikes of 25 bp each for 2016. Its reticent interest rate policy implies it agrees with the financial markets that further hikes in interest rates are not appropriate at this time due to the slowdown in US growth in the first half of 2016.

In addition to the employment level, new jobs added and the unemployment rate, the Fed is looking at the rate at which monetary wages are rising in order to assess the state of the labour market. An acceleration in wage inflation suggests the "reservoir" of unemployed persons not officially registered is being reduced. This reservoir emerged during the crisis, as many of the US unemployed were removed from the official unemployment statistics once they reached the maximum period during which they can receive assistance. They were then classified as "those not seeking employment" and are therefore no longer registered in official statistics. The return of these workers to the labour market during the recovery has prevented a faster rise in US monetary wages. The Fed has therefore expressly welcomed the increase in the rate of wage growth from a low 1.5% in 2015 to a 2.9% year-on-year increase in October 2016.

The good state of the US labour market is likely to remain intact in 2017 too. Immigration and population growth require 100,000 new jobs to be created each month to prevent the unemployment rate from rising. Admittedly, jobs growth is expected to proceed at a slower pace in the future. Instead of increases of between 180,000 and 200,000 new jobs a month, we assume this figure will average around 150,000 new jobs a month in 2017. Nonetheless, this somewhat slower growth in jobs is still sufficient to lower the unemployment rate.

The Fed will probably raise interest rates once this year. The range for the Fed funds rate should lie between 50 bp and 75 bp from 14 December 2016 onwards. This was implied by the comments accompanying the interest rate decision of 2 November, when the Fed referred to the renewed pick-up in inflation and the further improvement of the situation on the US labour market. It is likely to hold firm to this assessment even after Trump's election. Fourth-quarter 2016 US economic output is expected to increase by a good 0.5% over the third quarter, so that US GDP should grow by 1.5% for the year as a whole.

Core eurozone countries: Germany is still growing faster than France

Germany achieved GDP growth of 1.7% in 2015 and is therefore keeping pace with the eurozone average (1.7%). The growth rate achieved in 2015 is encouraging compared with the potential growth rate of the German economy, which the Bundesbank estimates at around 1.25%. This momentum explains the further decline in Germany's unemployment rate. The growth of the German economy is expected to accelerate in the third quarter of 2016. At least this is what is suggested by the German Purchasing Managers Index, which has climbed by 1.4 points to 55 in the last three months. The unemployment rate has fallen from 6.3% in December 2015 to 6.1% in September 2016.

The ECB's eurozone government bond-buying programme and the marked decline in investors' risk appetite have significantly reduced the yields on German government bonds (Bunds). The yield on ten-year Bunds reached a new low of -18.9 bp on 8 July and did not

start to rise again until the end of September, when rumours started circulating that the ECB might rein in its purchases (tapering). It currently stands at +15.2 bp.

France's GDP grew only marginally during the years from 2012 until 2014, expanding at an annual rate of between 0.2% and 0.6%, and there are numerous indicators suggesting that the French GDP for 2016 also looks set to disappoint expectations, which are anyway not very high. Although French economic output grew by only 0.2% in the third quarter, at least it managed not to slide into a technical recession after the drop in GDP in the second quarter.

Spain finally has a regular government again

In the hope of supplying the prime minister from their ranks in a new election, the Spanish social democrats (PSOE) opted to prevent a government from being formed by refusing to cooperate with the conservative People's Party (Partido Popular, PP). This impasse lasted until the beginning of October. Nonetheless, the PP remains the strongest faction in parliament and was able to increase its number of seats in the new election at the end of June. Rather than the hoped-for strengthening of its numbers, the social democrats could claim only second place in parliament, just barely ahead of the left-wing protest party Podemos and the liberal citizens' movement (Ciudadanos).

Following two further defeats for the social democrats at the Basque and Galician regional elections in September, the PSOE rebelled against its leader Pedro Sanchez, who once again wanted to frustrate attempts to form a government. This would have forced a third general election on 25 December 2016. However, because of the party's weak polling results many PSOE members of parliament were unwilling to provoke another election. Thanks to the PSOE's abstention in the parliamentary vote, Mariano Rajoy was elected as prime minister, putting an end to the government crisis for the time being. Rajoy now leads a minority government that relies on the support of other parties to pass laws. It remains to be seen whether he will receive this support.

Spain's economy grew by 3.2% in 2015. Therefore, Spain is one of the fastest growing economies in the eurozone in 2016. Its good performance can be explained by the very sharp decline in Spanish GDP due to the combination of the severe recession following the global financial crisis and a sovereign debt crisis. The fast growth is therefore attributable, at least in part, to a basis effect. The conservative government's reforms also played their part in the country's growth. Spanish unit labour costs, for example, have fallen by more than 6% since peaking in 2009. Thanks to these improvements and the popularity of Spain as a holiday destination due to the crises and problems in other Mediterranean holiday regions, the Spanish economy grew by 0.8% in both the first and the second quarter. In the third quarter GDP was up once again by 0.7% (over the previous quarter), which is why the EAA is raising its growth expectations for 2016 by 0.3 percentage points to 3.1%.

Further reform efforts would be necessary to maintain this fast pace of growth in the years ahead. In view of the political situation, this does not seem likely. As prime minister of a minority government, Mariano Rajoy will have to cooperate with the other parliamentary parties. The draft budget for the coming year will be a litmus test of his success. This draft budget is highly important on the back of the warning Spain has already been given by the European Commission about its budget and deficit.

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Portugal: Growth has slowed somewhat

Growth has slowed in Portugal since the third quarter of 2015. Economic output virtually stagnated in the third quarter of 2015; Portuguese GDP then increased by 0.2% (quarter-on-quarter) in the fourth quarter of 2015 and again in the first quarter of 2016. Growth is therefore noticeably slower compared with the first two quarters of 2015 (both +0.5%). This slowdown is due to the protracted process of forming a government after the October 2015 elections and the clashes between the new government and the European Commission concerning the planned course of consolidation and the budget. Portugal's economic output grew by 0.3% in the summer over the previous quarter.

However, its susceptibility to risk was evident during DBRS's review of its rating in October. DBRS is the only rating agency recognised by the ECB to still rate Portugal as investment grade (BBB low). It is precisely this one rating that allows the ECB to purchase Portuguese government bonds. In the past these purchases were able to limit the negative effects of political risks on Portuguese yields. Speculation about a withdrawal of the investment grade rating preceded the review, which led to increased sales of the bonds and a sharp rise in their yields. DBRS's confirmation of Portugal's rating was followed by a noticeable decline again in the yields. The ECB can continue buying Portuguese bonds until the next DBRS rating review, at which point bond investors will have to ponder again the probability of a downgrade.

Italian growth picking up slightly

After three years of recession, Italy's economic output grew again moderately for the first time in 2014 by 0.1%. Growth accelerated in 2015 to reach 0.8%. These growth rates leave Italy lagging well behind the eurozone average.

Italy's recovery continued at a very slow pace this year too, with its economic output expanding by 0.3% in the first quarter over the previous quarter. GDP stagnated, however, in the second quarter. Italy has raised taxes in the past to reduce its budget deficit to a Maastricht-compatible level of less than 3% of economic output (2015: 2.6%). The price paid for the rapid consolidation was a prolongation of the recession.

Another factor hampering Italy's recovery is the high volume of non-performing loans (NPLs) held on the balance sheets of many regional banks. The still significantly elevated NPL rates and the associated burden on regulatory capital restrict the banks' scope for lending, which is curbing Italy's economic growth. The lending momentum prompted by the ECB's monetary policy has therefore not reached the real economy in Italy.

Whilst the Italian government wants to address this issue, its potential influence is restricted by a series of problems. The level of indebtedness reached is likely to make it impossible to recapitalise the banks. With debt at a high 135.8% of GDP in 2015 and only weak economic growth, a government-financed recapitalisation of the banks does not look like a feasible option in view of the high volume of NPLs (the official figure is given at around EUR 360 billion). This is also impossible because of the new EU Bank Recovery and Resolution Directive (BRRD). The banks' low profitability often prevents them from resolving the problem themselves. This is aggravated by the fact that winding up problem banks could weigh on sentiment in Italy. A run on deposits held with Italian banks is a very real threat, which could lead to further bank failures and a collapse of the financial system.

Besides these issues, Italy's prime minister Matteo Renzi also faces a referendum on his proposed reform of the parliamentary system. This reform, which is seen as an important precondition for the government's further transformation plans, aims to make it more difficult to block the parliamentary process. Today, Italy's parliament is composed of two symmetrical chambers and the government requires the backing of both. For laws to be enacted, the identical text must be approved by both chambers. This has led to frequent changes of government in Italy, as the Senate in particular has repeatedly withdrawn its vote of confidence in the government. This system has also made it difficult to pass laws. Every proposed legislative change must be presented to both chambers for approval. Opinion polls on the referendum currently suggest the reform will be rejected. Given that Matteo Renzi has linked his political future to the referendum, the country could be facing new elections.

A look to 2017: Despite the risks, the eurozone economy is recovering

The economic recovery in the eurozone is expected to continue in 2017. There are too many positive growth factors in many areas for another crisis to occur. However, event risks have heightened significantly because of the minority governments in Spain and Portugal, the Brexit vote in the UK, the constitutional referendum in Italy and the forthcoming elections in France, the Netherlands and Germany.

Luckily the price of oil, judging from the experiences of 2011, is still low and is likely to remain at its current level of between USD 45 and a maximum of USD 55 per barrel (WTI crude oil) for the next few months. Low oil prices redistribute purchasing power away from oil producers to consumers – a favourable development for the eurozone. This phase of relatively low oil prices is likely to persist, as the OPEC countries are all competing for market share following the removal of sanctions on Iran. For the oil price to increase significantly, oil production would have to be scaled back in order to restore the balance between supply and demand. Negotiations in this respect have proven fruitless to date because the oil-producing countries are concerned about free riding effects if all producers do not participate in the reduction of supply.

Consumers are the most important drivers of economic growth in countries such as France, Spain, Italy and Portugal. Improving prospects on the labour market and relief in the form of increases in the minimum wage, tax cuts and pension changes are expected to improve consumer sentiment in 2016 and 2017. The German government is also considering such measures. In addition, many eurozone countries are scaling back the austerity measures imposed by their national governments, and a new round of cost-cutting is not expected for 2017 either. This means a positive boost for the eurozone's economic growth. The EAA therefore assumes the economies of both the peripheral and core eurozone countries will continue to recover in 2017 as well.

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Summary of important macroeconomic forecasts

Key economic indicators	Growth		Inflation		Unemployment		Budget balance (% GDP)	
	2016	2017	2016	2017	2016	2017	2016	2017
	in %	in %	in %	in %	in %	in %	in %	in %
US	1.5	2.1	1.2	2.2	4.9	4.7	-3.1	-3.0
Eurozone	1.5	1.3	0.2	1.3	10.1	9.8	-1.9	-1.8
Core & semi core								
Germany	1.8	1.4	0.4	1.5	6.1	6.3	0.4	0.2
France	1.3	1.1	0.3	1.2	10.0	9.8	-3.4	-3.2
Periphery								
Greece	-0.5	1.0	-0.1	0.8	23.6	22.9	-3.4	-2.3
Ireland	3.9	3.1	0.3	1.6	8.0	7.5	-1.1	-0.6
Portugal	1.0	1.2	0.7	1.1	11.4	10.8	-2.9	-2.7
Spain	3.1	2.1	-0.4	1.3	20.0	18.6	-4.3	-3.5
Italy	0.8	0.8	0.0	1.0	11.5	11.2	-2.5	-2.4
Emerging Markets								
Asia	5.7	5.9	1.9	2.5	4.0	4.0	-2.6	-2.9
Latin America	-1.8	1.8	38.1	30.7	9.7	10.0	-7.2	-6.6
Eastern Europe & Africa	1.4	2.4	5.8	5.4	9.1	8.9	-3.1	-2.8
BRIC countries								
Brazil	-3.3	1.0	8.8	5.4	11.4	12.0	-9.2	-8.8
Russia	-0.6	1.2	7.1	5.3	5.7	5.7	-3.8	-2.7
India	7.5	7.7	4.9	5.0	n.s.	n.s.	-3.9	-3.5
China	6.7	6.4	2.0	2.0	4.1	4.1	-3.1	-3.5

Source: Bloomberg, EAA.

Spain is likely to join Germany and Ireland again as one of the fastest-growing economies in the eurozone. This forecast, however, is associated with a significant risk. For Spain's economy to grow by 3.1% in 2016, it is important that the new government in Madrid does not make major changes to the reforms implemented by the conservative government that came before it. It remains to be seen whether this will be the case. German GDP will grow by a good 1.8% in 2016. In 2017 the German economy is forecast to grow by 1.4%, just barely above its potential. The dampening effects of Brexit are evident here. The French economy will probably show growth of 1.3% in 2016 and 1.1% in 2017, and therefore grow below the average of the rest of the eurozone.

The key factor for this growth outlook is monetary support from the ECB. Low interest rates and yields make it possible to finance much higher levels of debt (private and public). The costs of this policy are borne by investors. The ECB's bond-buying programme further reduces the interest burden on the euro periphery and eases the pressure on indebted countries even more.

Financial market outlook for 2016/2017

The divergence between the ECB and Fed monetary policy is the root cause of the considerable difference that exists, and will continue to exist, in the current level of yields between the core of the eurozone and the US. While the Fed is attempting to bring about a normalisation of monetary policy, the ECB wants to continue supplying the money and financial markets with fresh central bank liquidity through its asset purchases. In order to offset shortage problems associated with the recent decision to expand the purchases, the ECB started in summer 2016 to purchase corporate bonds in addition to government bonds, bonds of other government-related issuers (SSA bonds), covered bonds and securitisations. These 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 anticipates that for 2017 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 0.1% at the end of 2016, whereas the US equivalent is forecast to hit 1.7%. At the end of 2017, the yield on ten-year government bonds should be at 0.4% in Germany, with those in the US at 2.1%.

Overview of key financial markets

Fixed income markets year-end 2016	Policy rate in %	2Y yield in %	10Y yield in %
US	0.70	0.90	1.70
Eurozone	0.00	-0.60	0.10
Core & semi core			
Germany	0.00	-0.60	0.10
France	0.00	-0.50	0.30
Periphery			
Spain	0.00	0.00	1.10
Italy	0.00	0.00	1.40

Source: Bloomberg, EAA.

Economic report

Overview of economic development

The EAA's economic situation in the first three quarters of 2016 was largely determined by its wind-up mission.

During this period the notional volume of the banking book fell by 14.5% to EUR 30.8 billion, while the notional volume of the trading portfolio declined by 15.4% to EUR 288.9 billion.

The net profit for the year of EUR 5.8 million includes positive net interest income of EUR 119.5 million, net fee and commission income amounting to EUR 10.8 million, a net trading result totalling EUR 8.0 million and a financial investment result of EUR 50.5 million. Administrative expenses amounted to EUR 158.7 million.

The EAA's total assets declined only marginally from EUR 68.7 billion the year before to EUR 68.6 billion. This was due to the higher volume of the trading portfolio induced by the market value. The business volume, which also includes off-balance-sheet components, fell 3.6% to EUR 78.8 billion (previous year: EUR 81.7 billion).

Wind-up report

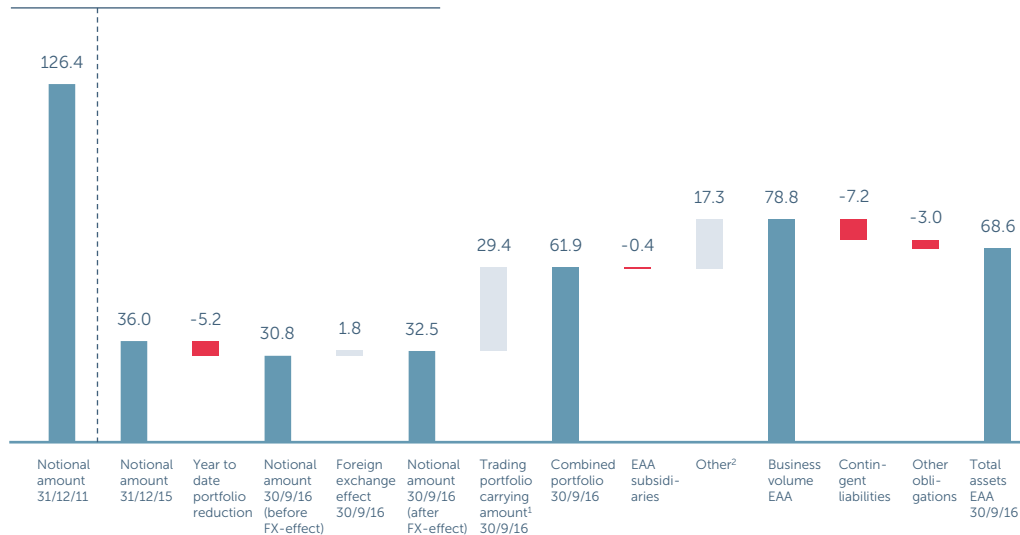
The figures and developments discussed in this section are regularly reported to the FMSA, as well as to the EAA's governing bodies. They relate to the entire risk portfolio transferred to the EAA, regardless of whether these figures are recorded on- or off-balance-sheet in the EAA's separate financial 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 2016 and the reconciliation to the EAA's total assets as at 30 September 2016.

Reconciliation of the transferred notional volume to the balance sheet

in EUR billion

Notional Values Banking Book



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 sales 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 2016 the notional volume of the banking book was reduced from EUR 36.0 billion to EUR 30.8 billion (at exchange rates as at 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 5.2 billion (14.5%). The volume at exchange rates as of 30 September 2016 is EUR 32.5 billion. Since 1 January 2012 the total banking book portfolio has decreased by EUR 95.6 billion or 75.7%.

INTERIM MANAGEMENT REPORT

Clusters	Notional volume (at exchange rates as of 31/12/2011)				Notional volume (at exchange rates as of 30/9/2016)	
	Notional 30/9/2016 EUR million	Notional 31/12/2015 EUR million	Change to 31/12/2015 EUR million	Change in %	Notional 30/9/2016 EUR million	FX effect ¹ EUR million
Structured Securities	9,591.5	12,092.8	-2,501.3	-20.7	10,215.0	623.5
Liquidity Portfolio	7,188.6	7,665.5	-476.9	-6.2	7,640.7	452.1
Energy	3,707.4	4,044.2	-336.8	-8.3	3,924.9	217.5
Public Finance	2,231.5	2,453.1	-221.6	-9.0	2,245.9	14.4
Asset Securitisation	1,595.2	1,734.5	-139.3	-8.0	1,849.2	254.0
Infrastructure - Project Finance	1,259.7	1,518.6	-258.9	-17.0	1,247.4	-12.3
Other clusters	5,185.7	6,448.5	-1,262.8	-19.6	5,390.3	204.6
Total	30,759.6	35,957.2	-5,197.6	-14.5	32,513.4	1,753.8

¹ Change in notional volume due to exchange rate effects.

Please note: The cluster structure was modified as of 31 March 2016. The NPL cluster was dissolved and its positions were reassigned to their original clusters. The presentation of the previous year has been restated accordingly. As at 30 September 2016, the total NPL portfolio amounted to EUR 5.1 billion at current exchange rates.

So far this year the EAA has significantly reduced the portfolio in the Structured Securities cluster. This decrease is primarily due to partial repayments of the Phoenix A2 (USD) and A3 (EUR) notes as well as the complete repayment of the Phoenix A1 note (USD).

The notional reduction in the Other clusters is distributed over the rest of the portfolio, with the changes here attributable in particular to repayments in the Industrials cluster and to sales and repayments in the Aviation cluster.

There was a EUR +17.2 million effect on the wind-up plan in the first three quarters of 2016 associated with sales and early repayments in the banking book portfolio.

Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 288.9 billion as at 30 September 2016. The notional volume of the trading portfolio decreased by a total of EUR 52.8 billion during the period from 1 January to 30 September 2016 (at exchange rates as at 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 775.1 billion or 72.8%.

Clusters ²	Notional 30/9/2016 EUR million	Notional 31/12/2015 EUR million	Notional volume (at exchange rates as of 30/6/2012) Change to 31/12/2015 in %		Notional volume (at exchange rates as of 30/9/2016) Notional 30/9/2016 EUR million FX effect ¹ EUR million	
Rates	285,813.7	337,916.7	-52,103.0	-15.4	289,809.2	3,995.5
Equity	2,562.8	2,946.2	-383.4	-13.0	2,362.4	-200.4
Credit	259.8	511.9	-252.1	-49.2	259.8	0.0
Other clusters	276.8	325.5	-48.7	-15.0	311.8	35.0
Total	288,913.1	341,700.3	-52,787.2	-15.4	292,743.2	3,830.1

¹ Change in notional volume due to exchange rate effects.

² The clusters are presented in the structure of the 2016 wind-up plan.

The decline is predominantly the result of maturities as well as liquidation and the active management of transactions. The principal driving force was the Rates cluster with a total notional decrease of EUR 52.1 billion. This decline resulted primarily from maturities of around EUR 56.0 billion, active reduction measures totalling EUR 15.2 billion and offsetting hedging transactions in the amount of EUR 19.1 billion.

The Equity cluster was scaled back by EUR 0.4 billion or 13.0% in the first three quarters of 2016 compared with the prior-year figure (at exchange rates as at 30 June 2012). This decline can mainly be attributed to maturities.

The Credit cluster was reduced by EUR 0.3 billion or around 49.2% in the first three quarters of 2016 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.

As a result of the ongoing wind-up of the portfolio, the Equity and Credit clusters now contain only a small number of transactions. The EAA plans to bundle the remaining transactions in the two clusters as of 2017 in order to streamline the cluster structure.

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 119.5 million, net fee and commission income of EUR 10.8 million, a net trading result totalling EUR 8.0 million and a financial investment result of EUR 50.5 million. Administrative expenses of EUR 158.7 million were comprised mainly of expenses for services rendered by EFS and EPA.

INTERIM MANAGEMENT REPORT

After taking account of a net result of EUR -24.4 million from loan loss provisions, earnings before taxes were EUR 6.3 million.

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

Income statement

	1/1 - 30/9/2016	1/1 - 30/9/2015	Change	
	EUR million	EUR million	EUR million	in %
Net interest income	119.5	125.9	-6.4	-5.1
Net fee and commission income	10.8	38.0	-27.2	-71.6
Net trading result	8.0	-16.0	24.0	>100
Total other operating income/expenses	0.6	2.3	-1.7	-73.9
Personnel expenses	-17.7	-16.5	-1.2	-7.3
Other administrative expenses	-141.0	-206.5	65.5	31.7
of which: expenses for service level agreements with EFS	-86.2	-146.8	60.6	41.3
Results from financial assets and shareholdings	50.5	57.3	-6.8	-11.9
Results prior to risk provisioning	30.7	-15.5	46.2	>100
Loan loss provisions	-24.4	26.3	-50.7	>-100
Results before taxes	6.3	10.8	-4.5	-41.7
Taxes	-0.5	-1.9	1.4	73.7
Net profit for the year	5.8	8.9	-3.1	-34.8
Net retained losses brought forward	-2,384.6	-2,397.7	13.1	0.5
Net retained losses	-2,378.8	-2,388.8	10.0	0.4

The decline in net fee and commission income is largely attributable to the decline in the guarantee volume. Due to the reduction of the portfolio, the expenses for the provision of services by EFS declined in administrative expenses.

Financial position and issuing activity

The portfolio of issued bearer bonds, promissory note loans and commercial paper totals a notional amount of EUR 34.5 billion as at the reporting date. It includes the global Commercial Paper Programme with a notional amount equivalent to EUR 15.3 billion.

New issues for medium and long-term funding were placed in the market during the period under review with a total notional volume equivalent to around EUR 4.8 billion, consisting of EUR 2.1 billion, USD 2.3 billion (EUR 2.1 billion) and GBP 0.5 billion (EUR 0.6 billion).

A notional amount equivalent to EUR 15.3 billion was issued during the reporting period under the global Commercial Paper Programme, consisting of USD 8.8 billion (EUR 7.9 billion), GBP 5.1 billion (EUR 6.0 billion) and EUR 1.4 billion.

As at the reporting date, the portfolio contains securities issued by the EAA with a notional volume of around EUR 51 million that were bought back from the market for liquidity management purposes.

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

Asset position

The EAA's total assets as at 30 September 2016 amount to EUR 68.6 billion (previous year: EUR 68.7 billion). The business volume, which also includes off-balance-sheet components, amounts to EUR 78.8 billion (previous year: EUR 81.7 billion).

Assets

	30/9/2016 EUR million	31/12/2015 EUR million	Change EUR million	in %
Cash reserve	1,097.7	-	1,097.7	>100
Loans and advances to banks	10,163.2	9,664.2	499.0	5.2
Loans and advances to customers	14,308.1	15,066.2	-758.1	-5.0
Securities (no trading portfolio)	12,582.5	15,797.5	-3,215.0	-20.4
Trading portfolio	29,421.8	27,148.2	2,273.6	8.4
Long-term equity investments and shares in affiliates	964.8	873.6	91.2	10.4
Other assets	104.5	118.5	-14.0	-11.8
Total assets	68,642.6	68,668.2	-25.6	-0.0

Liabilities and equity

	30/9/2016 EUR million	31/12/2015 EUR million	Change EUR million	in %
Deposits from banks	3,207.2	3,622.8	-415.6	-11.5
Deposits from customers	3,985.5	4,092.8	-107.3	-2.6
Debt securities in issue	31,850.6	34,233.5	-2,382.9	-7.0
Trading portfolio	28,297.8	25,383.7	2,914.1	11.5
Provisions	334.6	393.8	-59.2	-15.0
Other liabilities	329.5	310.0	19.5	6.3
Equity	637.4	631.6	5.8	0.9
Total liabilities and equity	68,642.6	68,668.2	-25.6	-0.0
Contingent liabilities	7,185.7	9,870.8	-2,685.1	-27.2
Other obligations/loan commitments	2,981.8	3,188.3	-206.5	-6.5
Business volume	78,810.1	81,727.3	-2,917.2	-3.6

Loans and advances to banks rose by EUR 0.5 billion as at 30 September 2016 compared with year-end 2015. The rise resulted mainly from the increase in cash collateral provided (EUR +1.2 billion), a higher volume of time deposits (EUR +0.6 billion) and an offsetting reduction in repurchase agreements (EUR -1.2 billion).

INTERIM MANAGEMENT REPORT

The decline in loans and advances to customers by EUR 0.8 billion is mostly attributable to principal repayments in the traditional lending business, while the EUR 3.2 billion decrease in securities is mainly the result of repayments in the structured securities business.

As at 30 September 2016, trading assets and liabilities were higher on year-end 2015 by EUR 2.3 billion and EUR 2.9 billion respectively. This increase is the result of changes in the yield curve, which more than offset the decrease resulting from the ongoing wind-up of the trading portfolio.

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

Lending business

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

Lending business

	30/9/2016	31/12/2015	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	10,163.2	9,664.2	499.0	5.2
Loans and advances to customers	14,308.1	15,066.2	-758.1	-5.0
Contingent liabilities	7,185.7	9,870.8	-2,685.1	-27.2
Other obligations/loan commitments	2,981.8	3,188.3	-206.5	-6.5
Lending business	34,638.8	37,789.5	-3,150.7	-8.3

Summary of the business situation

The net profit generated by the EAA in the first three quarters of 2016 was mainly due to a positive financial investment result and lower administrative expenses.

The asset position of the EAA is in good order. Its equity as at 30 September 2016 amounts to EUR 637.4 million. Adequate liquidity was available at all times.

Significant events after the reporting date are disclosed in the notes ("Subsequent events" section).

Risk, opportunities and forecast report

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 are focused on continuing to reduce the portfolio transferred from the former WestLB and on 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 separate 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 forms 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, longevity 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:

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

INTERIM MANAGEMENT REPORT

The Risk Controlling department is responsible for monitoring market price, counterparty, liquidity and operational risks. The Credit Risk Management department comprises the back-office function in the lending business as defined by 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 an impact on the institution's risk or earnings situation. Risk reporting is a component of the monthly wind-up report and the quarterly risk report.

The Managing Board keeps the Supervisory Board and its committees regularly informed of the EAA's current wind-up status and the general risk situation based on wind-up reports and a separate risk report, 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 5.2 billion to EUR 30.8 billion during the first three quarters of 2016 (at constant exchange rates as of 31 December 2011). Please refer to the section "Wind-up report" for more detailed information on the wind-up result.

Breakdown of notional volume by internal rating category¹

	30/9/2016 EUR billion	31/12/2015 EUR billion
A0-A2	0.8	3.1
A3-A5	10.5	10.8
B1-B3	0.9	1.3
B4-B5	3.2	4.0
C1-C2	4.7	5.0
C3-C5	3.7	4.2
D1-D3	0.9	1.1
D4-E	3.9	3.9
S.R. ²	2.0	2.3
N.R. ³	0.2	0.3
Total	30.8	36.0

¹ Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

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 65% (31 December 2015: 67%). About 37% (31 December 2015: 39%) of the notional volume has a very good rating (A0-A5) and around 29% (31 December 2015: 29%) is assigned to the mid-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 decrease of EUR 2.3 billion in the A0-A2 rating category is primarily the result of a shift of positions in the ABS portfolio to the A3-A5 rating category. The resulting increase in this rating category is offset by principal repayments of EUR 2.1 billion for Phoenix notes in this rating category.

INTERIM MANAGEMENT REPORT

The table below shows the EAA's internal ratings and their external equivalents.

INTERNAL EAA	EXTERNAL			
	Moody's	S&P	Fitch	
A0	Aaa	AAA	AAA	Investment grade
A1	Aaa	AAA	AAA	
A2	Aa1	AA+	AA+	
A3	Aa2	AA	AA	
A4	Aa3	AA-	AA-	
A5	A1	A+	A+	
B1	A1	A+	A+	
B2	A2	A	A	
B3	A3	A-	A-	
B4	Baa1	BBB+	BBB+	
B5	Baa1	BBB+	BBB+	Non-investment grade
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	
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}

	30/9/2016 in %	31/12/2015 in %
Structured Securities	31.2	33.6
Liquidity Portfolio	23.4	21.3
Energy	12.1	11.2
Public Finance	7.3	6.8
Asset Securitisation	5.2	4.8
Infrastructure - Project Finance	4.1	4.2
Other	16.7	18.1
Total	100.0	100.0

¹ 30 September 2016 = EUR 30,8 billion; 31 December 2015 = EUR 36,0 billion.

² Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

Please note: The cluster structure was modified as of 31 March 2016. The NPL cluster was dissolved and its positions were reassigned to their original clusters. The presentation of the previous year has been restated accordingly.

The EAA's banking book portfolio consists of 17 clusters. The largest cluster, Structured Securities, with a total share of 31.2%, consists of three sub-portfolios: Phoenix (83.3% – please refer to section "Phoenix" for further details), Asset Backed Securities (2.4%) and EUSS (14.3%).

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

	30/9/2016 EUR billion	31/12/2015 EUR billion
<= 6 M	1.1	1.0
> 6 M <= 1 Y	1.7	4.7
> 1 Y <= 5 Y	10.8	11.8
> 5 Y <= 10 Y	5.8	6.3
> 10 Y <= 20 Y	6.8	7.2
> 20 Y	4.6	5.0
Total	30.8	36.0

¹ For Phoenix: expected repayment profile.

² Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

The largest part of the portfolio, with a share of approximately 35%, consists of medium-term exposures with contractual maturities of more than one year up 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) and Liquidity Portfolio clusters.

The increase in the maturity range up to six months and the decrease in the maturity range from six months up to one year relate in particular to the partial repayments of the Phoenix portfolio in the first and third quarter of 2016 and the repayments at the start of the next fiscal year.

The other changes within the maturity ranges reflect the portfolio management measures undertaken during the first three quarters of 2016.

Breakdown of notional volume by region¹

	30/9/2016 EUR billion	31/12/2015 EUR billion
Americas ²	14.0	16.9
EMEA	12.3	13.7
Germany	4.0	4.4
APAC	0.5	1.0
Total	30.8	36.0

¹ Excluding exchange rate effects (based on exchange rates as of 31 December 2011). Regional breakdown by borrowers or for securitisations is 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.

INTERIM MANAGEMENT REPORT

The regional breakdown of the notional volume has changed moderately compared with 31 December 2015. Approximately 46% of the notional volume is attributed to the Americas region (31 December 2015: 47%). Repayments in particular led to a decline of EUR 2.9 billion, with most of the decrease occurring in the Structured Securities cluster (primarily Phoenix).

About 40% of the notional volume (31 December 2015: 38%) is in connection with the EMEA region – Europe (excluding Germany), Middle East and Africa.

The notional volume for German borrowers and guarantors (share of portfolio: about 13%; 31 December 2015: 12%) is virtually unchanged.

The APAC region represents around 2% (31 December 2015: 3%) and has fallen largely because of sales and repayments in the first and third quarters of 2016.

Problem loans and risk provision

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

Result of risk provisions

	Provisions for loan losses EUR million	Charge-offs EUR million	Net change in loan loss provision EUR million	Other exp./inc. due to risk EUR million	Total allow. losses EUR million
Acute counterparty default risk	155.3	105.7	-49.6	1.0	-48.6
Credit risk	155.3	105.7	-49.6	6.3	-43.3
Other risk	-	-	-	-5.3	-5.3
Contingent counterparty default risk	-	24.2	24.2	-	24.2
Total	155.3	129.9	-25.4	1.0	-24.4

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.

Half of the securitised Phoenix portfolio (approximately 50%) is denominated in US dollars and represents US risks, primarily in the real estate market there.

Phoenix notes capital structure

Tranche	Amount as of 30/9/2016 in million		S&P rating	Legal maturity	Expected maturity in years
Class A2	444.7	USD	BBB+	9/2/2091	0.37
Class A3	2,386.6	USD	BBB+	9/2/2091	3.92
	545.6	EUR	BBB+	9/2/2091	2.40
Class A4	1,909.0	USD	B+	9/2/2091	8.49
	180.9	EUR	B+	9/2/2091	8.99
Class B	3,566.6	EUR	N.R.	9/2/2091	1.52

Repayments in the reporting period amounting to EUR 2.3 billion resulted in a decrease of the notional volume reported in euros to EUR 8.0 billion as at 30 September 2016 (at constant exchange rates as of 31 December 2011).

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

Rating breakdown by internal rating category for Phoenix notes¹

	30/9/2016 EUR billion	31/12/2015 EUR billion
A0-A2	-	-
A3-A5	6.3	8.5
B1-B3	-	-
B4-B5	-	-
C1-C2	1.7	1.7
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
Total	8.0	10.2

¹ Excluding exchange rate effects (based on exchange rates as of 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). Roughly EUR 1.4 billion of this guarantee has been utilised so far.

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

Public Finance

The exposure to the public sector (including the Liquidity Portfolio) as at 30 September 2016 totals a notional amount of EUR 5.9 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 3.7 billion of this amount is attributable to Cyprus, Ireland, Italy, Portugal, Slovenia, Spain and the UK. Further information can be found in the section "Exposures to selected EU member states".

Securities account for 89% 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 11% largely consist of lending transactions involving federal, municipal or other public-law institutions.

The largest part of the overall exposure, at 80%, 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 (1%).

Credit risks – trading portfolio

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

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. A distinction is made between collateralised and uncollateralised counterparties in order to determine the replacement risks (pre-settlement risks) from derivatives. The market value plus a regulatory premium is used as the replacement risk for non-collateralised counterparties. For collateralised counterparties, the market value, collateral and a premium based on Value at Risk (VaR) are calculated as the replacement risk. Settlement risks are determined using the payment due per value date. Credit risks from trading transactions are compared with the corresponding credit limits on a daily basis. Risk-mitigating measures (such as close-out netting [offsetting] and collateral in the OTC derivatives business) are used whenever possible. Active hedging of risk exposures takes place only with counterparties 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. The CVA amounted to EUR 56.4 million as at 30 September 2016 (31 December 2015: EUR 54.9 million). The EUR 1.5 million increase in CVA is attributable to market fluctuations (EUR +6.8 million), changes in credit spreads (EUR +3.1 million) and changes in credit ratings (EUR +1.3 million). This is offset by EUR -5.7 million in derivative transactions that have expired or were terminated early and by EUR -4.0 million from an adjustment to input parameters.

Counterparty and issuer risks

Direct counterparty risks

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

The following table shows direct counterparty risks with active strategic counterparties. Direct risks are counterparty risks from those transactions which the EAA accounts for directly in its balance sheet and not those that have been transferred to it synthetically.

	30/9/2016 Exposure EUR million	30/9/2016 Limit EUR million	31/12/2015 Exposure EUR million	31/12/2015 Limit EUR million
Credit risk - money market positions ¹	2,746.7	5,513.4	2,058.2	7,547.5
Counterparty risk - OTC derivatives (pre-settlement risk)	630.3	3,692.0	1,097.3	3,835.0
Counterparty risk - repos	1.7	759.0	17.6	1,919.0

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.

The credit risk for money market positions as at 30 September 2016 has risen slightly in comparison with the previous year-end due to the advance funding of pending maturities of liabilities. Counterparty risks from OTC derivatives are driven by transactions for liquidity steering (foreign exchange swaps) and interest rate hedging instruments (interest rate swaps). At EUR 1.7 million, the utilisation of the limits for repo transactions is only around 0.2%.

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Issuer risks

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

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

	< 1 Y	1-4 Y	4-8 Y	8-15 Y	> 15 Y	Total exposure
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Public Finance	177.2	1,056.5	1,314.5	1,390.8	1,451.1	5,390.1
Financial Institutions	311.5	445.0	351.7	27.0	-	1,135.2
Other securities	24.2	69.8	170.6	909.7	2,336.0	3,510.3
Total 30/9/2016	512.9	1,571.3	1,836.8	2,327.5	3,787.1	10,035.6
Total 31/12/2015	825.4	1,518.5	1,898.0	2,642.9	4,035.8	10,920.6

The Public Finance sub-portfolio accounts for the largest share with about EUR 5.4 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 2.6 million. EUR 2.3 million of this amount is attributable to securities and credit derivatives, with equities and equity derivatives accounting for the remaining EUR 0.3 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 volume of EUR 3.3 billion (10.7%) is held by subsidiaries, mainly consisting of EAA CBB with EUR 1.5 billion (46.2%), Erste EAA-Beteiligungs GmbH with EUR 1.3 billion (38.9%), Dritte EAA Anstalt & Co. KG with EUR 0.3 billion (10.6%) and EAA KK with EUR 0.1 billion (4.3%).

The notional volume of EAA CBB decreased during the first three quarters of 2016 by EUR 0.2 billion to EUR 1.5 billion, while that of EAA KK was down by EUR 0.2 billion to EUR 0.1 billion due to sales. 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.

Erste EAA-Beteiligungs GmbH founded American LLPs in 2014 and 2016 in connection with the implementation of enforcement measures. These entities hold portfolios of American life insurance policies. This company is fully funded by the EAA (EUR 1.4 billion).

Dritte EAA Anstalt & Co. KG was founded in December 2015 in connection with the transfer of a portfolio of structured securities. Because the transfer was structured as a subparticipation, the securities remain in the EAA's custody accounts. The EAA manages the transactions of Dritte EAA Anstalt & Co. KG as its general partner. As the securities continue to lie within the EAA's scope of risk, the internal reporting has remained virtually unchanged.

Ownership of EFS was transferred to the EAA at the end of March 2016 ("share deal"). This transaction ensures that going forward the EAA will continue to have at its disposal all of the services it needs to continue with the wind-up of the risk exposures transferred from the former WestLB. In addition to EPA, EFS is the EAA's most important service provider. EFS provides mostly IT and operational services for the EAA. Compared with alternative scenarios – such as the selection of a new service provider and the migration of large quantities of data to the new provider's systems – the acquisition of EFS was the most favourable solution from a commercial perspective for the EAA and all of its stakeholders. The EAA has included the transaction in the wind-up planning from 2016 and beyond, and it will not result in any adverse consequences for the wind-up result. The State of NRW, the sole shareholder of Portigon and a stakeholder of the EAA, has reached an agreement with the other EAA stakeholders setting out the framework conditions for the transfer of EFS shares. The agreement ensures in particular that none of the participating parties will suffer a shift of liabilities as a result of the transfer of EFS to the EAA. The provisions set out in the contract on the restructuring of the former WestLB will therefore continue to apply. The EAA will manage EFS as a legally independent company and instruct its management with regard to the implementation of the restructuring measures that are already underway. In addition, the EAA will continue to regularly monitor to what extent organisational adjustments are necessary and possible to reflect the declining volume of the portfolio. The objective is to focus EFS rigorously on the requirements of the EAA in order to achieve an efficient wind-up of the EAA's assets in a value-preserving manner.

In some situations the EAA will enter into new participations via restructuring if such an approach is deemed beneficial to preserve the value of the asset (debt-to-equity swap). The total volume of new participations, apart from the addition of EFS in the second quarter of 2016, is low compared with existing participations.

Exposures to selected EU member states

The banking book exposure of the EAA and its subsidiaries to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia, Spain and the UK totals EUR 7.3 billion as at 30 September 2016. This exposure has been reduced by EUR 0.8 billion since the beginning of 2016. The decline is mostly attributable to Spain (EUR 0.3 billion), Italy (EUR 0.2 billion) and the UK (EUR 0.2 billion).

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

Country ¹	Debtor group	30/9/2016 Notional in EUR million ^{2,3}	31/12/2015 Notional in EUR million ^{2,3}
Greece	Corporates	90.0	92.3
	Financial Institutions	0.0	0.0
Σ Greece		90.0	92.3
UK	Corporates	1,087.5	1,296.7
	Financial Institutions	83.9	87.5
	Public Finance	135.9	159.9
Σ UK⁴		1,307.2	1,544.1
Ireland	Corporates	8.9	10.2
	Financial Institutions	0.1	0.2
	Public Finance	115.0	115.0
Σ Ireland		124.0	125.4
Italy	Corporates	688.7	807.2
	Financial Institutions	101.3	103.9
	Public Finance	1,759.0	1,829.4
Σ Italy		2,549.0	2,740.5
Portugal	Corporates	18.0	18.0
	Financial Institutions	11.2	11.2
	Public Finance	856.5	904.6
Σ Portugal		885.8	933.9
Slovenia	Public Finance	40.0	40.0
Σ Slovenia		40.0	40.0
Spain	Corporates	825.6	1,004.3
	Financial Institutions	575.9	635.9
	Public Finance	811.2	855.5
Σ Spain		2,212.7	2,495.7
Cyprus	Corporates	61.5	64.2
Σ Cyprus		61.5	64.2
Total⁵		7,270.1	8,036.0
of which	Corporates	2,780.1	3,292.9
of which	Financial Institutions	772.4	838.8
of which	Public Finance	3,717.7	3,904.3

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 Included as a new country in the evaluation as of June 2016.

⁵ Of which EAA subsidiaries: EUR 955.0 million (31 December 2015: EUR 982.0 million).

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

Product ¹	Value ²	Country ³	30/9/2016 EUR million ^{4,5}	31/12/2015 EUR million ^{4,5}
Bonds	Notional	UK	-	0.1
Σ Bonds			-	0.1
Single name CDS	Notional	UK	-	-
		Italy	-	-
		Portugal	-	-
		Spain	-	-
Σ Single name CDS			-	-
Decomposed CDS	EaD	UK	0.0	0.0
		Italy	0.0	0.0
		Portugal	0.0	0.0
		Spain	0.0	0.0
Σ Decomposed CDS			0.1	0.1
Equities	MtM	UK	-	10.9
		Greece	-	0.0
		Italy	-	0.4
Σ Equities			-	11.3
Other derivatives and ALM	MtM	UK	749.8	701.9
		Ireland	-	0.5
		Italy	188.3	127.5
		Portugal	-	0.4
		Spain	214.5	448.2
		Cyprus	23.0	21.3
Σ Other derivatives and ALM			1,175.6	1,299.7
Other	Notional	UK	89.2	18.1
Σ Other⁶			89.2	18.1

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).

⁶ Includes mainly the HSBC nostro portfolios.

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.

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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)

	30/9/2016 EUR thousand	31/12/2015 EUR thousand
< 1 Y	-2.2	-60.1
1-4 Y	8.9	1.7
4-8 Y	27.5	-39.0
8-15 Y	-17.5	-21.1
> 15 Y	-23.2	-12.9
Total	-6.5	-131.4

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 -6.5 thousand, and has decreased compared with the end of 2015 (EUR -131.4 thousand) due to management measures. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	30/9/2016 EUR thousand	31/12/2015 EUR thousand
AUD	7,971.1	3,682.6
CHF	4,367.2	8,959.9
GBP	14,598.3	10,541.9
JPY	3,317.1	4,130.2
PLN	-2,246.5	-2,148.8
SGD	1,109.4	2,877.3
USD	15,958.5	15,226.6
Other	12,859.1	4,597.3
Total	57,934.2	47,867.0

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. They fluctuate within the limits and change based on market movements and as part of the EAA's normal operations.

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 as well as 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.

Historic and parametric stress tests are calculated on a daily basis. 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 forecast by the VaR model. There has been one backtesting breach in the current fiscal year 2016 at the highest level of the portfolio structure of the trading portfolio. This exceeded limit resulted from strong market fluctuations after the Brexit vote. From a statistical perspective, two to three instances of exceeded limits must be expected per year for a VaR with a holding period of one trading day and a confidence level of 99%.

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Value at Risk by clusters

	30/9/2016 EUR thousand	31/12/2015 EUR thousand
EAA Trading	820.2	1,324.6
Muni GIC Portfolio	446.0	404.6
Interest Rate Exotics	445.2	989.2
Interest Rate Flow	209.5	431.5
Interest Rate Options	181.2	244.3
Foreign Exchange Options and Hybrids	143.2	102.6
Equity Structured Products	5.0	97.0
Credit Derivatives	7.1	8.6
Fund Derivatives & Credit Repacks	0.2	1.3
Commodities	-	0.1

As at 30 September 2016, the VaR for the trading portfolio declined to EUR 820.2 thousand due to market movements and hedging activities (31 December 2015: EUR 1,324.6 thousand).

Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

All stress scenarios demonstrated a viable liquidity situation as at 30 September 2016. 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 requirement during the reporting period. The liquidity reserve amounted to about EUR 5.4 billion when the stress test was performed on the last day of September 2016.

Owing to the good ratings of its liable stakeholders and FMS, the EAA does not consider it necessary to limit the strategic liquidity risk.

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. These engagements are bundled in subsidiaries of Erste EAA-Beteiligungs GmbH.

Longevity risk is the risk that insured persons live longer than originally calculated. In this respect, the insurance premiums must be paid longer than forecast. Changes to the assessment of the longevity risks are due to misjudgements made when the insurance policies were originally purchased by Portigon as well as to the higher premiums demanded by the insurance companies. The EAA is currently reviewing whether such premium increases are legally permitted.

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

The actuaries and service providers engaged by the EAA provide monthly analyses on the life settlement exposure. Based on these analyses the EAA constantly monitors the relevant cash flows and thus the longevity risk so that deviations from the original forecast can be identified.

The EAA regularly monitors not only the present value of the expected cash flows (premiums, death benefits and service fees) from the policies but also the so-called net present value of Erste EAA-Beteiligungs GmbH. Besides the present value of the expected cash flows, this indicator takes into account the outstanding funding and cash on hand, making it possible to measure performance over time for the entire life settlement portfolio. As at the reporting date of 30 September 2016, the net present value has decreased by USD 45.1 million to USD -54.4 million (31 December 2015: USD -9.3 million). The reduction was caused by adjustments to the premium amount by the insurers, updates to life-expectancy estimates based on new health updates and lower-than-planned death benefits.

Operational risks

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

Operational risks within the EAA are determined using a risk inventory, which is performed on a regular basis. The EAA's most recent risk inventory revealed no assessment object with high risks. Of the assessment objects, 12.5% are characterised by medium risks and 87.5% by low risks. The overall risk situation therefore remains largely unchanged.

The EAA has outsourced key business processes to its EFS and EPA subsidiaries. EPA has been part of the EAA Group since 2014, EFS since 2016.

In the past the EAA received services from Portigon as well. Given the upcoming return of Portigon's banking license in connection with the implementation of the restructuring ordered by the European Commission, the EAA undertook significant projects last year in order to unbundle itself from Portigon.

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A risk inventory of the EAA together with its subsidiaries EFS, EPA and EAA CBB was carried out in 2016. This risk inventory showed that after acquiring EFS to secure the services provided by EFS for the EAA, risks in the high-risk area were reduced to 3% (previous year: 4.8%), particularly in the case of personnel risks.

The EAA has established a service provider management system to monitor the interface between the subsidiaries and other service providers and the EAA – as the recipient of services – in terms of the content, form and quality of the services. Using a continuous and timely process, the EAA accordingly ensures that its requirements, which are defined in service level agreements, are fulfilled by the service providers in the agreed form. In this process, the EAA records the outsourcing risks and assesses them by applying a traffic light system.

The EAA has agreed protective measures for data and IT security, including the data centres, with its service providers. These measures are continuously reviewed and adjusted if necessary.

There have been no elevated risks so far in 2016, and the quality of the services rendered during the period has been fundamentally stable in accordance with the service agreement.

Other risks**Reputational risks**

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

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

Legal risks

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

Significant legal risks arise for the EAA from the transferred derivatives transactions with municipalities based on the "Ille ruling" of the German Supreme Court (BGH) of March 2011. The BGH ruled that banks may be required to inform their clients about the initially negative market value of the derivative before the contract is concluded. In the event that said information is not provided, the bank is then liable for providing inappropriate investment advice, according to the BGH. The liability extends to the annulment of the derivative and the reversal of all payments. Two issues need to be taken into account when assessing this risk. First, additional rulings by the BGH from April 2015 and March 2016 have specified the area of application of this case law and significantly expanded its scope. Second, the ruling from March 2016 in particular simplified the defence against the assertion of claims. Herein the BGH set out the conditions under which a lack of disclosure about the initial negative market value is not to be deemed the cause of the conclusion of the contract. The EAA has already reached out-

of-court settlements with many municipalities. Nevertheless, the risk cannot be ruled out that future judicial rulings may be unfavourable for the EAA.

Since April 2010 the authorities in the US, in the UK and at the EU level (particularly BaFin) have been investigating possible misconduct in the trading departments of several banks. The results of the investigation have not produced any evidence of wrongdoing at the former WestLB; BaFin's investigations were terminated without taking any measures against Portigon. A number of investment banks active in the US were also sued in the US in various class action lawsuits due to alleged manipulative actions. One aspect of the civil suits (antitrust claims) was rejected in the first instance. Any investigations and civil suits that are still open are likely to continue for a number of years. The EAA currently has no reason to doubt Portigon's claims that there are no indications of any misconduct.

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

Tax risks

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

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

Summary of the risk situation

The EAA was established 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 FMStFG are exempt from the 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.

INTERIM MANAGEMENT REPORT

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 structured 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 euro-zone countries, are being monitored closely and in a timely fashion.

The primary risk associated with the life settlements exposure is that the people insured live longer than forecast. The longevity risks in the portfolio are regularly analysed by actuaries.

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 updated variables and market parameters. This involves, in particular, the effects of changed framework conditions on equity in 2027. As scheduled, a new wind-up plan was prepared as at 31 December 2015. This wind-up plan shows positive equity capital as at the end of the planning period. This means that as of the end of the planning horizon for the wind-up plan, the only possibility that a loss could 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, equity instruments and loss-offset obligations of the liable stakeholders and the FMS.

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

Opportunities report

The creditworthiness 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 affluent countries in the core of the eurozone could afford to provide support for their banks. The elevated and growing indebtedness of many periphery states made it impossible for them to 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.

The ECB underscored its determination even further with its bond-buying programme for euro corporate bonds in June 2016. It already began purchasing securitisations and covered bonds in 2014, and it has been buying large volumes of government bonds since March 2015. In order to achieve its target for total assets of around EUR 3 trillion, it has been buying about EUR 80 billion in securities every month. As of 11 November 2016, it had purchased euro government bonds with a volume of EUR 1,148.3 billion.

This purchase programme will supplement the other mechanisms already in place, such as the ECB's OMT programme and TLTROs. It has thereby eased the supply of liquidity to the capital markets even more. 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.

The economic recovery in the eurozone will continue into next year too. Nonetheless, the average pace of growth is considerably below the levels seen before the global financial crisis. Italy is likely to report rising economic output again in 2016 and 2017. Former crisis-hit countries such as Spain or Ireland are once again among the fastest-growing economies in the eurozone in 2016 and 2017.

This benefits the valuations of euro government bonds as well as other financial products of the periphery. The process is not limited to listed products only; 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 the future 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 inadequate export mix, have been resolved, thereby increasing competitiveness. The combination of these developments enables the euro periphery states to finance their debt servicing and new borrowing. If nothing else, this has led to a marked recovery in the value of the securities issued by these countries and the companies established there.

INTERIM MANAGEMENT REPORT

Besides exposure to the euro periphery, the EAA also has significant commitments in the US. US property prices in particular have largely recovered in the course of the economic recovery and are now only about 9% below the high of July 2006. This was already taken into account in the evaluation of the exposure, so the positive effect of the continued economic recovery in the US should be limited.

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

Active measures and contractual maturities are expected to reduce the notional volume of the banking book by around 17% to about EUR 30 billion in 2016.

The holdings in the banking book are likely to be slightly higher than planned at the end of the year, largely due to an unscheduled extension in the Phoenix portfolio.

The EAA's objective is to wind up around 80% of the banking book's portfolio as at 31 December 2011 (including the exposures held by subsidiaries and the refill) by the end of 2017. As in previous years, the EAA's wind-up activities will focus on advance portfolio-reducing measures and active participation management.

For 2016 the plan calls for a reduction in the notional volume of the trading portfolios by around 22% to about EUR 267 billion compared with the previous year. The EAA continues to target a more than 78% reduction in the notional volume by the end of 2017 since the transfer in 2012. The book values are set to decrease to the same extent during this period – depending on market valuations. The EAA will continue to analyse to what extent it is possible to accelerate the reduction of the transferred trading portfolios in an effective and cost-efficient manner.

Net interest and net fee and commission income will fall during the 2016 fiscal year in line with the reduced portfolio and likely amount to EUR 159 million (including dividend income). 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 markets and other markets. The EAA is sticking with its strategy of winding up in a manner that preserves value. Losses cannot be ruled out in the next few fiscal years on account of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This is taken into account in the EAA's wind-up plans and also applies to fiscal year 2016.

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

In light of this, the EAA has once again identified for 2016 a number of exposures in the credit and securities portfolio that offer potential for sales, terminations or early redemptions. This course of action serves the overriding goal of minimising losses while taking into account ex-

pected risk developments. Independent of the sales portfolio for 2016, the EAA pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess early and profitable wind-up opportunities for all positions of the portfolio.

The interventions by the ECB (programme to purchase government bonds, covered bonds, securitisations and corporate bonds) and the robust state of the economy in Spain appear to have improved the situation in 2016. France and Italy are also showing a slight 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. 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. The new governments in Portugal and Spain also mean that the successful reform policies of recent years may not be continued. These reforms were the central factor behind the recovery of the Portuguese and Spanish economies.

Nevertheless, the EAA's ambitious objectives are bolstered by economic trends. The ECB's programme to purchase euro government bonds should have a particularly positive impact on the EAA's portfolios. During the renewed escalation of the situation in Greece, the ECB's purchases and its OMT programme 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.

BALANCE SHEET

Balance sheet

Assets

	Notes	EUR	EUR	30/9/2016 EUR	31/12/2015 EUR
1. Cash reserve					
a) Balances with central banks			1,097,653,752		(3,518)
of which:					
with Deutsche Bundesbank EUR 1,097,653,752 (py: EUR 3,518)					
				1,097,653,752	3,518
2. Loans and advances to banks	4, 28				
a) Payable on demand			6,810,698,541		(5,810,475,286)
b) Other loans and advances			3,352,526,370		(3,853,691,759)
				10,163,224,911	9,664,167,045
3. Loans and advances to customers	5, 6, 15, 28			14,308,096,254	15,066,219,181
of which:					
secured by mortgage charges EUR 289,027,795 (py: EUR 353,030,633)					
Public-sector loans EUR 1,246,945,103 (py: EUR 1,281,840,228)					
4. Bonds and other fixed-income securities	7, 16, 28				
a) Bonds issued by					
aa) public issuers		2,180,975,704			(2,333,706,212)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,919,689,354 (py: EUR 1,988,362,403)					
ab) other issuers		10,349,884,478			(13,327,383,624)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,135,672,615 (py: EUR 1,165,299,097)					
			12,530,860,182		(15,661,089,836)
b) Own bonds					
notional value: EUR 50,710,000 (py: EUR 132,924,675)			51,674,106		(136,088,750)
				12,582,534,288	15,797,178,586
5. Equities and other non-fixed-income securities	8			2	285,976
5a. Trading portfolio	9			29,421,791,586	27,148,168,184

BALANCE SHEET

	Notes	EUR	EUR	30/9/2016 EUR	31/12/2015 EUR
6. Long-term equity investments	10			69,925,093	95,289,395
of which:					
in banks					
EUR 12,421,102 (py: EUR 12,421,102)					
7. Shares in affiliates	11			894,913,142	778,291,621
of which:					
in banks					
EUR 455,749,035 (py: EUR 452,806,288)					
in financial service providers					
EUR 42,936,489 (py: EUR 16,736,565)					
8. Trust assets	12			25,577	26,626
of which:					
trust loans					
EUR 25,577 (py: EUR 26,626)					
9. Intangible assets					
a) paid concessions, trademarks and similar rights and values such as licenses in such rights			4,524,794		(4,857,699)
				4,524,794	4,857,699
10. Tangible fixed assets				228,216	256,979
11. Other assets	13			50,495,200	67,051,964
12. Prepaid expenses/accrued income	14			49,204,105	46,374,981
Total assets				68,642,616,920	68,668,171,755

BALANCE SHEET

Liabilities and equity

	Notes	EUR	EUR	30/9/2016 EUR	31/12/2015 EUR
1. Deposits from banks	14, 17				
a) Payable on demand			2,684,864,193		(2,865,358,433)
b) With an agreed maturity or withdrawal notice			522,316,651		(757,411,932)
				3,207,180,844	3,622,770,365
2. Deposits from customers	14, 18				
other deposits					
a) Payable on demand			183,764,571		(140,400,864)
b) With an agreed maturity or withdrawal notice			3,801,690,715		(3,952,435,756)
				3,985,455,286	4,092,836,620
3. Debt securities in issue	14, 19				
a) Bonds			16,583,941,941		(18,920,288,732)
b) Other debt securities in issue			15,266,646,017		(15,313,243,645)
of which:					
money market instruments					
EUR 15,266,646,017 (py: EUR 15,313,243,645)					
				31,850,587,958	34,233,532,377
3a. Trading portfolio	20			28,297,848,539	25,383,746,584
4. Trust liabilities	21			25,577	26,626
of which:					
trust loans					
EUR 25,577 (py: EUR 26,626)					
5. Other liabilities	22			307,599,332	295,030,126
6. Accruals/deferred income	23			21,900,953	14,868,334
7. Provisions	24				
a) Tax provisions			828,715		(828,715)
b) Other provisions			333,786,147		(392,962,969)
				334,614,862	393,791,684

BALANCE SHEET

	Notes	EUR	EUR	30/9/2016 EUR	31/12/2015 EUR
8. Equity	25				
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			-2,378,765,053		(-2,384,599,583)
				637,403,569	631,569,039
Total liabilities and equity				68,642,616,920	68,668,171,755
1. Contingent liabilities	30				
a) Liabilities from guarantees and warranties			7,185,744,508		(9,870,795,153)
				7,185,744,508	9,870,795,153
2. Other obligations	30				
a) Irrevocable loan commitments			2,981,760,386		(3,188,268,112)
				2,981,760,386	3,188,268,112

INCOME STATEMENT

Income statement

	Notes	EUR	EUR	1/1 - 30/9/2016 EUR	1/1 - 30/9/2015 EUR
1. Interest income from	26				
a) Lending and money market transactions		240,644,734			(291,497,560)
b) Fixed-income securities and debt register claims		156,470,061			(164,200,032)
			397,114,795		(455,697,592)
2. Interest expense			297,771,257		(368,253,055)
				99,343,538	87,444,537
3. Current income from	26				
a) Equities and other non-fixed-income securities			25,409		(193,085)
b) Long-term equity investments			19,412,065		(37,404,477)
c) Shares in affiliates			4,313		(9,753)
				19,441,787	37,607,315
4. Income from profit pooling, profit transfer or partial profit transfer agreements	26			750,000	(858,654)
5. Fee and commission income	26		28,207,749		(55,345,273)
6. Fee and commission expense			17,450,106		(17,298,579)
				10,757,643	38,046,694
7. Net trading result				7,988,281	-15,953,264
8. Other operating income	26, 27			3,065,322	4,780,861
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		15,746,119			(14,803,997)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		1,932,576			(1,692,755)
of which:					
for pensions EUR 514,830 (py: EUR 467,271)					
			17,678,695		(16,496,752)
b) Other administrative expenses			140,613,930		(206,126,055)
				158,292,625	222,622,807

INCOME STATEMENT

	Notes	EUR	EUR	1/1 - 30/9/2016 EUR	1/1 - 30/9/2015 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets				363,474	353,747
11. Other operating expenses	27			2,556,789	2,578,749
12. Depreciation and write-offs on claims and certain securities as well as additions to provisions in the lending business	24, 28			24,353,627	0
13. Income from reversals of write-offs on loans and advances and certain securities and from reversals of loan loss provisions	24, 28			0	26,724,811
14. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	28			50,594,596	56,888,252
15. Expenses from loss assumption	28			51,000	0
16. Result from ordinary activities				6,323,652	10,842,557
17. Taxes on income and earnings	29			373,587	426,867
18. Other taxes not reported under item 11				115,535	1,512,936
19. Net profit for the year				5,834,530	8,902,754
20. Net retained losses brought forward				-2,384,599,583	-2,397,738,401
21. Net retained losses				-2,378,765,053	-2,388,835,647

CASH FLOW STATEMENT

Cash flow statement

		1/1 - 30/9/2016 EUR	1/1 - 30/9/2015 EUR
1.	+/- Result for the period	5,834,530	8,902,754
	Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities		
2.	+/- Allowances for losses on loans and advances and write-offs on certain securities, depreciation, amortisation on tangible fixed assets and long-term financial assets as well as the reversal thereof	31,781,312	12,085,197
3.	+/- Increase/decrease in provisions	-59,176,822	-29,244,015
4.	+/- Other non-cash income/expense	578,811,631	-491,567,213
5.	+/- Gain/loss on disposal of long-term financial assets	-55,766,048	-96,244,514
6.	= Subtotal	501,484,603	-596,067,791
	Change in operating assets and liabilities		
7.	+/- Increase/decrease of loans and advances to banks (no trading portfolio)	-353,100,262	70,989,303
8.	+/- Increase/decrease of loans and advances to customers (no trading portfolio)	748,430,935	-2,642,960,366
9.	+/- Increase/decrease of securities (no financial assets and no trading portfolio)	3,215,416,561	188,017,380
10.	+/- Trading assets	186,288,616	198,632,061
11.	+/- Increase/decrease of other operating assets	22,578,233	86,707,036
12.	+/- Increase/decrease of deposits from banks (no trading portfolio)	-415,445,159	-396,144,550
13.	+/- Increase/decrease of deposits from customers (no trading portfolio)	-117,775,891	-791,223,149
14.	+/- Increase/decrease of debt securities in issue	-2,350,199,185	2,869,111,783
15.	+/- Trading liabilities	-124,621,694	-272,242,582
16.	+/- Increase/decrease of other operating liabilities	26,805,851	117,921,663
17.	+/- Interest expenses/interest income	-118,785,326	-125,051,851
18.	+/- Tax expenses/tax income	373,587	426,867
19.	+ Interest payments and dividend payments received	413,662,088	455,954,216
20.	- Interest paid	-325,443,610	-409,762,444
21.	+/- Income tax payments	-11,221,284	-16,049,305
22.	= Cash flows from operating activities (sum of 6 to 21)	1,298,448,063	-1,261,741,729
23.	+ Proceeds from disposal of long-term financial assets	82,608,051	1,395,452,016
24.	- Purchase of long-term financial assets	-137,484,062	-171,517,141
25.	- Purchase of tangible fixed assets	-1,805	-43,020
26.	- Purchase of immaterial assets	0	-51,532
27.	= Cash flows from investing activities (sum of 23 to 26)	-54,877,816	1,223,840,323
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)	1,243,570,247	-37,901,406
31.	+ Cash funds at beginning of period	8,073,446	54,972,869
32.	= Cash funds at end of period (sum of 30 to 31)	1,251,643,693	17,071,463

The cash flow statement is prepared in accordance with DRS 21. The cash funds include the current accounts maintained at HSBC and Deutsche Bundesbank (demand deposits). Further cash funds as defined by DRS 21 do not exist at the present time.

Statement of changes in equity

	Balance as of 1/1/2016 EUR	Appropriation of the result EUR	Balance as of 30/9/2016 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	-2,384,599,583	5,834,530	-2,378,765,053
Equity under HGB	631,569,039	5,834,530	637,403,569

	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

Condensed notes

For the period from 1 January to 30 September 2016

General disclosures

1. Legal framework of the EAA

The EAA is a structurally and commercially independent public law entity with partial legal capacity operating under the umbrella of the Financial Market Stabilisation Authority (Bundesanstalt für Finanzmarktstabilisierung – FMSA). It has its registered office in Düsseldorf. The EAA was set up by the FMSA on 11 December 2009, and entered into the commercial register of the District Court of Düsseldorf (HRA 20869) on 23 December 2009.

The EAA is winding up the risk exposures and non-strategic business units transferred from the former WestLB and its domestic and foreign subsidiaries. When doing so, it proceeds in a value-preserving manner so as to stabilise the financial market. The risk exposures and non-strategic business units of the former WestLB were transferred to the EAA in the years 2009 and 2010 (first fill) as well as in 2012 (refill) using several different methods. The method that was chosen in each case was based on the respective domestic, legal, supervisory and tax provisions. There is an ongoing process of legally and fully transferring exposures from Portigon's balance sheet to the balance sheet of the EAA where originally only the economic risk was transferred by way of guarantee without a legal transfer of the exposures themselves. For further information on the transfer methods, please refer to the "Operating activities of the EAA" section in the 2015 annual report.

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

2. Preparation of the interim financial statements

In accordance with section 8a (1) sentence 10 in conjunction with section 3a (4) of the FMStFG and the additional guidance of the EAA's charter, these interim financial statements have been prepared under the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) for large public companies and the German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV). In particular, the condensed

financial statements comply with the requirements of DRS 16 as updated with German Accounting Amendment Standard No. 7 (half-year financial 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 2015. All facts were considered up to the time these interim financial statements were prepared.

3. Accounting and valuation principles

The same accounting and valuation principles were applied to the interim financial statements as to the financial statements for the fiscal year from 1 January to 31 December 2015.

The assumptions and estimates required, in particular in connection with illiquid portfolios, are based on subjective management judgement and are subject to forecast 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 net assets, financial position and results of operations. In the EAA's opinion, the parameters used are appropriate and acceptable.

Notes on the balance sheet

4. Loans and advances to banks

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	10,163.2	9,664.2
of which:		
- to affiliates	792.9	972.3
Payable on demand	6,810.7	5,810.5
due		
- within 3 months	3,277.1	3,601.1
- 3 months to 1 year	9.5	176.3
- 1 to 5 years	34.9	43.3
- after 5 years	31.0	33.0

CONDENSED NOTES

5. Loans and advances to customers

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	14,308.1	15,066.2
of which:		
- to affiliates	1,704.1	1,583.7
- to long-term equity investments	11.5	15.7
due		
- within 3 months	2,148.4	1,929.1
- 3 months to 1 year	1,957.1	2,274.9
- 1 to 5 years	2,688.8	3,246.1
- after 5 years	7,513.8	7,616.1

6. Loans and advances secured by mortgages

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	289.0	353.0
Loans and advances to customers due		
- within 3 months	8.7	12.0
- 3 months to 1 year	8.0	22.9
- 1 to 5 years	37.4	42.7
- after 5 years	234.9	275.4

7. Bonds and other fixed-income securities

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	12,582.5	15,797.2
of which:		
Amounts due in the following year	612.9	705.6
Breakdown		
- Bonds issued by public issuers	2,181.0	2,333.7
- Bonds issued by other issuers	10,349.8	13,327.4
- Own bonds	51.7	136.1
Breakdown by marketability		
- Marketable securities	12,582.5	15,797.2
of which:		
- listed	3,839.7	4,164.6
- unlisted	8,742.8	11,632.6
Breakdown by type		
- Liquidity reserve	158.5	290.9
- Investment securities	12,424.0	15,506.2

The bonds and other fixed-income securities in the amount of EUR 12.4 billion (previous year: EUR 15.5 billion) are included in the financial investment portfolio. As at the reporting date, investment securities with a book value of EUR 9.4 billion (previous year: EUR 12.1 billion) were recognised above their fair value of EUR 8.8 billion (previous year: EUR 11.4 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. The difference of EUR 0.6 billion is primarily attributable to structured loan products.

Of the aforementioned investment securities with a book value of EUR 9.4 billion, EUR 0.4 billion (previous year: EUR 0.1 billion) relates to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the investment portfolio that was not hedged with asset swaps (EUR 9.0 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.

CONDENSED NOTES

8. Equities and other non-fixed-income securities

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	-	0.3
Breakdown by marketability		
- Marketable securities	-	0.3
of which:		
- listed	-	0.3
Breakdown by type		
- Liquidity reserve	-	0.3

9. Trading portfolio

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	29,421.8	27,148.2
of which:		
- Derivative financial instruments	29,422.1	27,137.0
- Equities and other non-fixed-income securities	2.3	15.3
- Loans and advances	-	0.1
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-2.6	-4.2

10. Long-term equity investments

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	69.9	95.3
of which:		
- in banks	12.4	12.4
Breakdown by marketability		
- Marketable securities	22.5	27.2
of which:		
- listed	11.2	11.1
- unlisted	11.2	16.1

11. Shares in affiliates

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	894.9	778.3
of which:		
- in banks	455.7	452.8
- in financial service providers	42.9	16.7
Breakdown by marketability		
- Marketable securities	434.3	434.3
of which:		
- unlisted	434.3	434.3

The increase is due to the addition of EFS and Dritte EAA Anstalt & Co. KG (please also refer in this regard to the "Participation risks" section of the management report).

12. Trust assets

The EAA's trust assets as at 30 September 2016 comprise loans and advances to customers amounting to EUR 25.6 thousand (previous year: EUR 26.6 thousand).

13. Other assets

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	50.5	67.1
of which:		
- Tax refund claims	43.0	32.5
- Guarantee fees and commissions	5.8	15.8
- Receivables from profit and loss pooling agreements	-	17.7

The guarantee fees included in other assets consist of receivables from Portigon totalling EUR 5.5 million (previous year: EUR 15.5 million).

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14. Prepaid expenses/accrued income

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	49.2	46.4
of which:		
- Non-recurring payments on swaps	38.5	33.5
- Discounts from issuing business	5.3	8.3
- Discounts from liabilities	3.4	3.4
- Other	2.0	1.2

15. Subordinated assets

Subordinated assets are included in:

	30/9/2016 EUR million	31/12/2015 EUR million
Loans and advances to customers	752.4	737.2
of which:		
- to affiliates	341.2	306.6
- to long-term equity investments	1.9	1.9

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

16. Assets sold under repurchase agreements

No assets were sold under repurchase agreements as at 30 September 2016 and at previous year-end.

17. Deposits from banks

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	3,207.2	3,622.8
of which:		
- Deposits from affiliates	10.5	16.3
Payable on demand	2,684.9	2,865.4
due		
- within 3 months	107.1	289.9
- 3 months to 1 year	11.4	8.5
- 1 to 5 years	202.5	223.7
- after 5 years	201.3	235.3

18. Deposits from customers

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	3,985.5	4,092.8
of which:		
- Deposits from affiliates	49.4	0.1
Other deposits	3,985.5	4,092.8
of which:		
- payable on demand	183.8	140.4
due		
- within 3 months	1,275.6	1,197.6
- 3 months to 1 year	304.5	242.1
- 1 to 5 years	740.6	748.1
- after 5 years	1,481.0	1,764.6

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19. Debt securities in issue

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	31,850.6	34,233.5
Bonds	16,583.9	18,920.3
of which:		
Amounts due in the following year	8,063.3	8,460.7
Other debt securities in issue	15,266.7	15,313.2
of which due:		
- within 3 months	9,359.3	13,204.9
- 3 months to 1 year	5,907.4	2,108.3
- 1 to 5 years	-	-
- after 5 years	-	-

20. Trading portfolio

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	28,297.8	25,383.7
of which:		
- Derivative financial instruments	28,297.8	25,383.5
- Liabilities	-	0.2

21. Trust liabilities

The EAA's trust liabilities as at 30 September 2016 comprise deposits from customers amounting to EUR 25.6 thousand (previous year: EUR 26.6 thousand).

22. Other liabilities

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	307.6	295.0
of which:		
- Currency translation adjustments	297.9	268.6
- Deposits from the assumption of losses	-	11.8
- Obligations from swap transactions	-	0.1
- Other	9.7	14.5

Other liabilities mostly include unpaid invoices.

23. Accrued expenses/deferred income

	30/9/2016 EUR million	31/12/2015 EUR million
Carrying amount	21.9	14.9
of which:		
- Premium on issuing business	15.2	5.6
- Non-recurring payments on swaps	5.6	8.0
- Premiums for sold interest rate caps and floors	1.1	1.2
- Other	-	0.1

24. Provisions

	Balance as of 31/12/2015 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 30/9/2016 EUR million
Taxes	0.8	-	-	-	-	-	0.8
Other provisions	393.0	46.1	1.0	65.3	24.8	-16.2	333.8
- Loans	229.1	15.6	-	10.7	18.0	-25.0	191.0
- Long-term equity investments	26.7	7.6	0.2	7.2	5.1	-0.4	21.8
- Legal actions	17.1	0.1	0.1	8.6	0.8	-0.1	7.8
- Personnel	0.4	-	-	-	-	-	0.4
- Other	119.7	22.8	0.7	38.8	0.9	9.3	112.8
Total	393.8	46.1	1.0	65.3	24.8	-16.2	334.6

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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 changes" in provisions for loans in the table shown above.

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

25. Equity

The EAA's subscribed capital amounts to EUR 500,000 as at 30 September 2016.

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 valuation of obligations under the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).

Net profit for the first three quarters of 2016 amounts to EUR 5.8 million and reduces net retained losses to EUR 2,378.8 million as at 30 September 2016.

Notes on the income statement

26. Geographical breakdown of income components

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

	Interest income 1/1 - 30/9/2016 EUR million	Current income 1/1 - 30/9/2016 EUR million	Fees and commission income 1/1 - 30/9/2016 EUR million	Net trading result 1/1 - 30/9/2016 EUR million	Other operating income 1/1 - 30/9/2016 EUR million
Germany	298.5	19.7	26.7	8.0	3.1
UK	59.8	0.5	1.2	-	-
Rest of Europe	9.4	-	0.1	-	-
Far East and Australia	1.7	-	-	-	-
North America	27.7	-	0.2	-	-
IS amount	397.1	20.2	28.2	8.0	3.1

The geographic split of 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 and loss transfer and partial profit and loss transfer agreements, if such agreements exist.

27. Other operating and prior-period expenses and income

Net other operating expenses and income in the first three quarters of 2016 comprised EUR 2.5 million (previous year: EUR 2.5 million) in expenses and EUR 3.1 million (previous year: EUR 4.8 million) in income.

There were no material prior-period expenses and income in either the first three quarters of 2016 or in the previous year.

28. Risk provision

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

	1/1 - 30/9/2016 EUR million	1/1 - 30/9/2015 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	26.1	83.6
Loans and securities income/expense	-24.4	26.7
of which: - Lending operations	-24.5	22.3
- Securities	0.1	4.4
Participations and securities income/expenses	50.6	56.9
of which: - Participations	25.6	54.1
- Securities	25.0	2.8
Expenses from loss assumption	-0.1	-
Risk provision and financial investment result including loss assumption (pursuant to risk report)	26.1	83.6
Result of risk provisions - loans and advances/securities due to credit risk	-24.4	26.3
of which: - Lending operations	-40.2	29.7
- Structured securities	15.8	-3.4
Net income from investment securities, participations and loss assumption	50.5	57.3

The EAA always makes use of the options available under section 340f (3) and section 340c (2) HGB. Under section 340f (3) HGB, income and expenses resulting from the valuation in the lending business may be reported on a net basis with risk provisions for securities and income from the reversal of risk provisions on securities of the liquidity reserve. The net expenses amount to EUR 24.4 million (previous year: net income EUR 26.7 million). According to section 340c (2) HGB, the expenses for long-term equity investments, shares in affiliates and long-term investment securities may be offset against the corresponding income. Over-

CONDENSED NOTES

all, the EAA shows income of EUR 50.6 million (previous year: income of EUR 56.9 million) as the risk result for long-term equity investments and securities.

29. Taxes

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

In the current fiscal year, the EAA incurred other taxes in the amount of EUR 0.1 million, mainly comprising insurance tax (previous year: EUR 1.4 million, consisting primarily of foreign stamp duties).

Other disclosures

30. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 7.2 billion (previous year: EUR 9.9 billion) primarily result from guarantees for Portigon's risk exposures and the liabilities inherited from WestImmo. The volume of these legacy WestImmo liabilities stood at EUR 4.0 billion as at 30 September 2016 (previous year: EUR 5.0 billion). This volume is constantly decreasing as a result of scheduled and unscheduled repayments. The EAA has also agreed on precautions with the Aareal Group that significantly reduce the likelihood of claims being asserted against the EAA. Firstly, it was decided that the Aareal Group would provide a liquidity facility to WestImmo, and secondly, a profit and loss transfer agreement was concluded between the Aareal Group and WestImmo. The contingent liabilities include obligations from credit default swaps amounting to EUR 111.1 million (previous year: EUR 194.5 million). The EAA has no detailed knowledge of whether, when or to what extent these contingencies will materialise. A provision will be made as soon as there are sufficient concrete indications of probable losses resulting from a materialisation.

Other obligations

The reported volume of EUR 3.0 billion (previous year: EUR 3.2 billion) is due to the lending business. The EAA constantly reviews whether losses from other obligations are to be expected and if a provision needs to be made for impending losses from pending transactions.

31. 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 360.4 billion based on notional values (previous year: EUR 436.3 billion). The focus remains on interest-rate-related products, whose share stands at 86.6% (previous year: 84.8%) of the total volume.

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

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	30/9/2016 EUR million	31/12/2015 EUR million	30/9/2016 EUR million	31/12/2015 EUR million	30/9/2016 EUR million	31/12/2015 EUR million
Interest rate-related products	312,181.5	370,046.1	28,142.4	25,353.5	29,051.3	25,540.9
OTC products	306,932.1	363,924.6	28,142.3	25,353.5	29,051.2	25,540.9
Exchange-traded products	5,249.4	6,121.5	0.1	-	0.1	-
Currency-related products	45,467.1	62,869.9	1,356.4	2,074.2	811.8	1,140.8
OTC products	45,467.1	62,869.9	1,356.4	2,074.2	811.8	1,140.8
Equity- and other price-related products	2,377.8	2,666.2	146.9	127.4	146.8	146.7
OTC products	2,302.7	2,443.7	145.4	118.5	142.6	138.9
Exchange-traded products	75.1	222.5	1.5	8.9	4.2	7.8
Credit derivatives	394.4	767.2	3.5	5.9	4.5	7.9
OTC products	394.4	767.2	3.5	5.9	4.5	7.9
Total	360,420.8	436,349.4	29,649.2	27,561.0	30,014.4	26,836.3
OTC products	355,096.3	430,005.4	29,647.6	27,552.1	30,010.1	26,828.5
Exchange-traded products	5,324.5	6,344.0	1.6	8.9	4.3	7.8

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 397.9 billion in the current fiscal year 2016 (previous year: EUR 472.9 billion).

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Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	30/9/2016 EUR million	31/12/2015 EUR million	30/9/2016 EUR million	31/12/2015 EUR million	30/9/2016 EUR million	31/12/2015 EUR million
Interest rate-related products	339,872.8	394,235.7	27,680.4	28,907.4	28,277.1	29,121.4
OTC products	334,089.9	390,185.9	27,680.4	28,907.4	28,277.1	29,121.4
Exchange-traded products	5,782.9	4,049.8	-	-	-	-
Currency-related products	55,027.5	72,111.3	1,797.7	2,391.1	1,182.6	1,572.3
OTC products	55,027.5	72,111.3	1,797.7	2,391.1	1,182.6	1,572.3
Equity- and other price-related products	2,549.3	5,040.6	162.1	212.1	166.6	253.1
OTC products	2,393.4	2,682.1	157.5	136.8	161.0	169.1
Exchange-traded products	155.9	2,358.5	4.6	75.3	5.6	84.0
Credit derivatives	492.0	1,531.1	4.7	8.9	6.0	10.9
OTC products	492.0	1,531.1	4.7	8.9	6.0	10.9
Total	397,941.6	472,918.7	29,644.9	31,519.5	29,632.3	30,957.7
OTC products	392,002.8	466,510.4	29,640.3	31,444.2	29,626.7	30,873.7
Exchange-traded products	5,938.8	6,408.3	4.6	75.3	5.6	84.0

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	
	30/9/2016 EUR million	31/12/2015 EUR million	30/9/2016 EUR million	31/12/2015 EUR million	30/9/2016 EUR million	31/12/2015 EUR million	30/9/2016 EUR million	31/12/2015 EUR million
Due								
- within 3 months	31,713.0	43,818.7	8,382.3	17,855.9	120.0	118.3	27.8	363.7
- 3 months to 1 year	51,532.7	51,092.7	7,981.9	12,374.1	-	507.5	264.4	34.8
- 1 to 5 years	103,717.6	136,751.1	18,337.4	19,876.0	2,257.8	575.5	80.0	345.0
- after 5 years	125,218.2	138,383.6	10,765.5	12,763.9	-	1,464.9	22.2	23.7
Total	312,181.5	370,046.1	45,467.1	62,869.9	2,377.8	2,666.2	394.4	767.2

32. Number of employees

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

	Male	Female	Total 1/1 - 30/9/2016	Total 1/1 - 30/9/2015
Number of employees	90	62	152	135

As at 30 September 2016 the EAA employed 159 (previous year: 129) full-time equivalents.

The increase in the number of employees is due to the assumption of services that Portigon could no longer provide, the transfer of services and employees from EFS to the EAA as well as the necessity to comply with the procurement directives under the German Federal Budget Code (Bundeshaushaltsordnung).

33. Stakeholders of the EAA

	30/9/2016 in %	31/12/2015 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

34. Memberships of other bodies held by Managing Board members

The following members of the Managing Board of the EAA are members of a supervisory board or other supervisory bodies of large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB. Details of the memberships of other bodies marked with * are provided on a voluntary basis as the companies are not classed as large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB.

Matthias Wargers

EAA Portfolio Advisers GmbH *
Erste Financial Services GmbH (since 7 April 2016)

Markus Bolder

EAA Portfolio Advisers GmbH *
Erste Financial Services GmbH (since 7 April 2016)

CONDENSED NOTES

Horst K pker

B rse D sseldorf AG *

35. Memberships of other bodies held by employees

The following employees of the EAA are members of a supervisory board or other supervisory bodies of large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB. Details of the memberships of other bodies marked with * are provided on a voluntary basis as the companies are not classed as large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB.

Dr Ulf Bachmann

Erste Financial Services GmbH (since 7 April 2016)

Gabriele M ller

EAA Covered Bond Bank Plc

EAA Portfolio Advisers GmbH *

Hartmut Rahner

EAA Covered Bond Bank Plc

36. Executive bodies of the EAA**Members of the Managing Board of the EAA****Matthias Wargers (Spokesman)****Markus Bolder****Horst K pker****Members of the Supervisory Board of the EAA****Dr R diger 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 (until 30 April 2016)

Former President of the Rheinischer Sparkassen- und Giroverband,

Former member of the Executive Committee (Leitungsausschuss) of the FMSA

G nter Borgel

Member of the Executive Committee (Leitungsausschuss) of the FMSA

Michael Breuer

President of the Rheinischer Sparkassen- und Giroverband

Hans Buschmann (since 16 March 2016)

Deputy Association Director of the Rheinischer Sparkassen- und Giroverband

Rolf Einmahl (since 1 May 2016)

Lawyer,

Member of the Landschaftsversammlung of the Landschaftsverband Rheinland

Henning Giesecke

Managing Director of GSW Capital Management GmbH,

Former Chief Risk Officer of HypoVereinsbank AG and UniCredit Group

Wilfried Groos

Chairman of the Managing Board of the Sparkasse Siegen

Matthias Löb

Director of the Landschaftsverband Westfalen-Lippe

Angelika Marienfeld (since 2 May 2016)

Former State Secretary in the Finance Ministry of NRW

Michael Stölting

Member of the Managing Board of NRW.BANK

Jürgen Wannhoff

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

Dr h.c. Uwe Zimpelmann (until 1 May 2016)

Former Chairman of the Landwirtschaftliche Rentenbank

Stakeholders' Meeting of the EAA

The Stakeholders' Meeting is made up of representatives of the stakeholders (see Note 33).

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37. Information on shareholdings

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

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

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

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

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Achte EAA-Beteiligungs GmbH ¹⁰⁾	Düsseldorf	100.00		EUR	25	0
2	ANC Handels GmbH & Co. KG ¹⁾	Mörfelden-Walldorf	1.00			n.s.	n.s.
3	APAX Europe V-C GmbH & Co. KG ¹⁾	Munich	0.33			n.s.	n.s.
4	Börse Düsseldorf AG ¹⁰⁾	Düsseldorf	21.95		EUR	52,747	473
5	Castello di Casole Agricoltura S.r.l. società agricola ^{1) 10)}	Casole d'Elsa, Italy	100.00		EUR	50	-17
6	Castello di Casole S.r.l. ¹⁰⁾	Casole d'Elsa, Italy	100.00		EUR	2,308	11,287
7	Castello Resort Villas S.r.l. ¹⁰⁾	Casole d'Elsa, Italy	100.00		EUR	391	-259
8	CBAL S.A. ^{2) 9)}	Brussels, Belgium	100.00		EUR	1,305	330
9	CLS Group Holdings AG ¹⁰⁾	Lucerne, Switzerland	0.47		CHF	521,327	-1,606
10	COREplus Private Equity Partners GmbH & Co. KG ^{1) 7)}	Düsseldorf	36.52	0.00	EUR	28,760	5,240
11	COREplus Private Equity Partners II - Diversified Fund, L. P. ¹⁰⁾	Wilmington, US	24.75	0.00	USD	36,586	3,794
12	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n.s.	n.s.
13	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n.s.	n.s.
14	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG ^{1) 10)}	Mainz	64.75	64.48	EUR	3,134	2,975
15	Dritte EAA Anstalt & Co. KG ²⁾	Düsseldorf	100.00			n.s.	n.s.
16	Düsseldorfer Börsenhaus GmbH ¹⁰⁾	Düsseldorf	5.00		EUR	815	48
17	Dusskapital Zwanzig Beteiligungsgesellschaft mbH ¹⁰⁾	Düsseldorf	100.00		EUR	33	5
18	EAA Charity LLP ¹⁾	Wilmington, US	100.00			n.s.	n.s.
19	EAA Covered Bond Bank Plc ^{10) 12)}	Dublin 1, Ireland	100.00		EUR	471,006	-299,641
20	EAA DLP I LLP ^{1) 10)}	Wilmington, US	100.00		USD	106,734	26,975
21	EAA DLP II LLP ^{1) 10)}	Wilmington, US	100.00		USD	124,820	11,911
22	EAA DLP III LLP ^{1) 10)}	Wilmington, US	100.00		USD	155,400	29,889
23	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. ⁷⁾	Sao Paulo, Brazil	100.00		BRL	2,914	169
24	EAA Europa Holding GmbH ^{4) 10)}	Düsseldorf	100.00		EUR	12,706	0
25	EAA Greenwich LLP ¹⁾	Wilmington, US	100.00			n.s.	n.s.

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
26	EAA Japan K.K. ^{3) 10)}	Tokyo, Japan	100.00		JPY	43,974	-757
27	EAA LAT ABC LLP ^{1) 10)}	Wilmington, US	100.00		USD	182,815	-1,706
28	EAA LAT II LLP ^{1) 10)}	Wilmington, US	100.00		USD	204,248	-13,597
29	EAA LS Holdings LLC ^{1) 10)}	Wilmington, US	100.00		USD	117	n.s.
30	EAA PF LLP ^{1) 10)}	Wilmington, US	100.00		USD	137,722	13,959
31	EAA Portfolio Advisers GmbH ¹⁰⁾	Düsseldorf	100.00		EUR	8,253	1,228
32	EAA Portfolio Advisers LLC ^{1) 10)}	New York, US	100.00		USD	79	15
33	EAA Spyglass Holdings LLC ^{1) 10)}	Wilmington, US	100.00		USD	16,676	-8
34	EAA Triskele LLP ^{1) 10)}	Wilmington, US	100.00		USD	209,731	-4,641
35	EAA US Holdings Corporation ¹⁰⁾	Wilmington, US	100.00		USD	26,253	766
36	ECIP Europcar S.a.r.l. ¹⁰⁾	Luxembourg, Luxembourg	4.09		EUR	79,761	8,380
37	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH ¹⁰⁾	Potsdam	47.50		EUR	0	-360
38	Entertainment Asset Holdings C.V. ^{1) 7)}	Amsterdam, Netherlands	36.36		USD	0	0
39	EQT III GmbH & Co. KG ¹⁾	Munich	1.18			n.s.	n.s.
40	Erste EAA-Beteiligungs GmbH ^{4) 10)}	Düsseldorf	100.00		EUR	16	0
41	Erste Financial Services GmbH ¹⁰⁾	Düsseldorf	100.00		EUR	102,744	668
42	Eurazeo Partners SCA, SICAR ¹⁰⁾	Luxembourg, Luxembourg	5.80	0.00	EUR	278,007	61,826
43	Europcar Groupe S.A. ^{1) 10)}	Guyancourt, France	0.00		EUR	562,356	-55,758
44	GKA Gesellschaft für kommunale Anlagen mbH ^{1) 10)}	Düsseldorf	100.00		EUR	129	582
45	Indigo Holdco LLC ^{1) 10)}	New York, US	100.00		USD	2,526	n.s.
46	Indigo Land Groveland LLC ¹⁾	New York, US	100.00			n.s.	n.s.
47	Indigo Land Progresso Lofts, LLC ¹⁾	New York, US	100.00			n.s.	n.s.
48	Indigo Real Estate, LLC ^{1) 5)}	New York, US	100.00		USD	11,358	n.s.
49	Kassiterit Beteiligungs GmbH ^{1) 10)}	Düsseldorf	100.00		EUR	0	-9
50	Leasing Belgium N.V. ^{1) 10)}	Antwerp, Belgium	100.00		EUR	452	-36
51	Life.Value Properties GmbH ^{1) 10)}	Düsseldorf	100.00		EUR	369	42
52	Liquiditäts-Konsortialbank Gesellschaft mit beschränkter Haftung i.L. ^{1) 6)}	Frankfurt am Main	6.55		EUR	236,224	7,629
53	MCC Bradley LLC ^{1) 10)}	East Hartford, US	100.00		USD	674	-414
54	MCC Divot Place LLC ^{1) 10)}	Wilmington, US	100.00		USD	n.s.	31
55	MCC Lake Unity LLC ^{1) 10)}	Wilmington, US	100.00		USD	4	452
56	MCC Paris LLC ^{1) 10)}	Wilmington, US	100.00		USD	2,123	-101
57	MCC SB Condo LLC ^{1) 10)}	Wilmington, US	100.00		USD	1,361	-1,582
58	MCC Tern Landing LLC ^{1) 10)}	Wilmington, US	100.00		USD	1,029	343
59	MCC WK Commercial LLC ^{1) 10)}	Wilmington, US	100.00		USD	617	-104
60	MCC WK Residential LLC ^{1) 10)}	Wilmington, US	100.00		USD	331	-75
61	Meritech Capital Partners II L.P. ¹⁾	Palo Alto, US	0.06			n.s.	n.s.

CONDENSED NOTES

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
62	Methuselah Life Markets Limited ¹⁰⁾	London, UK	100.00		GBP	76	-8
63	MFC AOLS LLC ¹⁾	New York, US	100.00			n.s.	n.s.
64	MFC CMark LLC ^{1) 10)}	New York, US	100.00		USD	n.s.	-68
65	MFC Eagle Realty LLC ¹⁾	New York, US	100.00			n.s.	n.s.
66	MFC Holdco, LLC ^{1) 10)}	New York, US	100.00		USD	9,646	-3,563
67	MFC Pinecrest LLC ¹⁾	New York, US	100.00			n.s.	n.s.
68	MFC Real Estate LLC ^{1) 10)}	New York, US	100.00		USD	2,965	-1,732
69	MFC Waterfront LLC ¹⁾	Wilmington, US	100.00			n.s.	n.s.
70	Mod CapTrust Holding LLC ^{1) 10)}	Dover, US	100.00		USD	-10	3,345
71	Monolith Grundstücksverwaltungsgesellschaft mbH ^{1) 7)}	Mainz	100.00		EUR	98	6
72	Monolith Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neubau Sparkassen-Versicherung Sachsen OHG ^{1) 7)}	Mainz	5.00	76.00	EUR	-19,109	1,781
73	Nephelin Grundstücksverwaltungsgesellschaft mbH ^{1) 7)}	Mainz	100.00		EUR	-51	-3
74	Neunte EAA-Beteiligungs GmbH	Düsseldorf	100.00			n.s.	n.s.
75	New NIB Partners LP ¹⁰⁾	New York, US	1.59	0.00	EUR	984,538	28,201
76	Nine Entertainment Co Holdings Limited ¹¹⁾	Willoughby, Australia	1.13		AUD	841,809	221,570
77	ParaFin LLC ^{1) 10)}	New York, US	100.00		USD	-7	-7
78	Pathos Bay LLC ¹⁰⁾	Dover, US	100.00		USD	-599	-2,826
79	PM Portfolio Management GmbH ^{1) 10)}	Düsseldorf	100.00		EUR	64	1
80	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG in Insolvenz ^{1) 5)}	Bad Homburg	51.00		EUR	-3,572	-117
81	Projekt Carrée am Bahnhof Verwaltungs GmbH in Insolvenz ^{1) 5)}	Bad Homburg	51.00		EUR	-13	0
82	S-Chancen-Kapitalfonds NRW GmbH i.L. ¹⁰⁾	Haan	50.00		EUR	2,065	-39
83	Sechste EAA-Beteiligungs GmbH ¹⁰⁾	Düsseldorf	100.00		EUR	11	-9
84	Siebte EAA-Beteiligungs GmbH ¹⁰⁾	Düsseldorf	100.00		EUR	25	0
85	Special PEP II GP Investors, L.L.C. ¹⁰⁾	Wilmington, US	50.00	0.00	USD	273	-306
86	Special Private Equity Partners II, L.P. ¹⁰⁾	Wilmington, US	18.79	0.00	USD	26,758	-1,495
87	Stadtkrone Ost Entwicklungsgesellschaft mbH & Co. KG ¹⁰⁾	Dortmund	10.00		EUR	2,600	753
88	ThyssenKrupp Aufzugswerke GmbH ⁸⁾	Neuhausen auf den Fildern	0.50		EUR	13,951	0
89	ThyssenKrupp Electrical Steel GmbH ⁸⁾	Gelsenkirchen	0.42		EUR	96,622	0
90	thyssenkrupp Materials Services GmbH ⁸⁾	Essen	0.16		EUR	745,235	0
91	ThyssenKrupp Rasselstein GmbH ⁸⁾	Andernach	0.50		EUR	247,021	0
92	ThyssenKrupp Stahl-Service-Center GmbH ⁸⁾	Krefeld	0.42		EUR	57,903	0
93	True Sale International GmbH ¹⁰⁾	Frankfurt am Main	7.69	9.09	EUR	4,763	71
94	Welsh, Carson, Anderson & Stowe IX GmbH & Co. KG ¹⁾	Munich	2.90			n.s.	n.s.
95	West Life Markets GmbH & Co. KG ^{4) 10)}	Düsseldorf	100.00		EUR	1,312	0
96	West Merchant Limited ¹⁰⁾	London, UK	100.00		GBP	36	-21
97	West Zwanzig GmbH ^{4) 10)}	Düsseldorf	100.00		EUR	25	0

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
98	Westdeutsche ImmobilienHolding GmbH ^{4) 10)}	Düsseldorf	94.60		EUR	5,539	0
99	WestGKA Management Gesellschaft für kommunale Anlagen mbH ^{2) 4) 10)}	Düsseldorf	100.00		EUR	642	0
100	WestInvest Gesellschaft für Investmentfonds mbH ¹⁰⁾	Düsseldorf	0.00		EUR	11,339	0
101	WestLB Asset Management (US) LLC ¹⁰⁾	Wilmington, US	100.00		USD	26,241	474
102	WestLeasing International GmbH ^{1) 7)}	Düsseldorf	100.00		EUR	182	-9
103	WestLeasing Westdeutsche Leasing Holding GmbH ^{4) 10)}	Düsseldorf	94.90		EUR	11,625	0
104	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. ^{1) 10) 13)}	Düsseldorf	100.00		EUR	276	0
105	WestVerkehr Beteiligungsgesellschaft mbH ^{1) 10)}	Düsseldorf	100.00		EUR	102	-10
106	Winoa Steel Co. S.A. ¹⁰⁾	Luxembourg, Luxembourg	3.12		EUR	1,423	-119
107	WIV GmbH & Co. Beteiligungs KG ¹⁰⁾	Frankfurt am Main	5.10		EUR	12,864	784
108	WLB CB Holding LLC ^{1) 10)}	New York, US	100.00		USD	-9	1,042
109	WMB Beteiligungs GmbH ^{1) 10)}	Düsseldorf	100.00		EUR	10	-8

CONDENSED NOTES

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
110	AKA Ausfuhrkredit-Gesellschaft mbH ¹⁰⁾	Frankfurt am Main	5.02		EUR	212,967	16,035
111	Banco Finantia S.A. ¹⁰⁾	Lisbon, Portugal	8.57		EUR	348,369	27,629

Other companies for which the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
112	GbR Industrie- und Handelskammer Rheinisch-Westfälische-Börse	Düsseldorf	5.88	5.00		n.s.	n.s.
113	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 July 2014.⁷ Data as of 31 December 2014.⁸ Data as of 30 September 2015.⁹ Data as of 31 October 2015.¹⁰ Data as of 31 December 2015.¹¹ Data as of 30 June 2016.¹² A global guarantee exists.¹³ A profit and loss transfer agreement is in place between the company and its immediate parent; a profit and loss transfer agreement is also in place between the parent company and the EAA.

The list of shareholdings was expanded based on the amendment to section 285 (11) HGB as required under the German Accounting Directive Implementation Act (Bilanzrichtlinie Umsetzungsgesetz – BilRUG). The list now includes companies in which the EAA holds an interest of less than 20%. The resulting first-time inclusion of a company in the list of shareholdings does not mean, however, that the equity investment was actually made after 31 December 2015. Under section 286 (3) HGB, the reporting of shareholdings and affiliated enterprises was occasionally waived where these are of minor importance for the presentation of the net assets, financial position and results of operations of the company.

Subsequent events

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

RESPONSIBILITY STATEMENT

Responsibility statement

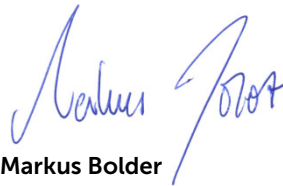
To the best of our knowledge, and in accordance with the applicable reporting principles for the interim report, the interim financial statements give a true and fair view of the assets and financial position as well as the earnings situation of the institution, and the interim management report includes 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 fiscal year.

Düsseldorf, 15 November 2016

Erste Abwicklungsanstalt



Matthias Wargers
Spokesman
of the Managing Board



Markus Bolder
Member
of the Managing Board



Horst K pker
Member
of the Managing Board

LIST OF ABBREVIATIONS

List of abbreviations

ABS	Asset backed securities
ALM	Asset liability management
APAC	Asia, Pacific and Japan
AT	General part (Allgemeiner Teil)
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
BGH	German Supreme Court (Bundesgerichtshof)
BilMoG	German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)
BilRUG	German Accounting Directive Implementation Act (Bilanzrichtlinie Umsetzungsgesetz)
Bp	Basis points
CCY	Currency code
CDS	Credit default swaps
CVA	Credit valuation adjustments
DBRS	Dominion Bond Rating Service
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
EFS	Erste Financial Services GmbH, Düsseldorf (until 28 June 2016 Portigon Financial Services GmbH)
EMEA	Europe, Middle East and Africa
EPA	EAA Portfolio Advisers GmbH, Düsseldorf
EU	European Union
EUSS	European Super Senior Notes
Fed	Federal Reserve
Fitch	Fitch Ratings
FMS	German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds)
FMSA	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
FMStFG	German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz)
FX effect	Foreign exchange effect
GDP	Gross domestic product
HGB	German Commercial Code (Handelsgesetzbuch)
HRA	Commercial register department A (Handelsregister Abteilung A)
HSBC	HSBC Trinkaus & Burkhardt AG, Düsseldorf
IS	Income statement
IT	Information technology
KWG	German Banking Act (Kreditwesengesetz)

LIST OF ABBREVIATIONS

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
Muni GIC	Municipal guaranteed investment contracts
NATO	North Atlantic Treaty Organization
NPL	Non-performing loans
N.R.	Not rated
NRW	North Rhine-Westphalia
n.s.	Not specified
OMT	Outright Monetary Transactions
OPEC	Organisation of Petroleum Exporting Countries
OTC	Over the counter
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&P	Standard and Poor's Corporation
S.R.	Special rating
SSA	Sub-Sovereigns, supranationals, agencies
TLTRO	Targeted Long Term Refinancing Operations (of the ECB)
VaR	Value at Risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz
WestLB	WestLB AG, Düsseldorf (operating since 2 July 2012 as Portigon AG)
WTI	West Texas Intermediate

Imprint

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