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INTERIM REPORT  
**30 June 2017**

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

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

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

EAA KEY FIGURES

## EAA key figures

Income statement in EUR million	1/1 - 30/6/2017	1/1 - 30/6/2016
Net interest income	68.3	86.0
Net fee and commission income	-4.1	9.5
Net trading result	-0.1	-26.4
Total other operating income/expenses	-0.9	-0.6
General administrative expenses	-86.7	-115.0
Results from financial assets and shareholdings	52.9	34.3
<b>Results prior to risk provisioning</b>	<b>29.4</b>	<b>-12.2</b>
Loan loss provisions	-17.4	15.8
<b>Results before taxes</b>	<b>12.0</b>	<b>3.6</b>
Taxes	-2.4	-0.4
<b>Net profit for the year</b>	<b>9.6</b>	<b>3.2</b>

Balance sheet in EUR billion	30/6/2017	31/12/2016
Total assets	54.6	60.7
Business volume	61.7	70.3
Lending business	27.6	31.0
Trading assets	19.4	23.8
Equity	0.7	0.6

Winding-up	30/6/2017	30/6/2016
<b>Banking book</b>		
Notional value (before FX effect) in EUR billion	26.8	32.8
Winding-up activities (compared with previous year-end) in EUR billion	-2.9	-3.2
Winding-up activities (compared with previous year-end) in %	-9.7	-8.9
<b>Trading portfolio</b>		
Notional value (before FX effect) in EUR billion	223.5	302.7
Winding-up activities (compared with previous year-end) in EUR billion	-35.1	-39.0
Winding-up activities (compared with previous year-end) in %	-13.6	-11.4

Employees	30/6/2017	31/12/2016
Number of employees	182	178

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

**FOREWORD**

# Foreword

Dear Ladies and Gentlemen,

The EAA continues to be in the black and concluded the first half of 2017 with a net profit of nearly EUR 10 million. This is particularly encouraging, as by 30 June 2017 the EAA had already reduced the volume of loans and securities transferred since its founding by around 83%, while the trading portfolio, which comprises mainly derivatives, has been reduced by around 79%. The advanced stage of the portfolio wind-up inevitably reduced the EAA's earnings base. Net interest, fee and commission income no longer suffice to cover the administrative expenses.

Nonetheless, the EAA continued to benefit in the first half year from the successful completion of the long-term restructuring measures and their positive contribution to results, as well as the positive capital market situation. The management of non-performing and very high-risk exposures, which is focussed on optimising value, also contributed to the stable half-year results. Added to this are substantial cost reductions of around 25% compared with the same period of the previous year. Administrative expenses fell from EUR 115 million to around EUR 87 million.

This development bolsters the EAA's equity and therefore its ability to absorb potential losses from the future winding-up of risk exposures of the former WestLB. It also shows that the rapid winding up of the WestLB legacy positions is being done in a value-preserving manner. The quality of the residual portfolio did not suffer. The investment grade share of the EAA portfolio at the end of the first half of 2017 remained stable at just under 70%.

This is a good starting position to accelerate the process of winding up the portfolio. The EAA's objective is to end its winding-up activities much earlier than originally planned, so as to relieve its public shareholders of risks at a more rapid pace. It is working in close coordination with its governing bodies to conclude the necessary economic and legal assessments.

Based on its current planning, the EAA expects that the volume of loans and securities in its portfolio will be reduced to considerably less than EUR 20 billion by 2020 and that the notional volume of the trading portfolio will fall below EUR 160 billion. At the same time, the EAA is concentrating on further reducing shareholdings and closing foreign offices, such as with EAA KK, which was liquidated in the first half of 2017. This significantly reduces the complexity of the wind-up portfolio.

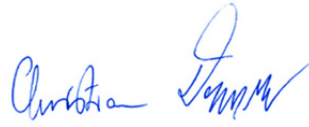
**FOREWORD**

During the rest of the 2017 fiscal year, the EAA expects to close the sale of EAA CBB in Dublin in particular. The purchase agreement was signed at the start of the year. The EAA is also currently reviewing outsourcing measures at its subsidiary EFS. Specific bids have meanwhile been received from market participants, whose economic attractiveness and soundness the EAA will examine in detail in the second half of 2017.

Yours sincerely



**Matthias Wargers**  
Spokesman  
of the Managing Board



**Christian Doppstadt**  
Member  
of the Managing Board



**Horst K pker**  
Member  
of the Managing Board

# Interim management report

For the period from 1 January to 30 June 2017

## Business and environment

### Operating activities of the EAA

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

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

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

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

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

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wind-up plan, and documents the wind-up result. This annual wind-up plan must be adopted by a resolution of the Supervisory Board before being submitted to the FMSA.

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

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

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

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

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

Dr Rüdiger Messal resigned from the Supervisory Board as of 15 August 2017. Dr Patrick Opendhövel was appointed member of the Supervisory Board by the Stakeholders' Meeting with effect from 16 August 2017.

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

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

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The service company EPA, which was established by the EAA in 2014 and took over experienced portfolio managers from the former WestLB in addition to analysis experts from EFS, was sold to Mount Street on 30 December 2016. The transfer of ownership is still subject to regulatory approval and is expected to take place in the second half of 2017.

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

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

## Economic environment

### More light than shade

Global economic output is likely to grow by around 3.5% this year, which represents an increase of 0.3 percentage points over the previous year. The International Monetary Fund believes that marginally higher growth (3.6%) is possible in 2018. Many regions of the world are seeing a welcome recovery in economic activity. The glimmers of hope include improved prospects in many emerging markets. The improved outlook is due in particular to the fact that some heavyweights, such as Brazil, Russia and Argentina, have overcome the recessions of recent years and are once again contributing to global economic growth. Another ray of hope is the stabilisation of the economic recovery in the euro periphery.

However, this good news is also accompanied by ongoing challenges for the global economy. The hoped for acceleration of economic growth in the US does not seem to have happened. US President Trump has failed to implement the economic policy parts of his agenda, with the result that economic growth in the US has not accelerated to the extent that had been anticipated. The negative effects of the Brexit decision are gradually becoming apparent in the UK. Many UK companies are reporting falling margins as a result of rising import costs following the devaluation of the pound sterling. The uncertainty regarding mutual relationships with the EU in the areas of freight transport, services and the financial sector have led to further restraint.

The financial markets appear to be focussing on the positive news and ignoring the negative reports so far. US equities (S&P500 or Dow Jones) are reaching one record after the other. Volatility on the US equity markets is also at a record low. At 9.4 on 21 July, the CBOE Volatility Index, which measures the volatility of the stocks contained in the S&P500, reached its lowest level since the start of the 21st century. The index remains at a very low level of 10.5. Encouraging gains were also reported in the equity markets in Europe in the first half of 2017 (EURO STOXX50: +4.8%; DAX: +5.5%). The iTraxx Europe (5 years), an index of 125 credit default swaps on enterprises with an investment grade rating, is currently trading at a premium of only 52 bps, which is down considerably from its high of 217 bps in December 2008 and relatively close to the best level of 20 bps that was achieved in April 2007.



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**US economy: Companies are doing well, while policymakers focus on the domestic policy agenda**

Political rather than economic developments in the US continue to dominate the headlines, as was already the case in the first quarter of 2017. The activities of the government at present seem to be focused less on the economic part of Trump's agenda, which was to promote economic growth (tax cuts, investment in infrastructure). Trump's first few months in office were concentrated instead on limiting immigration to the US, abolishing his predecessor's healthcare system (Obama-Care) and on getting started with the construction of a wall along the Mexican border. With these government projects at a standstill, there are concerns that much of the president's economic agenda cannot be implemented.

In addition to these developments, the US government is facing another budget freeze, as sovereign debt is likely to reach the debt ceiling in September as a result of the high and renewed rise in the budget deficits. The majority in the Senate and the House of Representatives offers no protection, as some particularly conservative deputies and senators may be quite content with a budget freeze and automatic budgetary cuts.

The growth engine in the US is powered mainly by consumers. Private household spending rose by 0.7% in the second quarter of 2017 compared with the preceding quarter, which means that growth in private consumption markedly surpassed GDP growth (+0.6%). Consumer confidence (Conference Board) has climbed by 25 to 121.1 points in the last 12 months and therefore exceeds the long-term average of 94 points (2000 to 2017). The positive outlook for the future of US consumers is due to the situation on the US labour market. The unemployment rate fell from 4.7% in the first quarter of 2017 to 4.4% in June 2017. 222,000 new jobs were created in the US economy in June 2017, which exceeds the monthly average of 187,000 new jobs over the last 12 months.

Despite the absence to date of a further acceleration of growth, the situation in the US can only be described as robust. In addition to consumption, other important growth drivers were private investments and exports (both +1% quarter-on-quarter). We are also seeing encouraging signs from companies. 401 of the 500 companies in the S&P500 equity index presented business performance figures during the reporting season in the second quarter of 2017. Compared with the second quarter of 2016, revenues have increased by an average of 5.5%, with profits climbing by as much as 10.6% during the same period. This means that the increase in profits is not due to efficiency-enhancing austerity measures alone but is also based on primary corporate growth.

The Fed has raised its key rate, the federal funds rate, to between 1.00% and 1.25% in four stages since 15 December 2015. The most recent tightening was on 14 June 2017. The Fed continues to target the normalisation of monetary policy. With the rate of inflation persisting below the target of 2% per annum, the current inflationary trend offers few arguments in favour of tightening monetary policy. At the same time, the level of employment in the US is unusually high, with an unemployment rate of 4.4%. The shortage of labour should in fact support rising wages, which should lead to higher inflation in the future. However, with wage increases of only 2.5% to 2.9% in the last twelve months, there is no sign of dangerous price hikes. Nonetheless, the normalisation of monetary policy is not an end to itself. Higher interest rates provide the Fed with more scope for rate cuts in future crises.

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Besides the normalisation of the key rate, the Fed is also aiming to trim its total assets, which have climbed from just under USD 1 trillion in August 2008 to USD 4.5 trillion at present. To this end, it will no longer invest all of the cash inflows from its portfolio of US government bonds and securitisations in new government bonds. This is expected to start this year, probably before the next interest rate increase.

**Forecast: the US economy is growing but will miss Trump's growth target of 4%**

Although the economic recovery in the US is already in its eighth year, the economic indicators are not showing any late cyclical patterns that would suggest an emergent recession. This is evident in the current inflation trend. Inflation rates of between 1.1% and 2.5% in the last twelve months (June 2017: 1.9%) are much too low for a boom phase. US wages in June 2017 rose by only 2.5% over the previous year, despite the very low unemployment rate of 4.4%. Compared with the boom phase before the global financial crisis (2007), where wages rose at a rate of almost 4% per annum, current wage growth is unlikely to exercise any massive price pressure.

There is currently no evidence that US government measures are supporting growth. Sectors other than government are having to power economic growth. US consumers continue to drive the recovery. US companies are increasingly reporting difficulties in finding qualified workers. There are growing signs of shortages on the US labour market. US companies are finding it harder to fill new positions with qualified workers, which means that stronger wage growth can be expected in the future. This should no longer be restricted to specific sections of the labour market (highly-qualified, university graduates), as companies are relying on qualification measures to employ applicants that do not have the suitable profile. Rising incomes should maintain the buoyant mood among US consumers. The property and construction sector and private investments are also likely to contribute to growth. The reasons for this are

- △ the continuing growth in US property prices, which is attributable, among other things, to the reduction in surplus supply caused by the subprime crisis. This supply situation on the property market is having a positive impact on activities in the construction sector, resulting in higher levels of construction. Since the trough in the first quarter of 2009, the volume of new buildings has increased continuously and, at 1.2 million new units in June 2017, has more than doubled from the low of 505,000 new units in March 2009. The improved employment situation of US consumers and easier access to mortgage loans also help support this trend. The construction sector's contribution to growth is once again on the increase.
- △ US companies' sound business performance indicates an increase in investment activity in the near future. The weak investment trend in the last 24 months also suggests there is a backlog of demand.

The growth target of 4% proclaimed by Donald Trump is likely to be missed by a large margin in 2017. The level of growth in US economic performance depends not least on the extent to which the Fed pulls in the opposite direction and how much of his agenda Trump succeeds in implementing. With Trump's government implementing fewer measures than are required to meet the 4% target, US economic output for the full year is likely to increase by 2.2% (2018: +2.3%). An inflation rate of 2.1% is expected at the end of the year, rising slightly to 2.2% in 2018. The federal funds rate should range between 1.25% and 1.5% by the end of 2017; the date for the next interest rate hike will probably be the Federal Open Market Committee's December meeting. Key US rates are likely to move between 2.00% and 2.25% in 2018, and

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the Fed should start gradually scaling back the reinvestment of cash inflows from its portfolio in October. Due to the slower increase in US inflation, lower economic growth and the slower normalisation of US monetary policy, the US dollar is likely to perform weakly against the euro. These framework conditions are expected to support US equity, bond and property prices.

**Core eurozone countries: Germany is still growing faster than France**

Germany achieved GDP growth of 1.9% in 2016. The mild winter weather was responsible for the good start to the year. In the first quarter of 2017, German GDP increased by 0.6% over the fourth quarter of 2016, significantly exceeding expectations. Compared with the potential growth of the German economy, estimated by the Bundesbank in a 2012 study at around 1.25% per annum and 0.3% per quarter, economic performance in Germany is favourable. This explains the further decline in the unemployment rate, which fell from 6.0% in December 2016 to 5.7% in June 2017. Leading indicators such as the ifo business climate index or the purchasing managers' indices confirm the currently sound environment for the German economy.

The German consumer is the central driver of growth these days. Germany's real economic output increased on an accumulated basis by 6% between 2013 and 2016, with German consumer spending responsible for just over 46% of this increase. The fall in the price of oil boosted consumers' purchasing power. A barrel of Brent crude oil cost USD 111 at the end of 2012, compared with USD 51.70 at present (source: Bloomberg, 4 August 2017). This alleviation, together with the sound state of the labour market and rising wages, is supporting consumer sentiment.

France's annual GDP growth has ranged between 0.3 and 0.9 percentage points in the last three years (2014 to 2016) and is therefore below the growth rates of the eurozone as a whole. However, this lagging behind of the French economy could be a thing of the past. France's economy managed to get off to a good start this year. Economic output increased by 0.5% quarter-on-quarter in both the first and second quarters of 2017. This exceeds the ECB's estimated growth potential for France of slightly in excess of 1.2% per annum (around 0.3% per quarter). The growth drivers currently appear to be undergoing a change. Somewhat higher inflation (Q4/2016: +0.7%; Q2/2017: +1%) is impacting on real income, which is why consumption is currently only just keeping pace with GDP. Investments have replaced consumption as the growth drivers, as the profits and turnover of French companies are again growing at a faster pace. CAC 40 corporate profits have increased by 15.6% year-on-year in the current quarter, while turnover has increased by 4.2% during the same period. Unemployment in France is persistently high and at 9.6% is above the long-term average of 9.3% (1998 to date).

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

Spain's economic performance improved by 3.2% in 2016, which was well above the eurozone average. However, Spanish GDP contracted much more during the crisis than the eurozone average. Current growth is therefore attributable, at least in part, to a base effect. Nonetheless, it cannot be denied that the government reforms that were implemented in the previous legislative period have played their part in the growth of the past few years. Spanish unit labour costs, for example, have fallen by more than 6% since peaking in 2009.

Spain's economic recovery is also attributable to consumers. The process of reintegrating the many unemployed, whose numbers rose massively during the crisis from 1.8 million

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(Q3/2006) to 6.3 million (Q1/2013), increases the disposable income of Spanish households. Despite this, Spain's unemployment problem is not over yet. Although many jobs are currently being created in Spain, their quality has deteriorated. Many are temporary and offer lower wages compared with regular employment. The current unemployment rate of 17.3% is still higher than the average for 1998 to 2017 (15.9%). The comparison with the pre-crisis situation is even more pronounced: the rate averaged at 10% between 2002 and 2007.

Spanish economic output increased by 0.8% and 0.9% respectively in the first and second quarters of 2017. This was helped by the interest that Spain as a holiday destination attracted due to the crises and problems experienced in other Mediterranean holiday regions. The very robust purchasing managers' index figures for Spain in June 2017 (57.7) and in July 2017 (56.7) indicate that Spanish GDP will continue to grow strongly in the near future too.

**Portugal: A good start to the year**

The country's real economic performance improved by 1.4% in 2016. GDP rose by 1.0% in the first quarter of 2017, thereby exceeding the previous quarters. Sentiment among Portuguese companies is good. The slump in sentiment during the debt crisis has rebounded in the manufacturing industry and in the retail and services sectors. According to the surveys, only the construction sector remains significantly below the pre-crisis situation. The improvement in the employment situation – the unemployment ratio has fallen by 7.4 percentage points since 2013 to 10.1% in the first quarter – is reflected in consumer confidence. Consumer sentiment currently exceeds the pre-crisis level.

**Economic recovery in Italy remains slow and susceptible to problems**

Italy has still not made up for the losses suffered in the financial crisis. The country's total economic performance remains a good 7% below the level it reached in 2008 before the outbreak of the crisis in Italy. However, one bright spot is that the Italian economy has been growing again since the first quarter of 2015, even though growth rates are persisting at a low level of 0.1% to 0.4%. The rise in the quarterly growth rate to 0.4% in the first quarter of 2017 is pleasing but is likely to remain a one-off phenomenon. Italy's growth is very susceptible to shocks and other disruptions. This is down to a series of factors, some of which go back far into the past.

- △ The Italian economy has not become more efficient since the introduction of the euro, due in part to Italy's protracted recession. Nonetheless, the stagnation in productivity pre-dated the global financial crisis. This development is evident since the introduction of the euro.
- △ Italy has raised taxes in the past to reduce its budget deficit to a Maastricht-compatible level of less than 3% of economic output (2015: 2.6%). The price paid for this rapid consolidation was a prolongation of the recession.
- △ Italy's labour market shows few signs of improvement compared with the Spain and Portugal. Unemployed workers currently account for 11.2% of the labour force. This is only 1.6% lower than the high of 12.8% measured during the recession in the first quarter of 2014.
- △ The significantly higher NPL rates of the Italian banks and the associated burden on regulatory capital are restricting the banks' scope for lending. The lending momentum prompted by the ECB's monetary policy has therefore not reached the real economy in Italy.

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**Looking ahead to the eurozone's economic outlook**

Some of the electorate in Europe has expressed its dissatisfaction with the current economic and social situation by voting for populist and extremist parties. Apart from Brexit, real problems have not emerged to date. Even so, these problems are not over quite yet. After the election, there is a real threat in Italy that the populist Five Star Movement could assume some governmental responsibility, with prime minister Gentiloni's social democratic Partito Democratico and Beppe Grillo's Five Star Movement currently almost neck-and-neck in the polls.

It is expected that the economic recovery will continue in the eurozone. There are too many positive growth factors and trends in many areas for another crisis to occur. Consumption will be the main engine of growth this year. This is good news, as rising consumer spending is being fuelled not by increased borrowing, but by falling unemployment and rising wealth and, in some cases, better salaries. Tax cuts and pension changes are expected to improve consumer sentiment. The German government is also considering such measures in the run-up to the election. In addition, many eurozone countries are scaling back their austerity measures, which means a positive boost to the eurozone's economic growth. The EAA is therefore of the opinion that the economies of both the peripheral and core eurozone countries will continue to recover in 2017.

The key factor for this growth outlook is monetary support from the ECB. Low interest rates and yields make it possible to finance private and public debt. The costs of this policy are borne by investors. Nevertheless, the ECB is not expected to tighten interest rate policy prematurely. Some of Draghi's recent comments, especially those made at the ECB symposium in Sintra (Portugal), were surprisingly conservative. He stated that in view of the general acceleration of growth in the eurozone, higher key rates will continue to support growth in the future. This was quickly put into perspective again after the ECB Executive Board meeting and the interest rate decision. In the comments accompanying the interest rate decision, Draghi described the weak inflationary trend as disappointing. The ECB apparently wants to signal its awareness of the risks of lower economic support through a gradual reduction of the special measures.

Spain's economy is likely to continue to be the fastest-growing in the eurozone. For Spain's economy to grow by 2.9% in 2017 (2018: 2.4%), it is necessary for the new government in Madrid not to undertake any major changes to the reforms. It remains to be seen whether this will be the case. At 2.9%, growth this year will be a good 0.3 percentage points weaker than in 2016.

Germany's GDP will grow by a good 1.9% in 2017. The German economy is also forecast to grow by 1.7% in 2018, again above its potential. The French economy will probably post growth of 1.5% in 2017 and 1.6% in 2018, and therefore develop below the average of the rest of the eurozone. Political uncertainty will continue to hamper Italy's growth. Elections are due to be held no later than the first half of 2018. As is the case in Germany and France, a populist party in Italy is also poised to benefit from the electorate's anger about high unemployment, rising taxes and stagnating wages. It is difficult to estimate what measures a government led by this party will take. It has in the past put forward conflicting positions, such as immediately leaving the eurozone, a referendum on the euro and remaining in the European Monetary Union. The resulting uncertainty deterred investor and companies alike. Italian economic growth is therefore again expected to lag well behind the eurozone average this

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year and will probably reach 1.2% (2018: +1.0%). The macro scenario expected by the EAA means that falling unemployment, more growth and a low inflationary environment will support the valuations of assets in the eurozone. Spreads in the euro periphery in particular should continue to normalise, despite the tendency towards rising interest rates.

**Financial market outlook for 2017**

While the divergence between the monetary policies of ECB and Fed continue to exist, the extent of the difference is expected to narrow somewhat. The Fed continues to target the gradual normalisation of US monetary policy. It is aiming for higher interest rates and yields, and wants to reduce its total assets. It will therefore tighten its monetary policy in future, by means of interest rate moves as well as with a scheduled reduction in the reinvestment of cash inflows from its portfolio. However, these measures will not be automatic. Rather, the Fed will react to economic developments and inflation, and bide its time with further steps if it proves necessary. The tightening bias remains, but is less pronounced.

The ECB and the Fed must adjust the orientation of their monetary policy. The ECB will very shortly have to announce its plans concerning its purchase programme. The decision under which the purchases will be conducted, will only apply up to the end of the year. In addition, the maximum purchase volumes or limits for the government bonds of several eurozone countries (Germany, Italy) are largely exhausted.

In practice, this means that the ECB will purchase securitisations, corporate bonds and covered bonds next year. It is expected to extend the programmes to this end at the next Executive Board meeting in September 2017. However, EUR government bond purchases will be scaled back as soon as the limits for individual issuers are exhausted. After this, the ECB will only be able to buy new securities of the respective issuers for the purposes of reinvesting cash inflows from its government bond portfolio. While the Fed will have to take a slower approach to its monetary policy tightening in the months ahead, the ECB will have to reduce the volume of its purchases.

The EAA expects a moderate rise in yields in the US for 2017. Yields on US government bonds with a (residual) term of 10 years are likely to rise by 30 bps from 2.3% (30 June 2017) to 2.6% by the end of the year. They are then likely to climb by a further 50 bps to 3.1% during 2018. Yields should continue to rise at the short end of the curve too. The EAA expects the two-year yield to rise from 1.4% to 1.7% during the remainder of 2017, with a further increase to around 2.3% likely in 2018. A further normalisation of monetary policy is factored in at the short end, as the Fed is expected to raise interest rates further in 2018. We are also seeing a trend towards higher yields in the eurozone – at least at the long end. The 10-year Bund yield is likely to rise by 10 bps to 0.7% in 2017 and to around 1% in 2018. The marginal difference between the Fed and the ECB's monetary policy has already impacted on the EUR-USD exchange rate, with 1.00 EUR currently costing around USD 1.17. The EAA assumes the USD will fluctuate between USD/EUR 1.15 and 1.25 in the coming 18 months.

## Economic report

### Overview of economic development

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

In the first half of 2017, the notional volume of the banking book fell by 9.7% to EUR 26.8 billion, while the notional volume of the trading portfolio declined by 13.6% to EUR 223.5 billion during the same period.

The net profit for the year of EUR 9.6 million was primarily impacted by positive net interest income of EUR 68.3 million and the result from financial assets and shareholdings of EUR 52.9 million. Personnel expenses totalled EUR 12.6 million. Other general administrative expenses amounted to EUR 74.1 million.

The EAA's total assets declined from EUR 60.7 billion in the previous year to their current level of EUR 54.6 billion. The business volume, which also includes off-balance-sheet components, fell 8.7% to EUR 61.7 billion (previous year: EUR 70.3 billion).

### Wind-up report

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

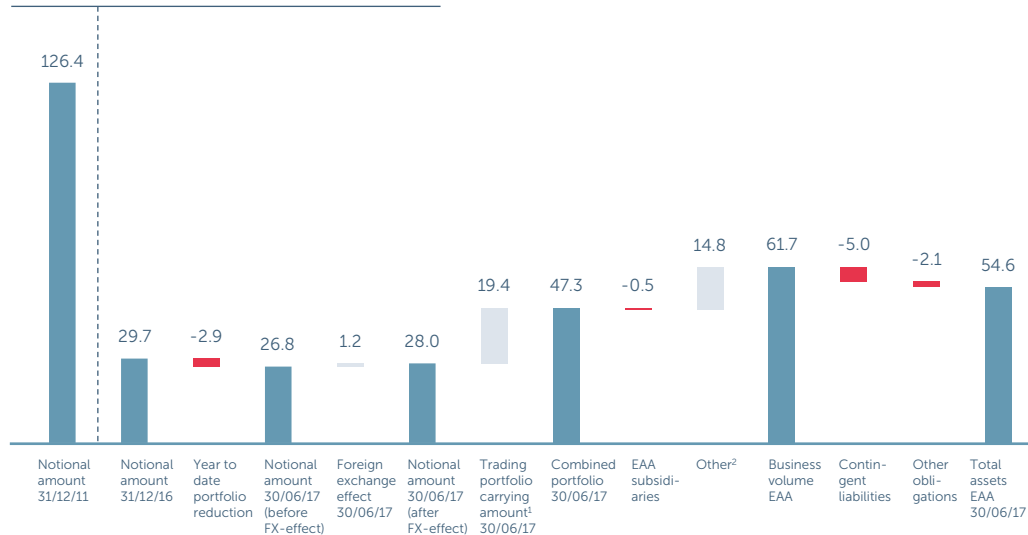
The following overview shows the development of the portfolio's notional amounts since 1 January 2017 and the reconciliation to the EAA's total assets as of 30 June 2017.

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Reconciliation of the transferred notional volume to the balance sheet

in EUR billion

Notional Values Banking Book



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

<sup>2</sup> Contains money market transactions, cash collateral and other assets not relevant to the wind-up portfolio.

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

**Wind-up success in the banking book**

From 1 January to 30 June 2017, the notional volume of the banking book was reduced from EUR 29.7 billion to EUR 26.8 billion (at exchange rates as of 31 December 2011, including the notional amounts of the guaranteed risk exposures and the risk exposures held by the EAA's subsidiaries). That equates to a decline in notional volume of EUR 2.9 billion (9.7%). The volume at exchange rates as of 30 June 2017 is EUR 28.0 billion. The total banking book portfolio has decreased by EUR 99.7 billion or 78.8% since 1 January 2012.



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Clusters	Notional 30/6/2017 EUR million	Notional 31/12/2016 EUR million	Notional volume (at exchange rates as of 31/12/2011)		Notional volume (at exchange rates as of 30/6/2017)	
			Change to 31/12/2016 EUR million	Change in %	Notional 30/6/2017 EUR million	FX effect <sup>1</sup> EUR million
Structured Securities	11,025.0	11,863.4	-838.5	-7.1	11,769.2	744.3
Public Finance	5,510.9	5,772.9	-262.0	-4.5	5,557.6	46.7
Energy	3,063.9	3,359.2	-295.3	-8.8	3,214.9	151.0
Asset Securitisation	1,498.4	1,569.0	-70.6	-4.5	1,698.8	200.4
Infrastructure - Project Finance	1,188.6	1,262.2	-73.6	-5.8	1,165.5	-23.1
Other clusters	4,475.5	5,823.3	-1,347.8	-23.1	4,573.9	98.4
<b>Total</b>	<b>26,762.3</b>	<b>29,650.0</b>	<b>-2,887.8</b>	<b>-9.7</b>	<b>27,979.9</b>	<b>1,217.6</b>

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

Please note: The cluster structure was modified as of 31 January 2017. The Liquidity Portfolio cluster was dissolved and the holdings distributed over the Structured Securities, Public Finance and Financial Institutions clusters. The presentation of the previous year has been restated accordingly. As of 30 June 2017, the total NPL portfolio amounted to EUR 3.8 billion at current exchange rates.

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

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

There was a EUR -1.7 million effect on the wind-up plan in the first half of 2017 associated with sales and early repayments from the banking book portfolio. A positive wind-up plan effect of EUR +10.8 million was achieved from other measures. This effect was mainly as a result of reversals of risk provisions.

#### Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 223.5 billion as of 30 June 2017. The notional volume of the trading portfolio decreased by a total of EUR 35.1 billion during the period from 1 January to 30 June 2017 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 840.5 billion or 79.0%.

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Clusters <sup>2</sup>	Notional	Notional	Notional volume (at exchange rates as of 30/6/2012)		Notional volume (at exchange rates as of 30/6/2017)	
	30/6/2017	31/12/2016	Change	Change	Notional	FX effect <sup>1</sup>
	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Rates	220,668.5	255,646.9	-34,978.4	-13.7	221,836.2	1,167.7
Other	2,877.4	2,957.0	-79.6	-2.7	2,488.4	-389.0
<b>Total</b>	<b>223,545.9</b>	<b>258,603.9</b>	<b>-35,058.0</b>	<b>-13.6</b>	<b>224,324.6</b>	<b>778.7</b>

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

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

The decline is largely the result of maturities as well as the liquidation and active management of transactions. The principal driving force was the Rates cluster with a total notional decrease of EUR 35.0 billion. This decline resulted primarily from maturities of around EUR 29.3 billion, active reduction measures totalling EUR 10.1 billion and offsetting hedging transactions in the amount of EUR 4.4 billion.

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

## EAA's overall situation

### Earnings situation

The EAA's earnings situation was impacted by positive net interest income of EUR 68.3 million and a result from financial assets and shareholdings of EUR 52.9 million. Personnel expenses totalled EUR 12.6 million. Other administrative expenses of EUR 74.1 million were comprised mainly of expenses for services rendered by EFS and EPA.

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

After taking account of a net result of EUR -17.4 million from loan loss provisions, the results after taxes were EUR 9.6 million.

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Income statement

	1/1 - 30/6/2017	1/1 - 30/6/2016	Change	
	EUR million	EUR million	EUR million	in %
Net interest income	68.3	86.0	-17.7	-20.6
Net fee and commission income	-4.1	9.5	-13.6	>-100
Net trading result	-0.1	-26.4	26.3	99.6
Total other operating income/expenses	-0.9	-0.6	-0.3	-50.0
Personnel expenses	-12.6	-11.5	-1.1	-9.6
Other administrative expenses	-74.1	-103.5	29.4	28.4
of which: expenses for service level agreements with EFS	-30.5	-66.3	35.8	54.0
Results from financial assets and shareholdings	52.9	34.3	18.6	54.2
<b>Results prior to risk provisioning</b>	<b>29.4</b>	<b>-12.2</b>	<b>41.6</b>	<b>&gt;100</b>
Loan loss provisions	-17.4	15.8	-33.2	>-100
<b>Results before taxes</b>	<b>12.0</b>	<b>3.6</b>	<b>8.4</b>	<b>&gt;100</b>
Taxes	-2.4	-0.4	-2.0	>-100
<b>Net profit for the year</b>	<b>9.6</b>	<b>3.2</b>	<b>6.4</b>	<b>&gt;100</b>
Net retained losses brought forward	-2,375.0	-2,384.6	9.6	0.4
Net retained losses	-2,365.4	-2,381.4	16.0	0.7

**Financial position and issuing activity**

The portfolio of issued bearer bonds, promissory note loans and commercial paper totalled a notional amount of EUR 31.5 billion as of the reporting date. It includes the global Commercial Paper Programme with a notional amount equivalent to EUR 13.1 billion.

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

A notional amount equivalent to EUR 12.8 billion was issued during the reporting period under the global Commercial Paper Programme, consisting of USD 8.3 billion (EUR 7.2 billion), GBP 3.9 billion (EUR 4.5 billion) and EUR 1.1 billion.

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

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

**Asset position**

The EAA's total assets as of 30 June 2017 amount to EUR 54.6 billion (previous year: EUR 60.7 billion). The business volume, which also includes off-balance-sheet components, amounts to EUR 61.7 billion (previous year: EUR 70.3 billion).

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Assets

	30/6/2017	31/12/2016	Change	
	EUR million	EUR million	EUR million	in %
Cash reserve	1,943.5	1,696.5	247.0	14.6
Loans and advances to banks	8,362.5	7,262.5	1,100.0	15.1
Loans and advances to customers	12,202.5	14,076.4	-1,873.9	-13.3
Securities (no trading portfolio)	11,009.4	12,900.3	-1,890.9	-14.7
Trading portfolio	19,367.1	23,750.4	-4,383.3	-18.5
Long-term equity investments and shares in affiliates	1,642.1	864.0	778.1	90.1
Other assets	85.9	119.2	-33.3	-27.9
<b>Total assets</b>	<b>54,613.0</b>	<b>60,669.3</b>	<b>-6,056.3</b>	<b>-10.0</b>

Liabilities and equity

	30/6/2017	31/12/2016	Change	
	EUR million	EUR million	EUR million	in %
Deposits from banks	2,384.9	2,766.3	-381.4	-13.8
Deposits from customers	3,274.6	3,386.3	-111.7	-3.3
Debt securities in issue	28,972.4	30,582.4	-1,610.0	-5.3
Trading portfolio	18,889.2	22,737.6	-3,848.4	-16.9
Provisions	204.4	342.7	-138.3	-40.4
Other liabilities	236.7	212.8	23.9	11.2
Equity	650.8	641.2	9.6	1.5
<b>Total liabilities and equity</b>	<b>54,613.0</b>	<b>60,669.3</b>	<b>-6,056.3</b>	<b>-10.0</b>
Contingent liabilities	4,978.8	6,610.1	-1,631.3	-24.7
Other obligations/loan commitments	2,068.4	3,058.3	-989.9	-32.4
<b>Business volume</b>	<b>61,660.2</b>	<b>70,337.7</b>	<b>-8,677.5</b>	<b>-12.3</b>

Loans and advances to banks increased by EUR 1.1 billion as of 30 June 2017 compared with year-end 2016. The increase was mainly the result of a higher volume of time deposits.

The decline of around EUR 1.9 billion in loans and advances to customers is mostly attributable to principal repayments in the traditional lending business and to the transfer of assets to a subsidiary.

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

Trading assets and liabilities declined by EUR 4.4 billion and EUR 3.8 billion respectively due to the wind-up of the trading portfolio and changes in the yield curve compared with the end of the previous year.

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

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

**Lending business**

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

**Lending business**

	<b>30/6/2017</b>	<b>31/12/2016</b>	<b>Change</b>	
	<b>EUR million</b>	<b>EUR million</b>	<b>EUR million</b>	<b>in %</b>
Loans and advances to banks	8,362.5	7,262.5	1,100.0	15.1
Loans and advances to customers	12,202.5	14,076.4	-1,873.9	-13.3
Contingent liabilities	4,978.8	6,610.1	-1,631.3	-24.7
Other obligations/loan commitments	2,068.4	3,058.3	-989.9	-32.4
<b>Lending business</b>	<b>27,612.2</b>	<b>31,007.3</b>	<b>-3,395.1</b>	<b>-10.9</b>

**Summary of the business situation**

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

The asset position of the EAA is in good order. Its equity as of 30 June 2017 amounts to EUR 650.8 million. Adequate liquidity was available at all times.

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

**Risk, opportunities and forecast report**

**Risk report**

A common objective of the liable stakeholders, the FMS and the EAA is to minimise its strategic wind-up risk, that is to say, the risk of a negative deviation from the economic targets in the wind-up plan and suffering higher-than-planned losses from winding up the portfolio. The EAA made further progress during the reporting period towards realising the wind-up plan. Its wind-up activities are focused on continuing to reduce the assets transferred from the former WestLB and on mitigating risks.

## **INTERIM MANAGEMENT REPORT**

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

### **Risk management organisation**

The Managing Board determines the risk strategy. The Risk Committee of the Supervisory Board discusses the risk strategy and the principles of risk policy set down therein with the Managing Board. On the recommendation of the Risk Committee, the Supervisory Board will decide on the principles relating to risk assumption contained in the risk strategy.

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

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

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

The Risk Controlling department is responsible for monitoring market price, counterparty, liquidity and operational risks. The Credit Risk Management department comprises the back-office function in the lending business as defined by MaRisk. In particular, this department functions as the lending authority. It is also responsible for credit risk steering and credit risk controlling, and is supported by the Controlling & Planning department. The Risk Controlling and Credit Risk Management departments monitor and analyse risk exposures as well as the utilisation of the limits. They also take measures to reduce risks as necessary.

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

### **Risk reporting**

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

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

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

**Credit risks**

**Credit risks – banking book**

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

The notional volume of the banking book (which primarily consists of loans and securities) declined by EUR 2.9 billion to EUR 26.8 billion during the first half of 2017 (at constant exchange rates as of 31 December 2011). Please refer to the section "Wind-up report" for more detailed information on the wind-up result.

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

	<b>30/6/2017</b> EUR billion	<b>31/12/2016</b> EUR billion
A0-A2	1.1	0.7
A3-A5	8.2	10.5
B1-B3	1.1	0.9
B4-B5	2.8	3.2
C1-C2	5.2	5.3
C3-C5	2.4	2.6
D1-D3	0.8	1.0
D4-E	2.9	3.3
S.R. <sup>2</sup>	1.3	2.0
N.R. <sup>3</sup>	0.9	0.3
<b>Total</b>	<b>26.8</b>	<b>29.7</b>

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

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

<sup>3</sup> Not rated.

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

The quality of the banking book portfolio is reflected in an investment grade rating share (rating categories A0-C2) of around 69% (31 December 2016: 69%). Some 35% (31 December 2016: 38%) of the notional volume has a very good rating (A0-A5) and around 34% (31 December 2016: 32%) is assigned to the mid-rating categories B1-C2. The S.R. rating category includes the opening clauses of the rating process and has a share of around 5% of the total portfolio.

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The EAA continues to aim for a portfolio reduction across all rating categories. The EUR 2.3 billion reduction in the A3-A5 rating category is largely due to principal repayments of EUR 0.7 billion for Phoenix notes in this rating category, to improvements in credit ratings and to the structural resolution of the Carnuntum transaction (EUSS cluster). In the course of the resolution of the Carnuntum transaction, the underlying securities were transferred to the EAA and the refinancing notes held by the EAA up to then were fully repaid by Carnuntum in return. The underlying securities are assigned to the N.R. rating category. This leads to a shift from rating category A3-A5 (rating of the previously held refinancing notes) to this rating category.

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

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



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

	<b>30/6/2017 in %</b>	<b>31/12/2016 in %</b>
Structured Securities	41.2	40.0
Public Finance	20.6	19.5
Energy	11.4	11.3
Asset Securitisation	5.6	5.3
Infrastructure - Project Finance	4.4	4.3
Other	16.7	19.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> 30 June 2017 = EUR 26.8 billion; 31 December 2016 = EUR 29.7 billion.

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

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

The EAA's banking book portfolio consists of 13 clusters. The largest cluster, Structured Securities, with a total share of 41.2%, consists of four sub-portfolios: Phoenix (66.5% – please refer to "Phoenix" section for further details), ABS liquidity portfolio (21.8%), EUSS (10.7%) and ABS (1.0%).

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

	<b>30/6/2017 EUR billion</b>	<b>31/12/2016 EUR billion</b>
<= 6 M	1.7	1.1
> 6 M <= 1 Y	4.0	1.9
> 1 Y <= 5 Y	5.5	10.3
> 5 Y <= 10 Y	6.3	6.4
> 10 Y <= 20 Y	5.6	5.9
> 20 Y	3.6	4.1
<b>Total</b>	<b>26.8</b>	<b>29.7</b>

<sup>1</sup> For Phoenix: expected repayment profile.

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

The reduction in the maturity range of one year to five years and the increase in the maturity range of six months to one year relate in particular to the expected amortisation profit of the Phoenix portfolio.

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

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

	<b>30/6/2017</b> EUR billion	<b>31/12/2016</b> EUR billion
Americas <sup>2</sup>	12.8	13.8
EMEA	10.3	11.8
Germany	3.3	3.7
APAC	0.3	0.4
<b>Total</b>	<b>26.8</b>	<b>29.7</b>

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

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

The regional breakdown of the notional volume has hardly changed compared with 31 December 2016. Approximately 48% of the notional volume is attributed to the Americas region (31 December 2016: 47%). Repayments in particular led to a decline of EUR 1.0 billion, with most of the decrease occurring in the Structured Securities cluster (primarily Phoenix).

Some 39% of the notional volume (31 December 2016: 40%) is attributable to the EMEA region – Europe (excluding Germany), Middle East and Africa.

The notional volume for German borrowers and guarantors (share of portfolio: about 12%; 31 December 2016: 13%) is virtually unchanged.

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

**Problem loans and risk provision**

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

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**Result of risk provisions**

	Provisions for 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
<b>Acute counterparty default risk</b>	<b>75.2</b>	<b>53.1</b>	<b>-22.1</b>	<b>8.6</b>	<b>-13.5</b>
Credit risk	75.2	53.1	-22.1	7.9	-14.2
Other risk	-	-	-	0.7	0.7
<b>Contingent counterparty default risk</b>	<b>3.9</b>	<b>-</b>	<b>-3.9</b>	<b>-</b>	<b>-3.9</b>
<b>Total</b>	<b>79.1</b>	<b>53.1</b>	<b>-26.0</b>	<b>8.6</b>	<b>-17.4</b>

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

**Special banking book issues**

**Phoenix**

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

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

**Phoenix notes capital structure**

Tranche	Amount as of 30/6/2017 in million		S&P rating	Legal maturity	Expected maturity in years
Class A3	2,010.3	USD	BBB+	9/2/2091	3.16
	529.0	EUR	BBB+	9/2/2091	1.64
Class A4	1,909.0	USD	B+	9/2/2091	7.73
	180.9	EUR	B+	9/2/2091	7.73
Class B	3,566.6	EUR	N.R.	9/2/2091	0.76

Repayments in the reporting period amounting to EUR 0.7 billion resulted in a decrease of the notional volume reported in euros to EUR 7.3 billion as of 30 June 2017 (at constant exchange rates as of 31 December 2011).

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

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

	<b>30/6/2017 EUR billion</b>	<b>31/12/2016 EUR billion</b>
A0-A2	-	-
A3-A5	5.6	6.3
B1-B3	-	-
B4-B5	-	-
C1-C2	1.7	1.7
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
<b>Total</b>	<b>7.3</b>	<b>8.0</b>

<sup>1</sup> Excluding exchange rate effects (based on exchange rates as of 31 December 2011).  
 Please note: The presentation by internal rating category considers the rating (A3) of the guarantor, the State of NRW, for the Phoenix B note.

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

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

**Public Finance**

The exposure to the public sector (including the Liquidity Portfolio) as of 30 June 2017 totals a notional amount of EUR 5.5 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 3.5 billion of this amount is attributable to Cyprus, Ireland, Italy, Portugal, Slovenia, Spain and the UK. Further information can be found in the section "Exposures to selected EU member states".

Securities account for 90% of the total public-sector exposure (including regional and municipal issuers). Some of these are held directly by the EAA and some by EAA CBB. The remaining 10% largely consist of lending transactions involving federal, municipal or other public-law institutions.

The largest part of the overall exposure, at 80%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from other European countries outside the eurozone, Africa and the Middle East (13%), North and South America (6%), and Asia and Australia (1%).

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**Credit risks – trading portfolio**

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

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

OTC derivative counterparty default risks are assessed independently from the front office using credit valuation adjustments (CVA). When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. The CVA in the trading portfolio amounted to EUR 26.5 million as of 30 June 2017 (31 December 2016: EUR 37.8 million). The EUR 11.3 million decrease in CVA is attributable to market fluctuations (EUR -5.3 million), novations (EUR -2.8 million) and changes in credit spreads (EUR -4.0 million). This was offset by EUR +0.8 million from changes in credit ratings.

**Counterparty and issuer risks**

**Direct counterparty risks**

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

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

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	30/6/2017 Exposure EUR million	30/6/2017 Limit EUR million	31/12/2016 Exposure EUR million	31/12/2016 Limit EUR million
Credit risk - money market positions <sup>1</sup>	3,724.2	5,485.5	2,609.7	5,563.4
Counterparty risk - OTC derivatives (pre-settlement risk)	518.5	3,422.0	621.3	3,692.0
Counterparty risk - repos	5.1	714.0	-	759.0

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

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

#### Issuer risks

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

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

	< 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	342.4	1,152.7	837.6	1,287.8	1,506.9	5,127.4
Financial Institutions	128.2	336.6	151.8	24.8	-	641.4
Other securities	5.4	48.0	272.5	594.6	2,279.7	3,200.2
<b>Total 30/6/2017</b>	<b>476.0</b>	<b>1,537.3</b>	<b>1,261.9</b>	<b>1,907.2</b>	<b>3,786.6</b>	<b>8,969.0</b>
Total 31/12/2016	685.5	1,626.7	1,547.2	2,239.0	4,055.5	10,153.9

The Public Finance sub-portfolio accounts for the largest share with about EUR 5.1 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, mainly US student loans.

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

#### Participation risks

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

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Of the total portfolio of the EAA Group, a notional volume of EUR 3.8 billion (14.1%) is held by subsidiaries, mainly consisting of EAA CBB with EUR 1.5 billion (38.9%), Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.3 billion (33.8%) and Dritte EAA Anstalt & Co. KG with EUR 1.0 billion (27.3%). EAA KK was liquidated in April 2017.

EAA CBB is included in the risk management and business management of the EAA. The subsidiary is subject to monitoring by the EAA and the EAA's approved internal limit system. Representatives of the EAA exercise non-managerial control functions as members of the governing bodies and committees of EAA CBB. EAA CBB was sold at the start of 2017. The sale will not be effective until approval is received from the supervisory authorities.

Erste EAA Anstalt öffentlichen Rechts & Co. KG (change of legal form in April 2017, formerly Erste EAA-Beteiligungs GmbH) holds portfolio of US life insurance contracts through partnerships under US law. This company is fully funded by the EAA (EUR 1.2 billion).

Dritte EAA Anstalt & Co. KG holds a portfolio of structured securities. The EAA manages the transactions of Dritte EAA Anstalt & Co. KG as its general partner. As the securities continue to lie within the EAA's scope of risk management, on the basis of the look-through approach, the internal reporting has remained virtually unchanged. Additional securities were transferred to Dritte EAA Anstalt & Co. KG in the first half of 2017.

Ownership of EFS was transferred to the EAA at the end of March 2016 ("share deal"). This transaction ensures that the EAA will continue to have at its disposal all of the services it needs to continue with the wind-up of the assets transferred from the former WestLB. In addition to EPA, EFS is the EAA's most important service provider. EFS provides mostly IT and operational services to the EAA. The EAA manages EFS as a legally independent company and instructs its management with regard to the implementation of the restructuring measures that are already underway. Within the scope of a tender, the EAA and EFS are currently reviewing the possibility of outsourcing a large part of the service provision within the framework of the cooperation between the EAA and EFS.

On 30 December 2016, the EAA signed an agreement with Mount Street to sell EPA. Because EPA as a financial service provider is regulated by BaFin and the Bundesbank, the change of ownership is expected to take place following approval by these authorities.

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

**Exposures to selected EU member states**

The banking book exposure of the EAA and its subsidiaries to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia, Spain and the UK totals EUR 6.2 billion as of 30 June 2017. This exposure has been reduced by EUR 1.0 billion since the beginning of 2017. The decline is mostly attributable to Spain (EUR 0.4 billion), the UK (EUR 0.3 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, Spain and the UK is shown in the table below.

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Country <sup>1</sup>	Debtor group	30/6/2017 Notional in EUR million <sup>2</sup>	31/12/2016 Notional in EUR million <sup>2</sup>
Greece	Corporates	46.4	82.9
	Financial Institutions	-	0.0
<b>Σ Greece</b>		<b>46.4</b>	<b>82.9</b>
UK	Corporates	865.8	1,105.2
	Financial Institutions	34.7	82.3
	Public Finance	133.1	136.7
<b>Σ UK</b>		<b>1,033.6</b>	<b>1,324.1</b>
Ireland	Corporates	26.0	9.4
	Financial Institutions	0.1	0.1
	Public Finance	30.0	115.0
<b>Σ Ireland</b>		<b>56.1</b>	<b>124.5</b>
Italy	Corporates	622.5	673.7
	Financial Institutions	0.0	101.0
	Public Finance	1,723.8	1,772.4
<b>Σ Italy</b>		<b>2,346.3</b>	<b>2,547.0</b>
Portugal	Corporates	18.0	18.0
	Financial Institutions	11.2	11.2
	Public Finance	854.4	855.8
<b>Σ Portugal</b>		<b>883.6</b>	<b>885.1</b>
Slovenia	Public Finance	40.0	40.0
<b>Σ Slovenia</b>		<b>40.0</b>	<b>40.0</b>
Spain	Corporates	688.5	750.7
	Financial Institutions	360.0	575.9
	Public Finance	693.0	784.0
<b>Σ Spain</b>		<b>1,741.6</b>	<b>2,110.7</b>
Cyprus	Corporates	67.1	51.8
<b>Σ Cyprus</b>		<b>67.1</b>	<b>51.8</b>
<b>Total<sup>3</sup></b>		<b>6,214.7</b>	<b>7,166.0</b>
of which	Corporates	2,334.3	2,691.7
of which	Financial Institutions	406.1	770.5
of which	Public Finance	3,474.2	3,703.9

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

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

<sup>3</sup> Of which EAA subsidiaries: EUR 1,362.9 million (31 December 2016: EUR 954.1 million).



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

Product <sup>1</sup>	Value	Country <sup>2</sup>	30/6/2017 EUR million <sup>3</sup>	31/12/2016 EUR million <sup>3</sup>
Decomposed CDS	EaD	UK	-	0.0
		Italy	-	0.0
		Portugal	-	0.0
		Spain	-	0.0
<b>Σ Decomposed CDS</b>			<b>-</b>	<b>0.0</b>
Other derivatives and ALM	MtM	UK	555.3	469.4
		Ireland	0.0	-
		Italy	318.7	317.9
		Spain	337.2	235.7
		Cyprus	-	19.6
<b>Σ Other derivatives and ALM</b>			<b>1,211.2</b>	<b>1,042.6</b>
Other	Notional	UK	15.3	24.3
<b>Σ Other<sup>4</sup></b>			<b>15.3</b>	<b>24.3</b>

<sup>1</sup> ALM = cluster ALM as part of the banking book is identified here as in the internal view and not as a banking book exposure; Derivatives = replacement risks from OTC derivatives and from CDS; Decomposed CDS = CDS positions that do not relate to an individual underlying but to a portfolio of underlying individual transactions such as a basket of reference debtors.

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

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

<sup>4</sup> Includes mainly the HSBC nostro portfolios.

### Market price risks

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

### Market price risks – banking book

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

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

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**Interest rate risk (EAA Group)**

	30/6/2017 EUR thousand	31/12/2016 EUR thousand
< 1 Y	153.8	-3.1
1-4 Y	41.2	0.3
4-8 Y	18.7	25.9
8-15 Y	-21.3	-70.5
> 15 Y	-52.8	-22.4
<b>Total</b>	<b>139.6</b>	<b>-69.8</b>

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

The interest rate sensitivity PV01 is now EUR 139.6 thousand compared with year-end 2016 (EUR -69.8 thousand), due to management and maturity effects. The utilisation is within the limits.

**Foreign exchange risk (EAA Group)**

	30/6/2017 EUR thousand	31/12/2016 EUR thousand
AUD	2,611.0	1,040.3
CHF	-921.6	472.2
GBP	2,842.0	1,327.6
JPY	6,877.3	3,218.7
PLN	332.9	-1,491.7
SGD	1,081.3	1,120.5
USD	8,611.2	6,384.1
Other	6,071.6	13,180.5
<b>Total</b>	<b>27,505.7</b>	<b>25,252.2</b>

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

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

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**Market price risks – trading portfolio**

The trading portfolio is exposed not only to interest rate and foreign exchange risks but also to a limited amount of credit spread risks. The trading portfolio predominantly includes derivative exposures as well as non-linear options risks. In line with market practice, risks in the trading portfolio are hedged at the portfolio level. This entails residual risks which change due to market movements and developments in the portfolio, and are hedged dynamically (dynamic hedging strategy).

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

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

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

**Value at Risk by clusters**

	<b>30/6/2017</b> EUR thousand	<b>31/12/2016</b> EUR thousand
EAA Trading	695.4	689.1
Muni GIC Portfolio	443.6	585.9
Interest Rate Exotics	315.0	233.5
Interest Rate Flow	162.2	211.7
Interest Rate Options	91.0	89.6
Foreign Exchange Options and Hybrids	80.3	139.7
Credit and Equities	3.4	6.3

As of 30 June 2017, the VaR for the trading portfolio rose to EUR 695.4 thousand due to market movements and hedging activities (31 December 2016: EUR 689.1 thousand).

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**Liquidity risks**

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

The limited stress scenarios ("liquidity crisis and downgrade", "liquidity crisis and downgrade USD") demonstrated a viable net liquidity situation as of 30 June 2017 (defined as the total of cumulated cash flows and the liquidity reserve). The liquidity reserve comprises highly-liquid securities which are very likely to be eligible for repo transactions, in order to generate new liquidity. The liquidity reserve was around EUR 4.7 billion when the stress test was performed.

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

**Longevity risks**

The EAA funds premium payments for US life insurance policies under so-called life settlement engagements. The payouts from these policies flow to the EAA when the insured individual dies. These are bundled in subsidiaries of Erste EAA Anstalt öffentlichen Rechts & Co. KG (formerly Erste EAA-Beteiligungs GmbH).

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

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

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

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The EAA regularly monitors not only the present value of the expected cash flows (premiums, death benefits and service fees) from the policies but also the so-called net present value of Erste EAA Anstalt öffentlichen Rechts & Co. KG. Besides the present value of the expected cash flows, this indicator takes into account the outstanding funding and cash on hand, making it possible to measure performance over time for the entire life settlement portfolio. As of the reporting date of 30 June 2017, the net present value had increased by USD 37.2 million to USD 44.9 million (31 December 2016: USD 7.7 million). The increase is largely due to new or subsequent notification of deaths, as well as updated life expectancy through new health assessments.

**Operational risks**

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

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

In the past, the EAA also received services from Portigon. Given the expected return of Portigon's banking licence in connection with the implementation of the restructuring ordered by the EU Commission, the EAA – together with the EFS – undertook significant projects in the past fiscal year in order to unbundle itself from Portigon, and outsourced significant projects performed previously by Portigon to the EFS and EPA.

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

The EAA has established a service provider management system to monitor the interface between the subsidiaries and other service providers and the EAA, as the recipient of services, in terms of the content, form and quality of the services. Using a continuous and timely monitoring process, the EAA accordingly ensures that its requirements, which are defined in service level agreements, are fulfilled by the service providers in the agreed form. In this process, the EAA records the outsourcing risks and assesses them by applying a traffic light system. The monitoring and assessment process is supported by an online assessment system. Any necessary service and process adjustments are additionally taken into account in a process of continuous improvements.

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

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

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**Other risks**

**Reputational risks**

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

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

**Legal risks**

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

Starting in April 2010 the authorities in the US and at the EU level (particularly BaFin) have investigated possible misconduct in the trading departments of several banks. The results of the investigation have not produced any evidence of wrongdoing at the former WestLB; the investigations by BaFin and the US supervisory authorities were terminated without any measures being undertaken against Portigon. A number of investment banks active in the US were also sued in the US in various class action lawsuits due to alleged manipulative actions. These class actions have been repeatedly rejected with respect to Portigon. Whether the plaintiffs will appeal again is uncertain, since a favourable judgement for them appears to be very unlikely. The EAA has no reason to doubt Portigon's claims that there are no indications of any misconduct.

The legal disputes arising from the derivatives transactions with municipalities based on the "Ille ruling" of the German Supreme Court (BGH) of March 2011 were largely ended through out-of-court settlements.

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

**Tax risks**

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

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

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**Summary of the risk situation**

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

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

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

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

Market price risks are largely limited.

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

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

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

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

The requirements for risk-bearing capacity pursuant to section AT 4.1 MaRisk are not relevant for the EAA. Instead, the EAA performs a quarterly analysis of the development of its equity to the end of the planning period using the wind-up plan as well as updated variables and market parameters. This involves, in particular, the effects of changed framework conditions on equity in 2027. This wind-up plan shows positive equity capital as of the end of the planning period. This means that the only possibility of a loss occurring that would require utilisation of the EAA's liability mechanism in the period to the end of the planning horizon for the wind-up plan would be if adverse scenarios were to materialise which, from today's perspective, are unlikely to occur.

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

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

## Opportunities report

The economic recovery in the eurozone will continue this year. The process has to be described as unusually slow, because the growth in the current recovery lacks behind rates recorded before the global financial crisis. This illustrates the lasting impact global financial crises can have on the economy. They influence the effectiveness of monetary policy and lower economic activity by impeding banks from carrying out their original task of financing economic growth through lending.

Former crisis-hit countries (Spain, Portugal and Ireland) will be among the fastest-growing economies in the eurozone in 2017 and 2018. The euro crisis was a key catalyst for improvements, in particular for Spain and Portugal. Ireland had a very competitive economy even before the crisis. 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 addressed and international competitiveness enhanced. While Italy's economic output should also continue to grow in 2017, its growth is set to be below average for the eurozone. The general economic recovery benefits the valuations of euro government bonds and other financial products that are valued above their respective country's bonds. The process is not limited only to listed products; it also affects other segments of the euro credit market, such as promissory note loans, traditional loans and project financing.

By means of its special measures (OMT programme and securities purchases), the ECB has created confidence for the eurozone and actively supports the recovery process for EUR securities. The combination of very loose monetary policy and economic recovery allows the eurozone states and the companies and projects established there to service their debt at much better terms.

The decision under which the central bank conducts purchases will only apply until December 2017. Comments made by the ECB Executive Board suggest that its special programmes will not end abruptly; an extension for the year ahead is a more likely option. The ECB will have to reduce its purchases in the EUR government bond market and SSA bond segments when it reaches its permissible purchase volume. It can then only invest for the purposes of reinvesting cash inflows from the portfolio. For now, it can continue to make purchases on the other markets as before. In other words, it will continue to buy bonds in 2018, but it will buy less of them. This should tend to lead to rising yields in the eurozone. However, the extent of the increase in yields should be limited by the return of other investors who were replaced by the ECB.

Besides exposures to the euro periphery, the EAA also has significant exposures in the US. US property prices in particular have largely recovered in line with the economic trend and are now only about 4% below the high of July 2006. This was already taken into account in the evaluation of the exposures, so the positive effect of the continued economic recovery in the US should be limited.

The EAA anticipates that these developments will have a fundamentally beneficial effect on the portfolio (see also the "Forecast report" section).



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## Forecast report

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

The EAA's objective is to wind up around 82% of the banking book's portfolio as of 31 December 2011 (including the exposures held by subsidiaries and the exposures from the refill) by the end of 2018. As in previous years, the wind-up activities will focus on advance portfolio-reducing measures and active participation management.

For 2017 the plan calls for a reduction in the notional volume of the trading portfolios by around 19% to about EUR 210 billion compared with the previous year. The EAA continues to target a more than 81% reduction in the notional volume by the end of 2018 since the transfer in 2012. The EAA will continue to analyse how the trading portfolios can be reduced at an accelerated pace effectively and cost efficiently.

In line with the reduced portfolio, net interest and net fee and commission income are likely to fall to around EUR 162 million (including dividend income) during the 2017 fiscal year. A forecast for the trading result and for the result of risk provisions is difficult due to the imponderables with respect to developments on the global financial markets and other markets. The EAA is sticking with its strategy of winding up in a manner that preserves value. Losses cannot be ruled out in the next few fiscal years because of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This possibility is taken into account in the EAA's wind-up planning.

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

In light of this, the EAA has again identified for 2017 a number of exposures in the credit and securities portfolio that offer potential for sales, terminations or early redemptions. This course of action serves the overriding goal of minimising losses while taking into account expected risk developments. Independently of the sales portfolio for 2017, the EAA pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess early and profitable wind-up opportunities for all positions of the portfolio.

The EAA's objectives are supported by current economic developments. In particular, the ECB's programme to purchase euro government bonds had a positive impact on the EAA's portfolios. The purchases are unlikely to come to an abrupt end in the future. At the Executive Board meeting in September 2017, the ECB is likely to decide to extend the purchase of covered bonds, corporate bonds and securitisations by one year. The active purchases of euro government bonds will end when the maximum purchase volume or limit of 33% of outstanding debt is reached. Thereafter, the ECB will only buy these issuers' securities within the scope of reinvesting cash inflows from the portfolio.

The combination of further asset purchases and the ECB's promise to stand ready as buyer of last resort within the framework of OMT has prevented the renewed flare-ups of the situation

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in Greece during programme reviews and budget discussions from spilling over into other countries or regions. The effect of the ECB's purchases will probably not be limited to just government bonds and is likely to radiate out to other segments, as investors are looking for investment alternatives in the current environment of low interest rates and yields.

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

BALANCE SHEET

# Balance sheet

## Assets

	Notes	EUR	EUR	30/6/2017 EUR	31/12/2016 EUR
1. Cash reserve					
a) Balances with central banks			1,943,522,730		(1,696,544,165)
of which:					
with Deutsche Bundesbank					
EUR 1,943,522,730 (py: EUR 1,696,544,165)				1,943,522,730	1,696,544,165
2. Loans and advances to banks	4, 29				
a) Payable on demand			4,546,377,581		(4,328,984,532)
b) Other loans and advances			3,816,169,561		(2,933,556,878)
				8,362,547,142	7,262,541,410
3. Loans and advances to customers	5, 6, 15, 29			12,202,525,018	14,076,435,205
of which:					
secured by mortgage charges					
EUR 240,988,592 (py: EUR 274,699,385)					
Public-sector loans					
EUR 1,241,085,829 (py: EUR 1,288,200,852)					
4. Bonds and other fixed-income securities	7, 16, 29				
a) Bonds issued by					
aa) public issuers		1,762,438,806			(2,145,836,799)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 1,559,516,670 (py: EUR 1,914,722,558)					
ab) other issuers		9,195,752,760			(10,702,207,986)
of which:					
eligible as collateral with Deutsche Bundesbank					
EUR 959,496,910 (py: EUR 1,248,846,030)					
			10,958,191,566		(12,848,044,785)
b) Own bonds					
notional value:					
EUR 50,781,000 (py: EUR 50,751,000)			51,204,584		(52,278,609)
				11,009,396,150	12,900,323,394
5. Equities and other non-fixed-income securities	8			2	2
5a. Trading portfolio	9			19,367,130,107	23,750,386,362

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**BALANCE SHEET**

	Notes	EUR	EUR	30/6/2017 EUR	31/12/2016 EUR
6. Long-term equity investments	10			55,555,527	65,719,209
of which:					
in banks EUR 12,421,102 (py: EUR 12,421,102)					
7. Shares in affiliates	11			1,586,502,063	798,317,785
of which:					
in banks EUR 434,297,095 (py: EUR 434,297,095)					
in financial service providers EUR 28,964,000 (py: EUR 29,045,760)					
8. Trust assets	12			25,118	25,577
of which:					
trust loans EUR 25,118 (py: EUR 25,577)					
9. Intangible assets					
a) paid concessions, trademarks and similar rights and values such as licences in such rights			4,193,610		(4,413,903)
				4,193,610	4,413,903
10. Tangible fixed assets				250,151	273,803
11. Other assets	13			27,231,408	66,061,566
12. Prepaid expenses/accrued income	14			54,122,634	48,226,705
<b>Total assets</b>				<b>54,613,001,660</b>	<b>60,669,269,086</b>

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**BALANCE SHEET**

**Liabilities and equity**

	Notes	EUR	EUR	30/6/2017 EUR	31/12/2016 EUR
1. Deposits from banks	17				
a) Payable on demand			1,794,081,531		(2,244,426,131)
b) With an agreed maturity or withdrawal notice			590,837,492		(521,875,443)
				2,384,919,023	2,766,301,574
2. Deposits from customers	18				
other deposits					
a) Payable on demand			286,117,830		(135,106,811)
b) With an agreed maturity or withdrawal notice			2,988,497,924		(3,251,147,389)
				3,274,615,754	3,386,254,200
3. Debt securities in issue	19				
a) Bonds			15,932,480,787		(16,551,269,139)
b) Other debt securities in issue			13,039,879,230		(14,031,089,669)
of which:					
money market instruments					
EUR 13,039,879,230 (py: EUR 14,031,089,669)					
				28,972,360,017	30,582,358,808
3a. Trading portfolio	20			18,889,207,802	22,737,617,054
4. Trust liabilities	21			25,118	25,577
of which:					
trust loans					
EUR 25,118 (py: EUR 25,577)					
5. Other liabilities	22			208,956,847	190,450,788
6. Accruals/deferred income	23			27,677,510	22,438,331
7. Provisions	24				
a) Tax provisions			2,263,149		(0)
b) Other provisions			202,168,825		(342,659,598)
				204,431,974	342,659,598

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**BALANCE SHEET**

	Notes	EUR	EUR	30/6/2017 EUR	31/12/2016 EUR
8. Equity	25				
a) Called capital					
Subscribed capital		500,000			(500,000)
less uncalled outstanding capital		0			(0)
			500,000		(500,000)
b) Capital reserves			3,013,237,214		(3,013,237,214)
c) Revenue reserves					
Other revenue reserves		2,431,408			(2,431,408)
			2,431,408		(2,431,408)
d) Net retained losses			-2,365,361,007		(-2,375,005,466)
				650,807,615	641,163,156
<b>Total liabilities and equity</b>				<b>54,613,001,660</b>	<b>60,669,269,086</b>
1. Contingent liabilities	26				
a) Liabilities from guarantees and warranties			4,978,840,010		(6,610,052,169)
				4,978,840,010	6,610,052,169
2. Other obligations	26				
a) Irrevocable loan commitments			2,068,355,114		(3,058,261,529)
				2,068,355,114	3,058,261,529

INCOME STATEMENT

# Income statement

	Notes	EUR	EUR	1/1 - 30/6/2017 EUR	1/1 - 30/6/2016 EUR
1. Interest income from	27				
a) Lending and money market transactions		163,900,719			(162,906,707)
b) Fixed-income securities and debt register claims		96,381,296			(105,745,178)
			260,282,015		(268,651,885)
2. Interest expense			194,511,102		(200,950,958)
				65,770,913	67,700,927
3. Current income from	27				
a) Equities and other non-fixed-income securities			0		(25,409)
b) Long-term equity investments			2,519,312		(18,278,083)
c) Shares in affiliates			2,556		(4,313)
				2,521,868	18,307,805
4. Fee and commission income	27		7,105,438		(21,237,671)
5. Fee and commission expense			11,180,765		(11,770,963)
				-4,075,327	9,466,708
6. Net trading result				-96,501	-26,408,630
7. Other operating income	27, 28			5,414,893	1,515,924
8. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		11,124,343			(10,230,054)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		1,491,968			(1,239,160)
of which:					
for pensions EUR 391,795 (py: EUR 341,498)					
			12,616,311		(11,469,214)
b) Other administrative expenses			73,823,103		(103,235,543)
				86,439,414	114,704,757

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**INCOME STATEMENT**

	Notes	EUR	EUR	1/1 - 30/6/2017 EUR	1/1 - 30/6/2016 EUR
9. Depreciation and write-offs on intangible assets and tangible fixed assets				245,492	242,303
10. Other operating expenses	28			6,294,587	2,312,835
11. Depreciation and write-offs on claims and certain securities as well as additions to provisions in the lending business	24, 29			17,387,612	0
12. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	24, 29			0	16,139,401
13. Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	29			52,954,515	34,140,996
14. Expenses from loss assumption	29			65,346	51,000
15. Result from ordinary activities				12,057,910	3,552,236
16. Taxes on income and earnings	30			2,337,373	312,008
17. Other taxes not reported under item 10	30			76,078	59,208
18. Net profit for the year				9,644,459	3,181,020
19. Net retained losses brought forward				-2,375,005,466	-2,384,599,583
20. Net retained losses				-2,365,361,007	-2,381,418,563



CASH FLOW STATEMENT

# Cash flow statement

	1/1 - 30/6/2017 EUR	1/1 - 30/6/2016 EUR
1. +/- Result for the period	9,644,459	3,181,020
<b>Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities</b>		
2. +/- Allowances for losses on loans and advances and write-offs on certain securities, depreciation, amortisation on tangible fixed assets and long-term financial assets as well as the reversal thereof	33,121,151	-5,169,275
3. +/- Increase/decrease in provisions	-138,227,624	-42,772,317
4. +/- Other non-cash income/expense	-183,613,157	591,212,044
5. +/- Gain/loss on disposal of long-term financial assets	-57,859,292	-45,851,219
6. = Subtotal	-336,934,463	500,600,253
<b>Change in operating assets and liabilities</b>		
7. +/- Increase/decrease of loans and advances to banks (no trading portfolio)	-1,124,821,866	-468,859,171
8. +/- Increase/decrease of loans and advances to customers (no trading portfolio)	1,857,247,710	197,620,193
9. +/- Increase/decrease of securities (no financial assets and no trading portfolio)	1,927,638,507	1,934,701,861
10. +/- Trading assets	8,406,059,315	-205,854,559
11. +/- Increase/decrease of other operating assets	-2,669,891	7,282,966
12. +/- Increase/decrease of deposits from banks (no trading portfolio)	-382,237,920	-290,968,338
13. +/- Increase/decrease of deposits from customers (no trading portfolio)	-131,281,436	594,561,150
14. +/- Increase/decrease of debt securities in issue	-1,614,558,669	-974,147,568
15. +/- Trading liabilities	-7,687,599,156	-63,807,424
16. +/- Increase/decrease of other operating liabilities	29,021,754	367,010,140
17. +/- Interest expenses/interest income	-68,292,781	-86,008,733
18. +/- Tax expenses/tax income	2,337,373	312,008
19. + Interest payments and dividend payments received	275,629,012	285,559,256
20. - Interest paid	-173,743,458	-211,796,498
21. +/- Income tax payments	32,280,823	-3,755,686
22. = Cash flows from operating activities (sum of 6 to 21)	1,008,074,854	1,582,449,850
23. + Proceeds from disposal of long-term financial assets	-778,706,526	53,323,100
24. - Purchase of long-term financial assets	-8,811,323	-130,122,931
25. - Purchase of tangible fixed assets	-1,546	0
26. - Purchase of intangible assets	0	0
27. = Cash flows from investing activities (sum of 23 to 26)	-787,519,395	-76,799,831
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)	220,555,459	1,505,650,019
31. + Cash funds at beginning of period	1,760,393,757	8,073,446
32. = Cash funds at end of period (sum of 30 to 31)	1,980,949,216	1,513,723,465

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

STATEMENT OF CHANGES IN EQUITY

## Statement of changes in equity

	Balance as of 1/1/2017 EUR	Appropriation of the result EUR	Balance as of 30/6/2017 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,375,005,466	9,644,459	-2,365,361,007
<b>Equity under HGB</b>	<b>641,163,156</b>	<b>9,644,459</b>	<b>650,807,615</b>

	Balance as of 1/1/2016 EUR	Appropriation of the result EUR	Balance as of 30/6/2016 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,384,599,583	3,181,020	-2,381,418,563
<b>Equity under HGB</b>	<b>631,569,039</b>	<b>3,181,020</b>	<b>634,750,059</b>

# Condensed notes

For the period from 1 January to 30 June 2017

## General disclosures

### 1. Legal framework of the EAA

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

The EAA is winding up the risk exposures and non-strategic business units transferred from the former WestLB and its domestic and foreign subsidiaries (transferred assets). In doing so, it proceeds in a value-preserving and risk-minimising manner. This serves to stabilise the financial market. The risk exposures and non-strategic business units of the former WestLB were transferred to the EAA in the years 2009 and 2010 (first fill) as well as in 2012 (refill) using several different transfer methods. In an ongoing process, transactions that were synthetically transferred initially will be transferred legally and fully from Portigon to the EAA. For further information on the transfer methods, please refer to the “Operating activities of the EAA” section in the Annual Report 2016.

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

### 2. Preparation of the interim financial statements

In accordance with section 8a (1) sentence 10 in conjunction with section 3a (4) of the FMStFG and the additional guidance of the EAA’s charter, the interim report has been prepared under the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) for large public companies and the German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV). In particular, the condensed financial statements comply with the requirements of DRS 16 as updated by German Accounting Amendment Standard No. 7 (half-year financial reporting).

**CONDENSED NOTES**

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

### 3. Accounting and valuation principles

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

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

## Notes on the balance sheet and the income statement

### 4. Loans and advances to banks

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>8,362.5</b>	<b>7,262.5</b>
of which:		
- to affiliates	579.2	742.4
Payable on demand due	4,546.4	4,329.0
- within 3 months	3,388.9	2,868.5
- 3 months to 1 year	390.0	10.0
- 1 to 5 years	14.3	31.1
- after 5 years	22.9	23.9

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

CONDENSED NOTES

5. Loans and advances to customers

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>12,202.5</b>	<b>14,076.4</b>
of which:		
- to affiliates	1,526.5	1,778.0
- to long-term equity investments	9.7	9.7
due		
- within 3 months	2,732.7	1,731.1
- 3 months to 1 year	746.8	2,233.8
- 1 to 5 years	2,193.9	2,628.9
- after 5 years	6,529.1	7,482.6

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

6. Loans and advances secured by mortgages

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>241.0</b>	<b>274.6</b>
Loans and advances to customers due		
- within 3 months	3.7	5.4
- 3 months to 1 year	5.6	7.1
- 1 to 5 years	29.6	34.4
- after 5 years	202.1	227.7

CONDENSED NOTES

7. Bonds and other fixed-income securities

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>11,009.4</b>	<b>12,900.3</b>
of which:		
Amounts due in the following year	641.2	553.1
Breakdown		
- Bonds issued by public issuers	1,762.4	2,145.8
- Bonds issued by other issuers	9,195.8	10,702.2
- Own bonds	51.2	52.3
Breakdown by marketability		
- Marketable securities	11,009.4	12,900.3
of which:		
- listed	3,055.1	3,905.5
- unlisted	7,954.3	8,994.8
Breakdown by type		
- Liquidity reserve	69.8	159.1
- Investment securities	10,939.6	12,741.2

The bonds and other fixed-income securities in the amount of EUR 10.9 billion (previous year: EUR 12.7 billion) are included in the financial assets portfolio. As of the reporting date, financial assets with a book value of EUR 8.2 billion (previous year: EUR 9.9 billion) were recognised above their fair value of EUR 7.9 billion (previous year: EUR 9.4 billion) because the EAA expects to receive repayments totalling at least the amount of the book value. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the financial assets. The difference of EUR 0.3 billion is primarily attributable to structured credit products.

Of the aforementioned financial assets with a book value of EUR 8.2 billion, EUR 0.1 billion (previous year: EUR 0.5 billion) relates to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the investment portfolio that was not hedged with asset swaps (EUR 8.1 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

8. Equities and other non-fixed-income securities

Equities and other non-fixed-income securities amounted to EUR 1.76 as of 30 June 2017 (previous year: EUR 1.90). The change is the result of currency fluctuations.

CONDENSED NOTES

9. Trading portfolio

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>19,367.1</b>	<b>23,750.4</b>
of which:		
- Derivative financial instruments	19,367.4	23,750.6
- Equities and other non-fixed-income securities	1.9	2.0
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-2.2	-2.2

10. Long-term equity investments

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>55.6</b>	<b>65.7</b>
of which:		
- in banks	12.4	12.4
Breakdown by marketability		
- Marketable securities	11.2	18.5
of which:		
- listed	-	7.2
- unlisted	11.2	11.2

The decline in long-term equity investments compared with 31 December 2016 is primarily the result of the wind-up mission.

11. Shares in affiliates

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>1,586.5</b>	<b>798.3</b>
of which:		
- in banks	434.3	434.3
- in financial service providers	29.0	29.0
Breakdown by marketability		
- Marketable securities	434.3	434.3
of which:		
- unlisted	434.3	434.3

**CONDENSED NOTES**

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

## 12. Trust assets

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

## 13. Other assets

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>27.2</b>	<b>66.1</b>
of which:		
- Receivables from profit and loss pooling agreements	18.6	18.6
- Tax refund claims	7.2	42.7
- Guarantee fees and commissions	1.3	4.7

## 14. Prepaid expenses/accrued income

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>54.1</b>	<b>48.2</b>
of which:		
- Non-recurring payments on swaps	38.7	36.3
- Discounts from issuing business	6.7	7.7
- Discounts from liabilities	2.9	3.4
- Other	5.8	0.8

## 15. Subordinated assets

Subordinated assets are included in:

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Loans and advances to customers</b>	<b>706.1</b>	<b>781.9</b>
of which:		
- to affiliates	307.1	366.0



**CONDENSED NOTES**

## 16. Assets sold under repurchase agreements

The carrying amount of the assets sold under repurchase agreements is EUR 46.7 million (previous year: EUR 0.0 million).

## 17. Deposits from banks

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>2,384.9</b>	<b>2,766.3</b>
of which:		
- Deposits from affiliates	32.0	20.5
Payable on demand	1,794.1	2,244.4
due		
- within 3 months	205.0	134.5
- 3 months to 1 year	67.9	26.2
- 1 to 5 years	158.9	207.2
- after 5 years	159.0	154.0

## 18. Deposits from customers

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>3,274.6</b>	<b>3,386.3</b>
of which:		
- Deposits from affiliates	182.4	16.7
Other deposits	3,274.6	3,386.3
of which:		
- payable on demand	286.1	135.1
due		
- within 3 months	768.6	287.9
- 3 months to 1 year	221.1	901.2
- 1 to 5 years	664.0	671.4
- after 5 years	1,334.8	1,390.7

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

CONDENSED NOTES

19. Debt securities in issue

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>28,972.4</b>	<b>30,582.4</b>
Bonds	15,932.5	16,551.3
of which:		
Amounts due in the following year	8,939.9	6,665.7
Other debt securities in issue	13,039.9	14,031.1
of which due:		
- within 3 months	9,983.0	11,618.9
- 3 months to 1 year	3,056.9	2,412.2
- 1 to 5 years	-	-
- after 5 years	-	-

20. Trading portfolio

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>18,889.2</b>	<b>22,737.6</b>
of which:		
- Derivative financial instruments	18,889.2	22,737.6

21. Trust liabilities

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

CONDENSED NOTES

22. Other liabilities

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>209.0</b>	<b>190.5</b>
of which:		
- Currency translation adjustments	201.8	106.6
- Deposits from the assumption of losses	-	78.1
- Other	7.2	5.8

"Other" liabilities mostly include unpaid invoices.

23. Accrued expenses/deferred income

	30/6/2017 EUR million	31/12/2016 EUR million
<b>Carrying amount</b>	<b>27.7</b>	<b>22.4</b>
of which:		
- Premium on issuing business	18.0	13.2
- Non-recurring payments on swaps	8.8	8.1
- Premiums for sold interest rate caps and floors	0.9	1.1

24. Provisions

	Balance as of 31/12/2016 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 30/6/2017 EUR million
<b>Taxes</b>	-	<b>2.3</b>	-	-	-	-	<b>2.3</b>
<b>Other provisions</b>	<b>342.7</b>	<b>24.1</b>	<b>0.7</b>	<b>51.5</b>	<b>13.0</b>	<b>-100.9</b>	<b>202.1</b>
- Loans	174.2	0.6	-	16.8	4.0	-99.6	54.4
- Shareholdings	25.6	-	-	21.1	0.3	-0.1	4.1
- Legal actions	6.4	0.4	0.1	-	0.8	-0.4	5.7
- Personnel	0.5	-	-	-	-	-	0.5
- Other	136.0	23.1	0.6	13.6	7.9	-0.8	137.4
<b>Total</b>	<b>342.7</b>	<b>26.4</b>	<b>0.7</b>	<b>51.5</b>	<b>13.0</b>	<b>-100.9</b>	<b>204.4</b>

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

**CONDENSED NOTES**

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

## 25. Equity

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

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

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

For the first half of 2017 net profit for the year amounts to EUR 9.6 million and reduces net retained losses to EUR 2,365.4 million as of 30 June 2017.

## 26. Contingencies

### Contingent liabilities

Contingent liabilities amounting to EUR 5.0 billion (previous year: EUR 6.6 billion) primarily result from guarantees for Portigon's risk exposures and the liabilities inherited from WestImmo. The volume of legacy WestImmo liabilities stood at EUR 3.2 billion as of 30 June 2017 (previous year: EUR 3.7 billion). This volume is constantly decreasing as a result of repayments. All material bank-related assets and liabilities were transferred to Aareal Bank AG as of 30 June 2017 by way of a spin-off and takeover agreement concluded between Aareal Bank AG and WestImmo. This rendered obsolete the measures for reducing the likelihood of claims being asserted against the EAA (Aareal Bank AG liquidity line for WestImmo and profit and loss transfer agreement between Aareal Bank Group and WestImmo).

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

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

### Other obligations

The reported volume of EUR 2.1 billion (previous year: EUR 3.1 billion) is due to the lending business. The EAA constantly reviews whether losses from other obligations are to be expected and if a provision needs to be made for impending losses from pending transactions.

**CONDENSED NOTES**

## 27. Geographical breakdown of income components

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

	<b>Interest income</b>	<b>Current income</b>	<b>Fees and commission income</b>	<b>Other operating income</b>
	<b>1/1 - 30/6/2017</b>	<b>1/1 - 30/6/2017</b>	<b>1/1 - 30/6/2017</b>	<b>1/1 - 30/6/2017</b>
	<b>EUR million</b>	<b>EUR million</b>	<b>EUR million</b>	<b>EUR million</b>
Germany	199.3	2.2	5.4	5.4
UK	36.7	0.3	1.1	-
Rest of Europe	9.7	-	0.6	-
Far East and Australia	0.5	-	-	-
North America	14.1	-	-	-
<b>IS amount</b>	<b>260.3</b>	<b>2.5</b>	<b>7.1</b>	<b>5.4</b>

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

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

Net other operating expenses and income in the first half of 2017 comprised EUR 6.3 million (previous year: EUR 2.3 million) in expenses and EUR 5.4 million (previous year: EUR 1.5 million) in income.

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

CONDENSED NOTES

29. Risk provision

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

	1/1 - 30/6/2017 EUR million	1/1 - 30/6/2016 EUR million
<b>Risk provision and financial investment result including loss assumption (pursuant to RechKredV)</b>	<b>35.5</b>	<b>50.1</b>
<b>Loans and securities income/expense</b>	<b>-17.4</b>	<b>16.1</b>
of which: - Lending operations	-17.4	15.8
- Securities	-	0.3
<b>Shareholdings and securities income/expenses</b>	<b>53.0</b>	<b>34.1</b>
of which: - Shareholdings	-1.9	19.1
- Securities	54.9	15.0
<b>Expenses from loss assumption</b>	<b>-0.1</b>	<b>-0.1</b>
<b>Risk provision and financial investment result including loss assumption (pursuant to risk report)</b>	<b>35.5</b>	<b>50.1</b>
<b>Result of risk provisions - loans and advances/securities due to credit risk</b>	<b>-17.4</b>	<b>15.8</b>
of which: - Lending operations	-17.7	6.1
- Structured securities	0.3	9.7
<b>Results from financial assets, shareholdings and loss assumption</b>	<b>52.9</b>	<b>34.3</b>

The EAA always makes use of the options available under section 340f (3) and section 340c (2) HGB. Under section 340f (3) HGB, income and expenses resulting from the valuation in the lending business may be reported on a net basis with risk provisions for securities and income from the reversal of risk provisions on securities of the liquidity reserve. Net expenses amount to EUR 17.4 million (previous year: net income of EUR 16.1 million). Section 340c (2) HGB stipulates that the expenses for long-term equity investments, shares in affiliates and long-term investment securities may be offset against the corresponding income. Overall, the EAA realised a net income of EUR 53.0 million (previous year: EUR 34.1 million) as the risk result for shareholdings and securities.

30. Taxes

Taxes on income and earnings amounting to EUR 2.3 million (previous year: EUR 0.3 million) primarily relate to foreign taxes.

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

**CONDENSED NOTES**

## Other disclosures

### 31. Forward contracts/derivative financial instruments

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

△ **Interest rate-related products**

Interest rate swaps, interest rate futures, forward rate agreements, interest rate caps, interest rate floors, interest rate collars, swaptions and interest rate options

△ **Currency-related products**

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

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

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

△ **Credit derivatives**

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

The total volume of forward transactions and derivatives transactions as of the reporting date amounts to EUR 282.9 billion based on notional values (previous year: EUR 333.2 billion). The focus remains on interest rate-related products, whose share stands at 86.5% (previous year: 86.2%) of the total volume.

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

CONDENSED NOTES

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	30/6/2017 EUR million	31/12/2016 EUR million	30/6/2017 EUR million	31/12/2016 EUR million	30/6/2017 EUR million	31/12/2016 EUR million
<b>Interest rate-related products</b>	<b>244,775.9</b>	<b>287,259.8</b>	<b>18,723.6</b>	<b>22,604.9</b>	<b>19,375.2</b>	<b>23,335.8</b>
OTC products	243,062.0	283,888.5	18,723.5	22,604.9	19,375.2	23,335.8
Exchange-traded products	1,713.9	3,371.3	0.1	-	-	-
<b>Currency-related products</b>	<b>35,993.1</b>	<b>43,470.1</b>	<b>997.2</b>	<b>1,502.2</b>	<b>873.0</b>	<b>824.2</b>
OTC products	35,993.1	43,470.1	997.2	1,502.2	873.0	824.2
<b>Equity- and other price-related products</b>	<b>2,052.9</b>	<b>2,105.9</b>	<b>66.9</b>	<b>105.1</b>	<b>66.9</b>	<b>105.1</b>
OTC products	2,052.9	2,105.9	66.9	105.1	66.9	105.1
<b>Credit derivatives</b>	<b>111.0</b>	<b>366.2</b>	<b>1.4</b>	<b>2.5</b>	<b>1.5</b>	<b>3.6</b>
OTC products	111.0	366.2	1.4	2.5	1.5	3.6
<b>Total</b>	<b>282,932.9</b>	<b>333,202.0</b>	<b>19,789.1</b>	<b>24,214.7</b>	<b>20,316.6</b>	<b>24,268.7</b>
OTC products	281,219.0	329,830.7	19,789.0	24,214.7	20,316.6	24,268.7
Exchange-traded products	1,713.9	3,371.3	0.1	-	-	-

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 310.5 billion in the current fiscal year 2017 (previous year: EUR 385.6 billion).



CONDENSED NOTES

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	30/6/2017 EUR million	31/12/2016 EUR million	30/6/2017 EUR million	31/12/2016 EUR million	30/6/2017 EUR million	31/12/2016 EUR million
<b>Interest rate-related products</b>	<b>268,302.1</b>	<b>320,226.5</b>	<b>20,757.1</b>	<b>23,836.7</b>	<b>21,458.2</b>	<b>24,013.3</b>
OTC products	265,318.2	317,401.0	20,757.1	23,836.7	21,458.2	24,013.3
Exchange-traded products	2,983.9	2,825.5	-	-	-	-
<b>Currency-related products</b>	<b>39,785.3</b>	<b>59,537.3</b>	<b>1,167.6</b>	<b>1,976.3</b>	<b>748.3</b>	<b>1,344.1</b>
OTC products	39,785.3	59,537.3	1,167.6	1,976.3	748.3	1,344.1
<b>Equity- and other price-related products</b>	<b>2,105.0</b>	<b>4,507.4</b>	<b>83.2</b>	<b>186.6</b>	<b>83.2</b>	<b>223.7</b>
OTC products	2,105.0	2,193.4	83.2	113.1	83.2	141.3
Exchange-traded products	-	2,314.0	-	73.5	-	82.4
<b>Credit derivatives</b>	<b>276.3</b>	<b>1,377.7</b>	<b>2.0</b>	<b>7.7</b>	<b>2.4</b>	<b>9.3</b>
OTC products	276.3	1,377.7	2.0	7.7	2.4	9.3
<b>Total</b>	<b>310,468.7</b>	<b>385,648.9</b>	<b>22,009.9</b>	<b>26,007.3</b>	<b>22,292.1</b>	<b>25,590.4</b>
OTC products	307,484.8	380,509.4	22,009.9	25,933.8	22,292.1	25,508.0
Exchange-traded products	2,983.9	5,139.5	-	73.5	-	82.4

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

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

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity- and other price-related products		Credit derivatives	
	30/6/2017 EUR million	31/12/2016 EUR million	30/6/2017 EUR million	31/12/2016 EUR million	30/6/2017 EUR million	31/12/2016 EUR million	30/6/2017 EUR million	31/12/2016 EUR million
Due								
- within 3 months	32,710.2	35,916.4	6,949.4	11,239.7	-	-	31.0	13.3
- 3 months to 1 year	23,217.3	35,334.1	6,499.8	4,668.2	-	-	20.0	251.0
- 1 to 5 years	83,509.9	97,939.0	13,128.7	17,160.2	2,052.9	2,105.9	60.0	80.0
- after 5 years	105,338.5	118,070.3	9,415.2	10,402.0	-	-	-	21.9
<b>Total</b>	<b>244,775.9</b>	<b>287,259.8</b>	<b>35,993.1</b>	<b>43,470.1</b>	<b>2,052.9</b>	<b>2,105.9</b>	<b>111.0</b>	<b>366.2</b>

**CONDENSED NOTES**

### 32. Number of employees

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

	Male	Female	Total 1/1 - 30/6/2017	Total 1/1 - 30/6/2016
Number of employees	100	80	180	146

As of 30 June 2017, the EAA employed 169 (30 June 2016: 140) full-time equivalents.

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

### 33. Stakeholders of the EAA

	30/6/2017 in %	31/12/2016 in %
State of NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
<b>Total</b>	<b>100.000</b>	<b>100.000</b>

### 34. Memberships of other bodies held by Managing Board members

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

**Matthias Wargers**

EAA Portfolio Advisers GmbH \*  
Erste Financial Services GmbH

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

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

**Horst Küpker**

EDD AG \*

**CONDENSED NOTES**

### 35. Memberships of other bodies held by employees

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

**Dr Ulf Bachmann**

EAA Portfolio Advisers GmbH \* (since 1 February 2017)  
Erste Financial Services GmbH

**Gabriele Müller**

EAA Covered Bond Bank Plc  
EAA Portfolio Advisers GmbH \*

**Hartmut Rahner**

EAA Covered Bond Bank Plc

### 36. Executive bodies of the EAA

#### Members of the Managing Board of the EAA

**Matthias Wargers (Spokesman)**

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

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

**Horst Küpker**

#### Members of the Supervisory Board of the EAA

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

Chairman

State Secretary in the Finance Ministry of NRW until 30 June 2017

**Joachim Stapf**

Vice Chairman

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

**Günter Borgel**

Member of the Executive Committee (Leitungsausschuss) of the FMSA

**Michael Breuer**

President of the Rheinischer Sparkassen- und Giroverband

**Hans Buschmann**

Deputy Association Director of the Rheinischer Sparkassen- und Giroverband until 30 June 2017

**CONDENSED NOTES**

**Rolf Einmahl**

Lawyer,

Member of the Landschaftsversammlung of the Landschaftsverband Rheinland

**Henning Giesecke**

Managing Director of GSW Capital Management GmbH,

Former Chief Risk Officer of HypoVereinsbank AG and UniCredit Group

**Wilfried Groos**

Chairman of the Managing Board of the Sparkasse Siegen

**Matthias Löb**

Director of the Landschaftsverband Westfalen-Lippe

**Angelika Marienfeld**

Former State Secretary in the Finance Ministry of NRW

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

State Secretary in the Ministry of Finance of NRW

**Michael Stölting**

Member of the Managing Board of NRW.BANK

**Jürgen Wannhoff**

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

**Stakeholders' Meeting of the EAA**

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

CONDENSED NOTES

37. Information on shareholdings

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

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

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

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

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Achte EAA-Beteiligungs GmbH <sup>11)</sup>	Düsseldorf	100.00		EUR	19	-6
2	ANC Handels GmbH & Co. KG <sup>1)</sup>	Mörfelden-Walldorf	1.00			n.s.	n.s.
3	APAX Europe V-C GmbH & Co. KG <sup>1) 11)</sup>	Munich	0.33	0.00	EUR	4	11
4	Castello di Casole Agricoltura S.r.l. società agricola <sup>1) 11)</sup>	Casole d'Elsa, Italy	100.00		EUR	38	-62
5	Castello di Casole S.r.l. <sup>11)</sup>	Casole d'Elsa, Italy	100.00		EUR	-82	-2,390
6	Castello Resort Villas S.r.l. <sup>11)</sup>	Casole d'Elsa, Italy	100.00		EUR	237	-154
7	CBAL S.A. <sup>2) 9)</sup>	Brussels, Belgium	100.00		EUR	1,753	448
8	CLS Group Holdings AG <sup>11)</sup>	Lucerne, Switzerland	0.47		CHF	524,441	3,016
9	COREplus Private Equity Partners GmbH & Co. KG <sup>1) 7)</sup>	Frankfurt	36.52	0.00	EUR	12,767	-335
10	COREplus Private Equity Partners II - Diversified Fund, L. P. <sup>11)</sup>	Wilmington, US	24.75	0.00	USD	35,982	1,742
11	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n.s.	n.s.
12	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n.s.	n.s.
13	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG <sup>1) 7)</sup>	Mainz	92.20	91.82	EUR	3,134	2,975
14	Dritte EAA Anstalt & Co. KG <sup>2) 7)</sup>	Düsseldorf	100.00		EUR	246,108	-2,173
15	Düsseldorfer Börsenhaus GmbH <sup>11)</sup>	Düsseldorf	5.00		EUR	815	47
16	Dusskapital Zwanzig Beteiligungsgesellschaft mbH <sup>11)</sup>	Düsseldorf	100.00		EUR	34	1
17	EAA Charity LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	15,798	8,580
18	EAA Covered Bond Bank Plc <sup>11) 12)</sup>	Dublin 1, Ireland	100.00		EUR	419,981	-23,057
19	EAA DLP I LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	124,966	-5,005
20	EAA DLP II LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	107,737	3,847
21	EAA DLP III LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	161,467	5,179
22	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. <sup>7)</sup>	Sao Paulo, Brazil	100.00		BRL	3,115	303
23	EAA Europa Holding GmbH <sup>3) 11)</sup>	Düsseldorf	100.00		EUR	5,731	0
24	EAA Greenwich LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	148,972	-1,538
25	EAA LAT ABC LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	176,222	-5,128
26	EAA LAT II LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	186,047	-17,101

**ERSTE ABWICKLUNGSANSTALT**  
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**CONDENSED NOTES**

**Other shareholdings**

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
27	EAA LS Holdings LLC <sup>1) 11)</sup>	Wilmington, US	100.00		USD	130	n.s.
28	EAA PF LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	150,151	-12,698
29	EAA Portfolio Advisers GmbH <sup>11)</sup>	Düsseldorf	100.00		EUR	9,542	-254
30	EAA Portfolio Advisers LLC <sup>1) 11)</sup>	New York, US	100.00		USD	256	179
31	EAA Spyglass Holdings LLC <sup>1) 11)</sup>	Wilmington, US	100.00		USD	16,309	4,527
32	EAA Triskele LLP <sup>1) 11)</sup>	Wilmington, US	100.00		USD	207,052	5,426
33	EAA US Holdings Corporation <sup>11)</sup>	Wilmington, US	100.00		USD	40,417	5,981
34	ECIP Europcar S.a.r.l <sup>11)</sup>	Luxembourg, Luxembourg	4.09		EUR	79,707	-55
35	EDD AG <sup>7)</sup>	Düsseldorf	21.95		EUR	52,747	473
36	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH <sup>7)</sup>	Potsdam	47.50		EUR	0	-360
37	Entertainment Asset Holdings C.V. <sup>1) 6)</sup>	Amsterdam, Netherlands	36.36		USD	0	0
38	EQT III GmbH & Co. KG <sup>1) 6)</sup>	Munich	1.18	0.00	EUR	261	-6,151
39	Erste EAA Anstalt öffentlichen Rechts & Co. KG <sup>2) 3) 11)</sup>	Düsseldorf	100.00		EUR	16	0
40	Erste Financial Services GmbH <sup>11)</sup>	Düsseldorf	100.00		EUR	104,785	2,041
41	Eurazeo Partners SCA, SICAR <sup>11)</sup>	Luxembourg, Luxembourg	5.80	0.00	EUR	194,747	16,348
42	Europcar Groupe S.A. <sup>1) 11)</sup>	Guyancourt, France	0.00		EUR	631,266	119,294
43	GKA Gesellschaft für kommunale Anlagen mbH <sup>1) 11)</sup>	Düsseldorf	100.00		EUR	115	87
44	Indigo Holdco LLC <sup>1) 11)</sup>	Dover, US	100.00		USD	2,437	-33
45	Indigo Land Groveland LLC <sup>1)</sup>	Wilmington, US	100.00			n.s.	n.s.
46	Indigo Land Progresso Lofts LLC <sup>1)</sup>	Dover, US	100.00			n.s.	n.s.
47	Indigo Real Estate LLC <sup>1)</sup>	Dover, US	100.00		USD	11,109	n.s.
48	Leasing Belgium N.V. <sup>1) 7)</sup>	Antwerp, Belgium	100.00		EUR	452	-36
49	Life.Value Properties GmbH <sup>1) 11)</sup>	Düsseldorf	100.00		EUR	83	55
50	Liquiditäts-Konsortialbank Gesellschaft mit beschränkter Haftung i.L. <sup>1) 5)</sup>	Frankfurt am Main	6.55		EUR	236,224	7,629
51	MCC Bradley LLC <sup>1) 11)</sup>	East Hartford, US	100.00		USD	304	-187
52	MCC Paris LLC <sup>1) 11)</sup>	Wilmington, US	100.00		USD	2,076	209
53	MCC SB Condo LLC <sup>1) 11)</sup>	Wilmington, US	100.00		USD	1,520	-227
54	MCC Tern Landing LLC <sup>1) 11)</sup>	Wilmington, US	100.00		USD	1,006	-131
55	MCC WK Commercial LLC <sup>1) 11)</sup>	Wilmington, US	100.00		USD	586	-93
56	MCC WK Residential LLC <sup>1) 11)</sup>	Wilmington, US	100.00		USD	-4	170
57	Meritech Capital Partners II L.P. <sup>1) 11)</sup>	Palo Alto, US	0.06	0.00	USD	89,208	1,764
58	Methuselah Life Markets Limited <sup>7)</sup>	London, UK	100.00		GBP	74	-7
59	MFC Holdco LLC <sup>1) 11)</sup>	New York, US	100.00		USD	9,019	-579
60	MFC Pinecrest LLC <sup>1)</sup>	New York, US	100.00			n.s.	n.s.
61	MFC Real Estate LLC <sup>1) 11)</sup>	New York, US	100.00		USD	2,994	-286
62	MFC Waterfront LLC <sup>1)</sup>	Wilmington, US	100.00			n.s.	n.s.
63	Mod CapTrust Holding LLC <sup>1) 11)</sup>	Dover, US	100.00		USD	0	1,861

**CONDENSED NOTES**

**Other shareholdings**

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
64	Monolith Grundstücksverwaltungsgesellschaft mbH <sup>1) 7)</sup>	Mainz	100.00		EUR	103	5
65	Monolith Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neubau Sparkassen-Versicherung Sachsen OHG <sup>1) 7)</sup>	Mainz	5.00	76.00	EUR	-17,049	2,060
66	Nephelin Grundstücksverwaltungsgesellschaft mbH <sup>1) 7)</sup>	Mainz	100.00		EUR	-56	-4
67	Neunte EAA-Beteiligungs GmbH i.L. <sup>10)</sup>	Düsseldorf	100.00		EUR	28	-7,102
68	New NIB Partners LP <sup>11)</sup>	New York, US	1.59	0.00	EUR	1,032,903	48,365
69	ParaFin LLC <sup>1) 11)</sup>	New York, US	100.00		USD	0	n.s.
70	PM Portfolio Management GmbH <sup>1) 11)</sup>	Düsseldorf	100.00		EUR	65	1
71	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG in Insolvenz <sup>1) 4)</sup>	Bad Homburg	51.00		EUR	-3,572	-117
72	Projekt Carrée am Bahnhof Verwaltungs GmbH in Insolvenz <sup>1) 4)</sup>	Bad Homburg	51.00		EUR	-13	0
73	S-Chancen-Kapitalfonds NRW GmbH i.L. <sup>11)</sup>	Haan	50.00		EUR	2,032	-33
74	Sechste EAA-Beteiligungs GmbH <sup>11)</sup>	Düsseldorf	100.00		EUR	22	-13
75	Siebte EAA-Beteiligungs GmbH <sup>11)</sup>	Düsseldorf	100.00		EUR	17	-8
76	Special PEP II GP Investors, L.L.C. <sup>11)</sup>	Wilmington, US	50.00	0.00	USD	178	-48
77	Special Private Equity Partners II, L.P. <sup>11)</sup>	Wilmington, US	18.79	0.00	USD	17,372	-4,970
78	ThyssenKrupp Aufzugswerke GmbH <sup>8)</sup>	Neuhausen auf den Fildern	0.50		EUR	13,951	0
79	ThyssenKrupp Electrical Steel GmbH <sup>8)</sup>	Gelsenkirchen	0.42		EUR	96,622	0
80	thyssenkrupp Materials Processing Europe GmbH <sup>8)</sup>	Krefeld	0.42		EUR	57,903	0
81	thyssenkrupp Materials Services GmbH <sup>8)</sup>	Essen	0.16		EUR	745,235	0
82	ThyssenKrupp Rasselstein GmbH <sup>8)</sup>	Andernach	0.50		EUR	247,021	0
83	True Sale International GmbH <sup>7)</sup>	Frankfurt am Main	7.69	9.09	EUR	4,763	71
84	Welsh, Carson, Anderson & Stowe IX GmbH & Co. KG <sup>1) 11)</sup>	Munich	2.90	0.00	EUR	0	-207
85	West Life Markets GmbH & Co. KG <sup>3) 11)</sup>	Düsseldorf	100.00		EUR	1,312	0
86	West Merchant Limited <sup>7)</sup>	London, UK	100.00		GBP	36	-20
87	West Zwanzig GmbH <sup>3) 11)</sup>	Düsseldorf	100.00		EUR	25	0
88	Westdeutsche Immobilien Holding GmbH <sup>3) 11)</sup>	Düsseldorf	100.00		EUR	5,539	0
89	WestGKA Management Gesellschaft für kommunale Anlagen mbH <sup>2) 11) 13)</sup>	Düsseldorf	100.00		EUR	642	0
90	WestInvest Gesellschaft für Investmentfonds mbH <sup>1) 7)</sup>	Düsseldorf	0.00		EUR	11,339	0
91	WestLB Asset Management (US) LLC <sup>1) 11)</sup>	Wilmington, US	100.00		USD	3,246	-73
92	WestLeasing International GmbH <sup>1) 11)</sup>	Düsseldorf	100.00		EUR	174	-1
93	WestLeasing Westdeutsche Leasing Holding GmbH <sup>3) 11)</sup>	Düsseldorf	94.90		EUR	11,625	0
94	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. <sup>1) 11) 13)</sup>	Düsseldorf	100.00		EUR	276	0
95	WestVerkehr Beteiligungsgesellschaft mbH <sup>1) 11)</sup>	Düsseldorf	100.00		EUR	98	-5
96	Winoa Steel Co. S.A. <sup>7)</sup>	Luxembourg, Luxembourg	3.12		EUR	1,423	-119
97	WIV GmbH & Co. Beteiligungs KG <sup>7)</sup>	Frankfurt am Main	5.10		EUR	12,864	784
98	WLB CB Holding LLC <sup>1) 11)</sup>	New York, US	100.00		USD	0	205
99	WMB Beteiligungs GmbH <sup>1) 11)</sup>	Düsseldorf	100.00		EUR	55	45

**CONDENSED NOTES**

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

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
100	AKA Ausfuhrkredit-Gesellschaft mbH <sup>7)</sup>	Frankfurt am Main	5.02		EUR	212,967	16,035
101	Banco Finantia S.A. <sup>11)</sup>	Lisbon, Portugal	8.93		EUR	408,022	30,713

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

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

<sup>1</sup> Indirect shareholdings.

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

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

<sup>4</sup> Data as of 31 December 2009.

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

<sup>6</sup> Data as of 31 December 2014.

<sup>7</sup> Data as of 31 December 2015.

<sup>8</sup> Data as of 30 September 2016.

<sup>9</sup> Data as of 31 October 2016.

<sup>10</sup> Data as of 30 November 2016.

<sup>11</sup> Data as of 31 December 2016.

<sup>12</sup> A global guarantee exists.

<sup>13</sup> A profit and loss transfer agreement is in place between the company and its immediate parent; a profit and loss transfer agreement is also in place between the parent company and the EAA.

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

**Subsequent events**

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



## Responsibility statement

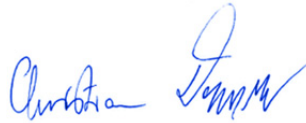
To the best of our knowledge, and in accordance with the applicable reporting principles for the interim report, the interim financial statements give a true and fair view of the asset position, financial position and earnings situation of the institution, and the interim management report includes a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

Düsseldorf, 22 August 2017

Erste Abwicklungsanstalt



**Matthias Wargers**  
Spokesman  
of the Managing Board



**Christian Dopstadt**  
Member  
of the Managing Board



**Horst K pker**  
Member  
of the Managing Board

**REVIEW REPORT**

# Review report

To the Erste Abwicklungsanstalt, Düsseldorf

We have reviewed the condensed interim financial statements – comprising the balance sheet, income statement, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim management report of Erste Abwicklungsanstalt, Düsseldorf for the period from 1 January to 30 June 2017, which are part of the half-year financial report pursuant to section 37w of the German Securities Trading Act (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's 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, 23 August 2017

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Michael Peters  
Wirtschaftsprüfer  
(German Public Auditor)

ppa. Ralf Scherello  
Wirtschaftsprüfer  
(German Public Auditor)

**LIST OF ABBREVIATIONS**

## List of abbreviations

<b>ABS</b>	Asset backed securities
<b>AfD</b>	Alternative for Germany
<b>ALM</b>	Asset liability management
<b>APAC</b>	Asia, Pacific and Japan
<b>AT</b>	General part (Allgemeiner Teil)
<b>BaFin</b>	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
<b>BGH</b>	German Supreme Court (Bundesgerichtshof)
<b>BilMoG</b>	German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz)
<b>BilRUG</b>	German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz)
<b>Bps</b>	Basis points
<b>BRL</b>	Brazilian real
<b>CAC 40</b>	French leading share index
<b>CBOE</b>	Chicago Board Options Exchange
<b>CCY</b>	Currency code
<b>CDS</b>	Credit default swaps
<b>CDU</b>	Christian Democratic Union of Germany
<b>CHF</b>	Swiss franc
<b>CVA</b>	Credit valuation adjustments
<b>DAX</b>	German equities index
<b>DRS</b>	German Accounting Standard (Deutscher Rechnungslegungsstandard)
<b>EAA</b>	Erste Abwicklungsanstalt, Düsseldorf
<b>EAA CBB</b>	EAA Covered Bond Bank Plc, Dublin/Ireland
<b>EAA KK</b>	EAA Japan K.K., Tokyo/Japan
<b>EaD</b>	Exposure at default
<b>EC</b>	European Community
<b>ECB</b>	European Central Bank
<b>EEC</b>	European Economic Community
<b>EFS</b>	Erste Financial Services GmbH, Düsseldorf (Portigon Financial Services GmbH until 28 June 2016)
<b>EMEA</b>	Europe, Middle East and Africa
<b>EPA</b>	EAA Portfolio Advisers GmbH, Düsseldorf
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>EURO STOXX 50</b>	European equity index
<b>EUSS</b>	European Super Senior Notes
<b>FDP</b>	Free Democratic Party
<b>Fed</b>	Federal Reserve
<b>Fitch</b>	Fitch Ratings
<b>FMS</b>	German Financial Market Stabilisation Fund (Finanzmarktstabilisierungsfonds)
<b>FMSA</b>	German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung)
<b>FMStFG</b>	German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz)

**ERSTE ABWICKLUNGSANSTALT**

INTERIM REPORT 30 JUNE 2017

**LIST OF ABBREVIATIONS**

<b>Forsa</b>	Forsa Institute for Social Research and Statistical Analysis (Forsa Gesellschaft für Sozialforschung und statistische Analysen mbH)
<b>FX effect</b>	Foreign exchange effect
<b>GBP</b>	Pound sterling
<b>GC</b>	General collateral
<b>GDP</b>	Gross domestic product
<b>HGB</b>	German Commercial Code (Handelsgesetzbuch)
<b>HRA</b>	Commercial register department A (Handelsregister Abteilung A)
<b>HSBC</b>	HSBC Trinkaus & Burkhardt AG, Düsseldorf
<b>IDW</b>	Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer)
<b>IS</b>	Income statement
<b>IT</b>	Information technology
<b>iTraxx</b>	Credit default index
<b>MaRisk</b>	German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement)
<b>Moody's</b>	Moody's Investors Service
<b>Mount Street</b>	Mount Street Loan Solutions LLP, London/United Kingdom
<b>MtM</b>	Mark to market
<b>Muni GIC</b>	Municipal guaranteed investment contracts
<b>N.R.</b>	Not rated
<b>n.s.</b>	Not specified
<b>No.</b>	Number
<b>NPL</b>	Non-performing loans
<b>NRW</b>	North Rhine-Westphalia
<b>OMT</b>	Outright Monetary Transactions
<b>OTC</b>	Over the counter
<b>Para.</b>	Paragraph
<b>Portigon</b>	Portigon AG, Düsseldorf (WestLB AG until 2 July 2012)
<b>RechKredV</b>	German Ordinance on Accounting for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
<b>S&amp;P</b>	Standard and Poor's Corporation
<b>S&amp;P 500</b>	US equity index
<b>S.R.</b>	Special rating
<b>SSA</b>	Sub-Sovereigns, supranationals, agencies
<b>US</b>	United States of America
<b>USD</b>	US dollar
<b>VaR</b>	Value at Risk
<b>WestImmo</b>	Westdeutsche ImmobilienBank AG, Mainz
<b>WestLB</b>	WestLB AG, Düsseldorf (Portigon AG since 2 July 2012)

# Imprint

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## **Concept und design**

Instinctif Deutschland GmbH  
Im Zollhafen 6  
50678 Köln  
www.instinctif.de

## **Financial Reporting System**

firesys GmbH  
Kasseler Straße 1a  
60486 Frankfurt am Main  
www.firesys.de