Erste
Abwicklungsanstalt

Interim Report as at 30 June 2015

1

Contents

EAA key figures

Income statement in EUR million	1/1 - 30/6/2015	1/1 - 30/6/2014
Net interest income	81.2	63.1
Net fee and commission income	29.5	27.3
Net trading result	-12.1	-2.7
Other operating result	1.6	-0.7
General administrative expenses	-149.2	-167.6
Results from financial assets and shareholdings	48.1	175.9
Results prior to risk provisioning	**-0.9**	**95.3**
Loan loss provisions	11.0	-64.8
Results before taxes	**10.1**	**30.5**
Taxes	-1.8	-0.6
Net profit of the year	**8.3**	**29.9**

Balance sheet in EUR billion	30/6/2015	31/12/2014
Total assets	72.2	79.5
Business volume	81.4	91.9
Loan transactions	35.8	39.9
Trading portfolio	27.8	33.8
Equity	0.6	0.6

Winding-up	30/6/2015	30/6/2014
Banking book		
Notional value (before FX effect) in EUR billion	39.6	63.1
Winding-up activities in EUR billion	-12.7	-7.6
Winding-up activities in %	-24.3	-10.7
Trading portfolio		
Notional value (before FX effect) in EUR billion	384.7	532.8
Winding-up activities in EUR billion	-81.4	-111.8
Winding-up activities in %	-17.5	-17.3

Employees	30/6/2015	31/12/2014
Number of employees	133	134

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

Foreword

Dear Ladies and Gentlemen,

In the first six months of 2015, the EAA once again made significant progress in winding up the portfolio. The result for the first half of the year was strongly impacted by the successful sale of WestImmo. The privatisation of the institution was initiated in May 2014 and completely finalised one year later. This transaction alone reduced the wind-up portfolio in the first half of 2015 by more than EUR 7 billion. Beyond that, we made significant progress in reducing several risky portfolios such as Phoenix and in also winding up the portfolios of public sector bonds and the exposures in the energy sector.

Compared with the same date last year, the notional value of the loan and securities positions in the banking book as at 30 June 2015 declined by around EUR 25 billion to EUR 39.6 billion. The wind-up result meanwhile totals more than EUR 115 billion. A good EUR 155 billion in loans and securities was transferred in two tranches from the former WestLB to the EAA. The notional volume of the trading portfolio, which was likewise transferred to the EAA, decreased to below EUR 385 billion as at 30 June 2015. The corresponding balance at the same time last year was still more than EUR 530 billion; EUR 1,064 billion was originally transferred.

The figures clearly show that we have made very significant progress in implementing our mandate. Yet despite the rapid pace, the wind-up has proceeded in a value-preserving manner. The share of investment grade securities in the banking book portfolio (rating categories A0-C2) was around 67% as at 30 June 2015. This is due on the one hand to the further stabilisation of many relevant markets and on the other hand to our wind-up strategy, which has always aimed to achieve a balanced reduction across all rating categories.

In light of our accomplishments, we remain confident that we can achieve the goals set out in our wind-up plan and especially that it will not be necessary to utilise the public loss compensation mechanism. Current forecasts indicate that the EAA has sufficient equity to complete its mandate with a balanced result. The positive result achieved in the first half of 2015 contributes to this objective:

- △ The charges arising from the controversial approach taken by the Republic of Austria to wind up Hypo Alpe Adria were generally offset by the good result on the sale of WestImmo. The EAA has meanwhile initiated legal proceedings in Austria and Germany against the measures taken by the Republic of Austria.

- △ Although the wind-up of the portfolio will inevitably result in a decline in both net interest income as well as net fee and commission income, the EAA succeeded in stabilising its interest income in the first half of 2015 compared with the same period last year. At the same time, administrative expenses decreased by more than 10%.

Both the Managing Board and the EAA’s employees will continue to focus on minimising losses. In situations where losses are unavoidable, we aim to offset them as much as possible with value-enhancing measures such as successful restructurings or new wind-up strategies. At the same time, we continue to work on optimising our own processes and cost structures. In this context, the EAA is currently also investigating whether it should integrate into the EAA tasks that have been outsourced to service providers. Such measures aim to secure the operational stability of the EAA for the next phases of the portfolio wind-up while simultaneously leveraging synergies.

Sincerely Yours,

Matthias Wargers
Spokesman
of the Managing Board

Markus Bolder
Member
of the Managing Board

Horst Küpker
Member
of the Managing Board

Interim management report

For the period from 1 January to 30 June 2015

Business and environment

Operating activities of the EAA

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

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

The EAA is subject to regulation by the German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung – FMSA). It is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) with regard to banking law provisions applicable to the EAA.

The EAA's work is principally carried out on the basis of section 8a of the German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz – FMStFG), its charter, the rules of procedure for the Supervisory Board and the Managing Board plus their committees, as well as its wind-up and risk strategy.

The wind-up plan describes the intended wind-up activities of the EAA by classifying its asset positions into sub-portfolios (clusters) and standard strategies, and contains a schedule for the winding-up. The possible methods for winding up the portfolio include selling the assets prior to their maturity, holding them to maturity or restructuring them. The EAA reviews the wind-up plan at least once a quarter and makes adjustments, when necessary, in order to take account of changes in circumstances, for example current market developments.

Changes or adjustments to the wind-up plan must be approved by the FMSA. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and the liable shareholders about the progress of the winding-up and the implementation of the wind-up plan. When doing so, it also documents the wind-up result.

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

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

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

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

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

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

The EAA is currently reviewing the operational stability of this arrangement and the future business orientation of PFS in order to determine whether some of the activities currently outsourced to PFS can be integrated into the EAA and EPA. It is simultaneously conducting due diligence to determine the effects of a potential transfer of PFS to the EAA.

Economic environment

First half of 2015: turbulent times in the markets

Many market participants are looking with concern to the losses suffered by Chinese equities. At the moment, the financial markets are nervous and more seemingly risk-averse, thus it attracts attention when Chinese stock indices lose 8% or more of their value in a single day. In addition, the first half of 2015 saw a series of events and developments that investors had to analyse, price in and deal with. Besides the slump in Chinese equities, these included the clearly negative trend for the prices of commodities and crude oil.

However, you do not have to look just to Asia in order to understand why the global financial markets are currently so volatile. The negotiations with the new Greek government in the first half of the year weighed on markets, too. The expectation that Greece would leave the eurozone deliberately (Grexit) or by accident (Greccident) became the core scenario towards the end of the second quarter. Also, the expected divergence in the future monetary policy of the eurozone and the US is worrying the markets. The ECB has launched its own programme to purchase euro government bonds (quantitative easing). It is therefore easing its euro monetary policy at the same time that the Fed will perhaps launch its strategy to exit the extraordinary measures it undertook to combat the financial crisis.

These developments led to interesting price patterns in the first half of the year. The performance of euro government bonds (except Greece's) has developed to date in two distinctly different cycles. Following the ECB's announcement in mid-January that it will purchase around EUR 12 billion in euro government bonds every week starting from 6 March 2015, yields and spreads fell sharply. The 10-year German Bund traded at a yield of less than 10 bp at times, and yields on shorter maturities were even negative.

During this same period, yields on Spanish, Italian and Portuguese government bonds also reached a low point in absolute terms. However, yields in the entire eurozone have been rising again since the middle of April. In addition, risk premiums (spreads) on riskier peripheral issuers compared with German Bonds have started to rise. What are the drivers behind these developments?

- △ Even though inflationary pressure is barely measurable in the eurozone, the yield on the 10-year German government bond of just 10 bp did not offer adequate compensation for the inflation of coming years. In fact, the plunge in euro yields to such a low level was not least due to the expectation of investors that the ECB will not be able to implement its ambitious bond-buying programme and thus reach its objective of having around EUR 3 trillion in total assets on its balance sheet. This supposed shortage problem did not materialise. By the end of July 2015 the ECB had purchased government bonds and bonds of various other public sector issuers with a volume of EUR 248.9 billion. The shortage premium the market had been demanding was therefore priced out again, leading to rising yields.

- △ Concerns about the stability and unity of the eurozone were additional important catalysts leading to symptoms of contagion. This unity was called in question during the negotiations about Greece's sovereign debt in order to exact a debt haircut or at least debt relief (suspension of interest payments and/or an extension of maturities). Greek government bonds traded at significant discounts already prior to the elections at the end of January. This increase in spreads spilled over to the bonds of other peripheral countries as well.

But thanks to the ECB's interventions (bond-buying programme, OMT commitment), the extent of the contagion was relatively limited compared with earlier episodes of contagion, such as prior to the Greek debt haircut in March 2012. This very mild form of contagion is an expression of the widespread confidence that investors have in the ECB's measures. Credit default insurance for Portuguese government bonds with a maturity of five years currently costs a premium of 164 bp. This value is 46 bp above its historic low of 118 bp on 10 March 2015 and 1,363 bp lower than in January 2012 (1,527 bp on 30 January 2012). The effects of the Greece crisis on Portugal's financing costs remained just as modest. The Portuguese 10-year yield is 2.47% at the moment, more than 280 bp lower than the average between the introduction of the euro and today.

The symptoms of contagion (increase in spreads and yields) remained negligible for Spain and Italy as well. In fact, it is clear that Portugal reacted relatively more strongly to the Grexit scenario than Spain or Italy. All in all, Portugal's economic fundamentals (debt ratio, private indebtedness, growth rates and unemployment) have suffered more from the euro crisis than it was the case in Spain or Italy.

Taking stock: the economy in the first half of 2015

In its spring edition of the World Economic Outlook the IMF forecasts the world economy will grow by 3.3% in the current year. In contrast to previous years, the established industrialised economies, such as the US, the eurozone or the UK, are seen as the engines of growth. Emerging markets will grow much more slowly in 2015 than in previous years. Signs that the IMF's forecast may be right are becoming increasingly apparent. China is having difficulties to switch from the established, export-oriented growth model to a model more heavily reliant on domestic consumption. As a result of China's relatively weaker growth – its economy is expected to expand by 7% in 2015, then 6.7% in 2016 and 6.5% in 2017 – economic activity in many of the regions dependent on China – Latin America's commodity exporters are just as impacted as the countries in China's immediate neighbourhood – leaves much to be desired.

US economy: slowdown in the first quarter of 2015 was down to one-off effects

In the first quarter of 2015 the US economy expanded only by between 0.1% and 0.2% compared with the fourth quarter of 2014. A number of extraordinary effects were responsible for the decline in the growth rate versus the 0.5% achieved in the fourth quarter of 2014 or the 1.1% reached in the third quarter of the same year (both compared with the previous quarter). First, the winter weather in the US was poor in the first quarter of 2015, causing work in outdoor professions to come to a standstill. Second, the momentum in the US economy was curbed by a strike at refineries. Moreover, American companies complained about the negative effects associated with the pronounced appreciation of the US dollar versus the euro and the Japanese yen.

In contrast, the signs for the second quarter of 2015 were better. The Purchasing Managers' Index for the Manufacturing Industry stood at 53.5 points in June, comfortably above the expansion threshold of 50 points. This indicated that the US economy continued to expand in the second quarter. This can also be seen in the pick-up in growth in the second quarter. US GDP rose in real terms by 0.5% compared with the previous quarter.

Spain and Portugal are among the fastest growing economies in the eurozone

Spain's economic output grew by more than 1.4% in 2014, following contractions of -1.2% and -2.1% in 2012 and 2013 respectively. The news for the first half of 2015 is good, too. The Spanish economy expanded by 0.9% (compared with the previous quarter) in the first quarter of 2015, and grew further by 1% in the second quarter of 2015 compared with the first. Momentum in Spain's economy has accelerated noticeably. The drivers of this turnaround are the reform and consolidation programme of the Spanish government. The successful realignment that has taken place in Spain, with its stronger focus on export-driven economic growth, can be seen in the positive development of the country's current account, which has been in surplus since 2013.

Labour market reforms in Spain are paying off, too. In the second quarter of 2015 the country's unemployment rate stood at 22.6%. Although this rate is quite high when measured against the average unemployment rate between 1999 and 2015 (15.4%), it is nevertheless 2.1 percentage points lower than one year ago and 3.6 percentage points below the historic peak of 26.2% in the first quarter of 2013. The fact that the reduction in unemployment is making relatively slow progress has to do with structural change. Prior to the crisis, the real estate and construction sectors were the most important drivers of Spain's economic growth, whereas the importance of these sectors has diminished since the outbreak of the real estate crisis. This means that employment in these sectors has fallen, too. A new use must be found for the redundant labour force, which is a difficult task in light of the different qualification needs. As a result, Spanish unemployment has been decreasing only slowly.

Portugal continues to perform quite well following the conclusion of its adjustment programme, even without the support of the troika. The new bond issues of the Republic of Portugal have been well received on the market. In fact, investors' search for yield has even made it possible to issue bonds with very long maturities of up to 30 years. Overall, the Portuguese debt authority can be quite satisfied with the results of its debt issuance. The average coupon on the outstanding debt currently stands at 4.46% and is therefore just marginally higher than in the fourth quarter of 2009 (4.45%). The easing created by the ECB's monetary policy has made it possible for the Portuguese to extend the average maturity of their debt from 6.5 years (end of 2009) to now 11.9 years. At the same time, Portuguese reforms are paying off. Portugal's economic output rose by 0.9% in 2014 (2012: -4.0%, 2013: -1.6%), and the unemployment rate has fallen from 17.5% in the first quarter of 2013 to 11.9% in June of 2015.

The French economy appears to be accelerating at present

The past three years were difficult for the economy in France. France's GDP posted limited growth of between 0.2% and 0.7% during these years, and even just narrowly escaped a recession (+0.2%) in 2014. A major cause of this development was that many of France's important trading partners themselves have been experiencing a disappointing economic trend (e.g. Italy) or their demand for imports has fallen significantly (e.g. Spain).

In addition, France's international competitiveness has decreased significantly due to government intervention in the labour market (for example, the introduction of the 35-hour working week). Yet until now, the government of socialist President Hollande has made only tentative attempts at addressing these problems. In the summer, Hollande reshuffled his government cabinet under the leadership of Premier Valls and thereby strengthened the more reform-minded members of the French socialist party. Nevertheless, resistance within the party remains strong. Growth appears to be accelerating moderately in the French economy. France's economic output rose by 0.6% in the first quarter of 2015 compared with the fourth quarter of 2014, driven by more investment and the effects from the lower oil price.

Germany: a slow start

Germany had a more leisurely start to the New Year compared with France. In the first quarter of 2015, its economic output rose by just slightly more than 0.3% compared to the previous quarter. Yet despite this weak result, which was due to both the weather and the strike at Deutsche Bahn AG, the Ukraine crisis and the clashes between the German and Greek governments in the debt dispute did relatively little to dampen the mood in the German economy. A blow to growth, however, resulted from foreign trade. Economic activity in emerging economies grew much more slowly, impacting German exporters.

Outlook for the second half of 2015: the economy of the eurozone is accelerating

With the exception of Greece, the loosening of austerity requirements from Brussels for the other eurozone countries will support the economy. All in all, the prospects for 2015 are therefore positive. So far, nothing has been changed in the basic approach to rescuing the euro (financial support in exchange for reforms).

The decrease in the price of oil is an additional economic stimulus for the oil-importing countries of the eurozone. Lower oil prices redistribute purchasing power away from oil producers to consumers. This phase of low oil prices will probably also continue because an international competition for market share has broken out between the OPEC countries and the US (shale oil production). The fact that Iran may soon resume its exports again without restrictions now that an agreement has been reached in the nuclear dispute, will increase supply even further, making it likely that oil prices will linger at the current low level of USD 50 per barrel over the next several months. Yet despite these favourable factors, the fact remains that following the sharp downturn, the economic recovery is not automatic everywhere.

Differences in growth rates continue to prevail

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

Germany, together with Portugal, Spain and Ireland, are likely to be among the fastest growing economies in the eurozone. German GDP will grow by a good 1.8% in 2015. This is above Germany's growth potential, which the Bundesbank, Germany's central bank, estimates to be about 1.25% per year. In 2016 the German economy is forecast to grow by 1.9%, again above its potential. This means the positive trend on the German labour market is likely to continue, albeit at a slower pace. The French economy will probably add to its momentum somewhat and post growth of 1.2%.

The EAA also expects an improvement in the countries of the euro periphery. This pick-up will be much stronger in Spain and Portugal, despite the upcoming elections, than in Italy. Their growth rates differ because of the reforms that Portugal and Spain have implemented in the recent past. Based on the growth of 1% (compared with the previous quarter) that the Spanish economy generated in the second quarter of 2015, the EAA has increased its growth forecast for 2015 as a whole by 0.5 percentage points to 2.9%. Besides Ireland (+3.7%), Spain is therefore one of the top performers in the eurozone. The EAA forecasts that Spain's growth rate will reach 2.5% in 2016. This pick-up in the economy will go hand-in-hand with a further improvement in the labour market. The unemployment rate is expected to be 22.4% at the end of 2015, a decrease on the rate of 23.1% at the end of the first quarter of 2015. Portugal's economy is likewise anticipated to grow quite strongly both this year (1.7%) and in 2016 (1.8%).

The laggard at the periphery remains Italy. In the absence of reforms – a reform programme is only now being developed by the incumbent government under Premier Renzi – the country will be able to break free only slowly from recession and stagnation. With luck, it might succeed in 2015 at escaping the grasps of this protracted downturn, with the economy expected to grow by 0.7%. But the risks to growth for Italy predominate.

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

Economic outlook for the US: 2015 will be like 2014, but 2016 will hopefully be better!
All data and indicators point to a continued recovery in the American economy. The Purchasing Managers' Index for the Manufacturing Industry was 52.7 points in July 2015 and therefore continues to hover above the expansion threshold of 50 points. The "collapse" at the end of the first quarter of 2015 to 51.5 points can be explained by seasonal influences, the decrease in the price of oil and the strength of the US dollar. These developments weighed on sentiment at some US companies during the first half of 2015, causing them to postpone investment plans.

2015 is a crucial year for the US Federal Reserve (Fed) and its Chairperson Janet Yellen. Following the end of the programme to buy government bonds and other assets such as securitised mortgages, the Fed must decide if the time has come for a first interest rate hike. The Fed's actions so far have been rather successful at this crucial stage. The feared loss of trust in the financial markets following the end of the buying programme has not materialised.

At the meeting of the Open Market Committee on 28 and 29 July 2015, Yellen did not announce a change in the Fed's monetary policy. Moreover, she provided no indications about when the Fed believed the timing would be right for the first rate hike. This restraint is appropriate following six and a half years of a policy of zero interest rates. In order to avoid having to make an unnecessary advance commitment, she merely referred to positive trends in the labour market and in real estate prices.

Summary of important macroeconomic forecasts

Key economic indicators		Growth		Inflation		Unemployment	Budget balance (% GDP)	
	2015	2016	2015	2016	2015	2016	2015	2016
	in %	in %	in %	in %	in %	in %	in %	in %
USA	2.3	2.8	0.3	2.1	5.3	5.0	-2.7	-2.5
Eurozone	1.5	1.7	0.2	1.3	11.1	10.7	-2.2	-1.8
Core & semi core								
Germany	1.8	1.9	0.5	1.6	6.4	6.2	0.5	0.5
France	1.2	1.5	0.3	1.2	10.4	10.2	-3.8	-3.5
Periphery								
Greece	-0.9	0.4	-1.3	0.4	26.1	25.8	-3.0	-2.5
Ireland	3.7	3.5	0.3	1.3	9.7	8.6	-2.5	-2.0
Portugal	1.7	1.8	0.3	1.0	13.2	12.7	-3.1	-2.5
Spain	2.9	2.5	-0.3	1.1	22.4	20.8	-4.5	-3.5
Italy	0.7	1.3	0.2	1.0	12.5	12.0	-2.7	-2.2
Emerging Markets								
Asia	6.1	6.2	1.7	2.7	4.0	4.0	-2.1	-2.3
Latin America	0.1	1.7	12.0	11.2	7.1	7.8	-5.4	-4.5
Eastern Europe & Africa	1.2	2.6	7.9	5.7	8.0	7.8	-2.7	-2.4
BRIC countries								
Brazil	-1.5	0.8	8.6	6.1	6.6	7.6	-6.0	-5.0
Russia	-3.6	0.5	15.0	7.0	6.2	6.3	-3.0	-2.3
India	7.4	7.6	6.2	5.5	n.s.	n.s.	-4.0	-3.9
China	7.0	6.7	1.5	2.0	4.2	4.2	-2.4	-2.5

Source: Bloomberg, EAA.

Yet the markets, despite the Fed's cautious tactical manoeuvring, are already anticipating several interest rate hikes. The two-year US Treasury is currently trading at a yield of 0.72%, meaning that more than four interest rate hikes each for 12.5 bp are already completely priced in. A view of the futures contracts on the US benchmark interest rate shows that market participants expect this first interest rate hike to take place in the second half of 2015 (September/December).

The strategists at the Fed have kept open a loophole in their communication for the event that they would like to wait with rate hikes. The Fed's decision will take into account how the American export industry is coping with the dollar's appreciation versus the euro and the Japanese yen. This is intended as a counter-balance to avoid the possibility that the level of yields in the US will rise hastily and thereby choke off the recovery of the US economy.

The current inflation environment in the US provides the Fed with the necessary leeway to delay the first interest rate hike somewhat if such a postponement is deemed necessary. In June 2015 the country's inflation rate stood at 0.0% and is expected to rise over the rest of the year to 0.3% in the fourth quarter, which is within the Fed's comfort zone. In other words, a sharp increase in inflation in 2015 and 2016 will not force the Fed to respond with higher benchmark interest rates in order to battle inflation. As a result, the timing of the first interest rate increase and the speed of the subsequent cycle of interest rate hikes will be dictated by developments on the American labour market and the mood in the economy. A first increase in US interest rates would be another sign that the US economy is returning to normal. And after all, even in this case monetary policy would still remain historically very accommodative. This means that interest rates will reach 0.6% by the end of 2015. The US economy will grow by 2.3% in 2015 and by 2.8% in 2016.

Financial market outlook for 2015

The trend in yields on the financial markets for euro government bonds and US Treasuries demonstrates the considerable differences between the monetary policies of the ECB and the Fed. While the Fed is already working on its plans and strategies to return to a normalised monetary policy, making it likely that the US will see the first small interest rate hikes later this year, the ECB has only just begun to flood the money and financial markets with fresh central-bank liquidity. This policy divergence causes the considerable difference that exists in the current level of yields between the eurozone and the US. The development of yields going forward in 2015 is likely to differ as well. The ECB's bond purchases are focused on bonds with long residual maturities. As a result, the ECB is limiting the upside potential for euro yields.

Overview of key financial markets

Fixed income markets 2015	**Policy rate in %**	**2-Y-yield in %**	**10-Y-yield in %**
USA	0.60	1.10	2.50
Eurozone	0.05	0.00	0.90
Core & semi core			
Germany	0.05	0.00	0.90
France	0.05	0.10	1.20
Periphery			
Spain	0.05	0.30	2.10
Italy	0.05	0.30	2.00

Source: Bloomberg, EAA.

The EAA therefore anticipates that for 2015 the US will see moderately higher yields at the long end of the yield curve, while yields in the eurozone will either linger at a low level (Germany and other core countries) or fall slightly (Spain, Italy and Portugal). The yield on ten-year German Bunds is likely to be at slightly more than 0.9% at the end of 2015, whereas the US equivalent is forecast to hit 2.5%.

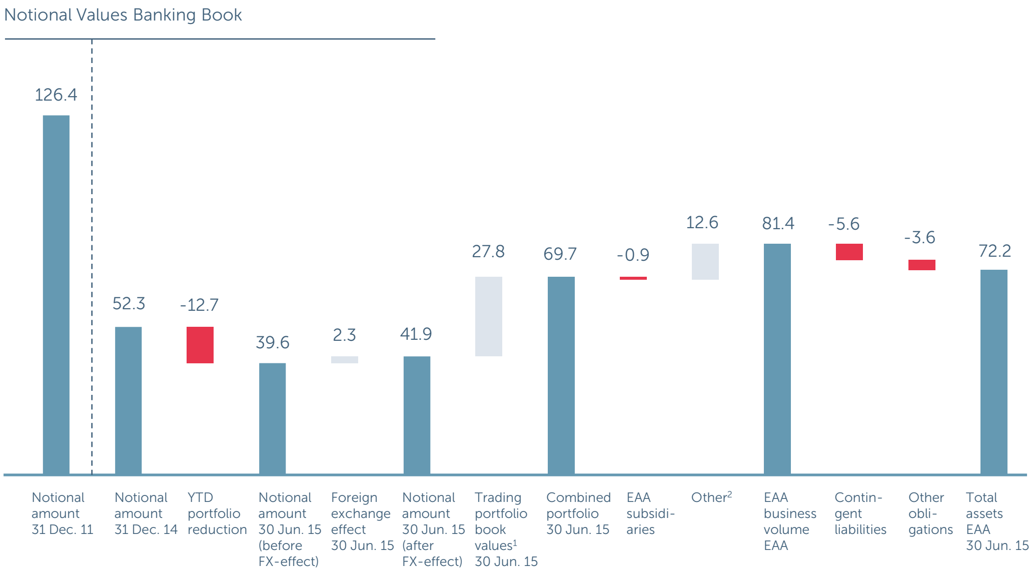
Wind-up report

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

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

Reconciliation of the transferred notional volume to the balance sheet

in EUR billion



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

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

Wind-up success in the banking book

From 1 January until 30 June 2015, the notional volume of the banking book was reduced from EUR 52.3 billion to EUR 39.6 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 12.7 billion (24.3%). The volume at exchange rates as of 30 June 2015 is EUR 41.9 billion. Since 1 January 2012, the total banking book portfolio has decreased by EUR 86.8 billion or 68.7%.

	Notional volume (at exchange rates as of 31/12/2011)				Notional volume (at exchange rates as of 30/6/2015)	
	Notional	**Notional**		**Delta**	**Notional**	**FX effect**[1]
	30/6/2015	**31/12/2014**		**to 31/12/2014**	**30/6/2015**	
Clusters	**EUR million**	**EUR million**	**EUR million**	**in %**	**EUR million**	**EUR million**
Structured Securities	12,873.1	16,824.0	-3,950.9	-23.5	13,938.4	1,065.3
Liquidity Portfolio	7,953.9	0.0	7,953.9	n.a.	8,444.8	490.9
NPL	4,462.8	4,129.5	333.3	8.1	4,762.0	299.2
Energy	3,829.3	4,398.8	-569.5	-12.9	4,073.2	243.9
Public Finance	3,000.3	7,799.2	-4,798.9	-61.5	2,973.1	-27.2
Structured Tax	1,434.0	1,420.7	13.3	0.9	1,437.4	3.4
Other clusters	6,025.9	17,695.4	-11,669.5	-65.9	6,287.9	262.0
Total	**39,579.3**	**52,267.6**	**-12,688.3**	**-24.3**	**41,916.8**	**2,337.5**

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

At the start of the first quarter of 2015, assets the EAA can liquidate on short notice totalling EUR 8.1 billion – including the exposures of EAA CBB – were split off into the new Liquidity Portfolio cluster. The reclassifications were made from the Structured Securities (EUR 2.7 billion), Public Finance (EUR 4.0 billion) and Financial Institutions (EUR 1.4 billion) clusters. The notional volume of the Liquidity Portfolio stood at EUR 8.0 billion as at 30 June 2015.

The sale of WestImmo resulted in a significant reduction in the portfolio during the first half of 2015, with the banking book portfolio decreasing by EUR 7.7 billion. Prior to the sale, around EUR 0.4 billion was transferred from WestImmo to the EAA into the NPL and Real Estate clusters.

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

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

There was a EUR 11.2 million positive effect on the wind-up plan in the first half of 2015 associated with sales and early repayments from the banking book portfolio, mainly driven by the sale of WestImmo.

Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 384.7 billion as at 30 June 2015. The notional volume of the trading portfolio decreased by a total of EUR 81.4 billion during the period from 31 December 2014 until 30 June 2015 (at exchange rates as at 30 June 2012). Since its transfer, the trading portfolio has been reduced by EUR 679.3 billion or 63.8%.

		Notional volume (at exchange rates as of 30/6/2012)			Notional volume (at exchange rates as of 30/6/2015)	
Clusters[2]	Notional 30/6/2015 EUR million	Notional 31/12/2014 EUR million	EUR million	Delta to 31/12/2014 in %	Notional 30/6/2015 EUR million	FX effect[1] EUR million
Rates	378,651.0	459,544.9	-80,893.9	-17.6	385,794.2	7,143.2
Equity	4,714.3	4,804.6	-90.3	-1.9	4,221.3	-493.0
Credit	933.3	1,384.3	-451.0	-32.6	980.6	47.3
Other clusters	372.9	375.3	-2.4	-0.6	404.8	31.9
Total	**384,671.5**	**466,109.1**	**-81,437.6**	**-17.5**	**391,400.9**	**6,729.4**

[1] Change in notional volume due to exchange rate effects.
[2] The clusters are presented in the new structure of the 2014 wind-up plan.

The decline is predominantly the result of maturities as well as liquidation and management measures. The principal driving force was the Rates cluster with a total notional decrease of EUR 80.9 billion. This decline resulted primarily from maturities of around EUR 65.2 billion, active reduction measures totalling EUR 19.8 billion and offsetting hedging transactions in the amount of EUR 4.1 billion.

The Credit cluster was reduced by EUR 0.5 billion or 33% in the first half of 2015 compared with the prior-year figure (at exchange rates as at 30 June 2012). The decline in the portfolio is mostly the result of maturities.

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

EAA's overall situation

Earnings situation

The EAA's earnings situation was impacted by positive net interest income of EUR 81.2 million, net fee and commission income of EUR 29.5 million, net expense of the trading portfolio totalling EUR 12.1 million and a financial investment result of EUR 48.1 million. Administrative expenses amounted to EUR 149.2 million and mainly consisted of expenses for services rendered by PFS.

After taking account of a net result of EUR 11.0 million from allocations to and releases from loan loss provisions, earnings before taxes were EUR 10.1 million.

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

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

Income statement

	1/1 - 30/6/2015 EUR million	1/1 - 30/6/2014 EUR million	Delta EUR million	in %
Net interest income	81.2	63.1	18.1	28.7
Net fee and commission income	29.5	27.3	2.2	8.1
Net trading result	-12.1	-2.7	-9.4	>-100
Total other operating income/expenses	1.6	-0.7	2.3	>100
Personnel expenses	-10.9	-10.9	-	-
Other administrative expenses	-138.3	-156.7	18.4	11.7
of which: expenses for service level agreements with PFS	-98.8	-131.1	32.3	24.6
Net income from investment securities and long-term equity investments	48.1	175.9	-127.8	-72.7
Results prior to risk provisioning	**-0.9**	**95.3**	**-96.2**	**>-100**
Loan loss provisions	11.0	-64.8	75.8	>100
Results before taxes	**10.1**	**30.5**	**-20.4**	**-66.9**
Taxes	-1.8	-0.6	-1.2	>-100
Net profit of the year	**8.3**	**29.9**	**-21.6**	**-72.2**
Net retained losses brought forward	-2,397.8	-2,460.3	62.5	2.5
Net retained losses	-2,389.5	-2,430.4	40.9	1.7

Financial position and issuing activity

As at the reporting date, the EAA’s outstanding portfolio of issued bearer bonds, promissory note loans and commercial paper totals EUR 40.4 billion. It includes the global Commercial Paper Programme with a notional amount equivalent to EUR 12.2 billion.

During the reporting period the notional volume of new issues for medium- and long-term funding totalled an amount equivalent to around EUR 2.47 billion, consisting of USD 1.5 billion (EUR 1.4 billion), GBP 0.3 billion (EUR 0.4 billion) and EUR 0.67 billion.

A notional amount equivalent to EUR 12.1 billion was issued under the global Commercial Paper Programme during the period under review, consisting of USD 9.4 billion (EUR 8.4 billion), GBP 2.6 billion (EUR 3.6 billion) and EUR 0.1 billion.

As at the reporting date, the portfolio contains securities with a notional volume of around EUR 0.9 million that were redeemed for liquidity management purposes.

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

Asset position

The EAA's total assets as at 30 June 2015 amount to EUR 72.2 billion (previous year: EUR 79.5 billion). The business volume, which includes off-balance-sheet components, amounts to EUR 81.4 billion (previous year: EUR 91.9 billion).

Assets

	30/6/2015 EUR million	31/12/2014 EUR million	Delta EUR million	in %
Loans and advances to banks	10,475.0	14,591.4	-4,116.4	-28.2
Loans and advances to customers	16,043.7	12,961.4	3,082.3	23.8
Securities (no trading portfolio)	16,906.4	16,141.2	765.2	4.7
Trading portfolio	27,840.8	33,768.3	-5,927.5	-17.6
Long-term equity investments and shares in affiliates	777.1	1,801.9	-1,024.8	-56.9
Other assets	109.8	210.4	-100.6	-47.8
Total assets	**72,152.8**	**79,474.6**	**-7,321.8**	**-9.2**

Liabilities and equity

	30/6/2015 EUR million	31/12/2014 EUR million	Delta EUR million	in %
Deposits from banks	4,931.0	5,013.1	-82.1	-1.6
Deposits from customers	4,355.4	5,545.1	-1,189.7	-21.5
Debt securities in issue	35,267.0	34,747.9	519.1	1.5
Trading portfolio	26,382.3	32,874.1	-6,491.8	-19.7
Provisions	380.2	410.3	-30.1	-7.3
Other liabilities	210.2	265.7	-55.5	-20.9
Equity	626.7	618.4	8.3	1.3
Total liabilities and equity	**72,152.8**	**79,474.6**	**-7,321.8**	**-9.2**
Contingent liabilities	5,629.8	8,410.6	-2,780.8	-33.1
Other obligations/ loan commitments	3,623.4	3,970.0	-346.6	-8.7
Business volume	**81,406.0**	**91,855.2**	**-10,449.2**	**-11.4**

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

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

Loans and advances to banks declined by EUR 4.1 billion as at 30 June 2015 compared with year-end 2014. This decrease was primarily the result of reduced short-term investments and lower cash collateral in derivatives business.

Loans and advances to customers are higher on the prior year-end by EUR 3.1 billion, as are securities by EUR 0.8 billion, primarily because of additions related to the portfolio transfer from EAA CBB and the repurchase of own issues.

The EUR 5.9 billion decline in trading assets is attributable to a rising trend in the yield curve and the corresponding present value effects. This is reflected in trading liabilities by virtually the same amount.

The sale of WestImmo and the capital reduction at EAA CBB led to a decrease of EUR 1.0 billion in long-term equity investments and shares in affiliates.

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

Lending business

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

Lending business

	30/6/2015	31/12/2014	Delta	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	10,475.0	14,591.4	-4,116.4	-28.2
Loans and advances to customers	16,043.7	12,961.4	3,082.3	23.8
Contingent liabilities	5,629.8	8,410.6	-2,780.8	-33.1
Other obligations/ loan commitments	3,623.4	3,970.0	-346.6	-8.7
Lending business	**35,771.9**	**39,933.4**	**-4,161.5**	**-10.4**

Summary of the business situation

The EAA generated a positive result because its net interest income was higher and its administrative expenses were lower. The asset position of the EAA is in good order.

Its equity as at 30 June 2015 amounts to EUR 626.7 million. Adequate liquidity was available at all times.

Risk report

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

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

Risk management organisation

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

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

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

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

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

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

Risk reporting

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

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

Credit risks

Credit risks – banking book

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

The notional volume of the banking book (which primarily consists of loans and securities) declined by EUR 12.7 billion to EUR 39.6 billion as at the end of the first half of 2015 (at constant exchange rates as of 31 December 2011). The sale of WestImmo in the first half of 2015 and the transfer of EAA CBB assets to the EAA mean that the portfolio presented in the risk report is now nearly completely included in the EAA's balance sheet or is guaranteed by the EAA. Please refer to the section "Wind-up report" for more detailed information on the wind-up success.

Breakdown of notional volume by internal rating category[1]

	30/6/2015 EUR billion	31/12/2014 EUR billion
A0-A2	3.3	2.3
A3-A5	11.6	9.0
B1-B3	1.7	6.1
B4-B5	4.3	4.9
C1-C2	5.7	6.8
C3-C5	4.9	5.6
D1-D3	1.3	4.2
D4-E	4.1	8.5
S.R.[2]	2.6	4.6
N.R.[3]	0.1	0.3
Total	**39.6**	**52.3**

[1] Excluding exchange rate effects (based on exchange rates on 31 December 2011). The basis of the ratings was converted to "Rating based on transfer stop risk" as of the first quarter of 2015. The values as at 31 December 2014 were adjusted accordingly.
[2] Special rating pursuant to the not-rated concept.
[3] Not rated.
Please note: Where possible, the internal rating categories are based on the guarantor's rating.

The quality of the banking book portfolio is reflected by an investment grade rating share (rating categories A0-C2) of around 67% (31 December 2014: 56%). About 38% (31 December 2014: 22%) of the notional volume has a very good rating (A0-A5) and around 30% (31 December 2014: 34%) are assigned to the rating categories B1-C2. The S.R. rating category includes the opening clauses of the rating process and has a share of around 7% of the total portfolio.

The EAA continues to aim for a portfolio reduction across all rating categories. The increase of EUR 1.0 billion in the rating category A0-A2 is primarily the result of a shift of positions in the Structured Securities portfolio from the rating category A3-A5. The EUR 4.4 billion decline in the rating category B1-B3 is in part attributable to the partial repayment of the Phoenix A1 note (USD) in the amount of EUR 0.7 billion. The sale of WestImmo had a positive effect, too.

The volumes in the rating categories D1-D4 and D4-E have declined by EUR 7.3 billion since the start of the year. This reduction is predominantly the result of an improvement in the ratings of the Phoenix Notes, which are now included in the rating category A3-A5. The disproportionately low increase in the volumes in this category is due, in part, to the sale of WestImmo.

The decline in the remaining rating category N.R. is mostly attributable to the elimination of positions contained in the WestImmo portfolio as a result of the sale of this affiliate.

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

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

Breakdown of notional volume by headline clusters[1,2]

	30/6/2015 in %	31/12/2014 in %
Structured Securities	32.5	32.2
Liquidity Portfolio	20.1	n.s.
NPL	11.3	7.9
Energy	9.7	8.4
Public Finance	7.6	14.9
Structured Tax	3.6	2.7
Other	15.2	33.9
Total	**100.0**	**100.0**

[1] 30 June 2015 = EUR 39.6 billion; 31 December 2014 = EUR 52.3 billion.
[2] Excluding exchange rate effects (based on exchange rates on 31 December 2011).

The EAA's banking book portfolio consists of 19 headline clusters. At the start of the first quarter of 2015, assets that the EAA can liquidate on short notice, including EAA CBB's exposures from the Structured Securities, Public Finance and Financial Institutions clusters, were transferred into the new Liquidity Portfolio cluster. The notional volume of the Liquidity Portfolio stood at EUR 8.0 billion as at 30 June 2015.

The largest headline cluster, Structured Securities with a total share of 32.5%, consists of three sub-portfolios: Phoenix (85.1% – please refer to section "Phoenix" for further details), Asset Backed Securities (5.2%) and EUSS (9.7%).

Breakdown of notional volume by maturities[1,2]

	30/6/2015 EUR billion	31/12/2014 EUR billion
<= 6 M	2.4	2.5
> 6 M <= 1 Y	1.5	3.8
> 1 Y <= 5 Y	15.3	21.3
> 5 Y <= 10 Y	5.5	7.5
> 10 Y <= 20 Y	9.6	10.9
> 20 Y	5.3	6.3
Total	**39.6**	**52.3**

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

The largest part of the portfolio, with a share of approximately 39%, is comprised of medium-term exposures with contractual maturities of one to five years. These are primarily exposures held in the Structured Securities (mainly Phoenix, please also refer to the "Phoenix notes capital structure" table in the "Phoenix" section), NPL and Liquidity Portfolio clusters.

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

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

Breakdown of notional volume by region[1]

	30/6/2015 EUR billion	31/12/2014 EUR billion
EMEA	15.3	20.0
Germany	4.8	11.0
Americas[2]	18.0	19.6
APAC	1.5	1.7
Total	**39.6**	**52.3**

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

The regional breakdown of the notional volume has changed only insignificantly compared to 31 December 2014. About 39% of the notional volume (31 December 2014: 38%) is attributable to the EMEA region – Europe (excluding Germany), Middle East and Africa. The decline in this region's notional volume in the amount of EUR 4.7 billion is mainly due to the sale of WestImmo as well as active measures and maturities in the Public Finance cluster.

The notional volume for German borrowers and guarantors (share in portfolio: about 12%; 31 December 2014: 21%) was reduced by EUR 6.2 billion through the sale of WestImmo.

Approximately 45% of the notional volume (31 December 2014: 38%) is attributable to the Americas region. Sales and maturities led to a decline of EUR 1.6 billion, with most of the decrease occurring in the Structured Securities cluster (primarily Phoenix) and through the sale of WestImmo.

The APAC region represents around 4% (31 December 2014: 3%).

Problem loans and risk provision

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

Result of risk provisions

	Provisions for loan losses 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	**143.8**	**142.4**	**-1.4**	**12.8**	**11.4**
Credit risk	143.8	142.4	-1.4	6.8	5.4
Other risk	-	-	-	6.0	6.0
Contingent counterparty default risk	**0.4**	**-**	**-0.4**	**-**	**-0.4**
Total	**144.2**	**142.4**	**-1.8**	**12.8**	**11.0**

Special banking book issues

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

By far the largest part of the securitised Phoenix portfolio (approximately 90%) is denominated in US dollars and represents US risks, primarily in the real estate market. Repayments in the reporting period resulted in a decrease of the notional volume reported in euros to EUR 10.9 billion as at 30 June 2015 (at constant exchange rates as of 31 December 2011).

Phoenix notes capital structure

Tranche	Amount as of 30/6/2015 in million		S&P Rating	Legal maturity	Expected maturity in years
Class X	-	EUR	-	9/2/2015	n.s.
Class A1	884.9	USD	AAA	9/2/2091	0.61
Class A2	3,102.0	USD	AAA	9/2/2091	1.11
	55.9	EUR	AAA	9/2/2091	0.11
Class A3	2,386.6	USD	A	9/2/2091	2.62
	701.1	EUR	A	9/2/2091	3.11
Class A4	1,909.0	USD	B+	9/2/2091	11.62
	180.9	EUR	B+	9/2/2091	11.62
Class B	3,566.6	EUR	N.R.	9/2/2091	2.75

Based on the continuous repayments of the Phoenix Notes, S&P raised the rating of all Phoenix Notes during the reporting period. There were no repayments in the second quarter of 2015.

The expected maturities shown above relate to the anticipated amortisation profile of the respective Phoenix note. At the present time, the EAA assumes that the Phoenix structure will be dissolved prematurely in 2018 and that the underlying portfolio will be transferred to the EAA. The expected maturity specified for the Class B relates to the expected premature liquidation of the Phoenix Structure in 2018.

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

	30/6/2015 EUR billion	31/12/2014 EUR billion
A0-A2	-	-
A3-A5	9.2	3.6
B1-B3	-	1.4
B4-B5	-	-
C1-C2	1.7	-
C3-C5	-	-
D1-D3	-	2.5
D4-E	-	4.2
S.R./N.R.	-	-
Total	**10.9**	**11.7**

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

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

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

Public Finance

The exposure to the public sector (including the Public Finance exposures from the NPL-Portfolio and the Liquidity Portfolio) as at 30 June 2015 comprise a notional amount of EUR 7.0 billion (excluding exchange rate effects, based on exchange rates on 31 December 2011). EUR 4.2 billion of this amount is attributable to Cyprus, Ireland, Italy, Portugal, Slovenia and Spain. Further information can be found in the section “Exposures to selected EU member states”.

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

By far the largest part of the overall exposure, at 77%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from European countries outside the eurozone, Africa and the Middle East (14%), North and South America (6%), and Asia and Australia (3%).

Credit risks – trading portfolio

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

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

OTC derivative counterparty default risks are assessed independently from the Front Office using credit valuation adjustments (CVA). When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. CVA amounted to EUR 56.9 million as at 30 June 2015 (31 December 2014: EUR 72.1 million).

Counterparty and issuer risks

Direct counterparty risks

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

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

	30/6/2015 Exposure EUR million	30/6/2015 Limit EUR million	31/12/2014 Exposure EUR million	31/12/2014 Limit EUR million
Counterparty risk OTC derivatives	1,045.5	3,835.0	845.1	3,570.0
Credit risk Money market positions[1]	1,603.1	7,247.5	691.9	8,342.5
Counterparty risk Repos	43.1	1,970.0	10.3	2,730.0

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

Counterparty risks from OTC derivatives are driven by transactions for liquidity steering (foreign exchange swaps) and interest rate hedging instruments (interest rate swaps). 47.8% of the credit risk for money market exposures stems from monetary investments with Portigon. As the EAA has sufficient liquidity on the reporting date, the utilisation of the limits for repo transactions (EUR 43.1 million) is only approximately 2.2%.

Issuer risk

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

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

	< 1 Y EUR million	1-4 Y EUR million	4-8 Y EUR million	8-15 Y EUR million	> 15 Y EUR million	Total exposure EUR million
Public Finance	708.6	995.1	1,169.1	1,874.7	1,647.5	6,395.0
Financial Institutions	408.5	651.4	431.9	29.3	-	1,521.1
Other securities	52.8	232.6	136.4	1,044.1	2,614.9	4,080.8
Total 30/6/2015	**1,169.9**	**1,879.1**	**1,737.4**	**2,948.1**	**4,262.4**	**11,996.9**
Total 31/12/2014	1,806.8	1,966.8	1,914.2	3,023.5	3,870.7	12,582.0

The Public Finance sub-portfolio accounts for the largest share with about EUR 6.4 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, mainly student loans.

Issuer risks of the trading portfolio are low and total only EUR 31.8 million. EUR 23.3 million of this amount is attributable to securities and credit derivatives, with equities and equity derivatives accounting for the remaining EUR 8.5 million.

Participation risks

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

Of the total portfolio of the EAA Group, a notional amount of EUR 2.9 billion (7.1%) is held by subsidiaries, primarily EAA CBB with EUR 2.2 billion (73.7%) and EAA KK with EUR 0.7 billion (24.8%).

The notional volume of EAA CBB decreased during the first half of 2015 by EUR 5.2 billion to EUR 2.2 billion. The main reason for this decrease was the transfer of loans and securities totalling EUR 4.5 billion to the EAA. The impact of this transfer was offset by the netting of liabilities between the two entities and the repayment of a portion of EAA CBB's equity capital in February 2015. EAA KK's notional volume amounts to EUR 0.7 billion as at 30 June 2015. EAA CBB and EAA KK are included in the risk management and business management of the EAA. These participations are subject to monitoring by the EAA and the EAA's approved internal limit system. Representatives of the EAA exercise non-managerial control functions as members of the governing bodies and committees of EAA CBB.

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

Erste EAA-Beteiligungs GmbH founded in 2014 American LLPs and one LLC in connection with enforcement measures. These newly founded entities, in turn, hold portfolios of American life insurance policies. This company was fully funded by the EAA (EUR 1.1 billion).

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

Exposures to selected EU member states

The banking book exposure of the EAA and its subsidiaries to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain totals EUR 7.3 billion as at 30 June 2015. This exposure was reduced by EUR 1.5 billion in the first half of 2015. The decrease is mainly attributable to Spain (EUR -0.8 billion, of which EUR -0.4 billion is from the sale of the WestImmo portfolio), Portugal (EUR -0.4 billion) and Italy (EUR -0.2 billion).

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

Country[1]	**Debtor group**	**30/6/2015 Notional in EUR million**[2,3]	**31/12/2014 Notional in EUR million**[2,3]
Greece	Corporates	125.0	122.2
	Financial Institutions	0.0	0.0
Σ Greece		**125.0**	**122.2**
Ireland	Corporates	10.8	76.7
	Financial Institutions	0.1	0.1
	Public Finance	115.0	115.0
Σ Ireland		**125.9**	**191.8**
Italy	Corporates	988.7	1,106.3
	Financial Institutions	127.2	174.7
	Public Finance	1,990.1	2,069.8
Σ Italy		**3,106.0**	**3,350.7**
Portugal	Corporates	50.7	50.9
	Public Finance	1,077.1	1,444.0
Σ Portugal		**1,127.8**	**1,494.8**
Slovenia	Public Finance	40.0	40.0
Σ Slovenia		**40.0**	**40.0**
Spain	Corporates	1,122.9	1,674.9
	Financial Institutions	635.9	636.1
	Public Finance	951.9	1,202.4
Σ Spain		**2,710.7**	**3,513.4**
Cyprus	Corporates	67.5	69.6
	Public Finance	-	0.2
Σ Cyprus		**67.5**	**69.8**
Total[4]		**7,302.9**	**8,782.7**
of which	Corporates	2,365.6	3,100.5
of which	Financial Institutions	763.2	810.9
of which	Public Finance	4,174.1	4,871.3

1 Economic view may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
2 Based on current exchange rates.
3 Presentation of the notional volume, including hedges (net).
4 Of which EAA CBB EUR 1,246.3 million.

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

Product[1]	Value[2]	Country[3]	30/6/2015 EUR million [4,5]	31/12/2014 EUR million [4,5]
Single CDS	Notional	Italy	-	-
		Portugal	-	-
		Spain	-	-
Σ Single CDS			**-**	**-**
Decomposed CDS	EaD	Italy	0.0	0.0
		Portugal	0.0	0.0
		Spain	0.0	0.0
Σ Decomposed CDS			**0.0**	**0.0**
Equities	MtM	Greece	0.0	0.0
		Italy	0.9	1.7
Σ Equities			**0.9**	**1.7**
Equity derivatives	EaD	Greece	-	-0.0
		Italy	-	-0.3
Σ Equity derivatives			**-**	**-0.4**
Other derivatives	MtM	Ireland	-	0.4
		Italy	390.1	509.8
		Portugal	0.4	0.2
		Spain	202.0	275.0
		Cyprus	20.9	24.1
Σ Other derivatives			**613.4**	**809.5**
ALM	MtM	Ireland	0.7	5.1
		Italy	138.5	43.4
		Spain	200.0	100.0
Σ ALM			**339.2**	**148.5**

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

Market price risks

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

Market price risks – banking book

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

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

Interest rate risk (EAA Group)

	30/6/2015 EUR thousand	31/12/2014 EUR thousand
< 1 Y	16.0	141.3
1-4 Y	3.5	-98.0
4-8 Y	-48.2	-46.6
8-15 Y	-64.3	119.3
> 15 Y	-16.9	20.2
Total	**-109.9**	**136.2**

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

The interest rate sensitivity PV01 is EUR -109.9 thousand, and has reversed compared with the end of 2014 (EUR 136.2 thousand) due to market trends. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	30/6/2015 EUR thousand	31/12/2014 EUR thousand
AUD	5,103.1	1,574.0
CHF	7,593.9	-4,569.7
GBP	4,882.7	8,151.3
JPY	4,589.8	7,305.9
PLN	-1,508.4	63.9
RUB	-190.1	228.9
SGD	2,461.3	1,724.6
TRY	228.6	136.6
USD	34,082.4	31,815.6
Other	6,132.6	4,837.1
Total	**63,375.9**	**51,268.2**

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

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

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

Market price risks – trading portfolio

In the trading portfolio, equity price risks and, to a small extent, credit spread and commodity risks also exist alongside interest rate and foreign exchange risks. The trading portfolio predominantly includes derivative exposures and also contains non-linear options risks. In line with market practice, risks in the trading portfolio are hedged at the portfolio level. This entails residual risks which change due to market movements and developments in the portfolio and are hedged dynamically (dynamic hedging strategy).

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

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

Historical and parametric stress tests have been calculated on a daily basis since June 2015. These also simulate the effects of market price risks not covered by the VaR, independent of statistically observed probabilities of occurrence.

The relevant market price risk exposures are continuously subjected to backtesting. This involves comparing on a daily basis the actual market value changes (hypothetical income statement) to the possible market value changes forecasted by the VaR model. In the year to date until the conversion of the model on 29 May 2015, thresholds were breached four times in backtesting at the highest level of the trading portfolio structure. From a statistical perspective, two to three exceeded limits must be taken into account per year for a VaR with a holding period of one trading day and a confidence level of 99%. The higher number of backtesting outliers in the first half of the year is due to a combination of volatile market phases and the sharply lower level of interest rates.

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

Value at Risk by clusters

	Value at Risk 30/6/2015 EUR thousand	Value at Risk 31/12/2014 EUR thousand
EAA Trading	1,168.7	1,486.2
Interest Rate Options	228.9	201.3
Interest Rate Exotics	1,126.6	985.6
Interest Rate Flow	310.3	275.0
Credit Derivatives	9.3	9.0
Fund Derivs & Credit Repacks	0.6	0.8
Foreign Exchange Options and Hybrids	127.1	75.1
Equity Structured Products	46.0	43.2
Muni GIC Portfolio	320.9	500.4
Commodities	0.7	0.6

The VaR for the trading portfolio declined because of market movements and the model conversion mentioned above to EUR 1,168.7 thousand (31 December 2014: EUR 1,486.2 thousand).

Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

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

All stress scenarios demonstrated a viable liquidity situation as at 30 June 2015. The liquidity reserve consists of collateralised liquidity (the portfolio's securities holdings which are highly likely to be eligible for bilateral repo transactions) and short-term investments. Liquidity reserves were always higher than the liquidity reserve requirement during the reporting period. The liquidity reserve amounted to EUR 9.2 billion when the stress test was performed at the close of June 2015.

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

Operational risks

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

Operational risks within the EAA are determined using a risk inventory, which is performed on a regular basis. The EAA's most recent risk inventory revealed one valuation object (1%) with high risks. Of the valuation objects, 11% are characterised by medium risks and 88% by low risks. The EAA's overall risk situation has therefore improved slightly following the successful implementation of risk mitigation measures to address last year's high risks and the general stabilisation after the refill.

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

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

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

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

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

Other risks

Reputational risks

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

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

Legal risks

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

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

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

Tax risks

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

Longevity risks

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

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

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

Summary of risk situation

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

To that end in particular, wind-up agencies in accordance with section 8a of the FMStFG are exempt from capital requirements, the obligation to prepare consolidated financial statements and other statutory provisions that apply to commercial banks. The EAA is thus primarily geared toward assuming credit and market price risks.

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

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

Market price risks are largely limited.

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

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

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

The requirements for risk-bearing capacity pursuant to section AT 4.1 MaRisk are not relevant for the EAA. Instead, the EAA performs a quarterly analysis of the development of its equity to the end of the planning period using the wind-up plan as well as up-to-date variables and market parameters. This involves, in particular, the effects of changed framework conditions on equity in 2027. The analyses conducted as at 30 June 2015 have not given rise to any need for adjustments to the wind-up plan during the year. As at 31 December 2014 a new wind-up plan was prepared as scheduled. This wind-up plan shows positive equity capital as at the end of the planning period. This means that as of the end of planning horizon for the wind-up plan, the only possibility that a loss would occur which would require utilisation of the EAA's liability mechanism would be if adverse scenarios were to materialise which, from today's perspective, are unlikely to occur.

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

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

Opportunities report

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

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

The ECB underscored its determination even further with its government bond-buying programme in March 2015. In 2014 it had already begun to purchase securitisations and covered bonds. But in order to achieve its target for total assets of around EUR 3 trillion, the ECB has been additionally purchasing euro government bonds since March 2015 and is spending around EUR 60 billion every month for euro government bonds, covered bonds and securitisations. So far, the ECB has acquired euro government bonds worth EUR 248.9 billion (as at 31 July 2015), thereby easing the supply of liquidity to the capital markets even more. This purchase programme will join the other mechanisms already in place, such as the ECB's OMT programme and TLTROs. These ECB measures are seen as having been a major reason why the resurgence of the Greek crisis in January did not expand into a more widespread conflagration. Evidence of contagion, such as higher yields and risk premiums, has appeared to only a very limited extent among other peripheral issuers from Portugal, Spain or Italy.

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

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

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

Forecast report

The EAA anticipates that in 2015 active measures and contractual maturities will reduce the notional volume of the banking book by around 34% to about EUR 34.5 billion.

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

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

For 2015 the plan calls for a reduction in the notional volume of the trading portfolios by around 27% to about EUR 340 billion compared with the previous year. The EAA will continue to analyse to what extent it is possible to accelerate the reduction of the assumed trading portfolios in an effective and cost-efficient manner.

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

Net interest income and net fee and commission income will probably decrease in the fiscal year 2015 as the volume of the portfolio declines. The plan is to generate close to EUR 174 million (including dividend income) from this portfolio. A forecast for the trading result and for the result of risk provisions is difficult due to the imponderables with respect to developments on the global financial and other markets. The EAA continues to adhere to its value-preserving reduction strategies and expects – based on the assumptions listed above – that it can achieve a break-even result for the fiscal year 2015.

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

For 2015 the EAA has once again defined a sale portfolio as its objective. In light of this, a number of exposures in the credit and securities portfolio have been identified that hold potential for sales, terminations or early redemptions. This course of action serves the overriding goal of minimising losses while taking into account expected risk developments. Independent of the sales portfolio for 2015, the EAA pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess premature and profitable wind-up potentials for all positions of the portfolio.

The fact that the economic recovery in 2014 faltered somewhat due to a variety of stress factors shows how fragile the eurozone's economy still is in the fifth year after the outbreak of the euro debt crisis. The new interventions by the ECB in 2015 (programme to purchase government bonds, targeted long term refinancing operations) and the encouragingly robust economy in Spain and Portugal appear to have improved the situation. Nevertheless, an attempt to overcome a debt crisis through austerity measures will take a very long time. Empirical studies of sovereign debt crises have shown that on average, such crises tend to last a good 25 years.

These efforts are even more difficult when additional economic sectors, such as private households and the (non-financial) corporate sector, must likewise make cut-backs in order to reduce excessive debt. Nevertheless, the EAA's ambitious objectives are bolstered by current economic trends. The ECB's programme to purchase euro government bonds should have a particularly positive impact on the EAA's portfolios. In fact, this positive effect will probably not be limited to just government bonds and will instead likely radiate out to other segments because investors, particularly those focused on the euro as their investment currency, are seeking investment alternatives.

Even though the economic recovery may have taken a brief time-out in the second half of 2014, it is likely to continue in 2015. That is reason enough to have a positive outlook for the future. The economic recovery continues in industrial countries – although the pace has been somewhat slower recently. This can be seen in the further improvement in the fundamentals of the eurozone, where GDP is forecast to grow for 2015.

Subsequent events

On 16 July 2015, the EAA, together with ten other creditors, filed a lawsuit against HETA at the District Court of Frankfurt. The plaintiffs are demanding repayment of approximately EUR 1 billion. Previously, the EAA, together with the other pool members, had initiated the enforcement of its rights in Austria by filing opposition ("Vorstellung") against the moratorium imposed by the Austrian Financial Market Authority on 1 March 2015. The EAA's exposure to HETA currently still amounts to EUR 67.5 million.

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

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

The EAA therefore intends to perform due diligence to investigate, among other things, whether PFS's capitalisation is adequate and appropriate. This due diligence will also involve analysing and evaluating the opportunities and risks associated with a potential connection of PFS's corporate structure to the EAA with regard to the EAA's wind-up plan and, in particular, the EAA's capital base. The EAA commenced this due diligence at the end of July 2015, and the current planning is that the results will be available during the month of September 2015. They will then serve as a basis for decisions on a potential corporate connection of PFS to the EAA. A prerequisite for the implementation of such a transaction is primarily the consent of the liable stakeholders of the EAA.

No further events need to be reported.

Balance sheet

Assets

	Notes	EUR	EUR	30/6/2015 EUR	31/12/2014 EUR
1. Cash reserve					
a) Balances with central banks			959		(50)
of which:					
with Deutsche Bundesbank EUR 959 (py: EUR 50)					
				959	50
2. Loans and advances to banks	3, 27				
a) payable on demand			6,210,900,557		(6,715,689,869)
b) other loans and advances			4,264,055,012		(7,875,689,956)
				10,474,955,569	14,591,379,825
3. Loans and advances to customers	4, 5, 14, 27			16,043,683,910	12,961,376,080
of which:					
secured by mortgage charges EUR 369,208,416 (py: EUR 301,149,719)					
Public-sector loans EUR 1,290,618,943 (py: EUR 1,029,743,537)					
4. Bonds and other fixed-income securities	6, 15, 27				
a) Bonds issued by					
aa) public issuers		2,435,185,801			(2,018,642,403)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 2,203,246,044 (py: EUR 1,884,254,808)					
ab) other issuers		14,064,383,639			(14,030,821,225)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,136,115,281 (py: EUR 1,075,968,037)					
			16,499,569,440		(16,049,463,628)
b) Own bonds Notional value EUR 399,171,000 (py: EUR 91,237,000)			406,834,855		(91,746,421)
				16,906,404,295	16,141,210,049
5. Equities and other non-fixed-income securities	7, 14			1,568,390	25,345,144
5a. Trading portfolio	8			27,840,821,823	33,768,281,602

	Notes	EUR	EUR	30/6/2015 EUR	31/12/2014 EUR
6. Long-term equity investments	9			105,178,560	109,378,843
of which:					
in banks EUR 12,421,102 (py: EUR 12,421,102)					
7. Shares in affiliates	10			671,947,612	1,692,481,177
of which:					
in banks EUR 590,679,840 (py: EUR 1,611,828,596)					
in financial service providers EUR 17,934,416 (py: EUR 10,797,344)					
8. Trust assets	11			258,758	262,425
of which:					
trust loans EUR 258,758 (py: EUR 262,425)					
9. Intangible assets					
a) paid concessions, trademarks and similar rights and values such as licenses in such rights			5,034,478		(5,212,861)
				5,034,478	5,212,861
10. Tangible fixed assets				254,872	228,686
11. Other assets	12			49,717,345	123,011,147
12. Prepaid expenses/accrued income	13			52,970,296	56,456,587
Total assets				**72,152,796,867**	**79,474,624,476**

Liabilities and equity

	Notes	EUR	EUR	30/6/2015 EUR	31/12/2014 EUR
1. Deposits from banks	13, 16				
a) payable on demand			2,729,647,364		(2,544,876,905)
b) with an agreed maturity or withdrawal notice			2,201,343,787		(2,468,239,131)
				4,930,991,151	5,013,116,036
2. Deposits from customers	13, 17				
other deposits					
a) payable on demand			141,624,637		(144,809,684)
b) with an agreed maturity or withdrawal notice			4,213,786,797		(5,400,251,820)
				4,355,411,434	5,545,061,504
3. Debt securities in issue	13, 18				
a) Bonds			23,116,950,394		(26,334,620,862)
b) Other debt securities in issue			12,150,072,354		(8,413,263,553)
of which:					
Money market instruments EUR 12,148,926,751 (py: EUR 8,412,117,951)					
				35,267,022,748	34,747,884,415
3a. Trading portfolio	19			26,382,259,397	32,874,091,231
4. Trust liabilities	20			258,758	262,425
of which:					
trust loans EUR 258,758 (py: EUR 262,425)					
5. Other liabilities	21			189,073,773	242,797,550
6. Accruals/deferred income	22			20,847,930	22,691,986
7. Provisions	23				
a) Tax provisions			828,715		(828,715)
b) Other provisions			379,400,283		(409,460,393)
				380,228,998	410,289,108
8. Fund for general bank risks				0	0
of which special item pursuant to § 340e (4) HGB EUR 0 (py: EUR 0)					

	Notes	EUR	EUR	30/6/2015 EUR	31/12/2014 EUR
9. Equity	24				
a) Called capital					
Subscribed capital		500,000			(500,000)
less uncalled outstanding capital		0			(0)
			500,000		(500,000)
b) Capital reserves			3,013,237,214		(3,013,237,214)
c) Revenue reserves					
Other revenue reserves		2,431,408			(2,431,408)
			2,431,408		(2,431,408)
d) Net retained losses			-2,389,465,944		(-2,397,738,401)
				626,702,678	618,430,221
Total liabilities and equity				**72,152,796,867**	**79,474,624,476**
1. Contingent liabilities	29				
a) Liabilities on guarantees and warrantees			5,629,764,169		(8,410,571,795)
				5,629,764,169	8,410,571,795
2. Other obligations	29				
a) Irrevocable loan commitments			3,623,416,901		(3,969,976,758)
				3,623,416,901	3,969,976,758

Income statement

	Notes	EUR	EUR	1/1 - 30/6/2015 EUR	1/1 - 30/6/2014 EUR
1. Interest income from	25				
a) Lending and money market transactions		205,808,232			(288,878,774)
b) Fixed-income securities and debt register claims		109,197,082			(113,666,244)
			315,005,314		(402,545,018)
2. Interest expense			255,195,701		(341,037,979)
				59,809,613	61,507,039
3. Current income from	25				
a) Equities and other non-fixed-income securities			193,085		(92)
b) Long-term equity investments			18,369,314		(1,378,686)
c) Shares in affiliates			2,801,673		(189,371)
				21,364,072	1,568,149
4. Fee and commission income	25		40,432,975		(44,479,731)
5. Fee and commission expense			10,960,118		(17,211,446)
				29,472,857	27,268,285
6. Net trading result				-12,097,225	-2,703,967
7. Other operating income	25, 26			3,810,491	886,585
8. General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		9,747,475			(9,820,578)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		1,159,615			(1,044,668)
of which					
for pensions EUR 310,475 (py: EUR 289,888)					
			10,907,090		(10,865,246)
b) Other administrative expenses			138,096,962		(156,667,523)
				149,004,052	167,532,769

	Notes	EUR	EUR	1/1 - 30/6/2015 EUR	1/1 - 30/6/2014 EUR
9. Depreciation and write-offs of intangible assets and tangible fixed assets				234,849	25,001
10. Other operating expenses	26			2,223,819	1,581,514
11. Depreciation and write-offs of claims and certain securities as well as additions to provisions in the lending business	23, 27			0	62,096,530
12. Income from reversals of write-offs of loans and advances and certain securities and from reversals of loan loss provisions	23, 27			11,450,018	0
13. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	27			47,694,852	173,182,487
14. Result from ordinary activities				10,041,958	30,472,764
15. Taxes on income and earnings	28			334,044	561,299
16. Other taxes not reported under item 10	28			1,435,457	48
17. Net profit of the year				8,272,457	29,911,417
18. Net retained losses brought forward				-2,397,738,401	-2,460,266,692
19. Net retained losses				-2,389,465,944	-2,430,355,275

Cash flow statement

			1/1 - 30/6/2015 EUR	1/1 - 30/6/2014 EUR
1.	+/-	Result for the period	8,272,457	29,911,417
		Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities		
2.	+/-	Allowances for losses on loans and advances and write-offs on certain securities, depreciation, amortization on tangible fixed assets and long term financial assets as well as the reversal thereof	28,974,157	-179,372,204
3.	+/-	Increase/decrease in provisions	-30,060,110	79,981,885
4.	+/-	Other non-cash income/expense	-841,180,812	-22,094,183
5.	+/-	Gain/loss on disposal of long-term financial assets	-86,941,134	-6,342,330
6.	=	Subtotal	-920,935,442	-97,915,415
		Change in operating assets and liabilities		
7.	+/-	Increase/decrease loans and advances to banks (no trading portfolio)	4,089,928,475	373,204,429
8.	+/-	Increase/decrease loans and advances to customers (no trading portfolio)	-3,065,268,338	1,443,828,814
9.	+/-	Increase/decrease securities (no financial assets and no trading portfolio)	-720,968,977	1,455,132,370
10.	+/-	Trading assets	84,050,688	404,961,796
11.	+/-	Increase/decrease other operating assets	77,671,106	365,886,676
12.	+/-	Increase/decrease of deposits from banks (no trading portfolio)	-82,581,366	-647,039,774
13.	+/-	Increase/decrease of deposits from customers (no trading portfolio)	-1,202,164,406	-94,126,425
14.	+/-	Increase/decrease debt securities in issue	574,916,101	-3,016,911,131
15.	+/-	Trading liabilities	192,758,068	-635,689,828
16.	+/-	Increase/decrease other operating liabilities	-50,872,670	2,220,749
17.	+/-	Interest expenses/Interest income	-81,173,685	-63,075,188
18.	+/-	Tax expenses/-income	334,044	561,299
19.	+	Interest payments and dividend payments received	303,175,198	402,162,692
20.	-	Interest paid	-296,294,823	-439,573,685
21.	+/-	Income tax payments	-4,972,469	-1,761,721
22.	=	Cash flows from operating activities (sum of 1 to 21)	-1,102,398,496	-548,134,342
23.	+	Proceeds from disposal of long-term financial assets	1,106,211,077	454,208,646
24.	-	Purchase of long-term financial assets	-28,717,381	-37,515,042
25.	-	Purchase of tangible fixed assets	-43,020	-19,347
26.	-	Purchase of immaterial assets	-39,632	-17,850
27.	=	Cash flows from investing activities (sum of 23 to 26)	1,077,411,044	416,656,407
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)	-24,987,452	-131,477,935
31.	+	Cash funds at beginning of period	54,972,869	163,239,343
32.	=	Cash funds at end of period (sum of 30 to 31)	29,985,417	31,761,408

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

Statement of changes in equity

	Balance as of 1/1/2015 EUR	Appropriation of the result EUR	Balance as of 30/6/2015 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,397,738,401	8,272,457	-2,389,465,944
Equity under HGB	**618,430,221**	**8,272,457**	**626,702,678**

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

Condensed notes

For the period from 1 January to 30 June 2015

General disclosures

1. Preparation of the interim financial statements

In accordance with section 8a (1) sentence 10 in conjunction with section 3a (4) of the FMStFG and the additional guidance of the EAA's charter, these interim financial statements have been prepared under the provisions of the HGB for large public companies and the German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV). The condensed financial statements comply in particular with the requirements of DRS 16 (Interim Reporting).

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

2. Accounting and measurement principles

The same accounting and measurement principles were applied to the interim financial statements as to the financial statements for the fiscal year from 1 January to 31 December 2014.

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

Notes on the balance sheet

3. Loans and advances to banks

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**10,475.0**	**14,591.4**
of which:		
- to affiliates	1,216.3	6,431.5
payable on demand	6,210.9	6,715.7
due		
- within 3 months	3,923.7	6,756.0
- 3 months to 1 year	64.2	440.4
- 1 to 5 years	234.9	642.6
- after 5 years	41.3	36.7

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

4. Loans and advances to customers

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**16,043.7**	**12,961.4**
of which:		
- to affiliates	1,599.0	1,390.8
- to long-term equity investments	16.1	71.8
due		
- within 3 months	3,257.0	2,162.9
- 3 months to 1 year	974.7	2,299.7
- 1 to 5 years	4,093.7	4,385.4
- after 5 years	7,718.3	4,113.4

Receivables also include registered and other non-marketable debt instruments. Hidden liabilities increased to EUR 348.7 million (previous year: EUR 82.9 million).

5. Loans and advances secured by mortgages

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**369.2**	**301.1**
Loans and advances to customers due		
- within 3 months	8.9	10.8
- 3 months to 1 year	23.2	8.3
- 1 to 5 years	44.4	75.5
- after 5 years	292.7	206.5

6. Bonds and other fixed-income securities

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**16,906.4**	**16,141.2**
of which:		
Amounts due in the following year	783.7	341.6
Breakdown		
- Bonds issued by public issuers	2,435.2	2,018.6
- Bonds issued by other issuers	14,064.4	14,030.9
- Own bonds	406.8	91.7
Breakdown by marketability		
- Marketable securities	16,906.4	16,141.2
of which		
- listed	4,656.4	3,654.4
- unlisted	12,250.0	12,486.8
Breakdown by type		
- Liquidity reserve	532.2	91.7
- Investment securities	16,374.2	16,049.5
Breakdown by affiliation		
- Securities from affiliates	-	324.9

The bonds and other fixed-income securities in the amount of EUR 16.4 billion (previous year: EUR 16.0 billion) of the investment securities portfolio are included in long-term financial assets. As at the reporting date, investment securities with a book value of EUR 12.6 billion (previous year: EUR 13.1 billion) were recognised above their fair value of EUR 12.0 billion (previous year: EUR 12.4 billion) because the EAA expects to receive repayments totalling at least the amount of the book value. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the investment securities.

This difference is primarily attributable to structured loan products, EUR 0.1 billion of which (previous year: EUR 0.1 billion) relates to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the aforementioned investment portfolio that was not hedged with swaps (EUR 12.5 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

7. Equities and other non-fixed income securities

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**1.6**	**25.3**
Breakdown by marketability		
- Marketable securities	1.6	25.3
of which:		
- listed	1.6	5.8
- unlisted	-	19.5
Breakdown by type		
- Liquidity reserve	1.1	5.4
- Investment securities	0.5	19.9

8. Trading portfolio

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**27,840.8**	**33,768.3**
of which:		
- Derivative financial instruments	27,811.4	33,734.6
- Equities and other non-fixed-income securities	28.9	35.8
- Loans and advances	2.6	2.4
- Bonds and other fixed-income securities	0.1	0.2
- Risk allowance pursuant to § 340e (3) sentence 1 HGB	-2.2	-4.7

9. Long-term equity investments

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**105.2**	**109.4**
of which:		
- in banks	12.4	12.4
Breakdown by marketability		
- Marketable securities	31.8	52.1
of which:		
- listed	14.2	29.7
- unlisted	17.6	22.4

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

10. Shares in affiliates

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**671.9**	**1,692.5**
of which:		
- in banks	590.7	1,611.8
- in financial service providers	17.9	10.8
Breakdown by marketability		
- Marketable securities	434.3	1,184.3
of which:		
- unlisted	434.3	1,184.3

The decrease is mostly due to a capital repayment from EAA CBB and the sale of WestImmo.

11. Trust assets

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**0.3**	**0.3**
of which:		
- Loans and advances to customers	0.3	0.3

12. Other assets

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**49.7**	**123.0**
of which:		
- Tax refund claims	21.3	15.5
- Guarantee fees and commissions	20.7	24.9
- Receivables from profit and loss pooling agreements	7.4	80.1
- Premiums for options	-	2.1

The guarantee fees included in Other assets consist of receivables from Portigon totalling EUR 12.0 million (previous year EUR 13.3 million).

13. Prepaid expenses/accrued income

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**53.0**	**56.5**
of which:		
- Non-recurring payments on swaps	34.2	35.6
- Discount on issuing business	11.3	14.0
- Discount on liabilities	5.9	5.8
- Other	1.6	1.1

14. Subordinated assets

Subordinated assets are included in:

	30/6/2015 EUR million	31/12/2014 EUR million
Loans and advances to customers	**729.5**	**647.9**
of which:		
- to affiliates	309.2	254.4
- to long-term equity investments	1.9	1.9
Equities and other non-fixed-income securities	**-**	**19.6**
Total	**729.5**	**667.5**

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

15. Assets sold under repurchase agreements

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

16. Deposits from banks

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**4,931.0**	**5,013.1**
of which:		
- Deposits from affiliates	26.7	32.4
Payable on demand	2,729.6	2,544.9
due		
- within 3 months	531.3	340.1
- 3 months to 1 year	1,312.8	1,602.4
- 1 to 5 years	128.6	287.4
- after 5 years	228.7	238.3

17. Deposits from customers

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**4,355.4**	**5,545.1**
Other deposits	4,355.4	5,545.1
of which:		
- payable on demand	141.6	144.8
due		
- within 3 months	521.1	1,144.1
- 3 months to 1 year	868.8	945.7
- 1 to 5 years	825.9	946.0
- after 5 years	1,998.0	2,364.5

18. Debt securities in issue

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**35,267.0**	**34,747.9**
Bonds	23,117.0	26,334.6
of which:		
Amounts due in the following year	14,881.7	12,803.1
Other debt securities in issue	12,150.0	8,413.3
of which due:		
- within 3 months	10,694.5	6,889.7
- 3 months to 1 year	1,455.5	1,523.6
- 1 to 5 years	-	-
- after 5 years	-	-

19. Trading portfolio

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**26,382.3**	**32,874.1**
of which:		
- Derivative financial instruments	26,382.3	32,874.1

20. Trust liabilities

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**0.3**	**0.3**
of which:		
- Deposits from banks	0.3	0.3

21. Other liabilities

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**189.1**	**242.8**
of which:		
- Currency translation adjustments	150.8	171.1
- Deposits from the assumption of losses	11.6	12.6
- Obligations from swap transactions	-	0.1
- Premiums from options	-	2.1
- Other	26.7	56.9

Other liabilities mostly include unpaid invoices.

22. Accruals/deferred income

	30/6/2015 EUR million	31/12/2014 EUR million
Carrying amount	**20.8**	**22.7**
of which:		
- Non-recurring payments on swaps	13.7	16.4
- Premium on issuing business	2.9	5.0
- Premiums for sold interest rate caps and floors	1.3	1.3
- Other	2.9	-

23. Provisions

	Balance as of 31/12/2014 EUR million	Additions EUR million	Unwinding of discount EUR million	Charge-offs EUR million	Reversals EUR million	Other changes EUR million	Final balance 30/6/2015 EUR million
Taxes	**0.8**	**-**	**-**	**-**	**-**	**-**	**0.8**
Other provisions	**409.5**	**41.4**	**1.2**	**52.6**	**18.6**	**-1.5**	**379.4**
- Loans	274.1	16.4	-	32.5	16.7	-14.2	227.1
- Long-term equity investments	24.5	-	0.5	-	0.3	1.4	26.1
- Legal actions	21.5	0.3	0.2	1.6	0.3	0.3	20.4
- Personnel	0.4	-	-	-	-	-	0.4
- Other	89.0	24.7	0.5	18.5	1.3	11.0	105.4
Total	**410.3**	**41.4**	**1.2**	**52.6**	**18.6**	**-1.5**	**380.2**

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

24. Equity

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

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

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

The EAA's year-to-date net profit for the first half of 2015 amounts to EUR 8.3 million and decreases net retained losses carried forward to EUR 2,389.5 million as at 30 June 2015.

Notes on the income statement

25. Geographical breakdown of income components

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

	Interest income 1/1 - 30/6/2015 EUR million	Current income 1/1 - 30/6/2015 EUR million	Fees and commission income 1/1 - 30/6/2015 EUR million	Other operating income 1/1 - 30/6/2015 EUR million
Germany	243.1	18.1	37.8	3.8
Great Britain	39.3	0.5	2.2	-
Rest of Europe	2.0	-	-	-
Far East and Australia	4.9	-	-	-
North America	25.7	2.8	0.4	-
IS amount	**315.0**	**21.4**	**40.4**	**3.8**

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

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

26. Other operating and prior-period expenses and income

Net other operating expenses and income in the first half of 2015 amount to EUR 1.6 million (previous year: EUR -0.7 million) and consist of EUR 2.2 million (previous year: EUR 1.6 million) in expenses and EUR 3.8 million (previous year: EUR 0.9 million) in income.

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

27. Risk provision

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

	1/1 - 30/6/2015 EUR million	1/1 - 30/6/2014 EUR million
Risk provision and financial investment result including loss assumption (regarding RechKredV)	**59.1**	**111.1**
Loans and securities income/expense	**11.4**	**-62.1**
of which: - Lending operations	7.2	-62.3
- Securities	4.2	0.2
Equity investments and securities income/expenses	**47.7**	**173.2**
of which: - Long-term equity investments	53.4	169.9
- Securities	-5.7	3.3
Expenses from loss assumption	**-**	**-**
Risk provision and financial investment result including loss assumption (regarding risk report)	**59.1**	**111.1**
Result of risk provisions - loans and advances/securities due to credit risk	**11.0**	**-64.8**
of which: - Lending operations	13.9	-72.3
- Structured securities	-2.9	7.5
Net income from investment securities, long-term equity investments and loss assumption	**48.1**	**175.9**

The EAA always makes use of the options available under section 340f (3) and section 340c (2) of the HGB. Under section 340f (3) of the HGB, income and expenses resulting from the valuation in the lending business may be reported on a net basis with risk provisions for securities and income from the reversal of risk provisions on securities of the liquidity reserve. The net income totalled EUR 11.4 million (previous year: net expense EUR 62.1 million). According to section 340c (2) of the HGB, the expenses for long-term equity investments, shares in affiliates as well as for long-term investment securities may be offset against the corresponding income. Overall, the EAA shows a net income of EUR 47.7 million (previous year: net income EUR 173.2 million) as the risk result for equity investments and securities.

28. Taxes

Taxes on income and earnings amounting to EUR 0.3 million (previous year: EUR 0.6 million) primarily relate to foreign taxes.

In the current financial year, the EAA incurred other taxes of EUR 1.4 million, which primarily relate to foreign stamp taxes.

Other disclosures

29. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 5.6 billion (previous year: EUR 8.4 billion) primarily result from guarantees for Portigon's risk exposures. They include obligations from credit default swaps amounting to EUR 359.2 million (previous year: EUR 767.3 million). Regarding these contingent liabilities, the EAA has no detailed knowledge of whether, when or to what extent these specific contingent liabilities will be realised. A provision will be made as soon as there are sufficient concrete indications of probable losses being realised on the contingent liabilities.

Other liabilities

The reported volume of EUR 3.6 billion (previous year: EUR 4.0 billion) is due to the lending business. The EAA constantly reviews whether losses from other liabilities are impending and if a provision needs to be made for impending losses from pending transactions.

30. Forward contracts/derivative financial instruments

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

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

- **Currency-related products**
  Cross-currency interest rate swaps, forward cross-currency interest rate swaps, forward exchange contracts and currency option contracts

- **Equity- and other price-related products**
  Share options, index options, share and index warrants in issue

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

The total volume of forward transactions and derivatives transactions as at the reporting date amounts to EUR 460.0 billion based on notional values (previous year: EUR 526.2 billion). Most of the balance continues to be in interest rate-related products, whose share remains at 83.5% (previous year: 83.5%) of the total volume.

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

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	30/6/2015 EUR million	31/12/2014 EUR million	30/6/2015 EUR million	31/12/2014 EUR million	30/6/2015 EUR million	31/12/2014 EUR million
Interest rate-related products	**383,993.8**	**439,535.8**	**25,580.4**	**32,689.5**	**25,617.8**	**32,418.7**
OTC products	383,044.0	436,659.9	25,580.4	32,689.5	25,617.8	32,418.7
Exchange-traded products	949.8	2,875.9	-	-	-	-
Currency-related products	**69,025.4**	**78,688.9**	**2,375.6**	**2,199.9**	**1,351.3**	**1,725.4**
OTC products	69,025.4	78,688.9	2,375.6	2,199.9	1,351.3	1,725.4
Equity- and other price-related products	**5,626.5**	**5,673.5**	**211.6**	**258.6**	**258.7**	**308.5**
OTC products	2,763.7	2,764.0	131.2	153.7	166.9	190.2
Exchange-traded products	2,862.8	2,909.5	80.4	104.9	91.8	118.3
Credit derivatives	**1,333.7**	**2,342.6**	**6.6**	**13.0**	**8.6**	**15.5**
OTC products	1,333.7	2,342.6	6.6	13.0	8.6	15.5
Total derivative financial instruments	**459,979.4**	**526,240.8**	**28,174.2**	**35,161.0**	**27,236.4**	**34,468.1**
OTC products	456,166.8	520,455.4	28,093.8	35,056.1	27,144.6	34,349.8
Exchange-traded products	3,812.6	5,785.4	80.4	104.9	91.8	118.3

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 493.1 billion in the current fiscal year 2015 (previous year: EUR 578.4 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	30/6/2015 EUR million	31/12/2014 EUR million	30/6/2015 EUR million	31/12/2014 EUR million	30/6/2015 EUR million	31/12/2014 EUR million
Interest rate-related products	**411,764.8**	**475,949.7**	**29,134.9**	**29,157.0**	**29,018.3**	**28,735.2**
OTC products	409,852.0	472,110.4	29,134.9	29,157.0	29,018.3	28,735.2
Exchange-traded products	1,912.8	3,839.3	-	-	-	-
Currency-related products	**73,857.2**	**91,336.8**	**2,287.8**	**2,208.1**	**1,538.4**	**1,905.0**
OTC products	73,857.2	91,336.8	2,287.8	2,208.1	1,538.4	1,905.0
Equity- and other price-related products	**5,650.0**	**8,925.9**	**235.1**	**414.9**	**283.7**	**632.8**
OTC products	2,763.8	3,364.5	142.4	189.6	178.6	237.2
Exchange-traded products	2,886.2	5,561.4	92.7	225.3	105.1	395.6
Credit derivatives	**1,838.1**	**2,176.6**	**9.8**	**16.8**	**12.0**	**19.4**
OTC products	1,838.1	2,176.6	9.8	16.8	12.0	19.4
Total derivative financial instruments	**493,110.1**	**578,389.0**	**31,667.6**	**31,796.8**	**30,852.4**	**31,292.4**
OTC products	488,311.1	568,988.3	31,574.9	31,571.5	30,747.3	30,896.8
Exchange-traded products	4,799.0	9,400.7	92.7	225.3	105.1	395.6

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

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

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity- and other price-related products		Credit derivatives	
	30/6/2015 EUR million	31/12/2014 EUR million	30/6/2015 EUR million	31/12/2014 EUR million	30/6/2015 EUR million	31/12/2014 EUR million	30/6/2015 EUR million	31/12/2014 EUR million
Due								
- within 3 months	32,637.5	41,490.5	11,828.3	12,707.5	177.3	34.6	334.5	295.4
- 3 months to 1 year	148,913.3	61,213.5	24,939.2	17,424.8	626.2	2,953.3	379.8	1,235.2
- 1 to 5 years	55,744.9	174,202.2	18,262.5	33,737.1	2,871.6	813.6	579.1	705.9
- after 5 years	146,698.1	162,629.6	13,995.4	14,819.5	1,951.4	1,872.0	40.3	106.1
Total	**383,993.8**	**439,535.8**	**69,025.4**	**78,688.9**	**5,626.5**	**5,673.5**	**1,333.7**	**2,342.6**

31. Number of employees

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

	Female	Male	Total 1/1 - 30/6/2015	Total 1/1 - 30/6/2014
Number of employees	51	81	132	130

32. EAA shareholders

	30/6/2015 in %	31/12/2014 in %
State of NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
Total	**100.000**	**100.000**

33. Memberships of other bodies held by Managing Board members

In the first half of 2015 the following members of the Managing Board of the EAA were members of a supervisory board or other supervisory bodies of large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB. Details of the memberships of other bodies marked with * are provided on a voluntary basis as the companies are not classed as large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB.

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

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

Horst Küpker
Börse Düsseldorf AG *

34. Memberships of other bodies held by employees

In the first half of 2015 the following employees of the EAA were members of a supervisory board or other supervisory bodies of public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB. Details of the memberships of other bodies marked with * are provided on a voluntary basis as the companies are not classed as large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB.

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

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

Hartmut Rahner
EAA Covered Bond Bank Plc

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

35. Executive bodies of the EAA

Members of the Managing Board of the EAA

Matthias Wargers (Spokesman)
Markus Bolder
Horst Küpker

Members of the Supervisory Board of the EAA

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

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

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

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

Michael Breuer
President of the Rheinischer Sparkassen- und Giroverband

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

Wilfried Groos
Chairman of the Managing Board of the Sparkasse Siegen

Matthias Löb
Director of the Landschaftsverband Westfalen-Lippe

Hans Martz
Chairman of the Managing Board of Sparkasse Essen

Michael Stölting
Member of the Managing Board of NRW.BANK

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

Dr. h.c. Uwe Zimpelmann
Former Chairman of the Landwirtschaftliche Rentenbank

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

36. Information on shareholdings

Supplementary disclosures pursuant to section 285 Nos. 11 and 11a HGB
Shareholdings denominated in a foreign currency have been converted into EUR using the balance sheet rate;
Disclosure of capital share and voting rights in %, amounts in EUR thousand;
Disclosure of voting rights only if the percentage share differs from the share of capital.

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Börse Düsseldorf AG [10)]	Düsseldorf	21.95		EUR	34,391	1,540
2	Castello di Casole Agricoltura S.r.l. società agricola [1) 10)]	Casole d'Elsa, Italy	100.00		EUR	86	-8
3	Castello di Casole S.r.l. [10)]	Casole d'Elsa, Italy	100.00		EUR	4,881	-1,183
4	Castello Resort Villas S.r.l. [10)]	Casole d'Elsa, Italy	100.00		EUR	643	-335
5	CBAL S.A. [2) 12)]	Braine l'Alleud, Belgium	100.00		EUR	975	6,086
6	COREplus Private Equity Partners GmbH & Co. KG [1) 10)]	Düsseldorf	36.52	0.00	EUR	25,114	-366
7	COREplus Private Equity Partners II - Diversified Fund, L. P. [13)]	Wilmington, USA	24.75	0.00	USD	47,652	9,436
8	Dussinvest2 Beteiligungsgesellschaft mbH [4) 10)]	Düsseldorf	100.00		EUR	232	0
9	Dusskapital Zwanzig Beteiligungsgesellschaft mbH [13)]	Düsseldorf	100.00		EUR	39	11
10	EAA Covered Bond Bank Plc [13) 14)]	Dublin 1, Ireland	100.00		EUR	831,309	-60,756
11	EAA DLP I LLP [1) 13)]	Wilmington, USA	100.00		USD	135,892	4,163
12	EAA DLP II LLP [1) 13)]	Wilmington, USA	100.00		USD	144,708	8,597
13	EAA DLP III LLP [1) 13)]	Wilmington, USA	100.00		USD	181,710	15,307
14	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. [10)]	Sao Paulo, Brasilia	100.00		BRL	2,865	801
15	EAA Europa Holding GmbH [4) 10)]	Düsseldorf	100.00		EUR	12,570	0
16	EAA Japan K.K. [3) 13)]	Minato-ku, Japan	100.00		JPY	175,597	-45,112
17	EAA LAT ABC LLP [1) 13)]	Wilmington, USA	100.00		USD	176,332	-6,493
18	EAA LAT II LLP [1) 13)]	Wilmington, USA	100.00		USD	217,515	-11,917
19	EAA LS Holdings LLC [1) 13)]	Wilmington, USA	100.00		USD	104	n.s.
20	EAA PF LLP [1)]	Wilmington, USA	100.00			n.s.	n.s.
21	EAA Portfolio Advisers GmbH [13)]	Düsseldorf	100.00		EUR	459	435
22	EAA Portfolio Advisers LLC [1) 13)]	New York, USA	100.00		USD	64	64
23	EAA Spyglass Holdings LLC [1) 13)]	Wilmington, USA	100.00		USD	25,017	2,339
24	EAA Triskele LLP [1) 13)]	Wilmington, USA	100.00		USD	203,270	-7,437
25	EAA US Holdings Corporation [13)]	Wilmington, USA	100.00		USD	40,981	-907
26	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH [10)]	Berlin	47.50		EUR	515	-119
27	Erste EAA-Beteiligungs GmbH [4) 13)]	Düsseldorf	100.00		EUR	16	0
28	Fischerinsel Beteiligungs-GmbH i.L. [11)]	Mainz	100.00		EUR	13	-3
29	Fischerinsel Vermietungs GmbH & Co.KG i.L. [13)]	Mainz	100.00		EUR	3	-2
30	Frankonia Eurobau Max-Viertel GmbH [8)]	Nettetal	25.00		EUR	81,052	-693

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
31	GID Gesellschaft für Innenstadtentwicklung in Duisburg mbH [10)]	Hamburg	45.00		EUR	-3	-1
32	GKA Gesellschaft für kommunale Anlagen mbH [1) 13)]	Düsseldorf	100.00		EUR	96	-58
33	Heber Avenue Partners, LLC [13)]	Dover, USA	100.00		USD	0	n.s.
34	KA Deutschland Beteiligungs GmbH & Co KG [1) 13)]	Düsseldorf	100.00		EUR	3,974	1,008
35	Kassiterit Beteiligungs GmbH [1) 10)]	Düsseldorf	100.00		EUR	11	-8
36	KB Zwei Länder Beteiligungs- und Verwaltungs GmbH & Co. KG [1) 10)]	Düsseldorf	100.00		EUR	683	-28
37	KB Zwei Länder Beteiligungsgesellschaft mbH [1) 10)]	Düsseldorf	100.00		EUR	440	-27
38	Leasing Belgium N.V. [1) 10)]	Antwerp, Belgium	100.00		EUR	581	-101
39	LIFE.VALUE Construction GmbH [1) 13)]	Düsseldorf	100.00		EUR	381	3,038
40	Life.Value Properties GmbH [1) 13)]	Düsseldorf	100.00		EUR	342	704
41	MCC Bradley LLC [1) 13)]	East Hartford, USA	100.00		USD	689	-399
42	MCC Diamond Point LLC [1) 13)]	Wilmington, USA	100.00		USD	802	-422
43	MCC Divot Place LLC [1) 13)]	Wilmington, USA	100.00		USD	742	-54
44	MCC Lake Unity LLC [1) 13)]	Wilmington, USA	100.00		USD	1,993	-518
45	MCC Paris LLC [1) 13)]	Wilmington, USA	100.00		USD	2,099	-674
46	MCC SB Condo LLC [1) 13)]	Wilmington, USA	100.00		USD	2,548	-185
47	MCC Tern Landing LLC [1) 13)]	Wilmington, USA	100.00		USD	-22	-74
48	MCC WK Commercial LLC [1) 13)]	Wilmington, USA	100.00		USD	617	-31
49	MCC WK Residential LLC [1) 13)]	Wilmington, USA	100.00		USD	360	-104
50	Methuselah Life Markets Limited [13)]	London, Great Britain	100.00		GBP	1,295	14
51	MFC CMark LLC [1) 13)]	New York, USA	100.00		USD	172	-57
52	MFC Eagle Realty LLC [1)]	New York, USA	100.00			n.s.	n.s.
53	MFC Holdco LLC [1) 13)]	New York, USA	100.00		USD	16,022	-4,580
54	MFC New Paradigm LLC [1)]	New York, USA	100.00			n.s.	n.s.
55	MFC Pinecrest LLC [1)]	New York, USA	100.00			n.s.	n.s.
56	MFC Real Estate LLC [1) 13)]	New York, USA	100.00		USD	6,024	-2,168
57	Mod CapTrust Holding LLC [1) 13)]	Dover, USA	100.00		USD	-21	1,059
58	Monolith Grundstücksverwaltungsgesellschaft mbH [1) 10)]	Mainz	100.00		EUR	92	6
59	Nephelin Grundstücksverwaltungsgesellschaft mbH [1) 10)]	Mainz	100.00		EUR	-48	-3
60	ParaFin LLC [1) 13)]	New York, USA	100.00		USD	-18	-18
61	Pathos Bay LLC [13)]	Dover, USA	100.00		USD	1,338	-4,480
62	PE Projekt-Entwicklungsgesellschaft mbH [1) 13)]	Düsseldorf	100.00		EUR	27	1
63	PE Projekt-Entwicklungsgesellschaft mbH & Co. Büro- und Businesscenter Leipzig Park KG [2) 13)]	Düsseldorf	94.90	83.33	EUR	524	-82
64	PM Portfolio Management GmbH [1) 13)]	Düsseldorf	100.00		EUR	63	0
65	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG in Insolvenz [1) 5)]	Bad Homburg	51.00		EUR	-3,572	-117
66	Projekt Carrée am Bahnhof Verwaltungs GmbH in Insolvenz [1) 5)]	Bad Homburg	51.00		EUR	-13	0
67	Projektentwicklungsgesellschaft Gartenstadt Wildau Röthegrund II mbH [13)]	Wildau	94.00		EUR	-6,304	-3

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
68	Projektgesellschaft Klosterberg mbH [13)]	Münster	94.00		EUR	-594	-27
69	S-Chancen-Kapitalfonds NRW GmbH i.L. [8)]	Haan	50.00		EUR	4,971	84
70	Sechste EAA-Beteiligungs GmbH [13)]	Düsseldorf	100.00		EUR	20	-5
71	Special PEP II GP Investors, L.L.C. [13)]	Wilmington, USA	50.00	0.00	USD	296	14
72	Standard Chartered (SFD No.2) Limited [6)]	London, Great Britain	25.00		USD	0	0
73	Tanzbar CH Holdings LLC [13)]	New York, USA	100.00		USD	0	n.s.
74	Tanzbar DB Holdings LLC [13)]	New York, USA	100.00		USD	0	n.s.
75	Vierte EAA-Beteiligungs GmbH [13)]	Düsseldorf	100.00		EUR	7	-8
76	Vivaldis Gesellschaft für strukturierte Lösungen S.A. [10)]	Luxemburg, Luxemburg	100.00		EUR	39	-44
77	West Equity Fonds GmbH [4) 13)]	Düsseldorf	100.00		EUR	25	0
78	West Life Markets GmbH & Co. KG [4) 13)]	Düsseldorf	100.00		EUR	1,312	0
79	West Merchant Limited [10)]	London, Great Britain	100.00		GBP	23	-16
80	West Zwanzig GmbH [4) 13)]	Mainz	100.00		EUR	25	0
81	Westdeutsche Immobilien Fonds Beteiligungsgesellschaft mbH [1) 13)]	Düsseldorf	100.00		EUR	42	0
82	Westdeutsche ImmobilienHolding GmbH [4) 13)]	Mainz	94.60		EUR	5,539	0
83	Westfälische Textil-Gesellschaft Klingenthal & Co. Mit beschränkter Haftung [9)]	Salzkotten	25.26		EUR	10,165	-89
84	WestFonds 5 Büropark Aachen Laurensberg KG [1) 10)]	Düsseldorf	49.16	49.01	EUR	2,931	-817
85	WestFonds 5 Palazzo Fiorentino Frankfurt KG i.L. [1) 13)]	Düsseldorf	45.66	45.53	EUR	2,239	-61
86	WestFonds 5 Walle-Center Bremen KG i.L. [1) 10)]	Düsseldorf	46.07	45.94	EUR	12,707	-1,729
87	WestFonds BI-Management GmbH [1) 10)]	Düsseldorf	100.00		EUR	27	-5
88	WestFonds Dachfonds Schiffe GmbH [1) 10)]	Düsseldorf	100.00		EUR	-115	-140
89	WestFonds Fondsvermögensverwaltungs GmbH [1) 10)]	Düsseldorf	100.00		EUR	26	-5
90	WestFonds Geschäftsführungsgesellschaft 1 mbH [1) 10)]	Düsseldorf	100.00		EUR	90	-14
91	WestFonds Geschäftsführungsgesellschaft 2 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	17	-4
92	WestFonds Gesellschaft für geschlossene Immobilienfonds mbH [1) 13)]	Düsseldorf	100.00		EUR	57	-4
93	WestFonds Holland Grundstücksgesellschaft Voorburg und s'Hertogenbosch mbH [1) 10)]	Düsseldorf	100.00		EUR	-10	-23
94	WestFonds Immobilien Gesellschaft Objekt Halle/Saale Charlottenstraße mbH [1) 13)]	Düsseldorf	100.00		EUR	4,530	10
95	WestFonds Immobilien Gesellschaft Objekt Magdeburg An der Steinkuhle 2-2e mbH i.L. [1) 13)]	Düsseldorf	100.00		EUR	303	188
96	WestFonds Immobilien Gesellschaft Objekt Wien Heiligenstädter Lände 29 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	312	-11
97	WestFonds Immobilien-Anlagegesellschaft mbH [4) 13)]	Düsseldorf	94.90		EUR	4,302	0
98	WestFonds Immobiliengesellschaft Objekt Essen Schnieringshof 10-14 mbH [1) 10)]	Düsseldorf	100.00		EUR	2,192	540
99	WestFonds Management GmbH & Co KG i.L. [1) 10)]	Düsseldorf	94.90		EUR	78	59

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
100	WestFonds Premium Select Management GmbH [1) 10)]	Düsseldorf	100.00		EUR	26	-3
101	WestFonds Premium Select Verwaltung GmbH [1) 10)]	Düsseldorf	100.00		EUR	42	4
102	WestFonds Verwaltung GmbH [1) 10)]	Schönefeld	100.00		EUR	87	36
103	WestFonds-PHG Gesellschaft RWI-Fonds 125 mbH [1) 10)]	Düsseldorf	100.00		EUR	27	-5
104	WestFonds-PHG Gesellschaft RWI-Fonds 140 mbH [1) 10)]	Düsseldorf	100.00		EUR	29	-2
105	WestFonds-PHG Gesellschaft RWI-Fonds 43 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	23	-4
106	WestFonds-PHG Gesellschaft RWI-Fonds 47 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	27	-4
107	WestFonds-PHG Gesellschaft WestFonds 1 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	27	-4
108	WestFonds-PHG Gesellschaft WestFonds 2 D mbH [1) 10)]	Düsseldorf	100.00		EUR	30	-2
109	WestFonds-PHG Gesellschaft WestFonds 2 H mbH [1) 10)]	Düsseldorf	100.00		EUR	30	-2
110	WestFonds-PHG Gesellschaft WestFonds 5 Aachen mbH [1) 10)]	Düsseldorf	100.00		EUR	29	-5
111	WestFonds-PHG Gesellschaft WestFonds 5 Frankfurt mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	26	-3
112	WestFonds-PHG Gesellschaft WestFonds 7 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	37	0
113	WestFonds-PHG Gesellschaft WestFonds Wien 2 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	27	-4
114	WestFonds-PHG-Gesellschaft BI-Fonds 12 mbH [1) 10)]	Düsseldorf	100.00		EUR	30	-2
115	WestFonds-PHG-Gesellschaft BI-Fonds 14 mbH [1) 10)]	Düsseldorf	100.00		EUR	31	-2
116	WestFonds-PHG-Gesellschaft BI-Fonds 18 S mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	31	-2
117	WestFonds-PHG-Gesellschaft BI-Fonds 19 S mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	28	-4
118	WestFonds-PHG-Gesellschaft BI-Fonds 23 mbH [1) 10)]	Düsseldorf	100.00		EUR	27	-5
119	WestFonds-PHG-Gesellschaft BI-Fonds 6 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	24	-3
120	WestFonds-PHG-Gesellschaft KA Deutschland Beteiligungsgesellschaft mbH [1) 10)]	Düsseldorf	100.00		EUR	31	-3
121	WestFonds-PHG-Gesellschaft KB Zwei Länder Beteiligungsgesellschaft mbH [1) 10)]	Düsseldorf	100.00		EUR	32	-3
122	WestFonds-PHG-Gesellschaft RWI-Fonds 25 mbH [1) 10)]	Düsseldorf	100.00		EUR	78	-3
123	WestFonds-PHG-Gesellschaft RWI-Fonds 34 mbH [1) 10)]	Düsseldorf	100.00		EUR	58	-23
124	WestFonds-PHG-Gesellschaft RWI-Fonds 40 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	27	-4
125	WestFonds-PHG-Gesellschaft WestFonds 3 Berlin mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	27	-4
126	WestFonds-PHG-Gesellschaft WestFonds 3 Düsseldorf mbH [1) 10)]	Düsseldorf	100.00		EUR	33	-3
127	WestFonds-PHG-Gesellschaft WestFonds 4 mbH i.L. [1) 10)]	Düsseldorf	100.00		EUR	26	-3
128	WestFonds-PHG-Gesellschaft WestFonds 6 mbH [1) 10)]	Düsseldorf	100.00		EUR	36	0
129	WestGKA Management Gesellschaft für kommunale Anlagen mbH [2) 4) 13)]	Düsseldorf	100.00		EUR	642	0
130	WestLB Asset Management (US) LLC [13)]	Wilmington, USA	100.00		USD	25,704	-1,206
131	WestLB Servicios S.A. [1) 7)]	Buenos Aires, Argentina	94.86		ARS	0	-1
132	WestLB Venture Capital Management GmbH & Co. KG [10)]	Köln	50.00		EUR	41	-5

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
133	WestLeasing International GmbH [1) 10)]	Düsseldorf	100.00		EUR	191	-11
134	WestLeasing Westdeutsche Leasing Holding GmbH [4) 10)]	Düsseldorf	94.90		EUR	11,625	0
135	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. [1) 4) 13)]	Düsseldorf	100.00		EUR	276	0
136	WestVerkehr Beteiligungsgesellschaft mbH [1) 10)]	Düsseldorf	100.00		EUR	109	-14
137	WIP Westdeutsche Immobilien Portfolio Managementgesellschaft mbH [4) 13)]	Mainz	100.00		EUR	136	-4
138	WLB CB Holding LLC [1) 13)]	New York, USA	100.00		USD	-18	293
139	WMB Beteiligungs GmbH [1) 13)]	Düsseldorf	100.00		EUR	26	-10

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
140	AKA Ausfuhrkredit-Gesellschaft mbH [10)]	Frankfurt am Main	5.02		EUR	187,007	11,235
141	Banco Finantia S.A. [13)]	Lisbon, Portugal	8.57		EUR	383,711	11,871

Other companies for whom the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
142	GBR Industrie- und Handelskammer Rheinisch-Westfälische-Börse	Düsseldorf	5.88	5.00		n.s.	n.s.
143	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 31/12/2009.
[6] Data as of 31/12/2011.
[7] Data as of 31/10/2012.
[8] Data as of 31/12/2012.
[9] Data as of 30/6/2013.
[10] Data as of 31/12/2013.
[11] Data as of 14/7/2014.
[12] Data as of 31/10/2014.
[13] Data as of 31/12/2014.
[14] A global guarantee exists. The company's capital was reduced by EUR 750 million in the first half of 2015.

Responsibility statement

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

Düsseldorf, 18 August 2015

Erste Abwicklungsanstalt

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

Review report

To the Erste Abwicklungsanstalt, Düsseldorf

We have reviewed the condensed interim financial statements – comprising the balance sheet, income statement, statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim management report of Erste Abwicklungsanstalt for the period from 1 January to 30 June 2015, which are part of the half-year financial report pursuant to section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz or WpHG). The preparation of the condensed interim financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the WpHG applicable to interim management reports is the responsibility of the institution's Managing Directors. Our responsibility is to issue a review report on the condensed interim financial statements and on the interim management report based on our review.

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

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

Düsseldorf, 19 August 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Peters
Wirtschaftsprüfer
(German Public Auditor)

ppa. Susanne Beurschgens
Wirtschaftsprüferin
(German Public Auditor)

List of abbreviations

ALM	Asset liability management
APAC	Asia, Pacific and Japan
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
BilMoG	German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)
BGH	German Supreme Court (Bundesgerichtshof)
bp	Basis points
CCY	Currency code
CDS	Credit default swaps
CVA	Credit valuation adjustments
DRS	German Accounting Standard (Deutscher Rechnungslegungsstandard)
EAA	Erste Abwicklungsanstalt, Düsseldorf
EAA CBB	EAA Covered Bond Bank Plc, Dublin/Ireland
EAA KK	EAA Japan K.K., Minato-ku,/Japan
EaD	Exposure at default
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
ELA	Emergency Liquidity Assistance
EMEA	Europe, Middle East and Africa region
EPA	EAA Portfolio Advisers GmbH, Düsseldorf
ESM	European Stability Mechanism
EU	European Union
EUSS	European Super Senior Notes
Fed	U.S. Federal Reserve
Fitch	Fitch Ratings
FMS	Financial Market Stabilisation Fund
FMSA	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
FMStFG	German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz)
FX effect	Foreign exchange effect
GDP	Gross domestic product
HETA	HETA Asset Resolution AG, Klagenfurt/Austria
HGB	German Commercial Code (Handelsgesetzbuch)
IMF	International Monetary Fund
IS	Income Statement
IT	Information technology
LLC	Limited liability company
LLP	Limited liability partnership
MaRisk	German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)
Moody´s	Moody´s Investors Service
MtM	Mark to market

NPL	Non-performing loans
N.R.	Not rated
NRW	North Rhine-Westphalia
OMT	Outright Monetary Transactions
OPEC	Organisation of Petroleum Exporting Countries
OTC	Over the counter
PFS	Portigon Financial Services GmbH, Düsseldorf
Portigon	Portigon AG, Düsseldorf (until 2 July 2012 WestLB AG)
RechKredV	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
S.R.	Special rating
S&P	Standard and Poor's Corporation
TLTRO	Targeted Long Term Refinancing Operations (of the ECB)
VaR	Value at risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz
WestLB	WestLB AG, Düsseldorf (from 2 July 2012 Portigon AG)