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INTERIM REPORT
31 March 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 as used internally in EUR million

	1/1 - 31/3/2017	1/1 - 31/3/2016
Net interest income	32.2	43.0
Net fee and commission income	-1.1	6.1
Net trading result	11.0	-14.4
Total other operating income/expenses	-1.1	-1.2
General administrative expenses	-43.6	-57.1
Results from financial assets and shareholdings	-1.6	36.8
Results prior to risk provisioning	-4.2	13.2
Loan loss provisions	10.1	-11.0
Results before taxes	5.9	2.2
Taxes	-2.3	-0.1
Net profit for the year	3.6	2.1

Balance sheet in EUR billion

	31/3/2017	31/12/2016
Total assets	58.2	60.7
Business volume	66.2	70.3
Lending business	30.2	31.0
Trading assets	21.5	23.8
Equity	0.6	0.6

Winding-up

	31/3/2017	31/3/2016
Banking book		
Notional value (before FX effect) in EUR billion	28.1	33.8
Winding-up activities (compared with previous year-end) in EUR billion	-1.6	-2.2
Winding-up activities (compared with previous year-end) in %	-5.3	-6.0
Trading portfolio		
Notional value (before FX effect) in EUR billion	247.4	321.9
Winding-up activities (compared with previous year-end) in EUR billion	-11.2	-19.8
Winding-up activities (compared with previous year-end) in %	-4.3	-5.8

Employees

	31/3/2017	31/12/2016
Number of employees	179	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 process of winding up the loans, securities, shareholdings and derivatives transferred to the EAA continues to proceed better than originally expected, with the first quarter of 2017 also concluding with a positive result. Net profit of EUR 3.6 million is attributable in particular to cost reductions and stable income, even though the portfolio has already been reduced considerably.

Net interest income of EUR 32.2 million and the trading result of EUR 11.0 million impacted decisively on the earnings situation. The quarterly result was supported by a decline of around 24% in general administrative expenses compared with the same period of the previous year. The EAA also benefited from improvements in the credit ratings of various exposures, resulting in a positive balance from additions to and reversals of risk provisioning items.

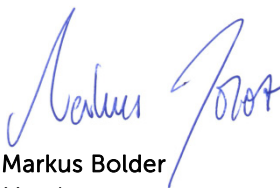
The volume of loans and securities held in the EAA's banking book declined by EUR 1.6 billion in the first three months. The notional volume of the derivatives held in the trading portfolio contracted by EUR 11.2 billion. At the same time, the total business volume was reduced significantly by more than EUR 4 billion in the first quarter. In addition to total assets, this figure also includes contingent liabilities and irrevocable loan commitments. The contingent liabilities originate mainly from guarantees, the volume of which is constantly decreasing as a result of scheduled and unscheduled repayments.

The EAA will concentrate during the rest of the fiscal year above all on winding up its shareholdings, including the planned implementation (closing) of the sale of EAA CBB in Dublin and EPA in Düsseldorf, among other things. It is also continuing with its review of outsourcing measures at its services subsidiary EFS. It seems possible at present to move the service operations of EFS to a private service provider. The initial results in this regard are expected in the second quarter of 2017.

Sincerely yours



Matthias Wargers
Spokesman
of the Managing Board



Markus Bolder
Member
of the Managing Board



Horst Küpker
Member
of the Managing Board

Interim management report

For the period from 1 January to 31 March 2017

Business and environment

Operating activities of the EAA

The EAA operates as an asset management company for its public stakeholders, pursuing a clear objective: the EAA 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 doing so, it proceeds in a value-preserving and risk-minimising manner. This serves to stabilise the financial market.

It manages its business according to commercial and economic principles, in consideration of its winding-up objectives and the principle of minimising its losses. The EAA is not a credit or financial services institution within the meaning of the German Banking Act (Kreditwesengesetz – KWG), an investment services firm as defined by the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) or an insurance company pursuant to the German Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG). 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 German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung – FMSA). The EAA is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) with regard to those provisions of banking law that are applicable to the EAA.

The EAA's work is principally carried out on the basis of section 8a of the German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz – FMStFG), its charter, the rules of procedure for the Supervisory Board and the Managing Board plus their 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 asset positions into sub-portfolios (clusters) and standard strategies, and contains a schedule for the winding-up of assets. The possible methods for winding-up the portfolio include selling the assets prior to their maturity, holding them to maturity or restructuring the relevant items. The EAA reviews the wind-up plan at least once a quarter and makes adjustments, when necessary, mainly in order to take account of changes in circumstances, for example current market developments. Changes or adjustments to the wind-up plan must be approved by the FMSA. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and the

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

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

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

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

The Supervisory Board consists of 12 members. Eleven members are appointed by the Stakeholders' Meeting, and one member is sent by the FMSA, acting on behalf of the German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds – 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.

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

Since its establishment the EAA has repeatedly adjusted its organisational structure to manage changes in the corporate environment. The gradual takeover of multi-billion portfolios presented it with enormous challenges in developing an adequate organisation and recruiting the required experts. As the portfolio continues to be wound up, capacity and costs will have to be reduced without losing the expertise necessary to successfully complete the wind-up. Against this background the EAA acquired its main service provider EFS (the former Portigon Financial Services GmbH) from Portigon in early 2016, after having carried out a detailed due diligence. 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. Compared with alternative scenarios, the takeover was the economically most favourable solution to continue to guarantee the operational stability of the EAA.

In April 2016 a sale process was initiated for the service company EPA, which was established by the EAA in 2014 and took over experienced portfolio managers from the former WestLB as well as analysis experts from EFS. This sale process was successfully concluded with the signing of a purchase agreement with Mount Street Group on 30 December 2016. The transfer of ownership is still subject to regulatory approval (see also the "Subsequent events" section).

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The sale of EPA, which provides a going-concern perspective for the company's employees, is intended to help ensure the continued provision of the necessary quality in the management, valuation and analysis of the EAA portfolio. Selling EPA not only secures these necessary services for the future, it also provides the EAA with greater flexibility in its costs. The amended service agreement with EPA lasts until 2020; there are also options for the EAA to extend the term of the agreement.

Securing the existing expertise in order to ensure services are provided to the requisite extent and with the requisite quality is the priority for the EAA. 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 (see also the "Subsequent events" section).

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 is a further important step in carrying out this responsibility.

Economic environment

European elections in 2017: an accident has been avoided so far

2017 is an important year from a political perspective for Europe and the eurozone. Elections are being held in France and in Germany, whose outcome will have implications for the further development of the eurozone. The global financial crisis triggered a serious recession in many parts of Europe. In parallel with stagnating wages and high unemployment, many voters have turned to extremist parties. These parties (left-wing as well as right-wing) are demanding an end to European integration. The majority of these parties reject the introduction of the euro, the subsequent surrender of national currencies and the transfer of competencies to the EU.

In the second round of the French presidential election on 7 May, the centre-left candidate Emmanuel Macron received around two thirds of the valid votes in the run-off against Marine Le Pen of the right-wing populist party Front National. Voter turnout was just under 75%, which is unusually low in France and reflects the dissatisfaction of many voters with the two candidates. The capacity of the new president to act will depend on the elections to the National Assembly (on 11 and 18 June). Macron's new party "En Marche!" will stand against the established parties (Socialists and Republicans) and the Front National. His party appears to have candidates in all constituencies, which has been queried by electoral observers for quite some time, given that it was only founded 12 months ago. It could be difficult to achieve a majority in the new National Assembly after the election. The voting behaviour of the French electorate suggests that the outcome could be a five-party parliament. The conservative Republicans, the Front National, Macron's "En Marche!" and left-wing Jean-Luc Mélenchon's party each stand a good chance of gaining 20% of the seats. It is therefore very likely that the new French government will be based on a coalition of "En Marche!" and at least one of the established parties.

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The Front National in France or the AfD in Germany are unlikely to participate directly in the governments of either country. Hence there is little chance that the promises of exits from the euro and the EU will be realised. This is good news for investors in EUR government bonds, as it means the risk of a change of currency is low. Nevertheless, market participants are taking the populists' demands seriously, as evidenced by the market trend of French government bonds this year. A euro exit by France or Germany would signal the end of the common currency.

For this reason, safe investments such as German Bunds were in demand ahead of the first round of the election in France on 23 April, while French government bonds were sold off. A new German currency is expected to appreciate, but for a new French currency the opposite may be true. This significantly widened spreads between German Bunds and French government bonds. Compared with the 20 bp spread for bonds (with a remaining term to maturity of ten years) in August 2016, this gap widened to 80 bp just before the first round of the elections in France. It did not tighten again until Macron's victory, but remains wide at currently 50 bp.

Despite these political event risks, the global economic growth environment remains positive, as concluded by the International Monetary Fund in its spring report. The recession appears to have been overcome in many of the emerging economies. Market estimates are predicting a 4.6% improvement in economic performance in the emerging economies in 2017. This compares with an expansion of around 2% expected for the developed markets this year. These estimates are confirmed by current sentiment indicators such as purchasing managers' indices.

US economy: expansion intact despite political problems

Political rather than economic developments are dominating the headlines in the US at present. Many investors have yet to see how effective Donald Trump, the 45th US president, will be in governing the country in the coming four years. Taking the first 100 days as a yardstick, the effectiveness of the Trump administration is in doubt. Many political initiatives have fizzled out, the proposed immigration ban has already failed twice, and in his first 100 days in office, Trump has not managed to fill all the vacant positions in his government.

Despite this political bluster, the current economic situation in the US can be described as robust. Economic performance in the first quarter of 2017 grew by 0.3% over the fourth quarter of 2016. Significant drivers of growth were investments (+1% over the previous quarter) and consumer spending (+0.3% over the previous quarter). The first quarter in the US is often defined by somewhat lower growth, which then accelerates in the course of the year. This appears to be a normal seasonal pattern and is no cause for concern. We are seeing encouraging signs from the corporate reporting season. 134 of the 500 companies in the S&P 500 US equity index have unveiled figures on business performance for the first quarter of 2017. Compared with the first quarter of 2016, S&P 500 company revenues have increased by an average of 4.9%, with profits climbing by as much as 13.5% during the same period. This means that the increase in profits is not due to the efficiency-enhancing austerity measures but is based on primary corporate growth.

Forecast: the US economy is growing but Trump's growth target will be missed

During his election campaign, the new US president repeatedly declared his intention to boost US economic growth, which is to be achieved by means of government investment in US infrastructure, additional defence spending, and tax cuts for companies and individuals. President Trump has issued a target of annual economic growth of 4%. The expansionary effect of

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the measures announced could be considerable if Trump and his government succeed in carrying out these projects. The series of failures since he took office 100 days ago cast doubt on whether this is possible, however. Additionally, only very rough drafts have been drawn up to date for another of Trump's big projects, namely a tax reform aimed at slashing the top tax rates. With no explanation yet forthcoming from the government as to how this tax cut will be financed, the plan in its current form is also a contentious issue among Republicans.

An enforced US government shutdown was avoided on the last weekend of April (29 and 30 April). Republicans and Democrats in Congress agreed on raising the debt ceiling, without which the US government is unable to assume new debt, as the current credit limit was practically exhausted. Thanks to the agreement, the Trump government can continue to pay wages and salaries, as well as make acquisitions and investments on schedule for the most part. Many federal employees thus avoided having to take mandatory unpaid leave. The price is high from the Trump government's perspective. An unusual alliance between Democrats and right-wing Republicans, for whom the US deficits are a thorn in their side, have reduced Trump's budget proposal by the amount envisaged to pay for the wall on the border with Mexico. Social spending has also been cut and the increase in defence expenditure is somewhat lower.

While the growth-promoting measures are a long time in coming, the Fed's monetary policy is taking a measured step in the opposite direction. The US central bank has raised its key rate, the federal funds rate, to between 0.75% and 1% in three stages since 16 December 2016. The Fed is basing the normalisation of monetary policy on the US labour market situation. The central bankers under Fed Chair Janet Yellen set great store by reducing in particular the "reservoir" of unemployed persons who are not officially registered. An acceleration in wage inflation is indicative of this. The further this reserve is depleted, the faster US wages will rise, increasing the pressure on the Fed as it seeks to avoid second-round effects from rising inflation expectations.

The growth target of 4% proclaimed by Donald Trump is likely to be missed by a large margin in 2017. The level of growth in US economic performance depends not least on the extent to which the Fed pulls in the opposite direction and how much of his agenda Trump succeeds in implementing. The US economic performance is likely to improve by 2.2% in 2017 and the inflation rate will probably be at 2.5% at the end of the year. The range for the federal funds rate should lie between 1% and 1.25% at the end of the year. These framework conditions are expected to support US equity, bond and property prices.

Core eurozone countries: Germany is still growing faster than France

Germany's GDP grew by 1.9% in 2016, which once again exceeded the eurozone average of 1.8%. The growth rate achieved in 2016 is encouraging compared with the potential growth rate of the German economy, which the Bundesbank estimated at around 1.25% in a study from 2012, and also explains the further fall in Germany's unemployment rate. This fell from 6.2% in March 2016 to 5.9% in March 2017. Driven by the healthy labour market and rising wages, consumer spending (+2%) contributed to growth. Government expenditure (2016: +4%) as well as capital investment (2016: +2.3%) are also contributing to increased growth. Sentiment indicators such as the ifo business climate index or the purchasing managers' indices confirm the good environment at present for the German economy.

France's GDP grew only marginally during the years from 2012 until 2014, expanding at an annual rate of between 0.2% and 0.6%. France is lagging behind Germany owing to the very

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bumpy recovery of the French economy and lack of competitiveness because of a lack of or half-hearted reforms. This is demonstrated by a comparison of growth rates in 2016: France +1.2%, Germany +1.9%. French consumers (+1.8%), investment (+2.8%) and government expenditure (+1.4%) made above-average contributions to growth, thereby making up for a weak trend in exports. In 2016 France recorded a fall in its unemployment rate, which declined by 0.3 percentage points to 10.1%.

Spain: 2016 was a good year and the outlook for 2017 is not bad

Spain's economic performance improved by 3.2% in 2016, which was well above the euro-zone average. Spain's healthy performance can be explained by the positive trend in Spanish GDP, which contracted far more in the crisis than the eurozone average. The growth is therefore attributable, at least in part, to a base effect. The conservative government's reforms also played their part in the country's growth. Spanish unit labour costs, for example, have fallen by more than 6% since peaking in 2009. Thanks to these improvements and the popularity of Spain as a holiday destination due to the crises and problems in other Mediterranean holiday regions, Spanish economic performance improved by 0.7% in the fourth quarter of 2016 (compared with the previous quarter). The very robust purchasing managers' index figures for Spain in February 2017 (57) and in March 2017 (56.8) indicate that Spanish GDP is growing strongly.

Portugal: growth accelerated in the second half of 2016

The country's real economic performance improved by 1.4% in 2016. Nevertheless, Portugal's economic performance was disappointing in the first half of 2016. The elections in October 2015 led to the formation of a social-democratic minority government, which was initially viewed critically by investors. In addition, disputes arose between the European Commission and the new government over the fiscal consolidation plans and the stabilisation of the Portuguese banking system (resolution of Banco Espírito Santo, sale of Novo Banco and recapitalisation of Caixa Geral de Depósitos). These impacted negatively on investment activity and put a brake on Portuguese economic growth. Growth in Portugal has picked up again since the third quarter of 2016. Economic performance improved by 0.6% in the fourth quarter (compared with the previous quarter), having grown by 0.9% in the third quarter of 2016. The trend on the labour market remains positive. The unemployment rate fell during 2016 from 12.2% to 10.5%.

Economic recovery in Italy remains slow and susceptible to problems

Italy has still not made up for the losses suffered in the financial crisis. The country's total economic performance remains a good 7% below the level it reached in 2008 before the outbreak of the crisis in Italy. However, one bright spot is that the Italian economy started growing again since the first quarter of 2015. Even so, the growth rates achieved are very low, making growth very susceptible to shocks and other disruptions. Italy has raised taxes in the past to reduce its budget deficit to a Maastricht-compatible level of less than 3% of economic output (2015: 2.6%). The price paid for the rapid consolidation was a prolongation of the recession. Although Italy's labour market is showing signs of improvement, it is still in quite poor shape. Unemployed workers currently account for 11.8% of the labour force. This is only one percentage point lower than the high of 12.8% measured during the recession in the first quarter of 2014.

One factor hampering Italy's economic recovery is the high volume of non-performing loans (NPLs) held on the balance sheets of many regional banks. The NPL rates, which are still quite high, and the associated burden on regulatory capital, are restricting the banks' scope for

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lending. The lending momentum prompted by the ECB's monetary policy has therefore not reached the real economy in Italy. The fact that Italy has to vote in a new parliament next year at the latest is creating reluctance among companies that are considering hiring new employees and investments.

Europe's politicians are getting off relatively lightly in the 2017 elections

The electorate in Europe has expressed its dissatisfaction with the current economic and social situation by voting for populist and extremist parties. Graver consequences, apart from Brexit, have fortunately not emerged to date.

Despite these risks, the economy should continue to recover in the eurozone this year too. There are too many positive growth factors and trends in many areas for another crisis to occur. Consumers will be the main engine of growth this year. This is good news as rising consumer spending is being fuelled not by increased borrowing, but by falling unemployment and rising wealth. Improving prospects on the labour market and relief in the form of higher minimum wages, tax cuts and pension changes are expected to improve consumer sentiment in 2017 as well. The German government is also considering such measures in the run-up to the election. In addition, many eurozone countries are scaling back the austerity measures imposed by their national governments. This means a positive boost for the eurozone's economic growth. The EAA therefore assumes the economies of both the peripheral and core eurozone countries will continue to recover in 2017 as well.

The key factor for this growth outlook is monetary support from the ECB. Low interest rates and yields make it possible to finance private and public debt. The costs of this policy are borne by investors. The ECB's asset purchase programme reduces the burden of interest payments for the eurozone periphery. A central risk factor in this regard is a renewed rise in inflation in the eurozone. In Germany the rate of inflation increased to 2% in April 2017 and therefore slightly exceeds the ECB's target. Rising inflation rates can also be expected in the other eurozone countries. Nevertheless, the ECB is not expected to tighten monetary policy prematurely. ECB President Mario Draghi will remember the attempts undertaken by his predecessor Jean-Claude Trichet to normalise the ECB's interest rate policy in the early summer of 2011. This had the effect of stalling the economic recovery in summer 2011.

Spain will probably join Germany as one of the fastest-growing economies in the eurozone. For Spain's economy to grow by 2.5% in 2017, it is necessary that the new government in Madrid does not make major changes to the reforms. It remains to be seen whether this will be the case. 2.5% growth this year will nonetheless be a good 0.7 percentage points weaker than in 2016. One reason for the somewhat slower pace of expansion is that Spain is now led by a conservative minority government. In its planning, it needs to pay more attention to the sensitivities of the opposition, which means we are unlikely to see further reforms and an improvement of the institutional framework in Spain for the time being.

Germany's GDP will grow by a good 1.6% in 2017. The German economy is also forecast to grow by 1.6% in 2018, again above its potential. The French economy will probably post growth of 1.3% in 2017 and 1.3% in 2018, and therefore grow below the average of the rest of the eurozone. Political uncertainty will continue to hamper Italy's growth. Elections will be held here in the first half of 2018 at the latest. As is the case in Germany and France, a populist party in Italy is also poised to benefit from the electorate's anger about high unemployment, rising taxes and

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stagnating wages. Italian economic growth is therefore expected to lag well behind the euro-zone average again this year and will probably reach 0.9%. The macro scenario expected by the EAA means that falling unemployment, more growth and a low inflationary environment will support the valuations of assets in the eurozone. Spreads in the euro periphery in particular should continue to normalise despite the tendency towards rising interest rates.

Financial market outlook for 2017

The divergence between the ECB and Fed monetary policy is the root cause of the considerable difference that exists, and will continue to exist, in the current yield levels between the core of the eurozone and the US. While the Fed is attempting to bring about a normalisation of monetary policy, the ECB wants to continue supplying the money and financial markets with fresh central bank liquidity through its monthly asset purchases. In order to offset short-age problems associated with the recent decision to expand the purchases, the ECB started in summer 2016 to purchase corporate bonds in addition to government bonds, bonds of other government-related issuers (SSA bonds), covered bonds and securitisations. These purchases are focused on bonds with long residual maturities. As a result, the ECB is limiting the upside potential for euro yields at the long end of the yield curve. At the short end, the level of euro yields is limited by the additional easing hinted at by the ECB. In December 2016 the ECB announced that it would bring down its monthly volume of purchases from EUR 80 billion to EUR 60 billion in April 2017. The effect of this cut will be absorbed by investing funds repaid at maturity but not counting them towards the purchase volume, as was previously the case.

For 2017 the EAA expects moderately rising yields at the long end in the US, while yields in the eurozone are likely to rise in broad-based fashion. This should affect both the core and the periphery (Spain, Italy and Portugal). The yield on ten-year German Bunds is likely to be at slightly more than 0.7% at the end of 2017, whereas the US equivalent is forecast to hit 2.85%.

Economic report

Overview of economic development

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

During this period the notional volume of the banking book fell by 5.3% to EUR 28.1 billion, while the notional volume of the trading portfolio declined by 4.3% to EUR 247.4 billion.

The net profit for the year of EUR 3.6 million was primarily impacted by positive net interest income of EUR 32.2 million and the net trading result of EUR 11.0 million. Personnel expenses totalled EUR 6.2 million. Other general administrative expenses amounted to EUR 37.4 million.

The EAA's total assets declined from EUR 60.7 billion in the previous year to their current level of EUR 58.2 billion. The business volume, which also includes off-balance-sheet components, fell 5.8% to EUR 66.2 billion (previous year: EUR 70.3 billion).

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Wind-up report

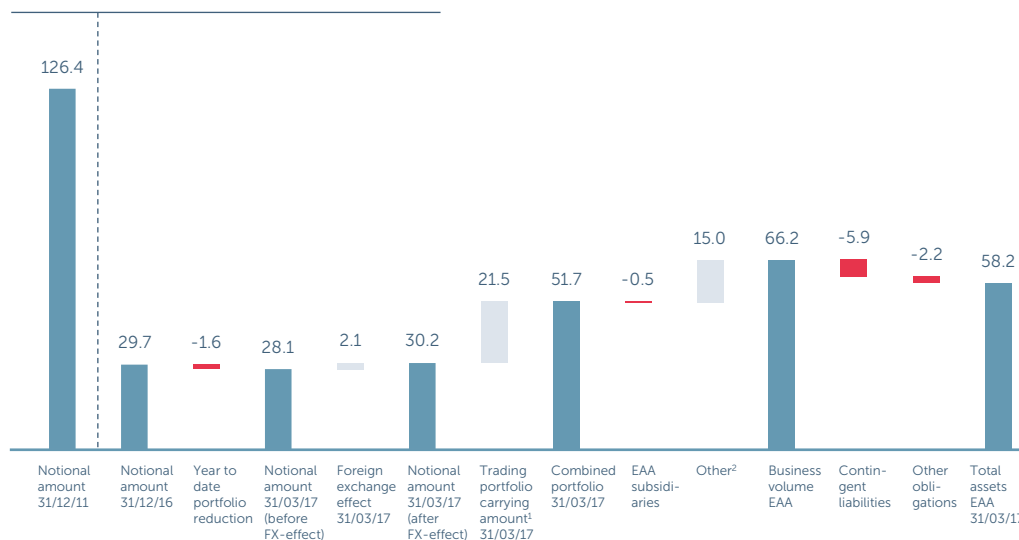
The figures and developments discussed in this section are regularly reported to the FMSA and to the EAA's governing bodies. They relate to the entire risk portfolio transferred to the EAA, regardless of whether these figures are recorded on or off-balance-sheet in the EAA's separate financial statements 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 31 March 2017.

Reconciliation of the transferred notional volume to the balance sheet

in EUR billion

Notional Values Banking Book



¹ Equates to the book values for trading portfolio assets.

² Contains money market transactions, cash collateral and other assets not relevant for the wind-up portfolio.

Under the EAA's management strategy, the success of the wind-up plan is assessed based on both the reduction of the notional volume before exchange rate effects (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 until 31 March 2017 the notional volume of the banking book was reduced from EUR 29.7 billion to EUR 28.1 billion (at exchange rates as of 31 December 2011, including the notional amounts of the guaranteed risk exposures held by the EAA's subsidiaries). That equates to a decline in notional volume of EUR 1.6 billion (5.3%). The volume at ex-

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change rates as of 31 March 2017 is EUR 30.2 billion. Since 1 January 2012 the total banking book portfolio has decreased by EUR 98.3 billion or 77.8%.

Clusters	Notional volume (at exchange rates as of 31/12/2011)				Notional volume (at exchange rates as of 31/3/2017)	
	Notional 31/3/2017	Notional 31/12/2016	Change to 31/12/2016		Notional 31/3/2017	FX effect ¹
	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Structured Securities	11,219.1	11,863.4	-644.3	-5.4	12,397.6	1,178.5
Public Finance	5,692.5	5,772.9	-80.4	-1.4	5,803.2	110.7
Energy	3,237.8	3,359.2	-121.5	-3.6	3,491.7	253.9
Asset Securitisation	1,561.6	1,569.0	-7.5	-0.5	1,889.8	328.2
Infrastructure – Project Finance	1,244.7	1,262.2	-17.5	-1.4	1,243.8	-0.9
Other clusters	5,118.3	5,823.3	-705.0	-12.1	5,343.5	225.2
Total	28,073.9	29,650.0	-1,576.1	-5.3	30,169.6	2,095.7

¹ Change in notional volume due to exchange rate effects.

Please 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 31 March 2017, the total NPL portfolio amounted to EUR 4.2 billion at current exchange rates.

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

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

There was a EUR +0.7 million effect on the wind-up plan in the first quarter of 2017 associated with sales and early repayments from the banking book portfolio.

Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 247.4 billion as of 31 March 2017. The notional volume of the trading portfolio decreased by a total of EUR 11.2 billion during the period from 1 January to 31 March 2017 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 816.6 billion or 76.7%.

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Clusters ²	Notional 31/3/2017 EUR million	Notional 31/12/2016 EUR million	Notional volume (at exchange rates as of 30/6/2012) Change to 31/12/2016 EUR million in %		Notional volume (at exchange rates as of 31/3/2017) Notional 31/3/2017 EUR million FX effect ¹ EUR million	
Rates	244,531.0	255,646.9	-11,115.9	-4.3	250,025.8	5,494.8
Other	2,895.4	2,957.0	-61.6	-2.1	2,625.2	-270.2
Total	247,426.4	258,603.9	-11,177.5	-4.3	252,651.0	5,224.6

¹ Change in notional volume due to exchange rate effects.

² The clusters are presented in the structure of the 2017 wind-up plan.

The decline is predominantly the result of maturities as well as liquidation and the active management of transactions. The principal driving force was the Rates cluster with a total notional decrease of EUR 11.1 billion. This decline resulted primarily from maturities of around EUR 17.7 billion, active reduction measures totalling EUR 1.0 billion and offsetting hedging transactions in the amount of EUR 7.5 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 were bundled since the start of 2017 in order to streamline the cluster structure. The notional volume of the remaining clusters did not change significantly in the first quarter of 2017.

EAA's overall situation

Earnings situation

The EAA's earnings situation was impacted by positive net interest income of EUR 32.2 million and a net trading result of EUR 11.0 million. Personnel expenses totalled EUR 6.2 million. Other administrative expenses of EUR 37.4 million were comprised mainly of expenses for services rendered by EFS and EPA.

After taking account of a net result of EUR 10.1 million from loan loss provisions, the results before taxes were EUR 5.9 million.

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

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Income statement

	1/1 - 31/3/2017	1/1 - 31/3/2016	Change	
	EUR million	EUR million	EUR million	in %
Net interest income	32.2	43.0	-10.8	-25.1
Net fee and commission income	-1.1	6.1	-7.2	>-100
Net trading result	11.0	-14.4	25.4	>100
Total other operating income/expenses	-1.1	-1.2	0.1	8.3
Personnel expenses	-6.2	-5.6	-0.6	-10.7
Other administrative expenses	-37.4	-51.5	14.1	27.4
of which: expenses for service level agreements with EFS	-15.0	-35.0	20.0	57.1
Results from financial assets and shareholdings	-1.6	36.8	-38.4	>-100
Results prior to risk provisioning	-4.2	13.2	-17.4	>-100
Loan loss provisions	10.1	-11.0	21.1	>100
Results before taxes	5.9	2.2	3.7	>100
Taxes	-2.3	-0.1	-2.2	>-100
Net profit for the year	3.6	2.1	1.5	71.4
Net retained losses brought forward	-2,375.0	-2,384.6	9.6	0.4
Net retained losses	-2,371.4	-2,382.5	11.1	0.5

Financial position and issuing activity

The portfolio of issued bearer bonds, promissory note loans and commercial paper totalled a notional amount of EUR 32.8 billion as of the reporting date. It includes the global Commercial Paper Programme with a notional amount equivalent to EUR 14.4 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 1.5 billion).

A notional amount equivalent to EUR 12.0 billion was issued during the reporting period under the global Commercial Paper Programme, consisting of USD 7.8 billion (EUR 7.3 billion), GBP 3.6 billion (EUR 4.2 billion) and EUR 0.5 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.

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Asset position

The EAA's total assets as of 31 March 2017 amount to EUR 58.2 billion (previous year: EUR 60.7 billion). The business volume, which also includes off-balance-sheet components, amounts to EUR 66.2 billion (previous year: EUR 70.3 billion).

Assets

	31/3/2017	31/12/2016	Change	
	EUR million	EUR million	EUR million	in %
Cash reserve	1,545.2	1,696.5	-151.3	-8.9
Loans and advances to banks	8,451.9	7,262.5	1,189.4	16.4
Loans and advances to customers	13,725.5	14,076.4	-350.9	-2.5
Securities (no trading portfolio)	11,878.0	12,900.3	-1,022.3	-7.9
Trading portfolio	21,544.9	23,750.4	-2,205.5	-9.3
Long-term equity investments and shares in affiliates	854.9	864.0	-9.1	-1.1
Other assets	181.4	119.2	62.2	52.2
Total assets	58,181.8	60,669.3	-2,487.5	-4.1

Liabilities and equity

	31/3/2017	31/12/2016	Change	
	EUR million	EUR million	EUR million	in %
Deposits from banks	2,401.6	2,766.3	-364.7	-13.2
Deposits from customers	3,488.4	3,386.3	102.1	3.0
Debt securities in issue	30,257.8	30,582.4	-324.6	-1.1
Trading portfolio	20,962.0	22,737.6	-1,775.6	-7.8
Provisions	319.0	342.7	-23.7	-6.9
Other liabilities	108.3	212.8	-104.5	-49.1
Equity	644.7	641.2	3.5	0.5
Total liabilities and equity	58,181.8	60,669.3	-2,487.5	-4.1
Contingent liabilities	5,900.3	6,610.1	-709.8	-10.7
Other obligations/loan commitments	2,150.8	3,058.3	-907.5	-29.7
Business volume	66,232.9	70,337.7	-4,104.8	-5.8

Loans and advances to banks increased by EUR 1.2 billion as of 31 March 2017 compared with year-end 2016. The increase was mainly the result of a higher volume of time deposits.

The decline in loans and advances to customers of around EUR 0.4 billion is mostly attributable to principal repayments in the traditional lending business.

Trading assets and liabilities declined by EUR 2.2 billion and EUR 1.8 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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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

	31/3/2017	31/12/2016	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	8,451.9	7,262.5	1,189.4	16.4
Loans and advances to customers	13,725.5	14,076.4	-350.9	-2.5
Contingent liabilities	5,900.3	6,610.1	-709.8	-10.7
Other obligations/loan commitments	2,150.8	3,058.3	-907.5	-29.7
Lending business	30,228.5	31,007.3	-778.8	-2.5

Summary of the business situation

The realisation of a net profit in the first quarter of 2017 is attributable not least to reduced administrative expenses and to stable income despite a declining portfolio.

The asset position of the EAA is in good order. Its equity as of 31 March 2017 amounts to EUR 644.7 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 falling below 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 recommendation by the Risk Committee, the Supervisory Board will decide on the principles relating to risk assumption contained in the risk strategy.

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

The Risk Controlling department is responsible for the independent monitoring and communication of the EAA's risks. Its tasks include:

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

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 comprises the lending authority. It is also responsible for credit risk steering and credit risk controlling, and is supported by the Controlling & Planning department. The Risk Controlling and Credit Risk Management departments monitor and analyse risk exposures as well as the utilisation of the limits. They also take measures to reduce risks as necessary.

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

Risk reporting

Risks can be controlled and monitored in a sustainable manner only if they are transparent, and the underlying analysis results are prepared and communicated in a manner that is conducive to decision-making processes. Accordingly, risk reporting is among the key tasks of the Risk Controlling department, which fulfils this responsibility together with the Controlling & Planning department. The FMSA, the responsible committees, the Managing Board, the Supervisory Board and its committees are informed on a regular basis of any and all devel-

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opments that might have an impact on the institution's risk or earnings situation. Risk reporting is a component of the monthly wind-up report and the quarterly risk report.

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

Credit risks

Credit risks – banking book

The 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 1.6 billion to EUR 28.1 billion in the first quarter 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 result.

Breakdown of notional volume by internal rating category¹

	31/3/2017 EUR billion	31/12/2016 EUR billion
A0-A2	0.7	0.7
A3-A5	9.0	10.5
B1-B3	1.0	0.9
B4-B5	2.9	3.2
C1-C2	5.8	5.3
C3-C5	2.5	2.6
D1-D3	0.9	1.0
D4-E	3.1	3.3
S.R. ²	1.3	2.0
N.R. ³	1.0	0.3
Total	28.1	29.7

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

² Special rating pursuant to the not-rated concept.

³ Not rated.

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

The quality of the banking book portfolio is reflected by an investment grade rating share (rating categories A0-C2) of around 69% (31 December 2016: 69%). About 35% (31 December 2016: 38%) of the notional volume has a very good rating (A0-A5) and around 34% (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.

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The EAA continues to aim for a portfolio reduction across all rating categories. The EUR 1.5 billion reduction in the A3-A5 rating category is largely due to principal repayments of EUR 0.7 billion for Phoenix notes in this rating category and to the structural resolution of the Carnuntum notes. The securities remaining in the portfolio following the resolution of the Carnuntum structure are assigned to the N.R. rating category. This results in a shift from rating category A3-A5 to rating category N.R.

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

INTERNAL EAA	EXTERNAL			
	Moody's	S&P	Fitch	
A0	Aaa	AAA	AAA	Investment grade
A1	Aaa	AAA	AAA	
A2	Aa1	AA+	AA+	
A3	Aa2	AA	AA	
A4	Aa3	AA-	AA-	
A5	A1	A+	A+	
B1	A1	A+	A+	
B2	A2	A	A	
B3	A3	A-	A-	
B4	Baa1	BBB+	BBB+	
B5	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^{1,2}

	31/3/2017 in %	31/12/2016 in %
Structured Securities	40.0	40.0
Public Finance	20.3	19.5
Energy	11.5	11.3
Asset Securitisation	5.6	5.3
Infrastructure - Project Finance	4.4	4.3
Other	18.2	19.6
Total	100.0	100.0

¹ 31 March 2017 = EUR 28.1 billion; 31 December 2016 = EUR 29.7 billion.

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

Please note: The cluster structure was modified as of 31 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 40.0%, consists of four sub-portfolios: Phoenix (65.3% – please refer to "Phoenix" section for further details), ABS liquidity portfolio (21.8%), EUSS (11.5%) and ABS (1.4%).

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

	31/3/2017 EUR billion	31/12/2016 EUR billion
<= 6 M	1.6	1.1
> 6 M <= 1 Y	4.3	1.9
> 1 Y <= 5 Y	6.1	10.3
> 5 Y <= 10 Y	6.4	6.4
> 10 Y <= 20 Y	5.9	5.9
> 20 Y	3.8	4.1
Total	28.1	29.7

¹ For Phoenix: expected repayment profile.

² 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 of six months to one year relate in particular to the expected partial repayments of the Phoenix portfolio.

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

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Breakdown of notional volume by region¹

	31/3/2017 EUR billion	31/12/2016 EUR billion
Americas ²	13.0	13.8
EMEA	11.1	11.8
Germany	3.6	3.7
APAC	0.4	0.4
Total	28.1	29.7

¹ 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.

² Contains EUR 3.6 billion for the Phoenix B note guaranteed by the State of NRW.

The regional breakdown of the notional volume has hardly changed compared with 31 December 2016. Approximately 46% of the notional volume is attributed to the Americas region (31 December 2016: 47%). Repayments in particular led to a decline of EUR 0.8 billion, with most of the decrease occurring in the Structured Securities cluster (primarily Phoenix).

About 40% 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 ad hoc and regular performance of an impairment test (a test to determine whether a loan or advance is non-performing or at risk of non-performance). The assessment of a possible need for a risk provision takes into account collateral values, company valuations, discounted cash flow analysis or observable market prices. It is reviewed on a regular basis.

Result of risk provisions

	Provisions for loan losses EUR million	Charge-offs EUR million	Net change in loan loss provision EUR million	Other exp./inc. due to risk EUR million	Total allow. losses EUR million
Acute counterparty default risk	20.9	39.7	18.8	0.8	19.6
Credit risk	20.9	39.7	18.8	0.8	19.6
Other risk	-	-	-	-	-
Contingent counterparty default risk	9.5	-	-9.5	-	-9.5
Total	30.4	39.7	9.3	0.8	10.1

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Special banking book issues

Phoenix

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

The predominant part of the securitised Phoenix portfolio is denominated in US dollars and represents US risks, primarily in the real estate market.

Phoenix notes capital structure

Tranche	Amount as of 31/3/2017 in million		S&P rating	Legal maturity	Expected maturity in years
Class A3	2,010.3	USD	BBB+	9/2/2091	3.41
	529.0	EUR	BBB+	9/2/2091	1.89
Class A4	1,909.0	USD	B+	9/2/2091	7.98
	180.9	EUR	B+	9/2/2091	7.98
Class B	3,566.6	EUR	N.R.	9/2/2091	1.01

Repayments in the reporting period amounting to EUR 0.7 billion resulted in a decrease of the notional volume reported in euros to EUR 7.3 billion as of 31 March 2017 (at constant exchange rates as of 31 December 2011).

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

Rating breakdown by internal rating category for Phoenix notes¹

	31/3/2017 EUR billion	31/12/2016 EUR billion
A0-A2	-	-
A3-A5	5.6	6.3
B1-B3	-	-
B4-B5	-	-
C1-C2	1.7	1.7
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
Total	7.3	8.0

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

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

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

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 31 March 2017 totals a notional amount of EUR 5.7 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 3.7 billion of this amount is attributable to Cyprus, Ireland, Italy, Portugal, Slovenia, Spain and the UK. Further information can be found in the section "Exposures to selected EU member states".

Securities account for 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 81%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from European countries outside the eurozone, Africa and the Middle East (12%), North and South America (6%), and Asia and Australia (1%).

Credit risks – trading portfolio

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

Trading portfolio issuer risks from securities are calculated using the mark-to-market approach, while those in the banking book are determined based on book values. A distinction is made between collateralised and uncollateralised counterparties in order to determine the replacement risks (pre-settlement risks) from derivatives. The market value plus a regulatory premium is used as the replacement risk for non-collateralised counterparties. For collateralised counterparties, the market value, collateral and a premium based on Value at Risk (VaR) are calculated as the replacement risk. Settlement risks are determined using the payment due per value date. Credit risks from trading transactions are compared with the corresponding credit limits on a daily basis. Risk-mitigating measures (such as close-out netting [offsetting] and collateral in the OTC derivatives business) are used whenever possible. Active hedging of risk exposures takes place only with counterparties where corresponding master agreements are in place.

OTC derivative counterparty default risks are assessed independently from the front office using credit valuation adjustments (CVA). When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. The CVA in the trading portfolio amounted to EUR 35.3 million as of 31 March 2017 (31 December 2016: EUR 37.8 million). The EUR 2.5 million decrease in CVA is attributable to

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market fluctuations (EUR -2.8 million), novations (EUR -1.1 million) and changes in credit spreads (EUR -0.2 million). This was offset by EUR +1.6 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.

	31/3/2017 Exposure EUR million	31/3/2017 Limit EUR million	31/12/2016 Exposure EUR million	31/12/2016 Limit EUR million
Credit risk - money market positions ¹	3,700.7	5,695.5	2,609.7	5,563.4
Counterparty risk - OTC derivatives (pre-settlement risk)	645.6	3,462.0	621.3	3,692.0
Counterparty risk - repos	5.1	759.0	-	759.0

¹ 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 31 March 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). As of 31 March 2017, virtually no securities eligible for GC Pooling above the Bundesbank rate were available on the market. It was therefore financially more advantageous to park excess liquidity with the Bundesbank (or to increase money market transactions) than to engage in repo transactions.

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.

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	< 1 Y	1-4 Y	4-8 Y	8-15 Y	> 15 Y	Total exposure
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Public Finance	383.4	1,076.0	1,056.7	1,256.2	1,537.0	5,309.3
Financial Institutions	74.1	645.3	154.6	27.0	-	901.0
Other securities	-	21.1	169.6	830.2	2,419.6	3,440.5
Total 31/3/2017	457.5	1,742.4	1,380.9	2,113.4	3,956.6	9,650.8
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 about EUR 5.3 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, mainly student loans.

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

Participation risks

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

Of the total portfolio of the EAA Group, a notional volume of EUR 3.0 billion (10.7%) is held by subsidiaries, mainly consisting of EAA CBB with EUR 1.5 billion (49.2%), Erste EAA-Beteiligungs GmbH with EUR 1.3 billion (42.5%) and Dritte EAA Anstalt & Co. KG with EUR 0.3 billion (8.3%).

The notional volume of EAA CBB decreased during the first quarter of 2017 by EUR 31 million. As part of the liquidation of EAA KK, all loan exposures were transferred in January 2017 by means of a sale to the EAA. EAA CBB and EAA KK are included in the risk management and business management of the EAA. These participations are subject to monitoring by the EAA and the EAA's approved internal limit system. Representatives of the EAA exercise non-managerial control functions as members of the governing bodies and committees of EAA CBB.

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

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

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Ownership of EFS was transferred to the EAA at the end of March 2016 ("share deal"). This transaction ensures that going forward the EAA will continue to have at its disposal all of the services it needs to continue with the wind-up of the 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 for the EAA. Compared with alternative scenarios – such as the selection of a new service provider and the migration of large quantities of data to the new provider's systems – the acquisition of EFS was the most favourable solution from a commercial perspective for the EAA and all of its stakeholders.

The EAA has included the transaction in the wind-up planning from 2016 and beyond, and it will not result in any adverse consequences for the wind-up result. The State of NRW, the sole shareholder of Portigon and a stakeholder of the EAA, has reached an agreement with the other EAA stakeholders setting out the framework conditions for the transfer of EFS shares. The agreement ensures in particular that none of the participating parties will suffer a shift of liabilities as a result of the transfer of EFS to the EAA. The provisions set out in the contract on the restructuring of the former WestLB will therefore continue to apply. The EAA will manage EFS as a legally independent company and instruct its management with regard to the implementation of the restructuring measures that are already underway. In addition, the EAA will continue to regularly monitor to what extent organisational adjustments are necessary and possible to reflect the declining volume of the portfolio. The objective is to focus EFS rigorously on the requirements of the EAA in order to achieve an efficient wind-up of the EAA's assets in a value-preserving manner.

On 30 December 2016, the EAA signed an agreement with Mount Street Group, London, to sell EPA. Because EPA, as a financial service provider, is regulated by BaFin and the Bundesbank, the change of ownership is expected to take place in the second quarter of 2017 following approval by these authorities. EPA's portfolio management activities tailored to the needs of the EAA will continue to be carried out at its offices in Düsseldorf, London, Madrid and New York. The basis for this is a servicing agreement. The purchaser, Mount Street, has many years' experience in servicing international portfolios and specialises in the real estate sector and structured loans.

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

Exposures to selected EU member states

The banking book exposure of the EAA and its subsidiaries to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia, Spain and the UK totals EUR 6.8 billion as of 31 March 2017. This exposure has been reduced by EUR 0.4 billion since the beginning of 2017. The decline is mostly attributable to the UK (EUR 0.2 billion), Italy (EUR 0.1 billion) and Spain (EUR 0.1 billion).

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

Country ¹	Debtor group	31/3/2017 Notional in EUR million ^{2,3}	31/12/2016 Notional in EUR million ^{2,3}
Greece	Corporates	51.8	82.9
	Financial Institutions	-	0.0
Σ Greece		51.8	82.9
UK	Corporates	914.3	1,105.2
	Financial Institutions	35.9	82.3
	Public Finance	136.8	136.7
Σ UK		1,086.9	1,324.1
Ireland	Corporates	26.7	9.4
	Financial Institutions	0.2	0.1
	Public Finance	115.0	115.0
Σ Ireland		141.9	124.5
Italy	Corporates	690.0	673.7
	Financial Institutions	30.0	101.0
	Public Finance	1,749.8	1,772.4
Σ Italy		2,469.9	2,547.0
Portugal	Corporates	18.0	18.0
	Financial Institutions	11.2	11.2
	Public Finance	855.1	855.8
Σ Portugal		884.4	885.1
Slovenia	Public Finance	40.0	40.0
Σ Slovenia		40.0	40.0
Spain	Corporates	740.4	750.7
	Financial Institutions	535.9	575.9
	Public Finance	784.0	784.0
Σ Spain		2,060.3	2,110.7
Cyprus	Corporates	70.3	51.8
Σ Cyprus		70.3	51.8
Total⁴		6,805.4	7,166.0
of which	Corporates	2,511.6	2,691.7
of which	Financial Institutions	613.2	770.5
of which	Public Finance	3,680.7	3,703.9

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

² Based on current exchange rates.

³ Presentation of the notional volume, including hedges (net).

⁴ Of which EAA subsidiaries: EUR 881.7 million (31 December 2016: EUR 954.1 million).

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

Product ¹	Value ²	Country ³	31/3/2017 EUR million ^{4,5}	31/12/2016 EUR million ^{4,5}
Decomposed CDS	EaD	UK	-	0.0
		Italy	-	0.0
		Portugal	-	0.0
		Spain	-	0.0
Σ Decomposed CDS			-	0.0
Other derivatives and ALM	MtM	UK	481.7	469.4
		Ireland	0.0	-
		Italy	326.2	317.9
		Spain	436.6	235.7
		Cyprus	-	19.6
Σ Other derivatives and ALM			1,244.5	1,042.6
Other	Notional	UK	31.0	24.3
Σ Other⁶			31.0	24.3

¹ CDS = credit default swaps; ALM = asset liability management (ALM cluster as part of the banking book is identified here as in the internal view and not as a banking book exposure); Derivatives = replacement risks from OTC derivatives and from CDS; Decomposed CDS = CDS positions that do not relate to an individual underlying but to a portfolio of underlying individual transactions such as a basket of reference debtors.

² EaD = exposure at default; MtM = mark to market.

³ Economic view may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).

⁴ Based on current exchange rates.

⁵ Presentation of the notional volume, including hedges (net).

⁶ Includes mainly the HSBC nostro portfolios.

Market price risks

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

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.

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

Interest rate risk (EAA Group)

	31/3/2017 EUR thousand	31/12/2016 EUR thousand
< 1 Y	65.8	-3.1
1-4 Y	54.4	0.3
4-8 Y	14.8	25.9
8-15 Y	-35.3	-70.5
> 15 Y	-55.4	-22.4
Total	44.3	-69.8

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 44.3 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)

	31/3/2017 EUR thousand	31/12/2016 EUR thousand
AUD	1,777.0	1,040.3
CHF	-1,284.5	472.2
GBP	1,119.4	1,327.6
JPY	3,670.5	3,218.7
PLN	-1,660.4	-1,491.7
SGD	1,136.3	1,120.5
USD	-3,144.8	6,384.1
Other	13,738.3	13,180.5
Total	15,351.8	25,252.2

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

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

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

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

The relevant market price risk exposures are continuously subjected to backtesting. This involves comparing on a daily basis the actual market value changes (hypothetical income statement) to the possible market value changes forecast by the VaR model. There 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

	31/3/2017 EUR thousand	31/12/2016 EUR thousand
EAA Trading	735.1	689.1
Muni GIC Portfolio	569.3	585.9
Interest Rate Exotics	311.4	233.5
Interest Rate Flow	202.0	211.7
Interest Rate Options	116.4	89.6
Foreign Exchange Options and Hybrids	81.9	139.7
Credit and Equities	6.9	6.3

As of 31 March 2017 the VaR for the trading portfolio rose to EUR 735.1 thousand due to market movements and hedging activities (31 December 2016: EUR 689.1 thousand).

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Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

All stress scenarios demonstrated a viable liquidity situation as of 31 March 2017. The liquidity reserve consists of collateralised liquidity (the portfolio's securities holdings which are highly likely to be eligible for bilateral repo transactions) and short-term investments. Liquidity reserve was always higher than the liquidity requirement during the reporting period. The liquidity reserve was around EUR 4.9 billion when the stress test was performed at month-end March 2017.

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 American life insurance policies under so-called life settlement engagements. The payouts from these policies flow to the EAA when the insured individual dies. These engagements are bundled in subsidiaries of Erste EAA-Beteiligungs GmbH.

Longevity risk is the risk that insured persons live longer than originally calculated. In this respect, the insurance premiums must be paid longer than forecast. Changes to the assessment of the longevity risks are due to misjudgements made when the insurance policies were originally purchased by Portigon as well as to 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.

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.

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The EAA regularly monitors not only the present value of the expected cash flows (premiums, death benefits and service fees) from the policies but also the so-called net present value of Erste EAA-Beteiligungs GmbH. Besides the present value of the expected cash flows, this indicator takes into account the outstanding funding and cash on hand, making it possible to measure performance over time for the entire life settlement portfolio. Under the profit and loss transfer agreement between the EAA and Erste EAA-Beteiligungs GmbH, the loss of USD 80.1 million for fiscal year 2016 was not yet offset by the EAA without affecting the cash position by the end of the first quarter of 2017. As of the reporting date of 31 March 2017, the net present value (after taking into account the transfer of profit and loss) had increased by USD 37.3 million to USD 45.0 million (31 December 2016: USD 7.7 million). The increase is largely due to new or subsequent notification of deaths.

Operational risks

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

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

The EAA has outsourced key business processes to EFS and EPA. In the past the EAA received services from Portigon as well. Given the expected return of Portigon's banking licence in connection with the implementation of the restructuring ordered by the European Commission, the EAA undertook significant projects last year in order to unbundle itself from Portigon.

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

The EAA has established a service provider management system to monitor the interface between the subsidiaries and other service providers and the EAA – as the recipient of services – in terms of the content, form and quality of the services. Using a continuous and timely 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.

There were no elevated risks in 2017, and the quality of the services rendered during the period was fundamentally stable in accordance with the service agreement.

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Other risks

Reputational risks

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

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

Legal risks

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

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

Starting in April 2010 the authorities in the US and at the EU level (particularly BaFin) have investigated 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 taking any measures against Portigon. A number of investment banks active in the US were also sued in the US in various class action lawsuits due to alleged manipulative actions. These class actions have been repeatedly rejected with respect to Portigon. Whether the plaintiffs will appeal again is uncertain since a favourable judgement for them appears to be very unlikely. The EAA has no reason to doubt Portigon's claims that there are no indications of any misconduct.

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

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Tax risks

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

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

Summary of the risk situation

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

To that end in particular, wind-up agencies in accordance with section 8a FMStFG are exempt from 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 wind-up of the portfolio. To that end, the wind-up result and any deviations from the wind-up plan are continually monitored and compared against the plan (see also the "Wind-up report" section).

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. 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.

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

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

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

Opportunities report

The economic recovery in the eurozone will continue this year. Nonetheless, the average pace of growth is still considerably below the levels seen before the global financial crisis. Italy is likely to report rising economic performance again in 2017. Its growth, however, is set to be below average for the eurozone. Other former crisis-hit countries such as Spain or Ireland are once again among the fastest-growing economies in the eurozone in 2017 and 2018. The economic recovery benefits the valuations of euro government bonds as well as other financial products of the eurozone periphery. The process is not limited to listed products only; it also affects other segments of the euro credit markets such as promissory note loans, traditional loans and project financing. The EAA's portfolios benefit from this normalisation process because the further "pricing out" of an additional country risk premium means that prices will recover considerably. Going forward, this process will probably continue to bolster financial markets in the future too.

The ECB's OMT programme and its purchases have created new confidence in the euro periphery. At the same time, the euro crisis was a key catalyst for the region. Structural problems in Spain and Portugal, such as rigid labour and product markets, a retirement age that is too low and an inadequate export mix, have been resolved, thereby increasing competitiveness. The combination of these developments enables the euro periphery states to finance their debt servicing and new borrowing. If nothing else, this has led to a marked recovery in the value of the securities issued by these countries and the companies established there.

Besides exposures to the euro periphery, the EAA also has significant exposures in the US. US property prices in particular have largely recovered in the course of the economic development and are now only about 9% 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).

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Forecast report

Active measures and contractual maturities are expected to reduce the notional volume of the banking book by around 13% to about EUR 26 billion in 2017.

The EAA's objective is to wind up around 82% 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 EAA's 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 12% to about EUR 228 billion compared with the previous year. The EAA continues to target a more than 81% reduction in the notional volume by the end of 2018 since the transfer in 2012. The EAA will continue to analyse to what extent it is possible to accelerate the reduction of the transferred trading portfolios in an effective and cost-efficient manner.

Net interest and net fee and commission income will fall during the 2017 fiscal year in line with the reduced portfolio and likely amount to EUR 162 million (including dividend income). A forecast for the trading result and for the result of risk provisions is difficult due to the imponderables with respect to developments on the global financial markets and other markets. The EAA is sticking with its strategy of winding up in a manner that preserves value. Losses cannot be ruled out in the next few fiscal years 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 once 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. Independent 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.

The eurozone economy appears to be improving further owing to the interventions of the ECB (purchase programme for government bonds, covered bonds, securitisations and corporate bonds). France and Italy are also reporting rising growth rates. It is nonetheless the case that, in comparison to previous recovery phases, the current economic recovery is proceeding very slowly. An attempt to overcome a debt crisis through austerity measures will take a very long time. These efforts are even more difficult when, in addition to the public sector, private households and the corporate sector must likewise make cut-backs in order to reduce excessive debt. The elections in Germany and France may impact on the economic recovery. The adverse impact of the financial and debt crisis for citizens (higher unemployment and taxes as well as stagnating or falling wages) has boosted the influence on the electorate exerted by some populist parties with anti-EU and anti-euro agendas. The populist

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parties may therefore wield greater influence on the political process in the future. Furthermore, the new governments in Portugal and Spain do not necessarily appear inclined to continue with the successful reform policies of recent years. These reforms were an important factor behind the recovery of the Portuguese and Spanish economies.

Nevertheless, the EAA's objectives are bolstered by economic trends. The ECB's programme to purchase eurozone government bonds should have a particularly positive impact on the EAA's portfolios. The combination of 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 will additionally radiate out to other segments. This seems likely because in today's environment of low interest rates and yields, investors are looking for investment alternatives.

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. In the coming years the EAA will optimise its structures on an ongoing basis.

BALANCE SHEET

Balance sheet

Assets

	Notes	EUR	EUR	31/3/2017 EUR	31/12/2016 EUR
1. Cash reserve					
a) Balances with central banks			1,545,186,274		(1,696,544,165)
of which:					
with Deutsche Bundesbank					
EUR 1,545,186,274 (py: EUR 1,696,544,165)				1,545,186,274	1,696,544,165
2. Loans and advances to banks	4, 29				
a) Payable on demand			4,655,194,164		(4,328,984,532)
b) Other loans and advances			3,796,685,191		(2,933,556,878)
				8,451,879,355	7,262,541,410
3. Loans and advances to customers	5, 6, 15, 29			13,725,474,264	14,076,435,205
of which:					
secured by mortgage charges					
EUR 265,243,118 (py: EUR 274,699,385)					
Public-sector loans					
EUR 1,288,121,053 (py: EUR 1,288,200,852)					
4. Bonds and other fixed-income securities	7, 16, 29				
a) Bonds issued by					
aa) public issuers		2,113,380,113			(2,145,836,799)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 1,910,457,135 (py: EUR 1,914,722,558)					
ab) other issuers		9,713,539,886			(10,702,207,986)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 1,016,201,953 (py: EUR 1,248,846,030)					
			11,826,919,999		(12,848,044,785)
b) Own bonds					
notional value:					
EUR 50,781,000 (py: EUR 50,751,000)			51,060,478		(52,278,609)
				11,877,980,477	12,900,323,394
5. Equities and other non-fixed-income securities	8			2	2
5a. Trading portfolio	9			21,544,886,452	23,750,386,362

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BALANCE SHEET

	Notes	EUR	EUR	31/3/2017 EUR	31/12/2016 EUR
6. Long-term equity investments	10			60,525,278	65,719,209
of which:					
in banks					
EUR 12,421,102 (py: EUR 12,421,102)					
7. Shares in affiliates	11			794,419,843	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 and values such as licences in such rights			4,303,013		(4,413,903)
				4,303,013	4,413,903
10. Tangible fixed assets				262,759	273,803
11. Other assets	13			123,387,695	66,061,566
12. Prepaid expenses/accrued income	14			53,492,682	48,226,705
Total assets				58,181,823,212	60,669,269,086

ERSTE ABWICKLUNGSANSTALT
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BALANCE SHEET

Liabilities and equity

	Notes	EUR	EUR	31/3/2017 EUR	31/12/2016 EUR
1. Deposits from banks	14, 17				
a) Payable on demand			1,856,804,005		(2,244,426,131)
b) With an agreed maturity or withdrawal notice			544,782,910		(521,875,443)
				2,401,586,915	2,766,301,574
2. Deposits from customers	14, 18				
other deposits					
a) Payable on demand			274,625,503		(135,106,811)
b) With an agreed maturity or withdrawal notice			3,213,739,197		(3,251,147,389)
				3,488,364,700	3,386,254,200
3. Debt securities in issue	14, 19				
a) Bonds			15,848,810,793		(16,551,269,139)
b) Other debt securities in issue			14,409,030,332		(14,031,089,669)
of which:					
money market instruments					
EUR 14,409,030,332 (py: EUR 14,031,089,669)					
				30,257,841,125	30,582,358,808
3a. Trading portfolio	20			20,962,024,389	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			84,547,022	190,450,788
6. Accruals/deferred income	23			23,723,054	22,438,331
7. Provisions	24				
a) Tax provisions			2,262,828		(0)
b) Other provisions			316,727,620		(342,659,598)
				318,990,448	342,659,598

ERSTE ABWICKLUNGSANSTALT
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BALANCE SHEET

	Notes	EUR	EUR	31/3/2017 EUR	31/12/2016 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			-2,371,448,181		(-2,375,005,466)
				644,720,441	641,163,156
Total liabilities and equity				58,181,823,212	60,669,269,086
1. Contingent liabilities	26				
a) Liabilities from guarantees and warranties			5,900,317,366		(6,610,052,169)
				5,900,317,366	6,610,052,169
2. Other obligations	26				
a) Irrevocable loan commitments			2,150,789,644		(3,058,261,529)
				2,150,789,644	3,058,261,529

INCOME STATEMENT

Income statement

	Notes	EUR	EUR	1/1 - 31/3/2017 EUR	1/1 - 31/3/2016 EUR
1. Interest income from	27				
a) Lending and money market transactions		78,875,036			(81,938,338)
b) Fixed-income securities and debt register claims		49,551,421			(52,867,767)
			128,426,457		(134,806,105)
2. Interest expense			96,731,961		(101,227,192)
				31,694,496	33,578,913
3. Current income from	27				
a) Equities and other non-fixed-income securities			0		(25,409)
b) Long-term equity investments			486,229		(9,440,285)
c) Shares in affiliates			0		(1,757)
				486,229	9,467,451
4. Fee and commission income	27		4,512,247		(11,935,967)
5. Fee and commission expense			5,642,258		(5,869,387)
				-1,130,011	6,066,580
6. Net trading result	27			10,993,902	-14,359,303
7. Other operating income	27, 28			2,942,244	695,574
8. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		5,487,919			(5,051,388)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		738,370			(572,402)
of which:					
for pensions EUR 192,328 (py: EUR 169,912)					
			6,226,289		(5,623,790)
b) Other administrative expenses			37,286,951		(51,334,478)
				43,513,240	56,958,268

INCOME STATEMENT

	Notes	EUR	EUR	1/1 - 31/3/2017 EUR	1/1 - 31/3/2016 EUR
9. Depreciation and write-offs on intangible assets and tangible fixed assets				123,481	121,152
10. Other operating expenses	28			3,884,072	1,934,748
11. Depreciation and write-offs on claims and certain securities as well as additions to provisions in the lending business	24, 29			0	10,410,930
12. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	24, 29			9,577,606	0
13. Depreciation and write-offs on long-term equity investments, shares in affiliates and long-term securities	29			1,127,454	0
14. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	29			0	36,206,782
15. Expenses from loss assumption	29			14,346	0
16. Result from ordinary activities				5,901,873	2,230,899
17. Taxes on income and earnings	30			2,279,472	77,429
18. Other taxes not reported under item 11	30			65,116	34,079
19. Net profit for the year				3,557,285	2,119,391
20. Net retained losses brought forward				-2,375,005,466	-2,384,599,583
21. Net retained losses				-2,371,448,181	-2,382,480,192

CASH FLOW STATEMENT

Cash flow statement

		1/1 - 31/3/2017 EUR	1/1 - 31/3/2016 EUR
1. +/-	Result for the period	3,557,285	2,119,390
	Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities		
2. +/-	Allowances for losses on loans and advances and write-offs on certain securities, depreciation, amortisation on tangible fixed assets and long-term financial assets as well as the reversal thereof	-3,387,966	8,411,804
3. +/-	Increase/decrease in provisions	-23,669,150	-13,930,187
4. +/-	Other non-cash income/expense	249,859,657	170,534,492
5. +/-	Gain/loss on disposal of long-term financial assets	-2,474,922	-39,480,742
6. =	Subtotal	223,884,904	127,654,757
	Change in operating assets and liabilities		
7. +/-	Increase/decrease of loans and advances to banks (no trading portfolio)	-1,195,898,508	-2,996,224,755
8. +/-	Increase/decrease of loans and advances to customers (no trading portfolio)	377,432,530	486,739,573
9. +/-	Increase/decrease of securities (no financial assets and no trading portfolio)	1,005,110,399	1,985,021,152
10. +/-	Trading assets	168,029,586	65,048,790
11. +/-	Increase/decrease of other operating assets	-61,697,794	-2,463,584
12. +/-	Increase/decrease of deposits from banks (no trading portfolio)	-366,874,630	-212,018,485
13. +/-	Increase/decrease of deposits from customers (no trading portfolio)	86,852,229	187,886,811
14. +/-	Increase/decrease of debt securities in issue	-320,612,142	1,036,362,775
15. +/-	Trading liabilities	12,018,002	-77,311,293
16. +/-	Increase/decrease of other operating liabilities	-103,330,027	374,874,701
17. +/-	Interest expenses/interest income	-32,180,725	-43,046,363
18. +/-	Tax expenses/tax income	2,279,472	77,429
19. +	Interest payments and dividend payments received	126,848,381	133,577,010
20. -	Interest paid	-85,975,117	-111,141,583
21. +/-	Income tax payments	-1,706,944	-2,252,998
22. =	Cash flows from operating activities (sum of 6 to 21)	-165,820,384	952,783,937
23. +	Proceeds from disposal of long-term financial assets	13,015,199	57,483,511
24. -	Purchase of long-term financial assets	-5,300,196	-78,523,571
25. -	Purchase of tangible fixed assets	-1,546	0
26. -	Purchase of intangible assets	0	0
27. =	Cash flows from investing activities (sum of 23 to 26)	7,713,457	-21,040,060
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)	-158,106,927	931,743,877
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)	1,602,286,830	939,817,323

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 1/1/2017 EUR	Appropriation of the result EUR	Balance as of 31/3/2017 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	3,557,285	-2,371,448,181
Equity under HGB	641,163,156	3,557,285	644,720,441

	Balance as of 1/1/2016 EUR	Appropriation of the result EUR	Balance as of 31/3/2016 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,384,599,583	2,119,391	-2,382,480,192
Equity under HGB	631,569,039	2,119,391	633,688,430

CONDENSED NOTES

Condensed notes

For the period from 1 January to 31 March 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 German Financial Market Stabilisation Authority (Bundesanstalt für Finanzmarktstabilisierung – FMSA). It has its registered office in Düsseldorf. The EAA was set up by the FMSA on 11 December 2009, and entered into the commercial register of the District Court of Düsseldorf (HRA 20869) on 23 December 2009.

The EAA is winding up the risk exposures and non-strategic business units transferred from the former WestLB and its domestic and foreign subsidiaries (transferred assets). When 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 methods. The method that was chosen in each case was based on the respective domestic, legal, supervisory and tax provisions. There is an ongoing process of legally and fully transferring exposures from Portigon's balance sheet to the balance sheet of the EAA where originally only the economic risk was transferred by way of guarantee without a legal transfer of the exposures themselves. For further information on the transfer methods, please refer to the "Operating activities of the EAA" section in the 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 (Kreditwesengesetz – KWG), nor does it carry out activities requiring a permit for the purposes of EU Directive 2006/48/EC dated 14 June 2006. It is subject to regulation by the FMSA. The EAA is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) with regard to those provisions of banking law that are applicable to the EAA.

2. Preparation of the interim financial statements

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

CONDENSED NOTES

comply with the requirements of DRS 16 as updated with German Accounting Amendment Standard No. 7 (half-year financial reporting).

The information contained in this interim report should be read in conjunction with the disclosures contained in the published and audited financial statements for the fiscal year from 1 January to 31 December 2016. All facts were considered up to the time these interim financial statements were prepared.

3. Accounting and valuation principles

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

The assumptions and estimates required, in particular in connection with illiquid portfolios, are based on subjective management judgement and are subject to forecast uncertainties. Even if 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

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	8,451.9	7,262.5
of which:		
- to affiliates	541.8	742.4
Payable on demand due	4,655.2	4,329.0
- within 3 months	3,107.9	2,868.5
- 3 months to 1 year	649.9	10.0
- 1 to 5 years	15.5	31.1
- after 5 years	23.4	23.9

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

CONDENSED NOTES

5. Loans and advances to customers

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	13,725.5	14,076.4
of which:		
- to affiliates	1,701.6	1,778.0
- to long-term equity investments	9.7	9.7
due		
- within 3 months	1,703.0	1,731.1
- 3 months to 1 year	2,046.0	2,233.8
- 1 to 5 years	2,483.5	2,628.9
- after 5 years	7,493.0	7,482.6

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

6. Loans and advances secured by mortgages

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	265.2	274.6
Loans and advances to customers due		
- within 3 months	4.9	5.4
- 3 months to 1 year	6.0	7.1
- 1 to 5 years	32.4	34.4
- after 5 years	221.9	227.7

CONDENSED NOTES

7. Bonds and other fixed-income securities

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	11,878.0	12,900.3
of which:		
Amounts due in the following year	800.5	553.1
Breakdown		
- Bonds issued by public issuers	2,113.4	2,145.8
- Bonds issued by other issuers	9,713.5	10,702.2
- Own bonds	51.1	52.3
Breakdown by marketability		
- Marketable securities	11,878.0	12,900.3
of which:		
- listed	3,742.7	3,905.5
- unlisted	8,135.3	8,994.8
Breakdown by type		
- Liquidity reserve	69.7	159.1
- Investment securities	11,808.3	12,741.2

The bonds and other fixed-income securities in the amount of EUR 11.8 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 8.9 billion (previous year: EUR 9.9 billion) were recognised above their fair value of EUR 8.5 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 0.4 billion is primarily attributable to structured loan products.

Of the aforementioned financial assets with a book value of EUR 8.9 billion, EUR 0.5 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 8.4 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 1.88 as of 31 March 2017 (previous year: EUR 1.90).

CONDENSED NOTES

9. Trading portfolio

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	21,544.9	23,750.4
of which:		
- Derivative financial instruments	21,545.3	23,750.6
- Equities and other non-fixed-income securities	1.9	2.0
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-2.3	-2.2

10. Long-term equity investments

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	60.5	65.7
of which:		
- in banks	12.4	12.4
Breakdown by marketability		
- Marketable securities	15.0	18.5
of which:		
- listed	3.8	7.2
- unlisted	11.2	11.2

11. Shares in affiliates

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	794.4	798.3
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

CONDENSED NOTES

12. Trust assets

The EAA's trust assets as of 31 March 2017 comprise loans and advances to customers amounting to EUR 25.1 thousand (previous year: EUR 25.6 thousand).

13. Other assets

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	123.4	66.1
of which:		
- Currency translation adjustments	59.0	-
- Tax refund claims	42.0	42.7
- Receivables from profit and loss pooling agreements	18.6	18.6
- Guarantee fees and commissions	3.6	4.7

The guarantee fees and commissions included in other assets consist of receivables from Portigon totalling EUR 3.4 million (previous year: EUR 4.4 million).

14. Prepaid expenses/accrued income

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	53.5	48.2
of which:		
- Non-recurring payments on swaps	34.1	36.3
- Discounts from issuing business	8.9	7.7
- Discounts from liabilities	2.9	3.4
- Other	7.6	0.8

15. Subordinated assets

Subordinated assets are included in:

	31/3/2017 EUR million	31/12/2016 EUR million
Loans and advances to customers	761.8	781.9
of which:		
- to affiliates	349.1	366.0

CONDENSED NOTES

16. Assets sold under repurchase agreements

The carrying amount of the assets sold under repurchase agreements is EUR 26.4 million (previous year: EUR 0.0 million).

17. Deposits from banks

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	2,401.6	2,766.3
of which:		
- Deposits from affiliates	9.9	20.5
Payable on demand	1,856.8	2,244.4
due		
- within 3 months	142.0	134.5
- 3 months to 1 year	44.6	26.2
- 1 to 5 years	202.2	207.2
- after 5 years	156.0	154.0

18. Deposits from customers

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	3,488.4	3,386.3
of which:		
- Deposits from affiliates	161.7	16.7
Other deposits	3,488.4	3,386.3
of which:		
- payable on demand	274.6	135.1
due		
- within 3 months	580.8	287.9
- 3 months to 1 year	617.8	901.2
- 1 to 5 years	628.8	671.4
- after 5 years	1,386.4	1,390.7

CONDENSED NOTES

19. Debt securities in issue

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	30,257.8	30,582.4
Bonds	15,848.8	16,551.3
of which:		
Amounts due in the following year	9,656.6	6,665.7
Other debt securities in issue	14,409.0	14,031.1
of which due:		
- within 3 months	8,989.9	11,618.9
- 3 months to 1 year	5,419.1	2,412.2
- 1 to 5 years	-	-
- after 5 years	-	-

20. Trading portfolio

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	20,962.0	22,737.6
of which:		
- Derivative financial instruments	20,962.0	22,737.6

21. Trust liabilities

The EAA's trust liabilities as of 31 March 2017 comprise deposits from customers amounting to EUR 25.1 thousand (previous year: EUR 25.6 thousand).

CONDENSED NOTES

22. Other liabilities

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	84.5	190.5
of which:		
- Deposits from the assumption of losses	77.0	78.1
- Premiums from options	0.1	-
- Currency translation adjustments	-	106.6
- Other	7.4	5.8

Other liabilities mostly include unpaid invoices.

23. Accrued expenses/deferred income

	31/3/2017 EUR million	31/12/2016 EUR million
Carrying amount	23.7	22.4
of which:		
- Premium on issuing business	11.7	13.2
- Non-recurring payments on swaps	10.9	8.1
- Premiums for sold interest rate caps and floors	1.0	1.1
- Guarantee fees and commissions received in advance	0.1	-

24. Provisions

	Balance as of 31/12/2016 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 31/3/2017 EUR million
Taxes	-	2.3	-	-	-	-	2.3
Other provisions	342.7	16.2	0.4	21.5	9.1	-12.0	316.7
- Loans	174.2	-	-	10.1	2.4	-11.6	150.1
- Shareholdings	25.6	-	-	-	-	-0.4	25.2
- Legal actions	6.4	0.1	-	-	-	-	6.5
- Personnel	0.5	-	-	-	-	-	0.5
- Other	136.0	16.1	0.4	11.4	6.7	-	134.4
Total	342.7	18.5	0.4	21.5	9.1	-12.0	319.0

CONDENSED NOTES

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

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

25. Equity

The EAA's subscribed capital amounts to EUR 500,000 as of 31 March 2017.

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

Other reserves amount to EUR 2.4 million and originate from the reversal of provisions for which the book values were reduced as a result of the change in the valuation of obligations under the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).

Net profit for the first quarter of 2017 amounts to EUR 3.6 million and reduces net retained losses to EUR 2,371.4 million as of 31 March 2017.

26. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 5.9 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 these legacy WestImmo liabilities stood at EUR 3.4 billion as of 31 March 2017 (previous year: EUR 3.7 billion). This volume is constantly decreasing as a result of scheduled and unscheduled repayments. The EAA has also agreed on precautions with the Aareal Group that significantly reduce the likelihood of claims being asserted against the EAA. Firstly, it was decided that the Aareal Group would provide a liquidity facility to WestImmo, and secondly, a profit and loss transfer agreement was concluded between the Aareal Group and WestImmo.

The contingent liabilities include obligations from credit default swaps amounting to EUR 110.3 million (previous year: EUR 110.9 million). The EAA has no detailed knowledge of whether, when or to what extent these contingencies will materialise. A provision will be made as soon as there are sufficient concrete indications of probable losses resulting from a materialisation.

CONDENSED NOTES

Other obligations

The reported volume of EUR 2.2 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.

27. Geographical breakdown of income components

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

	Interest income 1/1 - 31/3/2017 EUR million	Current income 1/1 - 31/3/2017 EUR million	Fees and commission income 1/1 - 31/3/2017 EUR million	Net trading result 1/1 - 31/3/2017 EUR million	Other operating income 1/1 - 31/3/2017 EUR million
Germany	97.3	0.5	3.9	11.0	2.9
UK	19.7	-	0.3	-	-
Rest of Europe	3.7	-	0.3	-	-
Far East and Australia	0.3	-	-	-	-
North America	7.4	-	-	-	-
IS amount	128.4	0.5	4.5	11.0	2.9

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

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

28. Other operating and prior-period expenses and income

Net other operating expenses and income in the first quarter of 2017 amount to EUR -1.1 million (previous year: EUR -1.2 million) and consist of EUR 3.9 million (previous year: EUR 1.9 million) in expenses and EUR 2.8 million (previous year: EUR 0.7 million) in income.

There were no material prior-period expenses and income in either the first quarter 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 - 31/3/2017 EUR million	1/1 - 31/3/2016 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	8.5	25.8
Loans and securities income/expense	9.6	-10.4
of which: - Lending operations	9.6	-10.4
- Securities	-	-
Shareholdings and securities income/expenses	-1.1	36.2
of which: - Shareholdings	-1.3	27.2
- Securities	0.2	9.0
Expenses from loss assumption	-	-
Risk provision and financial investment result including loss assumption (pursuant to risk report)	8.5	25.8
Result of risk provisions - loans and advances/securities due to credit risk	10.1	-11.0
of which: - Lending operations	9.6	-14.2
- Structured securities	0.5	3.2
Results from financial assets, shareholdings and loss assumption	-1.6	36.8

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. Net income amounts to EUR 9.6 million (previous year: net expenses of EUR 10.4 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 expenses of EUR 1.1 million (previous year: income of EUR 36.2 million) as the risk result for shareholdings and securities.

30. Taxes

Taxes on income and earnings amounting to EUR 2.3 million (previous year: EUR 0.4 million) primarily relate to foreign taxes.

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

Cross-currency interest rate swaps, forward cross-currency interest rate swaps, forward exchange contracts and currency option contracts

△ **Equity- and other price-related products**

Share options, index options, share and index warrants in issue

△ **Credit derivatives**

Credit default swaps, total return swaps and credit-linked notes

The total volume of forward transactions and derivatives transactions as of the reporting date amounts to EUR 315.3 billion based on notional values (previous year: EUR 333.2 billion). The focus remains on interest-rate-related products, whose share stands at 86.6% (previous year: 86.2%) of the total volume.

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

CONDENSED NOTES

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	31/3/2017 EUR million	31/12/2016 EUR million	31/3/2017 EUR million	31/12/2016 EUR million	31/3/2017 EUR million	31/12/2016 EUR million
Interest rate-related products	272,870.4	287,259.8	20,942.9	22,604.9	21,663.4	23,335.8
OTC products	269,003.9	283,888.5	20,942.9	22,604.9	21,663.4	23,335.8
Exchange-traded products	3,866.5	3,371.3	-	-	-	-
Currency-related products	39,892.8	43,470.1	1,003.3	1,502.2	547.7	824.2
OTC products	39,892.8	43,470.1	1,003.3	1,502.2	547.7	824.2
Equity- and other price-related products	2,156.0	2,105.9	77.6	105.1	77.6	105.1
OTC products	2,156.0	2,105.9	77.6	105.1	77.6	105.1
Credit derivatives	351.6	366.2	1.9	2.5	2.2	3.6
OTC products	351.6	366.2	1.9	2.5	2.2	3.6
Total	315,270.8	333,202.0	22,025.7	24,214.7	22,290.9	24,268.7
OTC products	311,404.3	329,830.7	22,025.7	24,214.7	22,290.9	24,268.7
Exchange-traded products	3,866.5	3,371.3	-	-	-	-

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 324.2 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	
	31/3/2017 EUR million	31/12/2016 EUR million	31/3/2017 EUR million	31/12/2016 EUR million	31/3/2017 EUR million	31/12/2016 EUR million
Interest rate-related products	280,065.1	320,226.5	21,773.9	23,836.7	22,499.6	24,013.3
OTC products	276,446.2	317,401.0	21,773.9	23,836.7	22,499.6	24,013.3
Exchange-traded products	3,618.9	2,825.5	-	-	-	-
Currency-related products	41,681.4	59,537.3	1,252.7	1,976.3	685.9	1,344.1
OTC products	41,681.4	59,537.3	1,252.7	1,976.3	685.9	1,344.1
Equity- and other price-related products	2,131.0	4,507.4	91.3	186.6	91.3	223.7
OTC products	2,131.0	2,193.4	91.3	113.1	91.3	141.3
Exchange-traded products	-	2,314.0	-	73.5	-	82.4
Credit derivatives	358.9	1,377.7	2.3	7.7	2.9	9.3
OTC products	358.9	1,377.7	2.3	7.7	2.9	9.3
Total	324,236.4	385,648.9	23,120.2	26,007.3	23,279.7	25,590.4
OTC products	320,617.5	380,509.4	23,120.2	25,933.8	23,279.7	25,508.0
Exchange-traded products	3,618.9	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 and other liabilities.

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity- and other price-related products		Credit derivatives	
	31/3/2017 EUR million	31/12/2016 EUR million	31/3/2017 EUR million	31/12/2016 EUR million	31/3/2017 EUR million	31/12/2016 EUR million	31/3/2017 EUR million	31/12/2016 EUR million
Due								
- within 3 months	22,361.5	35,916.4	7,757.2	11,239.7	-	-	220.0	13.3
- 3 months to 1 year	46,151.0	35,334.1	8,129.9	4,668.2	-	-	31.0	251.0
- 1 to 5 years	89,337.7	97,939.0	13,982.3	17,160.2	2,156.0	2,105.9	80.0	80.0
- after 5 years	115,020.2	118,070.3	10,023.4	10,402.0	-	-	20.6	21.9
Total	272,870.4	287,259.8	39,892.8	43,470.1	2,156.0	2,105.9	351.6	366.2

CONDENSED NOTES

32. Number of employees

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

	Male	Female	Total 1/1 - 31/3/2017	Total 1/1 - 31/3/2016
Number of employees	99	80	179	145

As of 31 March 2017 the EAA employed 167 (31 March 2016: 137) full-time equivalents.

33. Stakeholders of the EAA

	31/3/2017 in %	31/12/2016 in %
State of NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
Total	100.000	100.000

34. Memberships of other bodies held by Managing Board members

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

Matthias Wargers

EAA Portfolio Advisers GmbH *
Erste Financial Services GmbH

Markus Bolder

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

Horst Küpker

Börse Düsseldorf AG *

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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 * (since 1 February 2017)
Erste Financial Services GmbH

Gabriele Müller

EAA Covered Bond Bank Plc
EAA Portfolio Advisers GmbH *

Hartmut Rahner

EAA Covered Bond Bank Plc

36. Executive bodies of the EAA

Members of the Managing Board of the EAA

Matthias Wargers (Spokesman)

Markus Bolder

Horst Küpker

Members of the Supervisory Board of the EAA

Dr Rüdiger Messal

Chairman | State Secretary in the Finance Ministry of NRW

Joachim Stapf

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

Günter Borgel

Member of the Executive Committee (Leitungsausschuss) of the FMSA

Michael Breuer

President of the Rheinischer Sparkassen- und Giroverband

Hans Buschmann

Deputy Association Director of the Rheinischer Sparkassen- und Giroverband

Rolf Einmahl

Lawyer,

Member of the Landschaftsversammlung of the Landschaftsverband Rheinland

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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 ¹³⁾	Düsseldorf	100.00		EUR	19	-6
2	ANC Handels GmbH & Co. KG ¹⁾	Mörfelden-Walldorf	1.00			n.s.	n.s.
3	APAX Europe V-C GmbH & Co. KG ^{1) 13)}	Munich	0.33	0.00	EUR	4	11
4	Börse Düsseldorf AG ⁹⁾	Düsseldorf	21.95		EUR	52,747	473
5	Castello di Casole Agricoltura S.r.l. società agricola ^{1) 13)}	Casole d'Elsa, Italy	100.00		EUR	38	-62
6	Castello di Casole S.r.l. ¹³⁾	Casole d'Elsa, Italy	100.00		EUR	-82	-2,390
7	Castello Resort Villas S.r.l. ¹³⁾	Casole d'Elsa, Italy	100.00		EUR	237	-154
8	CBAL S.A. ^{2) 11)}	Brussels, Belgium	100.00		EUR	1,753	448
9	CLS Group Holdings AG ⁹⁾	Lucerne, Switzerland	0.47		CHF	530,100	-1,633
10	COREplus Private Equity Partners GmbH & Co. KG ^{1) 9)}	Düsseldorf	36.52	0.00	EUR	12,767	-335
11	COREplus Private Equity Partners II - Diversified Fund, L. P. ⁹⁾	Wilmington, US	24.75	0.00	USD	38,194	3,961
12	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n.s.	n.s.
13	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n.s.	n.s.
14	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG ^{1) 9)}	Aschheim	91.36	90.98	EUR	3,134	2,975
15	Dritte EAA Anstalt & Co. KG ^{2) 9)}	Düsseldorf	100.00		EUR	246,108	-2,173
16	Düsseldorfer Börsenhaus GmbH ¹³⁾	Düsseldorf	5.00		EUR	815	47
17	Dusskapital Zwanzig Beteiligungsgesellschaft mbH ¹³⁾	Düsseldorf	100.00		EUR	34	1
18	EAA Charity LLP ^{1) 13)}	Wilmington, US	100.00		USD	7,705	9,159
19	EAA Covered Bond Bank Plc ^{13) 14)}	Dublin 1, Ireland	100.00		EUR	419,981	-23,057
20	EAA DLP I LLP ^{1) 13)}	Wilmington, US	100.00		USD	138,736	-5,343
21	EAA DLP II LLP ^{1) 13)}	Wilmington, US	100.00		USD	110,897	4,106
22	EAA DLP III LLP ^{1) 13)}	Wilmington, US	100.00		USD	166,828	5,528
23	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. ⁹⁾	Sao Paulo, Brazil	100.00		BRL	3,465	338
24	EAA Europa Holding GmbH ^{4) 13)}	Düsseldorf	100.00		EUR	5,731	0
25	EAA Greenwich LLP ^{1) 13)}	Wilmington, US	100.00		USD	160,660	-1,641

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Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
26	EAA Japan K.K. ^{3) 13)}	Tokyo, Japan	100.00		JPY	9,718	3,252
27	EAA LAT ABC LLP ^{1) 13)}	Wilmington, US	100.00		USD	193,580	-5,473
28	EAA LAT II LLP ^{1) 13)}	Wilmington, US	100.00		USD	216,848	-18,254
29	EAA LS Holdings LLC ^{1) 13)}	Wilmington, US	100.00		USD	141	n.s.
30	EAA PF LLP ^{1) 13)}	Wilmington, US	100.00		USD	173,831	-13,554
31	EAA Portfolio Advisers GmbH ⁹⁾	Düsseldorf	100.00		EUR	8,253	1,228
32	EAA Portfolio Advisers LLC ^{1) 13)}	New York, US	100.00		USD	273	191
33	EAA Spyglass Holdings LLC ^{1) 13)}	Wilmington, US	100.00		USD	17,409	4,833
34	EAA Triskele LLP ^{1) 13)}	Wilmington, US	100.00		USD	215,223	5,792
35	EAA US Holdings Corporation ¹³⁾	Wilmington, US	100.00		USD	43,143	6,385
36	ECIP Europcar S.a.r.l. ⁹⁾	Luxembourg, Luxembourg	4.09		EUR	79,761	8,380
37	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH ⁹⁾	Potsdam	47.50		EUR	0	-360
38	Entertainment Asset Holdings C.V. ^{1) 7)}	Amsterdam, Netherlands	36.36		USD	0	0
39	EQT III GmbH & Co. KG ¹⁾	Munich	1.18	0.00		n.s.	n.s.
40	Erste EAA-Beteiligungs GmbH ^{4) 13)}	Düsseldorf	100.00		EUR	16	0
41	Erste Financial Services GmbH ¹³⁾	Düsseldorf	100.00		EUR	104,785	2,041
42	Eurazeo Partners SCA, SICAR ⁹⁾	Luxembourg, Luxembourg	5.80	0.00	EUR	278,007	61,826
43	Europcar Groupe S.A. ^{1) 9)}	Guyancourt, France	0.00		EUR	562,356	-55,758
44	GKA Gesellschaft für kommunale Anlagen mbH ^{1) 9)}	Düsseldorf	100.00		EUR	129	582
45	Indigo Holdco LLC ^{1) 13)}	New York, US	100.00		USD	2,602	-35
46	Indigo Land Groveland LLC ¹⁾	New York, US	100.00			n.s.	n.s.
47	Indigo Land Progresso Lofts LLC ¹⁾	New York, US	100.00			n.s.	n.s.
48	Indigo Real Estate LLC ¹⁾	New York, US	100.00			n.s.	n.s.
49	Kassiterit Beteiligungs GmbH ⁹⁾	Düsseldorf	100.00		EUR	0	-9
50	Leasing Belgium N.V. ^{1) 9)}	Antwerp, Belgium	100.00		EUR	452	-36
51	Life.Value Properties GmbH ^{1) 9)}	Düsseldorf	100.00		EUR	369	42
52	Liquiditäts-Konsortialbank Gesellschaft mit beschränkter Haftung i.L. ^{1) 6)}	Frankfurt am Main	6.55		EUR	236,224	7,629
53	MCC Bradley LLC ^{1) 13)}	East Hartford, US	100.00		USD	324	-199
54	MCC Paris LLC ^{1) 13)}	Wilmington, US	100.00		USD	2,216	224
55	MCC SB Condo LLC ^{1) 13)}	Wilmington, US	100.00		USD	1,623	-242
56	MCC Tern Landing LLC ^{1) 13)}	Wilmington, US	100.00		USD	1,074	-139
57	MCC WK Commercial LLC ^{1) 13)}	Wilmington, US	100.00		USD	626	-100
58	MCC WK Residential LLC ^{1) 13)}	Wilmington, US	100.00		USD	-5	182
59	Meritech Capital Partners II L.P. ^{1) 13)}	Palo Alto, US	0.06	0.00	USD	95,224	1,883
60	Methuselah Life Markets Limited ⁹⁾	London, UK	100.00		GBP	76	-8
61	MFC Holdco LLC ^{1) 13)}	New York, US	100.00		USD	9,627	-618

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Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
62	MFC Pinecrest LLC ¹⁾	New York, US	100.00			n.s.	n.s.
63	MFC Real Estate LLC ^{1) 13)}	New York, US	100.00		USD	3,196	-305
64	MFC Waterfront LLC ¹⁾	Wilmington, US	100.00			n.s.	n.s.
65	Mod CapTrust Holding LLC ^{1) 13)}	Dover, US	100.00		USD	0	1,986
66	Monolith Grundstücksverwaltungsgesellschaft mbH ^{1) 9)}	Mainz	100.00		EUR	103	5
67	Monolith Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neubau Sparkassen-Versicherung Sachsen OHG ^{1) 9)}	Mainz	5.00	76.00	EUR	-17,049	2,060
68	Nephelin Grundstücksverwaltungsgesellschaft mbH ^{1) 9)}	Mainz	100.00		EUR	-56	-4
69	Neunte EAA-Beteiligungs GmbH i.L. ¹²⁾	Düsseldorf	100.00		EUR	28	-7,102
70	New NIB Partners LP ⁹⁾	New York, US	1.59	0.00	EUR	984,538	28,201
71	Nine Entertainment Co Holdings Limited ¹⁰⁾	Willoughby, Australia	0.57		AUD	882,448	232,266
72	ParaFin LLC ^{1) 13)}	New York, US	100.00		USD	0	n.s.
73	PM Portfolio Management GmbH ^{1) 9)}	Düsseldorf	100.00		EUR	64	1
74	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG in Insolvenz ^{1) 5)}	Bad Homburg	51.00		EUR	-3,572	-117
75	Projekt Carrée am Bahnhof Verwaltungs GmbH in Insolvenz ^{1) 5)}	Bad Homburg	51.00		EUR	-13	0
76	S-Chancen-Kapitalfonds NRW GmbH i.L. ¹³⁾	Haan	50.00		EUR	2,032	-33
77	Sechste EAA-Beteiligungs GmbH ¹³⁾	Düsseldorf	100.00		EUR	22	-13
78	Siebte EAA-Beteiligungs GmbH ¹³⁾	Düsseldorf	100.00		EUR	17	-8
79	Special PEP II GP Investors, L.L.C. ⁹⁾	Wilmington, US	50.00	0.00	USD	285	-319
80	Special Private Equity Partners II, L.P. ⁹⁾	Wilmington, US	18.79	0.00	USD	27,935	-1,561
81	ThyssenKrupp Aufzugswerke GmbH ⁸⁾	Neuhausen auf den Fildern	0.50		EUR	13,951	0
82	ThyssenKrupp Electrical Steel GmbH ⁸⁾	Gelsenkirchen	0.42		EUR	96,622	0
83	thyssenkrupp Materials Processing Europe GmbH ⁸⁾	Krefeld	0.42		EUR	57,903	0
84	thyssenkrupp Materials Services GmbH ⁸⁾	Essen	0.16		EUR	745,235	0
85	ThyssenKrupp Rasselstein GmbH ⁸⁾	Andernach	0.50		EUR	247,021	0
86	True Sale International GmbH ⁹⁾	Frankfurt am Main	7.69	9.09	EUR	4,763	71
87	Welsh, Carson, Anderson & Stowe IX GmbH & Co. KG ¹⁾	Munich	2.90	0.00		n.s.	n.s.
88	West Life Markets GmbH & Co. KG ^{4) 9)}	Düsseldorf	100.00		EUR	1,312	0
89	West Merchant Limited ⁹⁾	London, UK	100.00		GBP	37	-21
90	West Zwanzig GmbH ^{4) 13)}	Düsseldorf	100.00		EUR	25	0
91	Westdeutsche ImmobilienHolding GmbH ^{4) 9)}	Düsseldorf	100.00		EUR	5,539	0
92	WestGKA Management Gesellschaft für kommunale Anlagen mbH ^{2) 9) 15)}	Düsseldorf	100.00		EUR	642	0
93	WestInvest Gesellschaft für Investmentfonds mbH ^{1) 9)}	Düsseldorf	0.00		EUR	11,339	0
94	WestLB Asset Management (US) LLC ¹³⁾	Wilmington, US	100.00		USD	3,465	-78
95	WestLeasing International GmbH ^{1) 13)}	Düsseldorf	100.00		EUR	174	-1
96	WestLeasing Westdeutsche Leasing Holding GmbH ^{4) 9)}	Düsseldorf	94.90		EUR	11,625	0

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Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
97	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. ^{1) 9) 15)}	Düsseldorf	100.00		EUR	276	0
98	WestVerkehr Beteiligungsgesellschaft mbH ^{1) 13)}	Düsseldorf	100.00		EUR	98	-5
99	Winoa Steel Co. S.A. ⁹⁾	Luxembourg, Luxembourg	3.12		EUR	1,423	-119
100	WIV GmbH & Co. Beteiligungs KG ⁹⁾	Frankfurt am Main	5.10		EUR	12,864	784
101	WLB CB Holding LLC ^{1) 13)}	New York, US	100.00		USD	0	219
102	WMB Beteiligungs GmbH ^{1) 13)}	Düsseldorf	100.00		EUR	55	45

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
103	AKA Ausfuhrkredit-Gesellschaft mbH ⁹⁾	Frankfurt am Main	5.02		EUR	212,967	16,035
104	Banco Finantia S.A. ⁹⁾	Lisbon, Portugal	8.57		EUR	348,369	27,629

Other companies for which the EAA assumes unlimited liability

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

¹ Indirect shareholdings.

² Including indirectly held shares.

³ A letter of comfort exists.

⁴ A profit and loss transfer agreement is in place with this company.

⁵ Data as of 31 December 2009.

⁶ Data as of 31 July 2014.

⁷ Data as of 31 December 2014.

⁸ Data as of 30 September 2015.

⁹ Data as of 31 December 2015.

¹⁰ Data as of 30 June 2016.

¹¹ Data as of 31 October 2016.

¹² Data as of 30 November 2016.

¹³ Data as of 31 December 2016.

¹⁴ A global guarantee exists.

¹⁵ 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 German Accounting Directive Implementation Act (Bilanzrichtlinie Umsetzungsgesetz – 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

CONDENSED NOTES

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 concluded the sale process for EAA CBB at the beginning of 2017. The Supervisory Board of the EAA approved the sale to the investor that submitted the most financially advantageous offer for the EAA in a non-discriminatory bid process. On this basis the purchase agreement for EAA CBB was signed. However, this agreement will not be effective until approval is received from the supervisory authorities, after which the transaction will be completed.

In April 2016 a sale process was initiated for the service company EPA established by the EAA in 2014. The process was successfully completed on 30 December 2016 with the signing of a purchase agreement with Mount Street Group. The transfer of ownership is still subject to regulatory approval and is expected to take place in the second quarter of 2017.

After successful completion of the examination of outsourcing measures at EFS, a large part of the service operations of EFS may be moved. Results in this regard are expected in the second quarter of 2017.

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

Responsibility statement

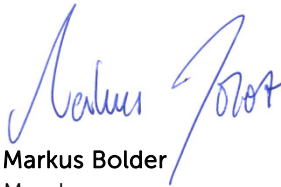
To the best of our knowledge, and in accordance with the applicable reporting principles for the interim report, the interim financial statements give a true and fair view of the asset position, financial position and earnings situation of the institution, and the interim management report includes a 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, 16 May 2017

Erste Abwicklungsanstalt



Matthias Wargers
Spokesman
of the Managing Board



Markus Bolder
Member
of the Managing Board



Horst K pker
Member
of the Managing Board

LIST OF ABBREVIATIONS

List of abbreviations

ABS	Asset backed securities
AfD	Alternative for Germany
ALM	Asset liability management
APAC	Asia, Pacific and Japan
AT	General part (Allgemeiner Teil)
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
BGH	German Supreme Court (Bundesgerichtshof)
BilMoG	German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)
BilRUG	German Accounting Directive Implementation Act (Bilanzrichtlinie- Umsetzungsgesetz)
Bp	Basis points
CCY	Currency code
CDS	Credit default swaps
CDU	The Christian Democratic Union of Germany
CVA	Credit valuation adjustments
DRS	German Accounting Standard (Deutscher Rechnungslegungsstandard)
EAA	Erste Abwicklungsanstalt, Düsseldorf
EAA CBB	EAA Covered Bond Bank Plc, Dublin/Ireland
EAA KK	EAA Japan K.K., Tokyo/Japan
EaD	Exposure at default
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
EFS	Erste Financial Services GmbH, Düsseldorf (until 28 June 2016 Portigon Financial Services GmbH)
EMEA	Europe, Middle East and Africa
EPA	EAA Portfolio Advisers GmbH, Düsseldorf
EU	European Union
EUSS	European Super Senior Notes
Fed	Federal Reserve
Fitch	Fitch Ratings
FMS	German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds)
FMSA	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
FMStFG	German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz)
FX effect	Foreign exchange effect
GC	General collateral
GDP	Gross domestic product
HGB	German Commercial Code (Handelsgesetzbuch)
HRA	Commercial register department A (Handelsregister Abteilung A)
HSBC	HSBC Trinkaus & Burkhardt AG, Düsseldorf
IS	Income statement

LIST OF ABBREVIATIONS

IT	Information technology
LLP	Limited liability partnership
MaRisk	German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)
Moody's	Moody's Investors Service
Mount Street	Mount Street Loan Solutions LLP, London/United Kingdom
MtM	Mark to market
Muni GIC	Municipal guaranteed investment contracts
N.R.	Not rated
n.s.	Not specified
No.	Number
NPL	Non-performing loans
NRW	North Rhine-Westphalia
OMT	Outright Monetary Transactions
OTC	Over the counter
Portigon	Portigon AG, Düsseldorf (until 2 July 2012 WestLB AG)
RechKredV	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
S&P	Standard and Poor's Corporation
S&P 500	US equity index
S.R.	Special rating
SPD	The Social Democratic Party of Germany
SSA	Sub-Sovereigns, supranationals, agencies
VaR	Value at Risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz
WestLB	WestLB AG, Düsseldorf (since 2 July 2012 Portigon AG)

Imprint

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