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INTERIM REPORT  
**30 September 2017**

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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 in EUR million                 | 1/1-30/9/2017 | 1/1-30/9/2016 |
|-------------------------------------------------|---------------|---------------|
| Net interest income                             | 99.5          | 119.5         |
| Net fee and commission income                   | -8.2          | 10.8          |
| Net trading result                              | 6.2           | 8.0           |
| Total other operating income/expenses           | 4.7           | 0.6           |
| General administrative expenses                 | -128.3        | -158.7        |
| Results from financial assets and shareholdings | 85.9          | 50.5          |
| <b>Results prior to risk provisioning</b>       | <b>59.8</b>   | <b>30.7</b>   |
| Loan loss provisions                            | -45.2         | -24.4         |
| <b>Results before taxes</b>                     | <b>14.6</b>   | <b>6.3</b>    |
| Taxes                                           | -3.9          | -0.5          |
| <b>Net profit for the year</b>                  | <b>10.7</b>   | <b>5.8</b>    |

| Balance sheet in EUR billion | 30/9/2017 | 31/12/2016 |
|------------------------------|-----------|------------|
| Total assets                 | 51.3      | 60.7       |
| Business volume              | 58.2      | 70.3       |
| Lending business             | 26.5      | 31.0       |
| Trading assets               | 18.2      | 23.8       |
| Equity                       | 0.7       | 0.6        |

| Winding-up                                                             | 30/9/2017 | 30/9/2016 |
|------------------------------------------------------------------------|-----------|-----------|
| <b>Banking book</b>                                                    |           |           |
| Notional value (before FX effect) in EUR billion                       | 24.9      | 30.8      |
| Winding-up activities (compared with previous year-end) in EUR billion | -4.8      | -5.2      |
| Winding-up activities (compared with previous year-end) in %           | -16.2     | -14.5     |
| <b>Trading portfolio</b>                                               |           |           |
| Notional value (before FX effect) in EUR billion                       | 212.7     | 288.9     |
| Winding-up activities (compared with previous year-end) in EUR billion | -45.9     | -52.8     |
| Winding-up activities (compared with previous year-end) in %           | -17.7     | -15.4     |

| Employees           | 30/9/2017 | 31/12/2016 |
|---------------------|-----------|------------|
| Number of employees | 178       | 178        |

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

**FOREWORD**

# Foreword

Dear Ladies and Gentlemen,

The EAA was able to continue the positive development it had experienced in the first half of 2017 in the third quarter. The notional volume of the loan and securities portfolios was reduced by more than 16% in the period from January to September, while the trading portfolio declined by almost 18%. As a result of the rapid progress made in reducing the portfolio, the EAA's total assets fell by more than EUR 9 billion from the start of the year. The business volume, which in addition to total assets comprises contingent liabilities and irrevocable loan commitments, declined by just over EUR 10 billion during the same period.

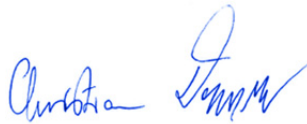
The rapid winding up of the portfolio was not at the expense of the result. In fact, net profit for the year rose slightly at the end of the third quarter to EUR 10.7 million. The EAA continues to benefit from the positive contribution of long-term restructuring measures to results and from the favourable capital market situation. Its administrative expenses were also significantly lower; at around EUR 128 million, the volume up to the end of September remained almost 20% down on the figure for the same period of the previous year.

Against this background, we are optimistic about achieving a positive result for fiscal year 2017 as a whole and therefore significantly surpassing the result that was expected within the scope of the wind-up planning. Further structural changes are planned for the EAA Group in the fourth quarter of 2017 and in the first quarter of 2018. The process of selling the service company EPA, which was established by the EAA, was concluded in October 2017, with the transfer of ownership to Mount Street taking place in the same month. The portfolio management company will operate in future under the name Mount Street Portfolio Advisers GmbH. The existing service agreements with the EAA will remain in place. A project is in progress at the service subsidiary EFS, in which key services were tendered for outsourcing to a subcontractor.

Yours sincerely



**Matthias Wargers**  
Spokesman  
of the Managing Board



**Christian Doppstadt**  
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 2017

## Business and environment

### Operating activities of the EAA

The EAA operates as an asset manager for its public stakeholders, pursuing a clear objective: it is winding up the risk exposures and non-strategic business units (transferred assets) transferred from the former WestLB AG (now Portigon AG) and its domestic and foreign subsidiaries in a value-preserving and risk-minimising manner. This serves to stabilise the financial market.

The EAA 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, an investment services firm as defined by the German Securities Trading Act or an insurance company pursuant to the German Insurance Supervision Act. In accordance with its charter, it does not conduct any transactions that require approval pursuant to Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 or Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, the amendment to Directives 85/611/EEC and 93/6/EEC of the Council and Directive 2000/12/EC of the European Parliament and of the Council and for the repeal of Directive 93/22/EEC of the Council, as amended.

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

The EAA's work is principally carried out on the basis of section 8a FMStFG, its charter, the rules of procedure for the Supervisory Board and the Managing Board plus their committees, 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 assets 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 wind-up and the implementation of the wind-up plan, and documents the wind-up success. This annual wind-up plan must be adopted by a resolution of the Supervisory Board before being submitted to the FMSA.

**INTERIM MANAGEMENT REPORT**

The following stakeholders participate in the EAA's share capital: the State of 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.

Markus Bolder stepped down from the Managing Board of the EAA as of 30 June 2017. His successor is Christian Doppstadt, who previously held the position of Head of Credit Risk Management at the EAA.

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

Dr Rüdiger Messal resigned from the Supervisory Board as of 15 August 2017. Dr Patrick Opdenhövel was appointed member of the Supervisory Board by the Stakeholders' Meeting with effect from 16 August 2017. As at 23 August 2017, the Supervisory Board elected Dr Patrick Opdenhövel as chairman of the Supervisory Board.

The Stakeholders' Meeting is composed of representatives who 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 it began its operating activities, the EAA has repeatedly adjusted its organisational structure to manage changes and challenges in the corporate environment. The gradual takeover of multi-billion portfolios presented it with enormous challenges in developing an adequate organisation and recruiting the required experts. The gradual reduction of the portfolio required capacity and costs to be reduced without compromising the expertise required to successfully complete the wind-up. Against this background, the EAA acquired its main service provider EFS (the former Portigon Financial Services GmbH) from Portigon in early 2016. This acquisition enables the EAA to add further clarity to its profile, to increase synergies and to optimise its structures. The EAA is thereby securing key services for its portfolio. The cooperation agreement between the EAA and EFS, which has been adjusted in this connection, extends until 2022. Within the scope of a tender, the EAA and EFS are currently reviewing the possibility of outsourcing a large part of the service provision within the framework of the cooperation between the EAA and EFS.

**INTERIM MANAGEMENT REPORT**

The service company EPA, which was established by the EAA in 2014 and took over experienced portfolio managers from the former WestLB in addition to analysis experts from EFS, was sold to Mount Street. The transfer of ownership took place in October 2017.

The priority for the EAA is to secure the existing expertise in order to ensure that services are provided to the requisite extent and with the requisite quality. At the same time, it seeks to achieve maximum flexibility with respect to costs. These objectives were crucial when selling EPA and also play a decisive role for the ongoing consideration of outsourcing measures at EFS. After successful completion of this examination, a large part of the service operations of EFS may be moved. Results in this regard are expected in the fourth quarter of 2017.

Ongoing optimisation of organisational and cost structures is part of the EAA's responsibility in view of the progressive reduction of the portfolio. The privatisation of EPA was a further important step in carrying out this responsibility.

## **Economic environment**

### **The global economic recovery remains intact**

Important economic indicators, such as the purchasing managers' index or consumer confidence, improved in many economic regions in the last three months. The reporting season on company earnings in the second quarter of 2017 is yet another reason to support the expectation that the upturn will continue. Market participants' expectations vis-a-vis profit and revenues were exceeded, as a result of which the S&P500 index moved up by 4% in the third quarter of 2017 and the European equity EURO STOXX index by 4.3%. This constructive approach to risk can also be found in other market segments: the iTraxx Europe (5 years), an index of 125 credit default swaps on enterprises with an investment grade rating, is currently trading at a premium of 50 bps, which is down considerably from its high of 217 bps in December 2008 and relatively close to the best level of 20 bps that was achieved in April 2007.

### **US economy: Growth powered by consumption**

The unemployment rate fell from 4.7% in the first quarter of 2017 to 4.3% in September 2017. Job creation seems to be the only indicator returning negative news as 33,000 jobs were lost in the US economy in September 2017. Still, tropical storms Harvey and Irma did not impact too much on the US mainland, with businesses closing as a precautionary measures in the areas affected by the storms. Production is likely to resume quickly after the clean-up and reconstruction work, so the negative job creation numbers should only be a temporary.

US economic output in the third quarter of 2017 increased by 0.75% over the previous quarter, achieving almost the same pace of growth as in the second quarter of 2017 (0.8%). With no signs of late-cyclical phenomena such as a sharp rise in wages and rising interest rates and yields and higher inflation rates, the risk of a recession seems low. The growth engine in the US continues to be powered largely by consumers. Private household spending rose by 0.6% over the preceding quarter in the third quarter of 2017. Consumer confidence (Conference Board) climbed by just over 20 points to 125.9 points in the last 12 months and therefore exceeds the long-term average of 94 points (2000 to 2017) by a wide margin. The EAA expects real economic output to rise by 2.2% in 2017, with an increase of 2.4% expected for 2018.

**INTERIM MANAGEMENT REPORT**

On the 20<sup>th</sup> of September 2017, the Fed decided to initiate a process to shrink its balance sheet, which had increased sharply during the financial crisis. It is due to start this unwinding process in October 2017. To achieve this, the Fed will trim its reinvestment of cash flows from its portfolio. These will be reduced by USD 10 billion every month. This strategy and the gradual increase in US benchmark interest rates is likely to be adhered to even when Yellen's terms as chairman of the Federal Reserve ends. On 3 November 2017, President Trump nominated Fed governor Powell as Yellen's successor. Confirmation of the nomination by the Senate in January should not be a problem, given the Senate's Republican majority. Yellen and Powell have frequently shared the same political views in the past. Thus Powell is likely to represent continuity in US monetary policy. The next tightening after the interest rate hikes in March and June 2017 is very likely to happen in December 2017. The EAA therefore expects that US yields will continue to rise. However, the pace will be muted, as the Fed does not appear to be in a rush. 10-year government bonds are expected to yield 2.4% at year-end 2017 and 3% in 2018.

**Eurozone: Encouraging pick-up in economic growth despite some political risks**

Economic output in the third quarter of 2017 was up 0.6% on the previous quarter. Thanks to the achieved robust growth rates of the first and second quarters, the eurozone is heading for a growth rate of around 2% for the full-year 2017. Even in the event of stagnation in the fourth quarter. There is, however, little risk of this stagnation occurring. The purchasing managers' index for the eurozone climbed from 55.7 to 56.7 points during the third quarter, which is suggestive of further growth.

The positive surprises in the eurozone are due to the fast pace of growth in the euro periphery, with Spain and Portugal playing a leading role here. Spain's economic performance is expected to improve by 3.1% in 2017, while Portugal should be able to achieve growth of 2.6%. Further positive impetus is coming from France and Italy, whose economic performance is accelerating. French GDP is likely to rise by 1.7% this year (2016: 1.2%), while Italy should see growth of 1.5% (2016: 0.9%). Germany's economy got off to a good start in 2017, with GDP growth of 0.7% and 0.6% in the first and second quarters. The sentiment indicators for the German economy are very high, too. Sentiment among German consumers is good on the back of low unemployment and rising wages, as a result of which Germany's economic performance could continue to improve in the second half-year of 2017. Based on the EAA's expectations of an increase of 0.5% for the third quarter and 0.4% for the fourth quarter, German economic output should increase by 2.1% this year.

While the Fed is at a more advanced stage with regard to exiting from its extraordinary monetary measures, the economy in the eurozone is now also opening up opportunities for the ECB to reduce the extent of its extraordinary measures. It will reduce its net securities purchases over the coming year and is expected to end its purchase programme in September 2018. However, it will continue to purchase bonds in the amount of EUR 15 to 20 billion even after its purchase program for government bonds ends in order to keep its balance sheet at a constant level. The increase in EUR government bond yields should therefore remain manageable in the months ahead. The EAA expects the 10-year Bund yield to rise to 0.6% by the end of the year (+15 bps). A yield of 1% is likely at year-end 2018.



**INTERIM MANAGEMENT REPORT**

Two developments harbour an element of risk for the economic outlook. One is Catalanian independence drive and the other is the general election in Italy in the first quarter of 2018. In its forecasts, the EAA is working on the assumption that these will not have any material economic impact.

## Economic report

### Overview of economic development

The EAA's economic situation in the first three quarters of 2017 was largely determined by its wind-up mission.

The notional volume of the banking book fell 16.2% to EUR 24.9 billion. The notional volume of the trading portfolio declined by 17.7% to EUR 212.7 billion during the same period.

The net profit for the year of EUR 10.7 million was primarily impacted by positive net interest income of EUR 99.5 million and the result from financial assets and shareholdings of EUR 85.9 million. Personnel expenses totalled EUR 18.9 million, while other general administrative expenses amounted to EUR 109.4 million.

The EAA's total assets declined from EUR 60.7 billion in the previous year to their current level of EUR 51.3 billion. The business volume, which also includes off-balance-sheet components, fell 17.3% to EUR 58.2 billion (previous year: EUR 70.3 billion).

### Wind-up report

The figures and developments discussed in this section are regularly reported to the FMSA and to the EAA's governing bodies. They relate to the entire 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).

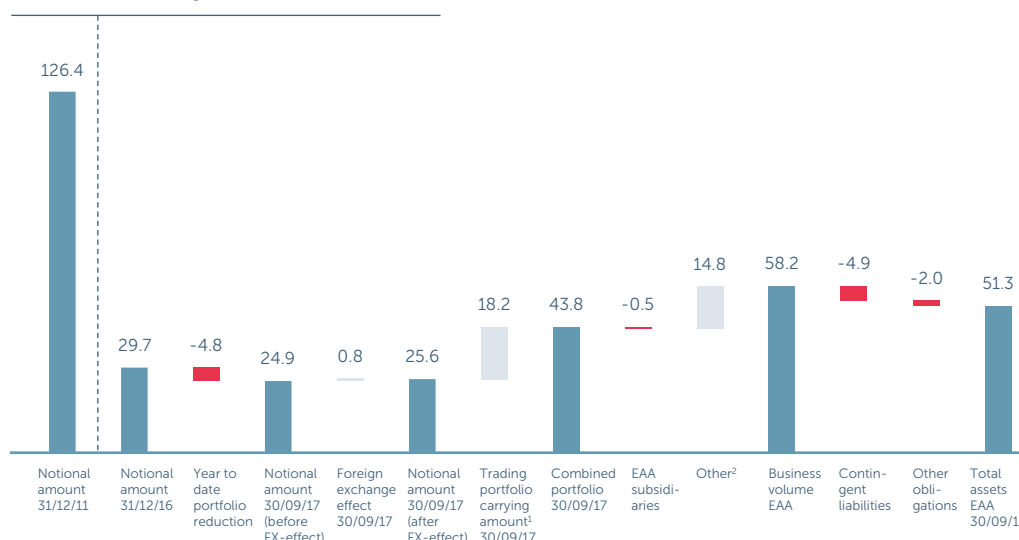
The following overview shows the development of the portfolio's notional amounts since 1 January 2017 and the reconciliation to the EAA's total assets as of 30 September 2017.

**INTERIM MANAGEMENT REPORT**

**Reconciliation of the transferred notional volume to the balance sheet**

in EUR billion

Notional Values Banking Book



<sup>1</sup> Equates to the book values for trading portfolio assets.

<sup>2</sup> Contains money market transactions, cash collateral and other assets not relevant to 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 (at constant exchange rates as of 31 December 2011 for the banking book and as of 30 June 2012 for the trading portfolio) as well as in terms of the effects on the 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 to 30 September 2017, the notional volume of the banking book was reduced from EUR 29.7 billion to EUR 24.9 billion (at exchange rates as of 31 December 2011, including the notional amounts of the guaranteed risk exposures and the risk exposures held by the EAA's subsidiaries). That equates to a decline in notional volume of EUR 4.8 billion (16.2%). The volume at exchange rates as of 30 September 2017 is EUR 25.6 billion. The total banking book portfolio has decreased by EUR 101.6 billion or 80.3% since 1 January 2012.

**INTERIM MANAGEMENT REPORT**

| Clusters              | Notional<br>30/9/2017<br>EUR million | Notional<br>31/12/2016<br>EUR million | EUR million     | Notional volume<br>(at exchange rates as of<br>31/12/2011) | Notional<br>30/9/2017<br>EUR million | Notional volume<br>(at exchange rates as of<br>30/9/2017) |
|-----------------------|--------------------------------------|---------------------------------------|-----------------|------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------|
|                       |                                      |                                       |                 | Change<br>to 31/12/2016<br>in %                            |                                      | FX effect <sup>1</sup><br>EUR million                     |
| Structured Securities | 9,832.6                              | 11,863.4                              | -2,030.8        | -17.1                                                      | 10,306.7                             | 474.1                                                     |
| Public Finance        | 5,327.1                              | 5,772.9                               | -445.8          | -7.7                                                       | 5,348.0                              | 20.9                                                      |
| Energy                | 2,926.6                              | 3,359.2                               | -432.6          | -12.9                                                      | 3,027.6                              | 101.0                                                     |
| Asset Securitisation  | 1,413.5                              | 1,569.0                               | -155.5          | -9.9                                                       | 1,549.1                              | 135.6                                                     |
| Other clusters        | 5,354.4                              | 7,085.5                               | -1,731.1        | -24.4                                                      | 5,377.6                              | 23.2                                                      |
| <b>Total</b>          | <b>24,854.2</b>                      | <b>29,650.0</b>                       | <b>-4,795.8</b> | <b>-16.2</b>                                               | <b>25,609.0</b>                      | <b>754.8</b>                                              |

<sup>1</sup> Change in notional volume due to exchange rate effects.

Note: The cluster structure was modified as of 31 January 2017. The Liquidity Portfolio cluster was dissolved and the holdings distributed over the Structured Securities, Public Finance and Financial Institutions clusters. The presentation of the previous year has been restated accordingly. As of 30 September 2017, the total NPL portfolio amounted to EUR 3.2 billion at current exchange rates.

The EAA significantly reduced the portfolio in the Structured Securities cluster in the current fiscal year. This decrease is primarily due to partial repayments of the Phoenix A3 note (USD), the complete repayment of the Phoenix A2 note (USD) and the guarantee drawings of the Phoenix B note (EUR).

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

There was a EUR +12.7 million effect on the wind-up plan in the first three quarters of 2017 associated with sales and early repayments in the banking book portfolio. A positive wind-up plan effect of EUR +28.7 million was achieved from other measures. This effect was mainly as a result of reversals of risk provisions.

#### 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 212.7 billion as of 30 September 2017. The notional volume of the trading portfolio decreased by a total of EUR 45.9 billion during the period from 1 January to 30 September 2017 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 851.3 billion or 80.0%.

**INTERIM MANAGEMENT REPORT**

| Clusters <sup>2</sup> | Notional<br>30/9/2017<br>EUR million | Notional<br>31/12/2016<br>EUR million | Notional volume<br>(at exchange rates as of<br>30/6/2012)<br>Change<br>to 31/12/2016<br>EUR million<br>in % |              | Notional volume<br>(at exchange rates as of<br>30/9/2017)<br>Notional<br>30/9/2017<br>EUR million<br>FX effect <sup>1</sup><br>EUR million |                 |
|-----------------------|--------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
|                       |                                      |                                       |                                                                                                             |              |                                                                                                                                            |                 |
| Rates                 | 209,915.2                            | 255,646.9                             | -45,731.7                                                                                                   | -17.9        | 208,934.2                                                                                                                                  | -981.0          |
| Other                 | 2,829.3                              | 2,957.0                               | -127.7                                                                                                      | -4.3         | 2,372.6                                                                                                                                    | -456.7          |
| <b>Total</b>          | <b>212,744.5</b>                     | <b>258,603.9</b>                      | <b>-45,859.4</b>                                                                                            | <b>-17.7</b> | <b>211,306.8</b>                                                                                                                           | <b>-1,437.7</b> |

<sup>1</sup> Change in notional volume due to exchange rate effects.

<sup>2</sup> The clusters are presented in the structure of the 2017 wind-up plan.

The decline is largely the result of maturities as well as the liquidation and active management of transactions. The principal driving force was the Rates cluster with a total notional decrease of EUR 45.7 billion. This decline resulted primarily from maturities of around EUR 41.1 billion, active reduction measures totalling EUR 10.7 billion and offsetting hedging transactions in the amount of EUR 6.1 billion.

As a result of the ongoing wind-up of the portfolio, the former Credit and Equity clusters now contain only a small number of transactions. The remaining transactions in the two clusters have been bundled since the start of 2017 in order to streamline the cluster structure. The notional volume of the remaining cluster did not change significantly.

## EAA's overall situation

### Earnings situation

The EAA's earnings situation was impacted by positive net interest income of EUR 99.5 million and a result from financial assets and shareholdings of EUR 85.9 million. Personnel expenses totalled EUR 18.9 million. Other administrative expenses of EUR 109.4 million were comprised mainly of expenses for services rendered by EFS and EPA.

Lower net fee and commission income compared with the previous year is mainly attributable to the advanced legal transfer of previously guaranteed interest-bearing financial instruments and the resulting cessation of guarantee fees. Additional interest income is reported on the other hand.

After taking account of a net result of EUR -45.2 million from loan loss provisions, the results after taxes were EUR 10.7 million.

INTERIM MANAGEMENT REPORT

Income statement

|                                                          | 1/1-30/9/2017 | 1/1-30/9/2016 | Change      |                |
|----------------------------------------------------------|---------------|---------------|-------------|----------------|
|                                                          | EUR million   | EUR million   | EUR million | in %           |
| Net interest income                                      | 99.5          | 119.5         | -20.0       | -16.7          |
| Net fee and commission income                            | -8.2          | 10.8          | -19.0       | >-100          |
| Net trading result                                       | 6.2           | 8.0           | -1.8        | -22.5          |
| Total other operating income/expenses                    | 4.7           | 0.6           | 4.1         | >100           |
| Personnel expenses                                       | -18.9         | -17.7         | -1.2        | -6.8           |
| Other administrative expenses                            | -109.4        | -141.0        | 31.6        | 22.4           |
| of which: expenses for service level agreements with EFS | -45.4         | -86.2         | 40.8        | 47.3           |
| Results from financial assets and shareholdings          | 85.9          | 50.5          | 35.4        | 70.1           |
| <b>Results prior to risk provisioning</b>                | <b>59.8</b>   | <b>30.7</b>   | <b>29.1</b> | <b>94.8</b>    |
| Loan loss provisions                                     | -45.2         | -24.4         | -20.8       | -85.2          |
| <b>Results before taxes</b>                              | <b>14.6</b>   | <b>6.3</b>    | <b>8.3</b>  | <b>&gt;100</b> |
| Taxes                                                    | -3.9          | -0.5          | -3.4        | >-100          |
| <b>Net profit for the year</b>                           | <b>10.7</b>   | <b>5.8</b>    | <b>4.9</b>  | <b>84.5</b>    |
| Net retained losses brought forward                      | -2,375.0      | -2,384.6      | 9.6         | 0.4            |
| Net retained losses                                      | -2,364.3      | -2,378.8      | 14.5        | 0.6            |

Financial position and issuing activity

The portfolio of issued bearer bonds, promissory note loans and commercial paper totalled a notional amount of EUR 29.2 billion as of the reporting date. It includes the global Commercial Paper Programme with a notional amount equivalent to EUR 12.8 billion.

New issues for medium and long-term funding were placed in the market during the reporting period with a total notional volume of USD 1.6 billion (EUR 1.4 billion) and EUR 1.0 billion.

A notional amount equivalent to EUR 12.7 billion was issued during the reporting period under the global Commercial Paper Programme, consisting of USD 7.4 billion (EUR 6.3 billion), GBP 4.6 billion (EUR 5.2 billion) and EUR 1.2 billion.

As of the reporting date, the portfolio contained 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 of 30 September 2017 amount to EUR 51.3 billion (previous year: EUR 60.7 billion). The business volume, which also includes off-balance-sheet components, amounts to EUR 58.2 billion (previous year: EUR 70.3 billion).

INTERIM MANAGEMENT REPORT

Assets

|                                                       | 30/9/2017       | 31/12/2016      | Change          |              |
|-------------------------------------------------------|-----------------|-----------------|-----------------|--------------|
|                                                       | EUR million     | EUR million     | EUR million     | in %         |
| Cash reserve                                          | 2,141.5         | 1,696.5         | 445.0           | 26.2         |
| Loans and advances to banks                           | 8,228.6         | 7,262.5         | 966.1           | 13.3         |
| Loans and advances to customers                       | 11,369.4        | 14,076.4        | -2,707.0        | -19.2        |
| Securities (no trading portfolio)                     | 9,654.8         | 12,900.3        | -3,245.5        | -25.2        |
| Trading portfolio                                     | 18,237.5        | 23,750.4        | -5,512.9        | -23.2        |
| Long-term equity investments and shares in affiliates | 1,639.0         | 864.0           | 775.0           | 89.7         |
| Other assets                                          | 62.2            | 119.2           | -57.0           | -47.8        |
| <b>Total assets</b>                                   | <b>51,333.0</b> | <b>60,669.3</b> | <b>-9,336.3</b> | <b>-15.4</b> |

Liabilities and equity

|                                     | 30/9/2017       | 31/12/2016      | Change           |              |
|-------------------------------------|-----------------|-----------------|------------------|--------------|
|                                     | EUR million     | EUR million     | EUR million      | in %         |
| Deposits from banks                 | 2,234.9         | 2,766.3         | -531.4           | -19.2        |
| Deposits from customers             | 3,592.7         | 3,386.3         | 206.4            | 6.1          |
| Debt securities in issue            | 26,703.2        | 30,582.4        | -3,879.2         | -12.7        |
| Trading portfolio                   | 17,781.9        | 22,737.6        | -4,955.7         | -21.8        |
| Provisions                          | 190.1           | 342.7           | -152.6           | -44.5        |
| Other liabilities                   | 178.3           | 212.8           | -34.5            | -16.2        |
| Equity                              | 651.9           | 641.2           | 10.7             | 1.7          |
| <b>Total liabilities and equity</b> | <b>51,333.0</b> | <b>60,669.3</b> | <b>-9,336.3</b>  | <b>-15.4</b> |
| Contingent liabilities              | 4,874.0         | 6,610.1         | -1,736.1         | -26.3        |
| Other obligations/loan commitments  | 1,981.7         | 3,058.3         | -1,076.6         | -35.2        |
| <b>Business volume</b>              | <b>58,188.7</b> | <b>70,337.7</b> | <b>-12,149.0</b> | <b>-17.3</b> |

Loans and advances to banks increased by EUR 1.0 billion as of 30 September 2017 compared with year-end 2016. The increase is mainly the result of a higher volume of time deposits for liquidity steering.

The decline of around EUR 2.7 billion in loans and advances to customers is mostly attributable to principal repayments in the traditional lending business and to the transfer of assets to a subsidiary.

The reduction of the securities portfolio is largely accounted for by principal repayments and sales.

Trading assets and liabilities declined by EUR 5.5 billion and EUR 5.0 billion respectively due to the wind-up of the trading portfolio and changes in the yield curve compared with the end of the previous year.

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The increase in long-term equity investments and shares in affiliates is attributable mainly to another contribution in kind at Dritte EAA Anstalt & Co. KG.

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 that 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**

|                                    | <b>30/9/2017</b>   | <b>31/12/2016</b>  | <b>Change</b>      |              |
|------------------------------------|--------------------|--------------------|--------------------|--------------|
|                                    | <b>EUR million</b> | <b>EUR million</b> | <b>EUR million</b> | <b>in %</b>  |
| Loans and advances to banks        | 8,228.6            | 7,262.5            | 966.1              | 13.3         |
| Loans and advances to customers    | 11,369.4           | 14,076.4           | -2,707.0           | -19.2        |
| Contingent liabilities             | 4,874.0            | 6,610.1            | -1,736.1           | -26.3        |
| Other obligations/loan commitments | 1,981.7            | 3,058.3            | -1,076.6           | -35.2        |
| <b>Lending business</b>            | <b>26,453.7</b>    | <b>31,007.3</b>    | <b>-4,553.6</b>    | <b>-14.7</b> |

**Summary of the business situation**

The realisation of a net profit in the first three quarters of 2017 is attributable not least to reduced administrative expenses and – despite a declining portfolio – to net interest income as well as the result from financial assets and shareholdings.

The EAA's assets are in good order. Its equity as of 30 September 2017 amounts to EUR 651.9 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**

A common objective of the liable stakeholders, the FMS and the EAA is to minimise its strategic wind-up risk, that is to say, the risk of a negative deviation from the economic targets in the wind-up plan and suffering higher-than-planned losses from winding up the portfolio. 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 assets transferred from the former WestLB and on mitigating risks.

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

**Risk management organisation**

The Managing Board determines the risk strategy. The Risk Committee of the Supervisory Board discusses the risk strategy and the principles of risk policy set down therein with the Managing Board. On the recommendation of 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.

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



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**Risk reporting**

Risks can be controlled and monitored in a sustainable manner only if they are transparent, and the underlying analysis results are prepared and communicated in a manner that is conducive to decision-making processes. 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 that is adapted to fulfil the information requirements of the governing bodies.

**Credit risks**

**Credit risks – banking book**

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

The notional volume of the banking book (which primarily consists of loans and securities) declined by EUR 4.8 billion to EUR 24.9 billion during the first three quarters of 2017 (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 success.

**Breakdown of notional volume by internal rating category<sup>1</sup>**

|                   | <b>30/9/2017<br/>EUR billion</b> | <b>31/12/2016<br/>EUR billion</b> |
|-------------------|----------------------------------|-----------------------------------|
| A0-A2             | 1.3                              | 0.7                               |
| A3-A5             | 6.9                              | 10.5                              |
| B1-B3             | 1.1                              | 0.9                               |
| B4-B5             | 2.8                              | 3.2                               |
| C1-C2             | 5.0                              | 5.3                               |
| C3-C5             | 2.1                              | 2.6                               |
| D1-D3             | 1.0                              | 1.0                               |
| D4-E              | 2.6                              | 3.3                               |
| S.R. <sup>2</sup> | 1.2                              | 2.0                               |
| N.R. <sup>3</sup> | 0.8                              | 0.3                               |
| <b>Total</b>      | <b>24.9</b>                      | <b>29.7</b>                       |

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

<sup>2</sup> Special rating pursuant to the not-rated concept.

<sup>3</sup> Not rated.

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

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The quality of the banking book portfolio is reflected by an investment grade rating share (rating categories A0-C2) of around 69% (31 December 2016: 69%). About 33% (31 December 2016: 38%) of the notional volume has a very good rating (A0-A5) and around 36% (31 December 2016: 32%) 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 5% of the total portfolio.

The EAA continues to aim for a portfolio reduction across all rating categories. The EUR 3.6 billion reduction in the A3-A5 rating category is largely due to principal repayments of EUR 1.6 billion for Phoenix notes in this rating category, to improvements in credit ratings and to the structural resolution of the Carnuntum transaction (EUSS cluster). In the course of the resolution of the Carnuntum transaction, the underlying securities were transferred to the EAA and the refinancing notes held by the EAA up to then were repaid in full by Carnuntum in return. The underlying securities are assigned to the N.R. rating category. This leads to a shift from rating category A3-A5 (rating of the previously held refinancing notes) to this rating category.

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

| INTERNAL<br>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              | Baa2      | 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         |                      |

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**Breakdown of notional volume by clusters<sup>1,2</sup>**

|                       | <b>30/9/2017<br/>in %</b> | <b>31/12/2016<br/>in %</b> |
|-----------------------|---------------------------|----------------------------|
| Structured Securities | 39.6                      | 40.0                       |
| Public Finance        | 21.4                      | 19.5                       |
| Energy                | 11.8                      | 11.3                       |
| Asset Securitisation  | 5.7                       | 5.3                        |
| Other                 | 21.5                      | 23.9                       |
| <b>Total</b>          | <b>100.0</b>              | <b>100.0</b>               |

<sup>1</sup> 30 September 2017 = EUR 24.9 billion; 31 December 2016 = EUR 29.7 billion.

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

Note: The cluster structure was modified as of 31 January 2017. The Liquidity Portfolio cluster was dissolved and the holdings distributed over the Structured Securities, Public Finance and Financial Institutions clusters. The presentation of the previous year has been restated accordingly.

The EAA's banking book portfolio consists of 13 clusters. The largest cluster, Structured Securities, with a total share of 39.6%, consists of four sub-portfolios: Phoenix (64.4% – please refer to the section "Phoenix" for further details), ABS liquidity portfolio (24.0%), EUSS (10.7%) and ABS (0.9%).

**Breakdown of notional volume by maturities<sup>1,2</sup>**

|                | <b>30/9/2017<br/>EUR billion</b> | <b>31/12/2016<br/>EUR billion</b> |
|----------------|----------------------------------|-----------------------------------|
| <= 6 M         | 3.8                              | 1.1                               |
| > 6 M <= 1 Y   | 0.5                              | 1.9                               |
| > 1 Y <= 5 Y   | 4.6                              | 10.3                              |
| > 5 Y <= 10 Y  | 6.0                              | 6.4                               |
| > 10 Y <= 20 Y | 5.5                              | 5.9                               |
| > 20 Y         | 4.5                              | 4.1                               |
| <b>Total</b>   | <b>24.9</b>                      | <b>29.7</b>                       |

<sup>1</sup> For assets with no fixed or with very long maturities: expected repayment profile.

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

The reduction in the maturity range of one year to five years and the increase in the maturity range up to six months relate in particular to the expected Phoenix amortisation profile. The increase in the maturity range above 20 years relates to the expected repayment profile of the assets held by one of the participations.

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The other changes within the maturity ranges reflect the portfolio management measures undertaken during the first three quarters of 2017.

**Breakdown of notional volume by region<sup>1</sup>**

|                       | <b>30/9/2017<br/>EUR billion</b> | <b>31/12/2016<br/>EUR billion</b> |
|-----------------------|----------------------------------|-----------------------------------|
| Americas <sup>2</sup> | 11.6                             | 13.8                              |
| EMEA                  | 9.8                              | 11.8                              |
| Germany               | 3.2                              | 3.7                               |
| APAC                  | 0.3                              | 0.4                               |
| <b>Total</b>          | <b>24.9</b>                      | <b>29.7</b>                       |

<sup>1</sup> Excluding exchange rate effects (based on exchange rates as of 31 December 2011). The regional breakdown by borrowers or for securitisations is based on the main risk country of the asset pool.

<sup>2</sup> Contains EUR 3.2 billion for the Phoenix B note guaranteed by the State of NRW.

The regional breakdown of the notional volume has hardly changed compared with 31 December 2016. Approximately 47% of the notional volume is attributed to the Americas region (31 December 2016: 47%). Repayments in particular led to a decline of EUR 2.2 billion, with most of the decrease occurring in the Structured Securities cluster (primarily Phoenix).

About 39% of the notional volume (31 December 2016: 40%) is attributable to 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 2016: 13%) is virtually unchanged.

The APAC region represents around 1% (31 December 2016: 1%) and is also almost unchanged.

**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 conducting ad hoc and regular impairment tests (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.

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**Result of risk provisions**

|                                             | Provisions for<br>loan losses<br>EUR million | Charge-offs<br>EUR million | Net change<br>in loan loss<br>provision<br>EUR million | Other exp./inc.<br>due to risk<br>EUR million | Total allow.<br>losses<br>EUR million |
|---------------------------------------------|----------------------------------------------|----------------------------|--------------------------------------------------------|-----------------------------------------------|---------------------------------------|
| <b>Acute counterparty default risk</b>      | <b>163.7</b>                                 | <b>73.5</b>                | <b>-90.2</b>                                           | <b>37.5</b>                                   | <b>-52.7</b>                          |
| Credit risk                                 | 163.7                                        | 73.5                       | -90.2                                                  | 26.7                                          | -63.5                                 |
| Other risk                                  | -                                            | -                          | -                                                      | 10.8                                          | 10.8                                  |
| <b>Contingent counterparty default risk</b> | <b>-</b>                                     | <b>7.5</b>                 | <b>7.5</b>                                             | <b>-</b>                                      | <b>7.5</b>                            |
| <b>Total</b>                                | <b>163.7</b>                                 | <b>81.0</b>                | <b>-82.7</b>                                           | <b>37.5</b>                                   | <b>-45.2</b>                          |

Other expenditures/income due to risk primarily include recoveries from written-off receivables.

**Special banking book issues**

**Phoenix**

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

The majority of the securitised Phoenix portfolio is denominated in US dollars and represents US risks, primarily in the property market there.

**Phoenix notes capital structure**

| Tranche  | Amount as of<br>30/9/2017<br>in million |     | S&P rating | Legal maturity | Expected<br>maturity<br>in years |
|----------|-----------------------------------------|-----|------------|----------------|----------------------------------|
| Class A3 | 1,265.1                                 | USD | BBB+       | 9/2/2091       | 0.51                             |
|          | 503.8                                   | EUR | BBB+       | 9/2/2091       | 0.51                             |
| Class A4 | 1,909.0                                 | USD | B+         | 9/2/2091       | 0.51                             |
|          | 180.9                                   | EUR | B+         | 9/2/2091       | 0.51                             |
| Class B  | 3,177.6                                 | EUR | N.R.       | 9/2/2091       | 0.51                             |

Repayments in the reporting period amounting to EUR 1.6 billion resulted in a decrease of the notional volume reported in euros to EUR 6.3 billion as of 30 September 2017 (calculated at constant exchange rates as of 31 December 2011).

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 within the framework of an auction. The expected maturities shown in the table (uniformly for all notes) reflect the planned dissolution of the structure.

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**Rating breakdown by internal rating category for Phoenix notes<sup>1</sup>**

|              | <b>30/9/2017<br/>EUR billion</b> | <b>31/12/2016<br/>EUR billion</b> |
|--------------|----------------------------------|-----------------------------------|
| A0-A2        | -                                | -                                 |
| A3-A5        | 4.7                              | 6.3                               |
| B1-B3        | -                                | -                                 |
| B4-B5        | -                                | -                                 |
| C1-C2        | 1.7                              | 1.7                               |
| C3-C5        | -                                | -                                 |
| D1-D3        | -                                | -                                 |
| D4-E         | -                                | -                                 |
| S.R./N.R.    | -                                | -                                 |
| <b>Total</b> | <b>6.3</b>                       | <b>8.0</b>                        |

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

Note: The presentation by internal rating category considers the rating (A3) of the guarantor, the State of NRW, for the Phoenix B note.

All of the Phoenix notes have an investment grade rating (rating categories A0-C2), taking into account the rating of the State of NRW (the guarantor for the Phoenix B note). Roughly EUR 1.8 billion of this guarantee has been utilised so far.

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 on measures 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 of 30 September 2017 totals a notional amount of EUR 5.3 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 3.3 billion of this amount is attributable to the UK, Ireland, Italy, Portugal, Slovenia and Spain. Further information can be found in the section "Exposures to selected EU member states".

Securities account for 90% 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 10% 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 other European countries outside the eurozone, Africa and the Middle East (13%), North and South America (6%), and Asia and Australia (1%).

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**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 market values, while those in the banking book are determined on the basis of book values. A distinction is drawn 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 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 CVA. When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. The CVA in the trading portfolio amounted to EUR 24.6 million as of 30 September 2017 (31 December 2016: EUR 37.8 million). The EUR 13.2 million decrease in CVA is attributable to market fluctuations (EUR -5.2 million), changes in credit spreads (EUR -4.2 million), novations (EUR -3.0 million) and expired derivatives (EUR -1.6 million). This was offset by EUR +0.8 million from changes in credit ratings.

**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 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.

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|                                                           | <b>30/9/2017<br/>Exposure<br/>EUR million</b> | <b>30/9/2017<br/>Limit<br/>EUR million</b> | <b>31/12/2016<br/>Exposure<br/>EUR million</b> | <b>31/12/2016<br/>Limit<br/>EUR million</b> |
|-----------------------------------------------------------|-----------------------------------------------|--------------------------------------------|------------------------------------------------|---------------------------------------------|
| Credit risk - money market positions <sup>1</sup>         | 3,843.6                                       | 5,485.5                                    | 2,609.7                                        | 5,563.4                                     |
| Counterparty risk - OTC derivatives (pre-settlement risk) | 455.3                                         | 3,163.0                                    | 621.3                                          | 3,692.0                                     |
| Counterparty risk - repos                                 | 5.4                                           | 694.0                                      | -                                              | 759.0                                       |

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

The credit risk for money market positions as of 30 September 2017 rose in comparison to the previous year-end because of a significant increase in deposits due to the advance funding of larger maturities. Counterparty risks from OTC derivatives are driven by transactions for liquidity steering (foreign exchange swaps) and interest rate hedging instruments (interest rate swaps).

**Issuer risks**

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.

|                        | <b>&lt; 1 Y<br/>EUR million</b> | <b>1-4 Y<br/>EUR million</b> | <b>4-8 Y<br/>EUR million</b> | <b>8-15 Y<br/>EUR million</b> | <b>&gt; 15 Y<br/>EUR million</b> | <b>Total<br/>exposure<br/>EUR million</b> |
|------------------------|---------------------------------|------------------------------|------------------------------|-------------------------------|----------------------------------|-------------------------------------------|
| Public Finance         | 366.7                           | 1,059.8                      | 767.4                        | 1,213.3                       | 1,486.7                          | 4,893.9                                   |
| Financial Institutions | 161.0                           | 290.6                        | 153.5                        | 24.8                          | -                                | 629.9                                     |
| Other securities       | 2.8                             | 15.0                         | 250.7                        | 537.4                         | 2,213.0                          | 3,018.9                                   |
| <b>Total 30/9/2017</b> | <b>530.5</b>                    | <b>1,365.4</b>               | <b>1,171.6</b>               | <b>1,775.5</b>                | <b>3,699.7</b>                   | <b>8,542.7</b>                            |
| Total 31/12/2016       | 685.5                           | 1,626.7                      | 1,547.2                      | 2,239.0                       | 4,055.5                          | 10,153.9                                  |

The Public Finance sub-portfolio accounts for the largest share with EUR 4.9 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, mainly US student loans.

Issuer risks of the trading portfolio are low and total only EUR 1.9 million.

**Participation risks**

Participation risks result from the provision of subordinated capital and equity. Managing participations is the responsibility of the EAA's Strategic Project and Portfolio Management department. The EAA's Controlling & Planning department supports the participation controlling process.



**INTERIM MANAGEMENT REPORT**

Of the total portfolio of the EAA Group, a notional volume of EUR 3.6 billion (14.4%) is held by subsidiaries, mainly consisting of EAA CBB with EUR 1.5 billion (40.9%), Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.2 billion (33.4%) and Dritte EAA Anstalt & Co. KG with EUR 0.9 billion (25.7%).

EAA CBB was included in the risk management and business management of the EAA. The subsidiary is 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. EAA CBB was sold at the start of 2017. The sale will not be effective until approval is received from the supervisory authorities.

Erste EAA Anstalt öffentlichen Rechts & Co. KG holds a portfolio of US life insurance contracts through partnerships under US law. This company is fully funded by the EAA (EUR 1.2 billion).

Dritte EAA Anstalt & Co. KG holds a portfolio of structured securities. 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 management, on the basis of the look-through approach, the internal reporting has remained virtually unchanged. Additional securities were transferred to Dritte EAA Anstalt & Co. KG in the first half of 2017.

Ownership of EFS was transferred to the EAA at the end of March 2016 ("share deal"). This transaction ensured that the EAA will continue to have at its disposal all of the services it needs to continue with the wind-up of the assets 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 to the EAA. The EAA manages EFS as a legally independent company and instructs its management with regard to the implementation of the restructuring measures that are already underway. Within the scope of a tender, the EAA and EFS are currently reviewing the possibility of outsourcing a large part of the service provision within the framework of the cooperation between the EAA and EFS.

On 30 December 2016, the EAA signed an agreement with Mount Street to sell EPA. Following conclusion of the Ownership Control Procedure by BaFin and the Bundesbank, the EPA transaction was concluded on 26 October 2017. Mount Street is the new owner of the company since 27 October 2017, which will now be renamed Mount Street Portfolio Advisers.

In some situations, the EAA will enter into new participations via restructuring if such an approach is deemed beneficial to preserve the value of the assets (for example with debt-to-equity swaps).

**Exposures to selected EU member states**

The banking book exposure of the EAA and its subsidiaries to Greece, the UK, Ireland, Italy, Portugal, Slovenia, Spain and Cyprus totals EUR 5.9 billion as of 30 September 2017. This exposure has been reduced by EUR 1.3 billion since the beginning of 2017. The decline is mostly attributable to Spain (EUR 0.5 billion), the UK (EUR 0.4 billion) and Italy (EUR 0.3 billion).

**INTERIM MANAGEMENT REPORT**

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

| <b>Country<sup>1</sup></b> | <b>Debtor group</b>    | <b>30/9/2017<br/>Notional in<br/>EUR million<sup>2</sup></b> | <b>31/12/2016<br/>Notional in<br/>EUR million<sup>2</sup></b> |
|----------------------------|------------------------|--------------------------------------------------------------|---------------------------------------------------------------|
| Greece                     | Corporates             | 41.5                                                         | 82.9                                                          |
|                            | Financial Institutions | -                                                            | 0.0                                                           |
| <b>Σ Greece</b>            |                        | <b>41.5</b>                                                  | <b>82.9</b>                                                   |
| UK                         | Corporates             | 802.5                                                        | 1,105.2                                                       |
|                            | Financial Institutions | 34.1                                                         | 82.3                                                          |
|                            | Public Finance         | 132.7                                                        | 136.7                                                         |
| <b>Σ UK</b>                |                        | <b>969.3</b>                                                 | <b>1,324.1</b>                                                |
| Ireland                    | Corporates             | 25.8                                                         | 9.4                                                           |
|                            | Financial Institutions | 0.1                                                          | 0.1                                                           |
|                            | Public Finance         | 30.0                                                         | 115.0                                                         |
| <b>Σ Ireland</b>           |                        | <b>55.9</b>                                                  | <b>124.5</b>                                                  |
| Italy                      | Corporates             | 536.8                                                        | 673.7                                                         |
|                            | Financial Institutions | 0.0                                                          | 101.0                                                         |
|                            | Public Finance         | 1,716.4                                                      | 1,772.4                                                       |
| <b>Σ Italy</b>             |                        | <b>2,253.2</b>                                               | <b>2,547.0</b>                                                |
| Portugal                   | Corporates             | 18.0                                                         | 18.0                                                          |
|                            | Financial Institutions | 11.2                                                         | 11.2                                                          |
|                            | Public Finance         | 853.7                                                        | 855.8                                                         |
| <b>Σ Portugal</b>          |                        | <b>882.9</b>                                                 | <b>885.1</b>                                                  |
| Slovenia                   | Public Finance         | 40.0                                                         | 40.0                                                          |
| <b>Σ Slovenia</b>          |                        | <b>40.0</b>                                                  | <b>40.0</b>                                                   |
| Spain                      | Corporates             | 633.1                                                        | 750.7                                                         |
|                            | Financial Institutions | 360.1                                                        | 575.9                                                         |
|                            | Public Finance         | 588.0                                                        | 784.0                                                         |
| <b>Σ Spain</b>             |                        | <b>1,581.2</b>                                               | <b>2,110.7</b>                                                |
| Cyprus                     | Corporates             | 67.4                                                         | 51.8                                                          |
| <b>Σ Cyprus</b>            |                        | <b>67.4</b>                                                  | <b>51.8</b>                                                   |
| <b>Total<sup>3</sup></b>   |                        | <b>5,891.4</b>                                               | <b>7,166.0</b>                                                |
| of which                   | Corporates             | 2,125.1                                                      | 2,691.7                                                       |
| of which                   | Financial Institutions | 405.5                                                        | 770.5                                                         |
| of which                   | Public Finance         | 3,360.8                                                      | 3,703.9                                                       |

<sup>1</sup> Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).

<sup>2</sup> Based on current exchange rates. Presentation of the notional volume, including hedges (net).

<sup>3</sup> Of which EAA subsidiaries: EUR 1,344.4 million (31 December 2016: EUR 954.1 million).

INTERIM MANAGEMENT REPORT

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

| Product <sup>1</sup>               | Value    | Country <sup>2</sup> | 30/9/2017<br>EUR million <sup>3</sup> | 31/12/2016<br>EUR million <sup>3</sup> |
|------------------------------------|----------|----------------------|---------------------------------------|----------------------------------------|
| Decomposed CDS                     | EaD      | UK                   | -                                     | 0.0                                    |
|                                    |          | Italy                | -                                     | 0.0                                    |
|                                    |          | Portugal             | -                                     | 0.0                                    |
|                                    |          | Spain                | -                                     | 0.0                                    |
| <b>Σ Decomposed CDS</b>            |          |                      | <b>-</b>                              | <b>0.0</b>                             |
| Other derivatives and ALM          | MtM      | UK                   | 417.0                                 | 469.4                                  |
|                                    |          | Ireland              | 0.0                                   | -                                      |
|                                    |          | Italy                | 317.2                                 | 317.9                                  |
|                                    |          | Spain                | 341.7                                 | 235.7                                  |
|                                    |          | Cyprus               | -                                     | 19.6                                   |
| <b>Σ Other derivatives and ALM</b> |          |                      | <b>1,075.9</b>                        | <b>1,042.6</b>                         |
| Other                              | Notional | UK                   | 34.3                                  | 24.3                                   |
| <b>Σ Other<sup>4</sup></b>         |          |                      | <b>34.3</b>                           | <b>24.3</b>                            |

<sup>1</sup> ALM = cluster ALM 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.

<sup>2</sup> Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).

<sup>3</sup> Based on current exchange rates. Presentation of the notional volume, including hedges (net).

<sup>4</sup> 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.

### 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.

INTERIM MANAGEMENT REPORT

Interest rate risk (EAA Group)

|              | 30/9/2017<br>EUR thousand | 31/12/2016<br>EUR thousand |
|--------------|---------------------------|----------------------------|
| < 1 Y        | 90.1                      | -3.1                       |
| 1-4 Y        | 55.2                      | 0.3                        |
| 4-8 Y        | 47.1                      | 25.9                       |
| 8-15 Y       | -0.5                      | -70.5                      |
| > 15 Y       | -46.4                     | -22.4                      |
| <b>Total</b> | <b>145.5</b>              | <b>-69.8</b>               |

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 now EUR 145.5 thousand compared with year-end 2016 (EUR -69.8 thousand), due to management and maturity effects. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

|              | 30/9/2017<br>EUR thousand | 31/12/2016<br>EUR thousand |
|--------------|---------------------------|----------------------------|
| AUD          | 3,033.2                   | 1,040.3                    |
| CHF          | -2,565.6                  | 472.2                      |
| GBP          | -815.4                    | 1,327.6                    |
| JPY          | 4,840.8                   | 3,218.7                    |
| PLN          | 366.3                     | -1,491.7                   |
| SGD          | 1,060.3                   | 1,120.5                    |
| USD          | 3,566.9                   | 6,384.1                    |
| Other        | 6,089.6                   | 13,180.5                   |
| <b>Total</b> | <b>15,576.1</b>           | <b>25,252.2</b>            |

The EAA's currency position is determined based on the principle of special cover in accordance with section 340h HGB. The exposures in the various currencies are within the limits. They change as a result of market fluctuations and in the course of normal business operations.

The 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.

**INTERIM MANAGEMENT REPORT**

**Market price risks – trading portfolio**

The trading portfolio is exposed not only to interest rate and foreign exchange risks but also to a limited amount of credit spread risks. The trading portfolio predominantly includes derivatives as well as non-linear 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. A number of stress scenarios are also used for risk management purposes. The VaR model calculates interest rate risks, equity risks and foreign exchange risks for the trading portfolio, including the respective volatility risks on a daily basis. A confidence level of 99% and a one-day holding period are assumed when calculating the VaR.

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 the actual market value changes (hypothetical income statement) to the possible market value changes forecast by the VaR model on a daily basis. There was no backtesting breach in the current fiscal year 2017 at the highest level of the portfolio structure of the trading portfolio. From a statistical perspective, two to three instances of exceeded limits must be expected per year for a VaR with a holding period of one trading day and a confidence level of 99%.

**Value at Risk by clusters**

|                                      | <b>30/9/2017<br/>EUR thousand</b> | <b>31/12/2016<br/>EUR thousand</b> |
|--------------------------------------|-----------------------------------|------------------------------------|
| EAA Trading                          | 626.4                             | 689.1                              |
| Muni GIC Portfolio                   | 425.3                             | 585.9                              |
| Interest Rate Exotics                | 242.3                             | 233.5                              |
| Interest Rate Flow                   | 165.0                             | 211.7                              |
| Interest Rate Options                | 88.7                              | 89.6                               |
| Foreign Exchange Options and Hybrids | 84.9                              | 139.7                              |
| Credit and Equities                  | 2.1                               | 6.3                                |

As of 30 September 2017, the VaR for the trading portfolio declined to EUR 626.4 thousand due to market movements and hedging activities (31 December 2016: EUR 689.1 thousand).

**INTERIM MANAGEMENT REPORT**

**Liquidity risks**

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

The limited stress scenarios ("liquidity crisis and downgrade", "liquidity crisis and downgrade USD") demonstrated a viable net liquidity situation as of 30 September 2017 (defined as the total of cumulated cash flows and the liquidity reserve). The liquidity reserve comprises highly-liquid securities which are very likely to be eligible for repo transactions, in order to generate new liquidity. The liquidity reserve was around EUR 4.2 billion when the stress test was performed.

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

**Longevity risks**

The EAA funds premium payments for US life insurance policies under so-called life settlement engagements. The payouts from these policies flow to the EAA when the insured individual dies. These policies are bundled in subsidiaries of Erste EAA Anstalt öffentlichen Rechts & Co. KG (formerly 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 expenses to be borne by the EAA from longevity risks are due to misjudgements made when the insurance policies were originally purchased by Portigon as well as to higher premiums demanded by the insurance companies. The EAA is currently reviewing whether such premium increases are legally permitted. The EAA has already filed initial suits in this respect.

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.

**INTERIM MANAGEMENT REPORT**

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

The EAA regularly monitors not only the present value of the expected cash flows (premiums, death benefits and service fees) from the policies but also the so-called net present value of Erste EAA Anstalt öffentlichen Rechts & Co. KG. Besides the present value of the expected cash flows, this indicator takes into account the outstanding funding and cash on hand, making it possible to measure performance over time for the entire life settlement portfolio.

**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, 14% are characterised by medium risks and 86% by low risks. The overall risk situation therefore remains largely unchanged.

A risk inventory of the EAA together with EFS, EPA and EAA CBB was carried out in 2017. 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 once again reduced to 2.2% (previous year: 3%), 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 monitoring process, the EAA accordingly ensures that its requirements, which are defined in service level agreements, are fulfilled by the service providers in the agreed form. In this process, the EAA records the outsourcing risks and assesses them by applying a traffic light system. The monitoring and assessment process is supported by an online assessment system. Any necessary service and process adjustments are additionally taken into account in a process of continuous improvements.

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

To date, there have been no elevated risks in 2017, and the quality of the services rendered during the period has been essentially consistent, in accordance with the service agreement.

**INTERIM MANAGEMENT REPORT**

Numerous structural changes are planned for the EAA Group in the fourth quarter of 2017 and the first quarter of 2018. EPA was sold to the investor Mount Street in October 2017. The sale of EAA CBB is expected to be concluded in the first quarter of 2018. A project is in progress at EFS, in which key services were tendered for outsourcing to a subcontractor.

**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.

Since April 2010, the authorities in the US and at the EU level (particularly BaFin) had 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; the investigations by BaFin and the US supervisory authorities were terminated without any measures being undertaken 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. Certain aspects of these class actions were repeatedly rejected with respect to Portigon. The plaintiffs launched an appeal against this, the outcome of which led in part to a referral to the Court of First Instance and in part to an uncertain outcome as things currently stand. The Court of First Instance has yet to make a final decision in favour of the plaintiffs. This is unlikely, however, given the facts and the evidence, and in particular also because of the disputed jurisdiction of US courts. The EAA has no reason to doubt Portigon's claims that there are no indications of any misconduct.

The legal disputes arising from the derivatives transactions with municipalities based were largely ended through out-of-court settlements.

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



**INTERIM MANAGEMENT REPORT**

**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 in a value-preserving and risk-minimising manner, based on a long-term wind-up plan. Value fluctuations in the interim are of less significance.

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

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

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

Market price risks are largely limited.

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

Longevity risk is the risk that insured persons live longer than originally calculated or the insurances companies increase the premiums. This is limited to the acquired portfolio. The longevity risks in the portfolio are regularly analysed by actuaries and service providers.

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 EAA has provided sufficiently for all known risks. Its equity – before the loss offset guarantees – is initially available as aggregate risk cover for risks that are not yet currently foreseeable.

**INTERIM MANAGEMENT REPORT**

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. This wind-up plan shows positive equity capital as of the end of the planning period. This means that the only possibility of a loss occurring that would require utilisation of the EAA's liability mechanism in the period to the end of the planning horizon for the wind-up plan would be if adverse scenarios were to materialise which, from today's perspective, are unlikely to occur.

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

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

## Opportunities report

The economic recovery in the eurozone continues. Former crisis-hit countries (Spain, Portugal and Ireland) will be among the fastest-growing economies in the eurozone in 2017 and 2018. The euro crisis was a key catalyst for reforms and improvements, in particular for Spain and Portugal. The structural problems in the two countries were addressed and the reforms led to an improvement in international competitiveness. Economic growth in Italy is also expected to accelerate in 2017. Even so, the growth of 1.5% expected for the year as a whole lags behind the average growth rate of the eurozone.

The improved economic situation benefits the valuations of euro government bonds and other financial products that are valued based on their respective country's bond curves. The process is not limited to listed products only; it also affects other segments of the euro credit market such as promissory note loans, traditional loans and project financing. Notwithstanding the pending recalibration of its purchase programmes, the ECB's monetary policy is also likely to continue supporting the valuations. The ECB will trim the monthly volume of its securities purchase programme next year from EUR 60 billion to EUR 30 billion. It will therefore continue to make these purchases up to September 2018. From October 2018 on, the ECB will only purchase securities within the scope of reinvesting cash inflows from its portfolio. It will continue to have a positive influence on the valuation level through these purchases, which will be made for reinvestment purposes. This should tend to lead to rising yields in the eurozone. However, the extent of the increase in yields should be limited by the return of other investors who were replaced by the ECB. The combination of very loose monetary policy and economic recovery allows the eurozone states and the companies and projects established there to service their debt at much better terms.

**INTERIM MANAGEMENT REPORT**

Besides exposures to the euro periphery, the EAA also has significant exposures in the US. US property prices in particular have largely recovered in line with the economic trend and are now only about 4% below the high of July 2006. This was already taken into account in the evaluation of the exposures, 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 (see also the "Forecast report" section).

## Forecast report

Active measures and contractual maturities are expected to reduce the notional volume of the banking book by around 20% to less than EUR 24 billion in 2017.

The EAA's objective is to wind up around 84% of the banking book's portfolio as of 31 December 2011 (including the exposures held by subsidiaries and the exposures from the refill) by the end of 2018. As in previous years, the wind-up activities will focus on advance portfolio-reducing measures and active participation management.

For 2017 the plan calls for a reduction in the notional volume of the trading portfolios by around 19% to about EUR 210 billion compared with the previous year. The EAA continues to target a more than 83% reduction in the notional volume by the end of 2018 since the transfer in 2012. The EAA will continue to analyse how the trading portfolios can be reduced at an accelerated pace effectively and cost efficiently.

In line with the reduced portfolio, net interest and net fee and commission income is likely to fall to around EUR 120 million (including dividend income) during fiscal year 2017. 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 because of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This possibility is taken into account in the EAA's wind-up planning.

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 again identified for 2017 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 expected risk developments. Independently of the sales portfolio for 2017, 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.

**INTERIM MANAGEMENT REPORT**

The EAA's objectives are supported by current economic developments. In particular, the ECB's programme to purchase euro government bonds had a positive impact on the EAA's portfolios. At the Executive Board meeting in September 2017, the ECB decided to extend the net purchase of covered bonds, corporate bonds and securitisations up to September 2018. Nevertheless, the ECB will continue to purchase bonds after September 2018. Within the scope of reinvesting cash inflows from the portfolio, it will buy an estimated EUR 15 billion to EUR 25 billion in bonds per month to prevent its balance sheet from shrinking.

The combination of further asset purchases and the ECB's promise to stand ready as buyer of last resort within the framework of OMT has prevented the renewed flare-ups of the situation in Greece during programme reviews and budget discussions from spilling over into other countries or regions. The effect of the ECB's purchases will probably not be limited to just government bonds and is likely to radiate out to other segments, as investors are looking for investment alternatives in the current environment of low interest rates and yields.

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

BALANCE SHEET

# Balance sheet

## Assets

|                                                   | Notes        | EUR           | EUR           | 30/9/2017<br>EUR | 31/12/2016<br>EUR |
|---------------------------------------------------|--------------|---------------|---------------|------------------|-------------------|
| 1. Cash reserve                                   |              |               |               |                  |                   |
| a) Balances with central banks                    |              |               | 2,141,536,550 |                  | (1,696,544,165)   |
| of which:                                         |              |               |               |                  |                   |
| with Deutsche Bundesbank                          |              |               |               |                  |                   |
| EUR 2,141,536,550 (py: EUR 1,696,544,165)         |              |               |               |                  |                   |
|                                                   |              |               |               | 2,141,536,550    | 1,696,544,165     |
| 2. Loans and advances to banks                    | 4, 29        |               |               |                  |                   |
| a) Payable on demand                              |              |               | 4,247,140,277 |                  | (4,328,984,532)   |
| b) Other loans and advances                       |              |               | 3,981,458,140 |                  | (2,933,556,878)   |
|                                                   |              |               |               | 8,228,598,417    | 7,262,541,410     |
| 3. Loans and advances to customers                | 5, 6, 15, 29 |               |               | 11,369,420,296   | 14,076,435,205    |
| of which:                                         |              |               |               |                  |                   |
| secured by mortgage charges                       |              |               |               |                  |                   |
| EUR 223,809,149 (py: EUR 274,699,385)             |              |               |               |                  |                   |
| Public-sector loans                               |              |               |               |                  |                   |
| EUR 1,176,260,214 (py: EUR 1,288,200,852)         |              |               |               |                  |                   |
| 4. Bonds and other fixed-income securities        | 7, 16, 29    |               |               |                  |                   |
| a) Bonds issued by                                |              |               |               |                  |                   |
| aa) public issuers                                |              | 1,899,173,411 |               |                  | (2,145,836,799)   |
| of which:                                         |              |               |               |                  |                   |
| eligible as collateral with Deutsche Bundesbank   |              |               |               |                  |                   |
| EUR 1,698,695,482 (py: EUR 1,914,722,558)         |              |               |               |                  |                   |
| ab) other issuers                                 |              | 7,703,897,485 |               |                  | (10,702,207,986)  |
| of which:                                         |              |               |               |                  |                   |
| eligible as collateral with Deutsche Bundesbank   |              |               |               |                  |                   |
| EUR 655,494,442 (py: EUR 1,248,846,030)           |              |               |               |                  |                   |
|                                                   |              |               | 9,603,070,896 |                  | (12,848,044,785)  |
| b) Own bonds                                      |              |               |               |                  |                   |
| notional value:                                   |              |               |               |                  |                   |
| EUR 50,712,000 (py: EUR 50,751,000)               |              |               | 51,699,800    |                  | (52,278,609)      |
|                                                   |              |               |               | 9,654,770,696    | 12,900,323,394    |
| 5. Equities and other non-fixed-income securities | 8            |               |               | 2                | 2                 |
| 5a. Trading portfolio                             | 9            |               |               | 18,237,532,526   | 23,750,386,362    |

**ERSTE ABWICKLUNGSANSTALT**  
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**BALANCE SHEET**

|                                                                                                  | Notes | EUR | EUR       | 30/9/2017<br>EUR      | 31/12/2016<br>EUR     |
|--------------------------------------------------------------------------------------------------|-------|-----|-----------|-----------------------|-----------------------|
| 6. Long-term equity investments                                                                  | 10    |     |           | 50,970,477            | 65,719,209            |
| of which:                                                                                        |       |     |           |                       |                       |
| in banks                                                                                         |       |     |           |                       |                       |
| EUR 12,421,102 (py: EUR 12,421,102)                                                              |       |     |           |                       |                       |
| 7. Shares in affiliates                                                                          | 11    |     |           | 1,587,952,020         | 798,317,785           |
| of which:                                                                                        |       |     |           |                       |                       |
| in banks                                                                                         |       |     |           |                       |                       |
| EUR 434,297,095 (py: EUR 434,297,095)                                                            |       |     |           |                       |                       |
| in financial service providers                                                                   |       |     |           |                       |                       |
| EUR 28,964,000 (py: EUR 29,045,760)                                                              |       |     |           |                       |                       |
| 8. Trust assets                                                                                  | 12    |     |           | 25,118                | 25,577                |
| of which:                                                                                        |       |     |           |                       |                       |
| trust loans                                                                                      |       |     |           |                       |                       |
| EUR 25,118 (py: EUR 25,577)                                                                      |       |     |           |                       |                       |
| 9. Intangible assets                                                                             |       |     |           |                       |                       |
| a) paid concessions, trademarks and similar rights<br>and values such as licences in such rights |       |     | 4,085,397 |                       | (4,413,903)           |
|                                                                                                  |       |     |           | 4,085,397             | 4,413,903             |
| 10. Tangible fixed assets                                                                        |       |     |           | 237,542               | 273,803               |
| 11. Other assets                                                                                 | 13    |     |           | 10,633,690            | 66,061,566            |
| 12. Prepaid expenses/accrued income                                                              | 14    |     |           | 47,276,428            | 48,226,705            |
| <b>Total assets</b>                                                                              |       |     |           | <b>51,333,039,159</b> | <b>60,669,269,086</b> |

**ERSTE ABWICKLUNGSANSTALT**  
INTERIM REPORT 30 SEPTEMBER 2017

**BALANCE SHEET**

**Liabilities and equity**

|                                                 | Notes | EUR | EUR            | 30/9/2017<br>EUR | 31/12/2016<br>EUR |
|-------------------------------------------------|-------|-----|----------------|------------------|-------------------|
| 1. Deposits from banks                          | 17    |     |                |                  |                   |
| a) Payable on demand                            |       |     | 1,704,181,245  |                  | (2,244,426,131)   |
| b) With an agreed maturity or withdrawal notice |       |     | 530,758,116    |                  | (521,875,443)     |
|                                                 |       |     |                | 2,234,939,361    | 2,766,301,574     |
| 2. Deposits from customers                      | 18    |     |                |                  |                   |
| other deposits                                  |       |     |                |                  |                   |
| a) Payable on demand                            |       |     | 397,992,156    |                  | (135,106,811)     |
| b) With an agreed maturity or withdrawal notice |       |     | 3,194,660,905  |                  | (3,251,147,389)   |
|                                                 |       |     |                | 3,592,653,061    | 3,386,254,200     |
| 3. Debt securities in issue                     | 19    |     |                |                  |                   |
| a) Bonds                                        |       |     | 13,932,495,830 |                  | (16,551,269,139)  |
| b) Other debt securities in issue               |       |     | 12,770,719,874 |                  | (14,031,089,669)  |
| of which:                                       |       |     |                |                  |                   |
| money market instruments                        |       |     |                |                  |                   |
| EUR 12,770,719,874 (py: EUR 14,031,089,669)     |       |     |                |                  |                   |
|                                                 |       |     |                | 26,703,215,704   | 30,582,358,808    |
| 3a. Trading portfolio                           | 20    |     |                | 17,781,880,995   | 22,737,617,054    |
| 4. Trust liabilities                            | 21    |     |                | 25,118           | 25,577            |
| of which:                                       |       |     |                |                  |                   |
| trust loans                                     |       |     |                |                  |                   |
| EUR 25,118 (py: EUR 25,577)                     |       |     |                |                  |                   |
| 5. Other liabilities                            | 22    |     |                | 154,552,496      | 190,450,788       |
| 6. Accruals/deferred income                     | 23    |     |                | 23,811,413       | 22,438,331        |
| 7. Provisions                                   | 24    |     |                |                  |                   |
| a) Tax provisions                               |       |     | 2,221,979      |                  | (0)               |
| b) Other provisions                             |       |     | 187,880,331    |                  | (342,659,598)     |
|                                                 |       |     |                | 190,102,310      | 342,659,598       |

**ERSTE ABWICKLUNGSANSTALT**  
INTERIM REPORT 30 SEPTEMBER 2017

**BALANCE SHEET**

|                                               | Notes | EUR       | EUR            | 30/9/2017<br>EUR      | 31/12/2016<br>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                        |       |           | -2,364,309,921 |                       | (-2,375,005,466)      |
|                                               |       |           |                | 651,858,701           | 641,163,156           |
| <b>Total liabilities and equity</b>           |       |           |                | <b>51,333,039,159</b> | <b>60,669,269,086</b> |
| 1. Contingent liabilities                     | 26    |           |                |                       |                       |
| a) Liabilities from guarantees and warranties |       |           | 4,874,025,553  |                       | (6,610,052,169)       |
|                                               |       |           |                | 4,874,025,553         | 6,610,052,169         |
| 2. Other obligations                          | 26    |           |                |                       |                       |
| a) Irrevocable loan commitments               |       |           | 1,981,684,192  |                       | (3,058,261,529)       |
|                                               |       |           |                | 1,981,684,192         | 3,058,261,529         |



INCOME STATEMENT

# Income statement

|                                                                                                    | Notes  | EUR         | EUR         | 1/1-30/9/2017<br>EUR | 1/1-30/9/2016<br>EUR |
|----------------------------------------------------------------------------------------------------|--------|-------------|-------------|----------------------|----------------------|
| 1. Interest income from                                                                            | 27     |             |             |                      |                      |
| a) Lending and money market transactions                                                           |        | 236,901,011 |             |                      | (240,644,734)        |
| b) Fixed-income securities and debt register claims                                                |        | 139,582,346 |             |                      | (156,470,061)        |
|                                                                                                    |        |             | 376,483,357 |                      | (397,114,795)        |
| 2. Interest expense                                                                                |        |             | 279,653,832 |                      | (297,771,257)        |
|                                                                                                    |        |             |             | 96,829,525           | 99,343,538           |
| 3. Current income from                                                                             | 27     |             |             |                      |                      |
| a) Equities and other non-fixed-income securities                                                  |        |             | 0           |                      | (25,409)             |
| b) Long-term equity investments                                                                    |        |             | 2,648,062   |                      | (19,412,065)         |
| c) Shares in affiliates                                                                            |        |             | 2,556       |                      | (4,313)              |
|                                                                                                    |        |             |             | 2,650,618            | 19,441,787           |
| 4. Income from profit pooling, profit transfer or partial profit transfer agreements               | 27     |             |             | 0                    | 750,000              |
| 5. Fee and commission income                                                                       | 27     |             | 8,294,176   |                      | (28,207,749)         |
| 6. Fee and commission expense                                                                      |        |             | 16,481,443  |                      | (17,450,106)         |
|                                                                                                    |        |             |             | -8,187,267           | 10,757,643           |
| 7. Net trading result                                                                              |        |             |             | 6,229,568            | 7,988,281            |
| 8. Other operating income                                                                          | 27, 28 |             |             | 10,332,565           | 3,065,322            |
| 9. General administrative expenses                                                                 |        |             |             |                      |                      |
| a) Personnel expenses                                                                              |        |             |             |                      |                      |
| aa) Wages and salaries                                                                             |        | 16,675,786  |             |                      | (15,746,119)         |
| ab) Compulsory social security contributions and expenses for pensions and other employee benefits |        | 2,235,751   |             |                      | (1,932,576)          |
| of which:                                                                                          |        |             |             |                      |                      |
| for pensions<br>EUR 593,463 (py: EUR 514,830)                                                      |        |             |             |                      |                      |
|                                                                                                    |        |             | 18,911,537  |                      | (17,678,695)         |
| b) Other administrative expenses                                                                   |        |             | 108,999,432 |                      | (140,613,930)        |
|                                                                                                    |        |             |             | 127,910,969          | 158,292,625          |

**INCOME STATEMENT**

|                                                                                                                             | Notes  | EUR | EUR | 1/1-30/9/2017<br>EUR | 1/1-30/9/2016<br>EUR |
|-----------------------------------------------------------------------------------------------------------------------------|--------|-----|-----|----------------------|----------------------|
| 10. Depreciation and write-offs on intangible assets and tangible fixed assets                                              |        |     |     | 366,313              | 363,474              |
| 11. Other operating expenses                                                                                                | 28     |     |     | 5,657,738            | 2,556,789            |
| 12. Depreciation and write-offs on claims and certain securities as well as additions to provisions in the lending business | 24, 29 |     |     | 45,206,928           | 24,353,627           |
| 13. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities                | 29     |     |     | 85,961,771           | 50,594,596           |
| 14. Expenses from loss assumption                                                                                           | 29     |     |     | 72,509               | 51,000               |
| 15. Result from ordinary activities                                                                                         |        |     |     | 14,602,323           | 6,323,652            |
| 16. Taxes on income and earnings                                                                                            | 30     |     |     | 3,790,422            | 373,587              |
| 17. Other taxes not reported under item 11                                                                                  | 30     |     |     | 116,357              | 115,535              |
| 18. Net profit for the year                                                                                                 |        |     |     | 10,695,544           | 5,834,530            |
| 19. Net retained losses brought forward                                                                                     |        |     |     | -2,375,005,465       | -2,384,599,583       |
| 20. Net retained losses                                                                                                     |        |     |     | -2,364,309,921       | -2,378,765,053       |

CASH FLOW STATEMENT

# Cash flow statement

|         |                                                                                                                                                                                                      | 1/1-30/9/2017<br>EUR | 1/1-30/9/2016<br>EUR |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| 1. +/-  | Result for the period                                                                                                                                                                                | 10,695,544           | 5,834,530            |
|         | <b>Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities</b>                                                                                 |                      |                      |
| 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 | 57,636,483           | 31,781,312           |
| 3. +/-  | Increase/decrease in provisions                                                                                                                                                                      | -152,557,288         | -59,176,822          |
| 4. +/-  | Other non-cash income/expense                                                                                                                                                                        | 44,901,156           | 578,811,631          |
| 5. +/-  | Gain/loss on disposal of long-term financial assets                                                                                                                                                  | -86,962,031          | -55,766,048          |
| 6. =    | Subtotal                                                                                                                                                                                             | -126,286,136         | 501,484,603          |
|         | <b>Change in operating assets and liabilities</b>                                                                                                                                                    |                      |                      |
| 7. +/-  | Increase/decrease of loans and advances to banks (no trading portfolio)                                                                                                                              | -949,059,912         | -353,100,262         |
| 8. +/-  | Increase/decrease of loans and advances to customers (no trading portfolio)                                                                                                                          | 1,877,223,485        | 748,430,935          |
| 9. +/-  | Increase/decrease of securities (no financial assets and no trading portfolio)                                                                                                                       | 3,284,972,672        | 3,215,416,561        |
| 10. +/- | Trading assets                                                                                                                                                                                       | 6,550,863,972        | 186,288,616          |
| 11. +/- | Increase/decrease of other operating assets                                                                                                                                                          | 28,029,174           | 22,578,233           |
| 12. +/- | Increase/decrease of deposits from banks (no trading portfolio)                                                                                                                                      | -533,582,641         | -415,445,159         |
| 13. +/- | Increase/decrease of deposits from customers (no trading portfolio)                                                                                                                                  | 178,545,805          | -117,775,891         |
| 14. +/- | Increase/decrease of debt securities in issue                                                                                                                                                        | -3,867,003,478       | -2,350,199,185       |
| 15. +/- | Trading liabilities                                                                                                                                                                                  | -6,038,647,349       | -124,621,694         |
| 16. +/- | Increase/decrease of other operating liabilities                                                                                                                                                     | -33,106,823          | 26,805,851           |
| 17. +/- | Interest expenses/interest income                                                                                                                                                                    | -99,480,143          | -118,785,326         |
| 18. +/- | Tax expenses/tax income                                                                                                                                                                              | 3,790,422            | 373,587              |
| 19. +   | Interest payments and dividend payments received                                                                                                                                                     | 386,883,502          | 413,662,088          |
| 20. -   | Interest paid                                                                                                                                                                                        | -266,791,203         | -325,443,610         |
| 21. +/- | Income tax payments                                                                                                                                                                                  | 28,211,397           | -11,221,284          |
| 22. =   | Cash flows from operating activities (sum of 6 to 21)                                                                                                                                                | 424,562,744          | 1,298,448,063        |
| 23. +   | Proceeds from disposal of long-term financial assets                                                                                                                                                 | 77,885,134           | 82,608,051           |
| 24. -   | Purchase of long-term financial assets                                                                                                                                                               | -43,816,133          | -137,484,062         |
| 25. -   | Purchase of tangible fixed assets                                                                                                                                                                    | -1,546               | -1,805               |
| 26. -   | Purchase of intangible assets                                                                                                                                                                        | 0                    | 0                    |
| 27. =   | Cash flows from investing activities (sum of 23 to 26)                                                                                                                                               | 34,067,455           | -54,877,816          |
| 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)                                                                                                                                                         | 458,630,199          | 1,243,570,247        |
| 31. +   | Cash funds at beginning of period                                                                                                                                                                    | 1,760,393,757        | 8,073,446            |
| 32. =   | Cash funds at end of period (sum of 30 to 31)                                                                                                                                                        | 2,219,023,956        | 1,251,643,693        |

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

**STATEMENT OF CHANGES IN EQUITY**

## Statement of changes in equity

|                         | Balance as of<br>1/1/2017<br>EUR | Appropriation<br>of the result<br>EUR | Balance as of<br>30/9/2017<br>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     | -2,375,005,466                   | 10,695,544                            | -2,364,309,921                    |
| <b>Equity under HGB</b> | <b>641,163,156</b>               | <b>10,695,544</b>                     | <b>651,858,701</b>                |

|                         | Balance as of<br>1/1/2016<br>EUR | Appropriation<br>of the result<br>EUR | Balance as of<br>30/9/2016<br>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                    |
| <b>Equity under HGB</b> | <b>631,569,039</b>               | <b>5,834,530</b>                      | <b>637,403,569</b>                |

CONDENSED NOTES

# Condensed notes

For the period from 1 January to 30 September 2017

## General disclosures

### 1. Legal framework of the EAA

The EAA is a structurally and commercially independent public law entity with partial legal capacity operating under the umbrella of the FMSA. 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 (transferred assets). In doing so, it proceeds in a value-preserving and risk-minimising manner. This serves to stabilise the financial market. The risk exposures and non-strategic business units of the former WestLB were transferred to the EAA in the years 2009 and 2010 (first fill) as well as in 2012 (refill) using several different transfer methods. In an ongoing process, transactions that were synthetically transferred initially will be transferred legally and fully from Portigon to the EAA. For further information on the transfer methods, please refer to the section "Operating activities of the EAA" in the Annual Report 2016.

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

### 2. Preparation of the interim financial statements

In accordance with section 8a (1) sentence 10 in conjunction with section 3a (4) FMStFG and the additional guidance of the EAA's charter, the interim report has been prepared under the provisions of HGB for large public companies and RechKredV. In particular, the condensed financial statements comply with the requirements of DRS 16 as updated by 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 2016. All facts were considered up to the time these interim financial statements were prepared.

CONDENSED NOTES

### 3. Accounting and valuation principles

The same accounting and valuation principles were applied to the interim financial statements as to the financial statements for the fiscal year from 1 January to 31 December 2016.

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

## Notes on the balance sheet and the income statement

### 4. Loans and advances to banks

|                        | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b> | <b>8,228.6</b>           | <b>7,262.5</b>            |
| of which:              |                          |                           |
| - to affiliates        | 571.6                    | 742.4                     |
| Payable on demand due  | 4,247.1                  | 4,329.0                   |
| - within 3 months      | 2,559.2                  | 2,868.5                   |
| - 3 months to 1 year   | 1,385.6                  | 10.0                      |
| - 1 to 5 years         | 14.2                     | 31.1                      |
| - after 5 years        | 22.5                     | 23.9                      |

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

CONDENSED NOTES

5. Loans and advances to customers

|                                   | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|-----------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>            | <b>11,369.4</b>          | <b>14,076.4</b>           |
| of which:                         |                          |                           |
| - to affiliates                   | 1,463.2                  | 1,778.0                   |
| - to long-term equity investments | 7.2                      | 9.7                       |
| due                               |                          |                           |
| - within 3 months                 | 1,460.1                  | 1,731.1                   |
| - 3 months to 1 year              | 1,708.8                  | 2,233.8                   |
| - 1 to 5 years                    | 2,109.9                  | 2,628.9                   |
| - after 5 years                   | 6,090.6                  | 7,482.6                   |

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

6. Loans and advances secured by mortgages

|                                     | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|-------------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>              | <b>223.8</b>             | <b>274.6</b>              |
| Loans and advances to customers due |                          |                           |
| - within 3 months                   | 5.1                      | 5.4                       |
| - 3 months to 1 year                | 5.2                      | 7.1                       |
| - 1 to 5 years                      | 27.0                     | 34.4                      |
| - after 5 years                     | 186.5                    | 227.7                     |

CONDENSED NOTES

7. Bonds and other fixed-income securities

|                                   | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|-----------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>            | <b>9,654.8</b>           | <b>12,900.3</b>           |
| of which:                         |                          |                           |
| Amounts due in the following year | 587.0                    | 553.1                     |
| Breakdown                         |                          |                           |
| - Bonds issued by public issuers  | 1,899.2                  | 2,145.8                   |
| - Bonds issued by other issuers   | 7,703.9                  | 10,702.2                  |
| - Own bonds                       | 51.7                     | 52.3                      |
| Breakdown by marketability        |                          |                           |
| - Marketable securities           | 9,654.8                  | 12,900.3                  |
| of which:                         |                          |                           |
| - listed                          | 2,872.3                  | 3,905.5                   |
| - unlisted                        | 6,782.5                  | 8,994.8                   |
| Breakdown by type                 |                          |                           |
| - Liquidity reserve               | 70.3                     | 159.1                     |
| - Investment securities           | 9,584.5                  | 12,741.2                  |

The bonds and other fixed-income securities in the amount of EUR 9.6 billion (previous year: EUR 12.7 billion) are included in the financial assets portfolio. As of the reporting date, financial assets with a book value of EUR 6.9 billion (previous year: EUR 9.9 billion) were recognised above their fair value of EUR 6.7 billion (previous year: EUR 9.4 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 financial assets. The difference of EUR 0.2 billion is primarily attributable to structured credit products.

Of the aforementioned financial assets with a book value of EUR 6.9 billion, EUR 0.1 billion (previous year: EUR 0.5 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 6.8 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

8. Equities and other non-fixed-income securities

Equities and other non-fixed-income securities amounted to EUR 1.71 as of 30 September 2017 (previous year: EUR 1.90). The change is the result of currency fluctuations.



CONDENSED NOTES

9. Trading portfolio

|                                                              | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|--------------------------------------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>                                       | <b>18,237.5</b>          | <b>23,750.4</b>           |
| of which:                                                    |                          |                           |
| - Derivative financial instruments                           | 18,237.6                 | 23,750.6                  |
| - Equities and other non-fixed-income securities             | 1.9                      | 2.0                       |
| - Risk allowance pursuant to section 340e (3) sentence 1 HGB | -2.0                     | -2.2                      |

10. Long-term equity investments

|                            | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|----------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>     | <b>51.0</b>              | <b>65.7</b>               |
| of which:                  |                          |                           |
| - in banks                 | 12.4                     | 12.4                      |
| Breakdown by marketability |                          |                           |
| - Marketable securities    | 11.2                     | 18.5                      |
| of which:                  |                          |                           |
| - listed                   | -                        | 7.2                       |
| - unlisted                 | 11.2                     | 11.2                      |

11. Shares in affiliates

|                                  | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|----------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>           | <b>1,588.0</b>           | <b>798.3</b>              |
| of which:                        |                          |                           |
| - in banks                       | 434.3                    | 434.3                     |
| - in financial service providers | 29.0                     | 29.0                      |
| Breakdown by marketability       |                          |                           |
| - Marketable securities          | 434.3                    | 434.3                     |
| of which:                        |                          |                           |
| - unlisted                       | 434.3                    | 434.3                     |

The increase is attributable mainly to another contribution in kind at Dritte EAA Anstalt & Co. KG.

**CONDENSED NOTES**

## 12. Trust assets

The EAA's trust assets as of 30 September 2017 comprise loans and advances to customers amounting to EUR 25.1 thousand (previous year: EUR 25.6 thousand).

## 13. Other assets

|                                                       | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|-------------------------------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>                                | <b>10.6</b>              | <b>66.1</b>               |
| of which:                                             |                          |                           |
| - Tax refund claims                                   | 9.8                      | 42.7                      |
| - Guarantee fees and commissions                      | 0.7                      | 4.7                       |
| - Receivables from profit and loss pooling agreements | -                        | 18.6                      |

## 14. Prepaid expenses/accrued income

|                                   | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|-----------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>            | <b>47.3</b>              | <b>48.2</b>               |
| of which:                         |                          |                           |
| - Non-recurring payments on swaps | 35.7                     | 36.3                      |
| - Discounts from issuing business | 5.1                      | 7.7                       |
| - Discounts from liabilities      | 2.9                      | 3.4                       |
| - Other                           | 3.6                      | 0.8                       |

## 15. Subordinated assets

Subordinated assets are included in:

|                                        | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|----------------------------------------|--------------------------|---------------------------|
| <b>Loans and advances to customers</b> | <b>691.5</b>             | <b>781.9</b>              |
| of which:                              |                          |                           |
| - to affiliates                        | 293.6                    | 366.0                     |

**CONDENSED NOTES**

## 16. Assets sold under repurchase agreements

The carrying amount of the assets sold under repurchase agreements is EUR 14.3 million (previous year: EUR 0.0 million).

## 17. Deposits from banks

|                            | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|----------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>     | <b>2,234.9</b>           | <b>2,766.3</b>            |
| of which:                  |                          |                           |
| - Deposits from affiliates | 40.8                     | 20.5                      |
| Payable on demand          | 1,704.2                  | 2,244.4                   |
| due                        |                          |                           |
| - within 3 months          | 165.4                    | 134.5                     |
| - 3 months to 1 year       | 43.9                     | 26.2                      |
| - 1 to 5 years             | 150.2                    | 207.2                     |
| - after 5 years            | 171.2                    | 154.0                     |

## 18. Deposits from customers

|                            | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|----------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>     | <b>3,592.7</b>           | <b>3,386.3</b>            |
| of which:                  |                          |                           |
| - Deposits from affiliates | 297.6                    | 16.7                      |
| Other deposits             | 3,592.7                  | 3,386.3                   |
| of which:                  |                          |                           |
| - payable on demand        | 398.0                    | 135.1                     |
| due                        |                          |                           |
| - within 3 months          | 348.7                    | 287.9                     |
| - 3 months to 1 year       | 866.4                    | 901.2                     |
| - 1 to 5 years             | 675.5                    | 671.4                     |
| - after 5 years            | 1,304.1                  | 1,390.7                   |

The increase in deposits from affiliates is mainly the result of interest and principal payments received by the EAA that are attributable to a subsidiary.

CONDENSED NOTES

19. Debt securities in issue

|                                   | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|-----------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>            | <b>26,703.2</b>          | <b>30,582.4</b>           |
| Bonds                             | 13,932.5                 | 16,551.3                  |
| of which:                         |                          |                           |
| Amounts due in the following year | 7,034.7                  | 6,665.7                   |
| Other debt securities in issue    | 12,770.7                 | 14,031.1                  |
| of which due:                     |                          |                           |
| - within 3 months                 | 8,145.8                  | 11,618.9                  |
| - 3 months to 1 year              | 4,624.9                  | 2,412.2                   |
| - 1 to 5 years                    | -                        | -                         |
| - after 5 years                   | -                        | -                         |

20. Trading portfolio

|                                    | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|------------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>             | <b>17,781.9</b>          | <b>22,737.6</b>           |
| of which:                          |                          |                           |
| - Derivative financial instruments | 17,781.9                 | 22,737.6                  |

21. Trust liabilities

As of 30 September 2017, the EAA's trust liabilities comprise deposits from customers amounting to EUR 25.1 thousand (previous year: EUR 25.6 thousand).

CONDENSED NOTES

22. Other liabilities

|                                          | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|------------------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>                   | <b>154.6</b>             | <b>190.5</b>              |
| of which:                                |                          |                           |
| - Currency translation adjustments       | 146.2                    | 106.6                     |
| - Deposits from the assumption of losses | -                        | 78.1                      |
| - Other                                  | 8.4                      | 5.8                       |

"Other" liabilities mostly include unpaid invoices.

23. Accrued expenses/deferred income

|                                                      | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
|------------------------------------------------------|--------------------------|---------------------------|
| <b>Carrying amount</b>                               | <b>23.8</b>              | <b>22.4</b>               |
| of which:                                            |                          |                           |
| - Premium on issuing business                        | 15.7                     | 13.2                      |
| - Non-recurring payments on swaps                    | 7.2                      | 8.1                       |
| - Premiums for sold interest rate caps and floors    | 0.8                      | 1.1                       |
| - Guarantee fees and commissions received in advance | 0.1                      | -                         |

24. Provisions

|                         | Balance as of<br>31/12/2016<br>EUR million | Additions<br>EUR million | Accumulation<br>EUR million | Utilisation<br>EUR million | Reversals<br>EUR million | Other<br>changes<br>EUR million | Final<br>balance<br>30/9/2017<br>EUR million |
|-------------------------|--------------------------------------------|--------------------------|-----------------------------|----------------------------|--------------------------|---------------------------------|----------------------------------------------|
| <b>Taxes</b>            | -                                          | 2.2                      | -                           | -                          | -                        | -                               | 2.2                                          |
| <b>Other provisions</b> | <b>342.7</b>                               | <b>31.1</b>              | <b>1.0</b>                  | <b>64.5</b>                | <b>21.5</b>              | <b>-100.9</b>                   | <b>187.9</b>                                 |
| - Loans                 | 174.2                                      | 5.5                      | -                           | 19.3                       | 9.7                      | -99.7                           | 51.0                                         |
| - Shareholdings         | 25.6                                       | -                        | -                           | 21.7                       | 0.3                      | -0.1                            | 3.5                                          |
| - Legal actions         | 6.4                                        | 0.4                      | 0.1                         | -                          | 3.3                      | -0.5                            | 3.1                                          |
| - Personnel             | 0.5                                        | -                        | -                           | -                          | -                        | -                               | 0.5                                          |
| - Other                 | 136.0                                      | 25.2                     | 0.9                         | 23.5                       | 8.2                      | -0.6                            | 129.8                                        |
| <b>Total</b>            | <b>342.7</b>                               | <b>33.3</b>              | <b>1.0</b>                  | <b>64.5</b>                | <b>21.5</b>              | <b>-100.9</b>                   | <b>190.1</b>                                 |

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

**CONDENSED NOTES**

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

## 25. Equity

As of 30 September 2017, the EAA's subscribed capital amounts to EUR 500,000.

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 BilMoG.

For the first three quarters of 2017 net profit for the year amounts to EUR 10.7 million and reduces net retained losses to EUR 2,364.3 million as at 30 September 2017.

## 26. Contingencies

### Contingent liabilities

Contingent liabilities amounting to EUR 4.9 billion (previous year: EUR 6.6 billion) primarily result from guarantees for Portigon's risk exposures and the liabilities inherited from WestImmo. The volume of legacy WestImmo liabilities stood at EUR 3.2 billion as of 30 September 2017 (previous year: EUR 3.7 billion). This volume is constantly decreasing as a result of repayments. All material bank-related assets and liabilities were transferred to Aareal Bank AG as of 30 June 2017 by way of a spin-off and takeover agreement concluded between Aareal Bank AG and WestImmo. This rendered obsolete the measures for reducing the likelihood of claims being asserted against the EAA (Aareal Bank AG liquidity line for the WestImmo and profit and loss transfer agreement between Aareal Bank Group and WestImmo).

As of 30 September 2017, there are no longer any contingent liabilities from credit default swaps (previous year: EUR 110.9 million).

The EAA has no detailed knowledge of whether, when or to what extent any contingencies will materialise. Provisions will be made as soon as there are sufficient concrete indications of probable losses resulting from a materialisation.

### Other obligations

The reported volume of EUR 2.0 billion (previous year: EUR 3.1 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.

CONDENSED NOTES

## 27. Geographical breakdown of income components

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

|                        | Interest<br>income           | Current<br>income            | Fees and<br>commission<br>income | Net trading<br>result        | Other<br>operating<br>income |
|------------------------|------------------------------|------------------------------|----------------------------------|------------------------------|------------------------------|
|                        | 1/1-30/9/2017<br>EUR million | 1/1-30/9/2017<br>EUR million | 1/1-30/9/2017<br>EUR million     | 1/1-30/9/2017<br>EUR million | 1/1-30/9/2017<br>EUR million |
| Germany                | 287.7                        | 2.4                          | 6.2                              | 6.2                          | 10.3                         |
| UK                     | 52.6                         | 0.3                          | 1.2                              | -                            | -                            |
| Rest of Europe         | 15.1                         | -                            | 0.7                              | -                            | -                            |
| Far East and Australia | 0.8                          | -                            | -                                | -                            | -                            |
| North America          | 20.3                         | -                            | 0.2                              | -                            | -                            |
| <b>IS amount</b>       | <b>376.5</b>                 | <b>2.7</b>                   | <b>8.3</b>                       | <b>6.2</b>                   | <b>10.3</b>                  |

The geographic split of income is based on the former 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 and loss transfer and partial profit and loss transfer agreements, if such income accrues.

## 28. Other operating and prior-period expenses and income

Net other operating expenses and income in the first three quarters of 2017 comprised EUR 5.7 million (previous year: EUR 2.5 million) in expenses and EUR 10.3 million (previous year: EUR 3.1 million) in income.

There were no material prior-period expenses and income in either the first three quarters of 2017 or in the previous year.

CONDENSED NOTES

## 29. Risk provision

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

|                                                                                                           | 1/1-30/9/2017<br>EUR million | 1/1-30/9/2016<br>EUR million |
|-----------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>Risk provision and financial investment result including loss assumption (pursuant to RechKredV)</b>   | <b>40.7</b>                  | <b>26.1</b>                  |
| <b>Loans and securities income/expense</b>                                                                | <b>-45.2</b>                 | <b>-24.4</b>                 |
| of which: - Lending operations                                                                            | -45.2                        | -24.5                        |
| - Securities                                                                                              | -                            | 0.1                          |
| <b>Shareholdings and securities income/expenses</b>                                                       | <b>86.0</b>                  | <b>50.6</b>                  |
| of which: - Shareholdings                                                                                 | 20.9                         | 25.6                         |
| - Securities                                                                                              | 65.1                         | 25.0                         |
| <b>Expenses from loss assumption</b>                                                                      | <b>-0.1</b>                  | <b>-0.1</b>                  |
| <b>Risk provision and financial investment result including loss assumption (pursuant to risk report)</b> | <b>40.7</b>                  | <b>26.1</b>                  |
| <b>Result of risk provisions - loans and advances/securities due to credit risk</b>                       | <b>-45.2</b>                 | <b>-24.4</b>                 |
| of which: - Lending operations                                                                            | -44.9                        | -40.2                        |
| - Structured securities                                                                                   | -0.3                         | 15.8                         |
| <b>Results from financial assets, shareholdings and loss assumption</b>                                   | <b>85.9</b>                  | <b>50.5</b>                  |

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 45.2 million (previous year: net expenses EUR 24.4 million). According to section 340c (2) HGB, the expenses for long-term equity investments, shares in affiliates and long-term investment securities may be offset against the corresponding income. Overall, the EAA shows a net income of EUR 86.0 million (previous year: net income EUR 50.6 million) as the risk result for shareholdings and securities.

## 30. Taxes

Taxes on income and earnings amounting to EUR 3.8 million (previous year: EUR 0.3 million) primarily relate to foreign taxes.

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



CONDENSED NOTES

## Other disclosures

### 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**

Interest rate-/cross-currency swaps, forward interest rate-/cross-currency 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 of the reporting date amounts to EUR 260.1 billion based on notional values (previous year: EUR 333.2 billion). The focus remains on interest-rate-related products, whose share stands at 85.5% (previous year: 86.2%) of the total volume.

If they are exchange-traded, derivative financial instruments are calculated 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).

CONDENSED NOTES

Derivative financial instruments – volume as of the balance sheet date

|                                                 | Notional amount          |                           | Positive market values   |                           | Negative market values   |                           |
|-------------------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                                                 | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
| <b>Interest rate-related products</b>           | <b>222,370.7</b>         | <b>287,259.8</b>          | <b>17,773.0</b>          | <b>22,604.9</b>           | <b>18,452.8</b>          | <b>23,335.8</b>           |
| OTC products                                    | 219,549.5                | 283,888.5                 | 17,773.0                 | 22,604.9                  | 18,452.8                 | 23,335.8                  |
| Exchange-traded products                        | 2,821.2                  | 3,371.3                   | -                        | -                         | -                        | -                         |
| <b>Currency-related products</b>                | <b>35,697.5</b>          | <b>43,470.1</b>           | <b>785.9</b>             | <b>1,502.2</b>            | <b>596.1</b>             | <b>824.2</b>              |
| OTC products                                    | 35,697.5                 | 43,470.1                  | 785.9                    | 1,502.2                   | 596.1                    | 824.2                     |
| <b>Equity- and other price-related products</b> | <b>1,995.6</b>           | <b>2,105.9</b>            | <b>54.1</b>              | <b>105.1</b>              | <b>54.1</b>              | <b>105.1</b>              |
| OTC products                                    | 1,995.6                  | 2,105.9                   | 54.1                     | 105.1                     | 54.1                     | 105.1                     |
| <b>Credit derivatives</b>                       | <b>80.0</b>              | <b>366.2</b>              | <b>1.1</b>               | <b>2.5</b>                | <b>1.5</b>               | <b>3.6</b>                |
| OTC products                                    | 80.0                     | 366.2                     | 1.1                      | 2.5                       | 1.5                      | 3.6                       |
| <b>Total</b>                                    | <b>260,143.8</b>         | <b>333,202.0</b>          | <b>18,614.1</b>          | <b>24,214.7</b>           | <b>19,104.5</b>          | <b>24,268.7</b>           |
| OTC products                                    | 257,322.6                | 329,830.7                 | 18,614.1                 | 24,214.7                  | 19,104.5                 | 24,268.7                  |
| Exchange-traded products                        | 2,821.2                  | 3,371.3                   | -                        | -                         | -                        | -                         |

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 297.9 billion in the current fiscal year 2017 (previous year: EUR 385.6 billion).

CONDENSED NOTES

Derivative financial instruments – average volumes

|                                                 | Notional amount          |                           | Positive market values   |                           | Negative market values   |                           |
|-------------------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                                                 | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
| <b>Interest rate-related products</b>           | <b>256,819.2</b>         | <b>320,226.5</b>          | <b>20,010.4</b>          | <b>23,836.7</b>           | <b>20,704.3</b>          | <b>24,013.3</b>           |
| OTC products                                    | 253,876.0                | 317,401.0                 | 20,010.4                 | 23,836.7                  | 20,704.3                 | 24,013.3                  |
| Exchange-traded products                        | 2,943.2                  | 2,825.5                   | -                        | -                         | -                        | -                         |
| <b>Currency-related products</b>                | <b>38,763.4</b>          | <b>59,537.3</b>           | <b>1,067.5</b>           | <b>1,976.3</b>            | <b>708.3</b>             | <b>1,344.1</b>            |
| OTC products                                    | 38,763.4                 | 59,537.3                  | 1,067.5                  | 1,976.3                   | 708.3                    | 1,344.1                   |
| <b>Equity- and other price-related products</b> | <b>2,077.6</b>           | <b>4,507.4</b>            | <b>75.9</b>              | <b>186.6</b>              | <b>75.9</b>              | <b>223.7</b>              |
| OTC products                                    | 2,077.6                  | 2,193.4                   | 75.9                     | 113.1                     | 75.9                     | 141.3                     |
| Exchange-traded products                        | -                        | 2,314.0                   | -                        | 73.5                      | -                        | 82.4                      |
| <b>Credit derivatives</b>                       | <b>227.2</b>             | <b>1,377.7</b>            | <b>1.7</b>               | <b>7.7</b>                | <b>2.2</b>               | <b>9.3</b>                |
| OTC products                                    | 227.2                    | 1,377.7                   | 1.7                      | 7.7                       | 2.2                      | 9.3                       |
| <b>Total</b>                                    | <b>297,887.4</b>         | <b>385,648.9</b>          | <b>21,155.5</b>          | <b>26,007.3</b>           | <b>21,490.7</b>          | <b>25,590.4</b>           |
| OTC products                                    | 294,944.2                | 380,509.4                 | 21,155.5                 | 25,933.8                  | 21,490.7                 | 25,508.0                  |
| Exchange-traded products                        | 2,943.2                  | 5,139.5                   | -                        | 73.5                      | -                        | 82.4                      |

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

The received and paid option premiums for derivative financial instruments of the non-trading portfolio are reported in other assets or other liabilities.

Derivative financial instruments – maturities

|                      | Interest rate-related products |                           | Currency-related products |                           | Equity- and other price-related products |                           | Credit derivatives       |                           |
|----------------------|--------------------------------|---------------------------|---------------------------|---------------------------|------------------------------------------|---------------------------|--------------------------|---------------------------|
|                      | 30/9/2017<br>EUR million       | 31/12/2016<br>EUR million | 30/9/2017<br>EUR million  | 31/12/2016<br>EUR million | 30/9/2017<br>EUR million                 | 31/12/2016<br>EUR million | 30/9/2017<br>EUR million | 31/12/2016<br>EUR million |
| Due                  |                                |                           |                           |                           |                                          |                           |                          |                           |
| - within 3 months    | 10,974.7                       | 35,916.4                  | 5,927.8                   | 11,239.7                  | -                                        | -                         | -                        | 13.3                      |
| - 3 months to 1 year | 29,908.4                       | 35,334.1                  | 9,406.7                   | 4,668.2                   | -                                        | -                         | 20.0                     | 251.0                     |
| - 1 to 5 years       | 79,198.7                       | 97,939.0                  | 11,185.3                  | 17,160.2                  | 1,995.6                                  | 2,105.9                   | 60.0                     | 80.0                      |
| - after 5 years      | 102,288.9                      | 118,070.3                 | 9,177.7                   | 10,402.0                  | -                                        | -                         | -                        | 21.9                      |
| <b>Total</b>         | <b>222,370.7</b>               | <b>287,259.8</b>          | <b>35,697.5</b>           | <b>43,470.1</b>           | <b>1,995.6</b>                           | <b>2,105.9</b>            | <b>80.0</b>              | <b>366.2</b>              |

**CONDENSED NOTES**

### 32. Number of employees

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

|                     | Male | Female | Total<br>1/1-30/9/2017 | Total<br>1/1-30/9/2016 |
|---------------------|------|--------|------------------------|------------------------|
| Number of employees | 100  | 79     | 179                    | 152                    |

As of 30 September 2017 the EAA employed 166 (30 September 2016: 159) full-time equivalents.

The increase in the number of employees resulted in particular from taking over work no longer performed by Portigon and the transfer of services and employees from EFS to the EAA.

### 33. Stakeholders in the EAA

|                                         | 30/9/2017<br>in % | 31/12/2016<br>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              |
| <b>Total</b>                            | <b>100.000</b>    | <b>100.000</b>     |

### 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 \* (until 26 October 2017)  
Erste Financial Services GmbH

**Markus Bolder (until 30 June 2017)**

EAA Portfolio Advisers GmbH \* (until 31 January 2017)  
Erste Financial Services GmbH (until 30 April 2017)

**CONDENSED NOTES**

**Christian Doppstadt (since 1 July 2017)**

EAA Portfolio Advisers GmbH \* (since 26 October 2017)

**Horst Küpker**

EDD AG \* (formerly Börse Düsseldorf 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**

EAA Portfolio Advisers GmbH \* (1 February 2017 until 26 October 2017)

Erste Financial Services GmbH

**Gabriele Müller (until 30 June 2017; mandates continue to be held)**

EAA Covered Bond Bank Plc

EAA Portfolio Advisers GmbH \* (until 26 October 2017)

**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 (until 30 June 2017)**

**Christian Doppstadt (since 1 July 2017)**

**Horst Küpker**

**Members of the Supervisory Board of the EAA**

**Dr Patrick Opdenhövel (since 16 August 2017)**

Chairman (since 23 August 2017)

State Secretary in the Ministry of Finance of NRW

**Dr Rüdiger Messal (until 15 August 2017)**

Chairman

Former State Secretary in the Finance Ministry of NRW

**Joachim Stapf**

Vice Chairman

Senior Assistant Secretary (Leitender Ministerialrat) in the Ministry of Finance of NRW

**CONDENSED NOTES**

**Günter Borgel**

Member of the Executive Committee (Leitungsausschuss) of the FMSA

**Michael Breuer**

President of the Rheinischer Sparkassen- und Giroverband

**Hans Buschmann**

Former Deputy Association Director of the Rheinischer Sparkassen- und Giroverband

**Rolf Einmahl**

Lawyer,

Member of the Landschaftsversammlung of the Landschaftsverband Rheinland

**Henning Giesecke**

Managing Director of GSW Capital Management GmbH,

Former Chief Risk Officer of HypoVereinsbank AG and UniCredit Group

**Wilfried Groos**

Chairman of the Managing Board of the Sparkasse Siegen

**Matthias Löb**

Director of the Landschaftsverband Westfalen-Lippe

**Angelika Marienfeld**

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

**Stakeholders' Meeting of the EAA**

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

CONDENSED NOTES

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 <sup>10)</sup>                                     | Düsseldorf                  | 100.00        |               | EUR | 19      | -6      |
| 2   | ANC Handels GmbH & Co. KG <sup>1)</sup>                                        | Mörfelden-Walldorf          | 1.00          |               |     | n.s.    | n.s.    |
| 3   | APAX Europe V-C GmbH & Co. KG <sup>1) 10)</sup>                                | Munich                      | 0.33          | 0.00          | EUR | 4       | 11      |
| 4   | BNYM GCS 2 GP Investors, LLC <sup>10)</sup>                                    | Wilmington, US              | 50.00         | 0.00          | USD | 172     | -46     |
| 5   | Castello di Casole Agricoltura S.r.l. società agricola <sup>1) 10)</sup>       | Casole d'Elsa, Italy        | 100.00        |               | EUR | 38      | -62     |
| 6   | Castello di Casole S.r.l. <sup>10)</sup>                                       | Casole d'Elsa, Italy        | 100.00        |               | EUR | -82     | -2,390  |
| 7   | Castello Resort Villas S.r.l. <sup>10)</sup>                                   | Casole d'Elsa, Italy        | 100.00        |               | EUR | 237     | -154    |
| 8   | CBAL S.A. <sup>2) 8)</sup>                                                     | Brussels, Belgium           | 100.00        |               | EUR | 1,753   | 448     |
| 9   | CLS Group Holdings AG <sup>10)</sup>                                           | Lucerne, Switzerland        | 0.47          |               | CHF | 500,318 | 2,877   |
| 10  | COREplus Private Equity Partners GmbH & Co. KG <sup>1) 10)</sup>               | Frankfurt am Main           | 36.52         | 0.00          | EUR | 8,992   | 9,175   |
| 11  | COREplus Private Equity Partners II - Diversified Fund, L. P. <sup>10)</sup>   | Wilmington, US              | 24.75         | 0.00          | USD | 34,781  | 1,684   |
| 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 <sup>1) 10)</sup> | Aschheim                    | 92.20         | 91.82         | EUR | 4,292   | 3,089   |
| 15  | Dritte EAA Anstalt & Co. KG <sup>2) 10)</sup>                                  | Düsseldorf                  | 100.00        |               | EUR | 288,533 | 3,931   |
| 16  | Düsseldorfer Börsenhaus GmbH <sup>10)</sup>                                    | Düsseldorf                  | 5.00          |               | EUR | 815     | 47      |
| 17  | Dusskapital Zwanzig Beteiligungsgesellschaft mbH <sup>10)</sup>                | Düsseldorf                  | 100.00        |               | EUR | 34      | 1       |
| 18  | EAA Charity LLP <sup>1) 10)</sup>                                              | Wilmington, US              | 100.00        |               | USD | 15,271  | 8,294   |
| 19  | EAA Covered Bond Bank Plc <sup>10) 11)</sup>                                   | Dublin 1, Ireland           | 100.00        |               | EUR | 419,981 | -23,057 |
| 20  | EAA DLP I LLP <sup>1) 10)</sup>                                                | Wilmington, US              | 100.00        |               | USD | 120,795 | -4,838  |
| 21  | EAA DLP II LLP <sup>1) 10)</sup>                                               | Wilmington, US              | 100.00        |               | USD | 104,142 | 3,718   |
| 22  | EAA DLP III LLP <sup>1) 10)</sup>                                              | Wilmington, US              | 100.00        |               | USD | 156,078 | 5,006   |
| 23  | EAA do Brasil Participacoes, Representacoes e Negocios Ltda. <sup>6)</sup>     | Sao Paulo, Brazil           | 100.00        |               | BRL | 3,112   | 303     |
| 24  | EAA Europa Holding GmbH <sup>3) 10)</sup>                                      | Düsseldorf                  | 100.00        |               | EUR | 5,731   | 0       |
| 25  | EAA Greenwich LLP <sup>1) 10)</sup>                                            | Wilmington, US              | 100.00        |               | USD | 144,001 | -1,486  |
| 26  | EAA LAT ABC LLP <sup>1) 10)</sup>                                              | Wilmington, US              | 100.00        |               | USD | 170,341 | -4,957  |

CONDENSED NOTES

Other shareholdings

| No. | Name                                                                                   | Location               | Capital share | Voting rights | CCY | Equity  | Result  |
|-----|----------------------------------------------------------------------------------------|------------------------|---------------|---------------|-----|---------|---------|
| 27  | EAA LAT II LLP <sup>1) 10)</sup>                                                       | Wilmington, US         | 100.00        |               | USD | 179,838 | -16,530 |
| 28  | EAA LS Holdings LLC <sup>1) 10)</sup>                                                  | Wilmington, US         | 100.00        |               | USD | 125     | n.s.    |
| 29  | EAA PF LLP <sup>1) 10)</sup>                                                           | Wilmington, US         | 100.00        |               | USD | 145,140 | -12,274 |
| 30  | EAA Portfolio Advisers GmbH <sup>10)</sup>                                             | Düsseldorf             | 100.00        |               | EUR | 9,542   | -254    |
| 31  | EAA Portfolio Advisers LLC <sup>1) 10)</sup>                                           | New York, US           | 100.00        |               | USD | 247     | 173     |
| 32  | EAA Spyglass Holdings LLC <sup>1) 10)</sup>                                            | Wilmington, US         | 100.00        |               | USD | 15,765  | 4,376   |
| 33  | EAA Triskele LLP <sup>1) 10)</sup>                                                     | Wilmington, US         | 100.00        |               | USD | 200,142 | 5,245   |
| 34  | EAA US Holdings Corporation <sup>10)</sup>                                             | Wilmington, US         | 100.00        |               | USD | 39,068  | 5,782   |
| 35  | ECIP Europcar S.a.r.l. <sup>10)</sup>                                                  | Luxembourg, Luxembourg | 4.09          |               | EUR | 79,707  | -55     |
| 36  | EDD AG <sup>10)</sup>                                                                  | Düsseldorf             | 21.95         |               | EUR | 32,245  | -542    |
| 37  | EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH <sup>6)</sup>                     | Potsdam                | 47.50         |               | EUR | 0       | -360    |
| 38  | Entertainment Asset Holdings C.V. <sup>1) 5)</sup>                                     | Amsterdam, Netherlands | 36.36         |               | USD | 0       | 0       |
| 39  | EQT III GmbH & Co. KG <sup>1) 5)</sup>                                                 | Munich                 | 1.18          | 0.00          | EUR | 261     | -6,151  |
| 40  | Erste EAA Anstalt öffentlichen Rechts & Co. KG <sup>2) 3) 10)</sup>                    | Düsseldorf             | 100.00        |               | EUR | 16      | 0       |
| 41  | Erste Financial Services GmbH <sup>10)</sup>                                           | Düsseldorf             | 100.00        |               | EUR | 104,785 | 2,041   |
| 42  | Eurazeo Partners SCA, SICAR <sup>10)</sup>                                             | Luxembourg, Luxembourg | 5.80          | 0.00          | EUR | 194,747 | 16,348  |
| 43  | Europcar Groupe S.A. <sup>1) 10)</sup>                                                 | Guyancourt, France     | 0.00          |               | EUR | 631,266 | 119,294 |
| 44  | GKA Gesellschaft für kommunale Anlagen mbH i.L. <sup>1) 10)</sup>                      | Düsseldorf             | 100.00        |               | EUR | 115     | 87      |
| 45  | Indigo Holdco LLC <sup>1) 10)</sup>                                                    | Dover, US              | 100.00        |               | USD | 2,356   | -32     |
| 46  | Indigo Land Groveland LLC <sup>1)</sup>                                                | Wilmington, US         | 100.00        |               |     | n.s.    | n.s.    |
| 47  | Indigo Land Progresso Lofts LLC <sup>1)</sup>                                          | Dover, US              | 100.00        |               |     | n.s.    | n.s.    |
| 48  | Indigo Real Estate LLC <sup>1)</sup>                                                   | Dover, US              | 100.00        |               |     | n.s.    | n.s.    |
| 49  | Leasing Belgium N.V. <sup>1) 10)</sup>                                                 | Antwerp, Belgium       | 100.00        |               | EUR | 443     | -9      |
| 50  | Liquiditäts-Konsortialbank Gesellschaft mit beschränkter Haftung i.L. <sup>1) 4)</sup> | Frankfurt am Main      | 6.55          |               | EUR | 236,224 | 7,629   |
| 51  | MCC Bradley LLC <sup>1) 10)</sup>                                                      | East Hartford, US      | 100.00        |               | USD | 293     | -181    |
| 52  | MCC Paris LLC <sup>1) 10)</sup>                                                        | Wilmington, US         | 100.00        |               | USD | 2,007   | 202     |
| 53  | MCC SB Condo LLC <sup>1) 10)</sup>                                                     | Wilmington, US         | 100.00        |               | USD | 1,470   | -219    |
| 54  | MCC SB Unit 144 LLC <sup>1)</sup>                                                      | South Bend, US         | 100.00        |               |     | n.s.    | n.s.    |
| 55  | MCC SB Unit 145 LLC <sup>1)</sup>                                                      | South Bend, US         | 100.00        |               |     | n.s.    | n.s.    |
| 56  | MCC SB Unit 146 LLC <sup>1)</sup>                                                      | South Bend, US         | 100.00        |               |     | n.s.    | n.s.    |
| 57  | MCC SB Unit 147 LLC <sup>1)</sup>                                                      | South Bend, US         | 100.00        |               |     | n.s.    | n.s.    |
| 58  | MCC Tern Landing LLC <sup>1) 10)</sup>                                                 | Wilmington, US         | 100.00        |               | USD | 972     | -126    |
| 59  | MCC WK Commercial LLC <sup>1) 10)</sup>                                                | Wilmington, US         | 100.00        |               | USD | 567     | -90     |
| 60  | Meritech Capital Partners II L.P. <sup>1) 10)</sup>                                    | Palo Alto, US          | 0.06          | 0.00          | USD | 86,231  | 1,705   |
| 61  | Methuselah Life Markets Limited <sup>6)</sup>                                          | London, UK             | 100.00        |               | GBP | 74      | -7      |
| 62  | MFC Holdco LLC <sup>1) 10)</sup>                                                       | Dover, US              | 100.00        |               | USD | 8,718   | -560    |
| 63  | MFC Pinecrest LLC <sup>1)</sup>                                                        | Wilmington, US         | 100.00        |               |     | n.s.    | n.s.    |



**CONDENSED NOTES**

**Other shareholdings**

| No. | Name                                                                                                                      | Location                     | Capital share | Voting rights | CCY | Equity    | Result |
|-----|---------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------|---------------|-----|-----------|--------|
| 64  | MFC Real Estate LLC <sup>1) 10)</sup>                                                                                     | Dover, US                    | 100.00        |               | USD | 2,894     | -277   |
| 65  | MFC Waterfront LLC <sup>1)</sup>                                                                                          | Wilmington, US               | 100.00        |               |     | n.s.      | n.s.   |
| 66  | Mod CapTrust Holding LLC <sup>1) 10)</sup>                                                                                | Dover, US                    | 100.00        |               | USD | 0         | 1,799  |
| 67  | Monolith Grundstücksverwaltungsgesellschaft mbH <sup>1) 10)</sup>                                                         | Mainz                        | 100.00        |               | EUR | 108       | 5      |
| 68  | Monolith Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neubau Sparkassen-Versicherung Sachsen OHG <sup>1) 10)</sup> | Mainz                        | 5.00          | 76.00         | EUR | -14,671   | 2,378  |
| 69  | Nephelin Grundstücksverwaltungsgesellschaft mbH <sup>1) 10)</sup>                                                         | Mainz                        | 100.00        |               | EUR | -59       | -4     |
| 70  | Neunte EAA-Beteiligungs GmbH i.L. <sup>9)</sup>                                                                           | Düsseldorf                   | 100.00        |               | EUR | 28        | -7,102 |
| 71  | New NIB Partners LP <sup>10)</sup>                                                                                        | New York, US                 | 1.59          | 0.00          | EUR | 1,032,903 | 48,365 |
| 72  | S-Chancen-Kapitalfonds NRW GmbH i.L. <sup>10)</sup>                                                                       | Haan                         | 50.00         |               | EUR | 2,032     | -33    |
| 73  | Sechste EAA-Beteiligungs GmbH <sup>10)</sup>                                                                              | Düsseldorf                   | 100.00        |               | EUR | 22        | -13    |
| 74  | Siebte EAA-Beteiligungs GmbH <sup>10)</sup>                                                                               | Düsseldorf                   | 100.00        |               | EUR | 17        | -8     |
| 75  | Special Private Equity Partners II, L.P. <sup>10)</sup>                                                                   | Wilmington, US               | 18.79         | 0.00          | USD | 16,792    | -4,804 |
| 76  | ThyssenKrupp Aufzugswerke GmbH <sup>7)</sup>                                                                              | Neuhausen auf den Fildern    | 0.50          |               | EUR | 13,951    | 0      |
| 77  | thyssenkrupp Electrical Steel GmbH <sup>7)</sup>                                                                          | Gelsenkirchen                | 0.42          |               | EUR | 96,622    | 0      |
| 78  | thyssenkrupp Materials Processing Europe GmbH <sup>7)</sup>                                                               | Krefeld                      | 0.42          |               | EUR | 57,903    | 0      |
| 79  | thyssenkrupp Materials Services GmbH <sup>7)</sup>                                                                        | Essen                        | 0.16          |               | EUR | 745,235   | 0      |
| 80  | ThyssenKrupp Rasselstein GmbH <sup>7)</sup>                                                                               | Andernach                    | 0.50          |               | EUR | 247,021   | 0      |
| 81  | True Sale International GmbH <sup>10)</sup>                                                                               | Frankfurt am Main            | 7.69          | 9.09          | EUR | 4,809     | 46     |
| 82  | Welsh, Carson, Anderson & Stowe IX GmbH & Co. KG <sup>1) 10)</sup>                                                        | Munich                       | 2.90          | 0.00          | EUR | 0         | -207   |
| 83  | West Life Markets GmbH & Co. KG <sup>3) 10)</sup>                                                                         | Düsseldorf                   | 100.00        |               | EUR | 1,312     | 0      |
| 84  | West Merchant Limited <sup>6)</sup>                                                                                       | London, UK                   | 100.00        |               | GBP | 35        | -20    |
| 85  | West Zwanzig GmbH <sup>3) 10)</sup>                                                                                       | Düsseldorf                   | 100.00        |               | EUR | 25        | 0      |
| 86  | Westdeutsche ImmobilienHolding GmbH <sup>3) 10)</sup>                                                                     | Düsseldorf                   | 100.00        |               | EUR | 5,539     | 0      |
| 87  | WestGKA Management Gesellschaft für kommunale Anlagen mbH i.L. <sup>2) 10) 12)</sup>                                      | Düsseldorf                   | 100.00        |               | EUR | 642       | 0      |
| 88  | WestInvest Gesellschaft für Investmentfonds mbH <sup>1) 10)</sup>                                                         | Düsseldorf                   | 0.00          |               | EUR | 11,339    | 0      |
| 89  | WestLB Asset Management (US) LLC <sup>1) 10)</sup>                                                                        | Wilmington, US               | 100.00        |               | USD | 3,137     | -71    |
| 90  | WestLeasing International GmbH <sup>1) 10)</sup>                                                                          | Düsseldorf                   | 100.00        |               | EUR | 174       | -1     |
| 91  | WestLeasing Westdeutsche Leasing Holding GmbH <sup>3) 10)</sup>                                                           | Düsseldorf                   | 94.90         |               | EUR | 11,625    | 0      |
| 92  | WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. <sup>1) 10) 12)</sup>                   | Düsseldorf                   | 100.00        |               | EUR | 276       | 0      |
| 93  | WestVerkehr Beteiligungsgesellschaft mbH <sup>1) 10)</sup>                                                                | Düsseldorf                   | 100.00        |               | EUR | 98        | -5     |
| 94  | Windmill Investments Limited                                                                                              | Grand Cayman, Cayman Islands | 5.07          | 0.00          |     | n.s.      | n.s.   |
| 95  | Winoa Steel Co. S.A. <sup>6)</sup>                                                                                        | Luxembourg, Luxembourg       | 3.12          |               | EUR | 1,423     | -119   |
| 96  | WIV GmbH & Co. Beteiligungs KG <sup>10)</sup>                                                                             | Frankfurt am Main            | 5.10          |               | EUR | 12,857    | 757    |
| 97  | WLB CB Holding LLC <sup>1) 10)</sup>                                                                                      | Dover, US                    | 100.00        |               | USD | 0         | 198    |
| 98  | WMB Beteiligungs GmbH <sup>1) 10)</sup>                                                                                   | Düsseldorf                   | 100.00        |               | EUR | 55        | 45     |

## CONDENSED NOTES

### Interest greater than 5% (large corporations)

| No. | Name                                              | Location          | Capital share | Voting rights | CCY | Equity  | Result |
|-----|---------------------------------------------------|-------------------|---------------|---------------|-----|---------|--------|
| 99  | AKA Ausfuhrkredit-Gesellschaft mbH <sup>10)</sup> | Frankfurt am Main | 5.02          |               | EUR | 231,752 | 22,885 |
| 100 | Banco Finantia S.A. <sup>10)</sup>                | Lisbon, Portugal  | 8.93          |               | EUR | 408,022 | 30,713 |

### Other companies for which the EAA assumes unlimited liability

| No. | Name                                                          | Location          | Capital share | Voting rights | CCY | Equity | Result |
|-----|---------------------------------------------------------------|-------------------|---------------|---------------|-----|--------|--------|
| 101 | GbR Industrie- und Handelskammer Rheinisch-Westfälische-Börse | Düsseldorf        | 5.88          | 5.00          |     | n.s.   | n.s.   |
| 102 | GLB GmbH & Co. OHG                                            | Frankfurt am Main | 15.47         |               |     | n.s.   | n.s.   |

<sup>1</sup> Indirect shareholdings.

<sup>2</sup> Including indirectly held shares.

<sup>3</sup> A profit and loss transfer agreement is in place with this company.

<sup>4</sup> Data as of 31 July 2014.

<sup>5</sup> Data as of 31 December 2014.

<sup>6</sup> Data as of 31 December 2015.

<sup>7</sup> Data as of 30 September 2016.

<sup>8</sup> Data as of 31 October 2016.

<sup>9</sup> Data as of 30 November 2016.

<sup>10</sup> Data as of 31 December 2016.

<sup>11</sup> A global guarantee exists.

<sup>12</sup> 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.

Based on the amendment to section 285 No. 11 HGB as required under the BilRUG, the list includes companies in which the EAA holds an interest of less than 20%. Under section 286 (3) HGB, the reporting of long-term equity investments and affiliates was occasionally waived where these are of minor importance for the presentation of the asset position, financial position and earnings situation of the company.

## Subsequent events

The EAA transferred the ownership of EPA to Mount Street on 27 October 2017. The company will operate in future under the name Mount Street Portfolio Advisers GmbH (MSPA). The service agreements in place with the EAA will remain in place.

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

**RESPONSIBILITY STATEMENT**

## Responsibility statement

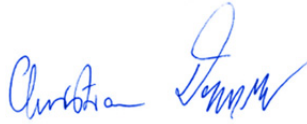
To the best of our knowledge, and in accordance with the applicable reporting principles for the interim report, the interim financial statements give a true and fair view of the asset position, financial position and earnings situation of the institution, and the interim management report includes a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

Düsseldorf, 14 November 2017

Erste Abwicklungsanstalt



**Matthias Wargers**  
Spokesman  
of the Managing Board



**Christian Doppstadt**  
Member  
of the Managing Board



**Horst Kúpker**  
Member  
of the Managing Board

**LIST OF ABBREVIATIONS**

## List of abbreviations

|                   |                                                                                                           |
|-------------------|-----------------------------------------------------------------------------------------------------------|
| <b>ABS</b>        | Asset backed securities                                                                                   |
| <b>ALM</b>        | Asset liability management                                                                                |
| <b>APAC</b>       | Asia Pacific; Asia-Pacific Economic Cooperation                                                           |
| <b>AT</b>         | General part (Allgemeiner Teil)                                                                           |
| <b>BaFin</b>      | German Federal Financial Supervisory Authority (Bundesanstalt für<br>Finanzdienstleistungsaufsicht)       |
| <b>BGH</b>        | German Supreme Court (Bundesgerichtshof)                                                                  |
| <b>BilMoG</b>     | German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)                               |
| <b>BilRUG</b>     | German Accounting Directive Implementation Act (Bilanzrichtlinie-<br>Umsetzungsgesetz)                    |
| <b>Bps</b>        | Basis points                                                                                              |
| <b>BRL</b>        | Brazilian real                                                                                            |
| <b>CCY</b>        | Currency code                                                                                             |
| <b>CDS</b>        | Credit default swaps                                                                                      |
| <b>CHF</b>        | Swiss franc                                                                                               |
| <b>CVA</b>        | Credit valuation adjustments                                                                              |
| <b>DAC</b>        | Designated activity company                                                                               |
| <b>DRS</b>        | German Accounting Standard (Deutscher Rechnungslegungsstandard)                                           |
| <b>EAA</b>        | Erste Abwicklungsanstalt, Düsseldorf                                                                      |
| <b>EAA CBB</b>    | EAA Covered Bond Bank Plc, Dublin/Ireland                                                                 |
| <b>EAA KK</b>     | EAA Japan K.K., Tokyo/Japan                                                                               |
| <b>EaD</b>        | Exposure at default                                                                                       |
| <b>EC</b>         | European Community                                                                                        |
| <b>ECB</b>        | European Central Bank                                                                                     |
| <b>EEC</b>        | European Economic Community                                                                               |
| <b>EFS</b>        | Erste Financial Services GmbH, Düsseldorf (until 28 June 2016: Portigon Financial<br>Services GmbH)       |
| <b>EMEA</b>       | Europe, Middle East and Africa                                                                            |
| <b>EPA</b>        | EAA Portfolio Advisers GmbH, Düsseldorf                                                                   |
| <b>EU</b>         | European Union                                                                                            |
| <b>EUR</b>        | Euro                                                                                                      |
| <b>EURO STOXX</b> | European equity index                                                                                     |
| <b>EUSS</b>       | European Super Senior Notes                                                                               |
| <b>Fed</b>        | Federal Reserve                                                                                           |
| <b>Fitch</b>      | Fitch Ratings                                                                                             |
| <b>FMS</b>        | German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds)                              |
| <b>FMSA</b>       | German Federal Agency for Financial Market Stabilisation (Bundesanstalt für<br>Finanzmarktstabilisierung) |
| <b>FMStFG</b>     | German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz)                    |
| <b>FX effect</b>  | Foreign exchange effect                                                                                   |
| <b>GBP</b>        | Pound sterling                                                                                            |
| <b>GC</b>         | General collateral                                                                                        |
| <b>GDP</b>        | Gross domestic product                                                                                    |
| <b>HGB</b>        | German Commercial Code (Handelsgesetzbuch)                                                                |

**LIST OF ABBREVIATIONS**

|                     |                                                                                                                                                                       |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>HRA</b>          | Commercial register department A (Handelsregister Abteilung A)                                                                                                        |
| <b>HSBC</b>         | HSBC Trinkaus & Burkhardt AG, Düsseldorf                                                                                                                              |
| <b>IDW</b>          | Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer)                                                                                              |
| <b>IS</b>           | Income statement                                                                                                                                                      |
| <b>IT</b>           | Information technology                                                                                                                                                |
| <b>iTraxx</b>       | Credit default index                                                                                                                                                  |
| <b>MaRisk</b>       | German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)                                                                        |
| <b>Moody's</b>      | Moody's Investors Service                                                                                                                                             |
| <b>Mount Street</b> | Mount Street Loan Solutions LLP, London/UK                                                                                                                            |
| <b>MSPA</b>         | Mount Street Portfolio Advisers GmbH, Düsseldorf                                                                                                                      |
| <b>MtM</b>          | Mark to market                                                                                                                                                        |
| <b>Muni GIC</b>     | Municipal guaranteed investment contracts                                                                                                                             |
| <b>No.</b>          | Number                                                                                                                                                                |
| <b>NPL</b>          | Non-performing loans                                                                                                                                                  |
| <b>N.R.</b>         | Not rated                                                                                                                                                             |
| <b>n.s.</b>         | Not specified                                                                                                                                                         |
| <b>NRW</b>          | North Rhine-Westphalia                                                                                                                                                |
| <b>OMT</b>          | Outright Monetary Transactions                                                                                                                                        |
| <b>OTC</b>          | Over the counter                                                                                                                                                      |
| <b>Para.</b>        | Paragraph                                                                                                                                                             |
| <b>Portigon</b>     | Portigon AG, Düsseldorf (until 2 July 2012: WestLB AG)                                                                                                                |
| <b>RechKredV</b>    | German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute) |
| <b>S&amp;P</b>      | Standard and Poor's Corporation                                                                                                                                       |
| <b>S&amp;P 500</b>  | US equity index                                                                                                                                                       |
| <b>S.R.</b>         | Special rating                                                                                                                                                        |
| <b>US</b>           | United States of America                                                                                                                                              |
| <b>USD</b>          | US dollar                                                                                                                                                             |
| <b>VaR</b>          | Value at Risk                                                                                                                                                         |
| <b>WestImmo</b>     | Westdeutsche ImmobilienBank AG, Mainz (since 30 June 2017: Westdeutsche Immobilien Servicing AG)                                                                      |
| <b>WestLB</b>       | WestLB AG, Düsseldorf (since 2 July 2012: Portigon AG)                                                                                                                |

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