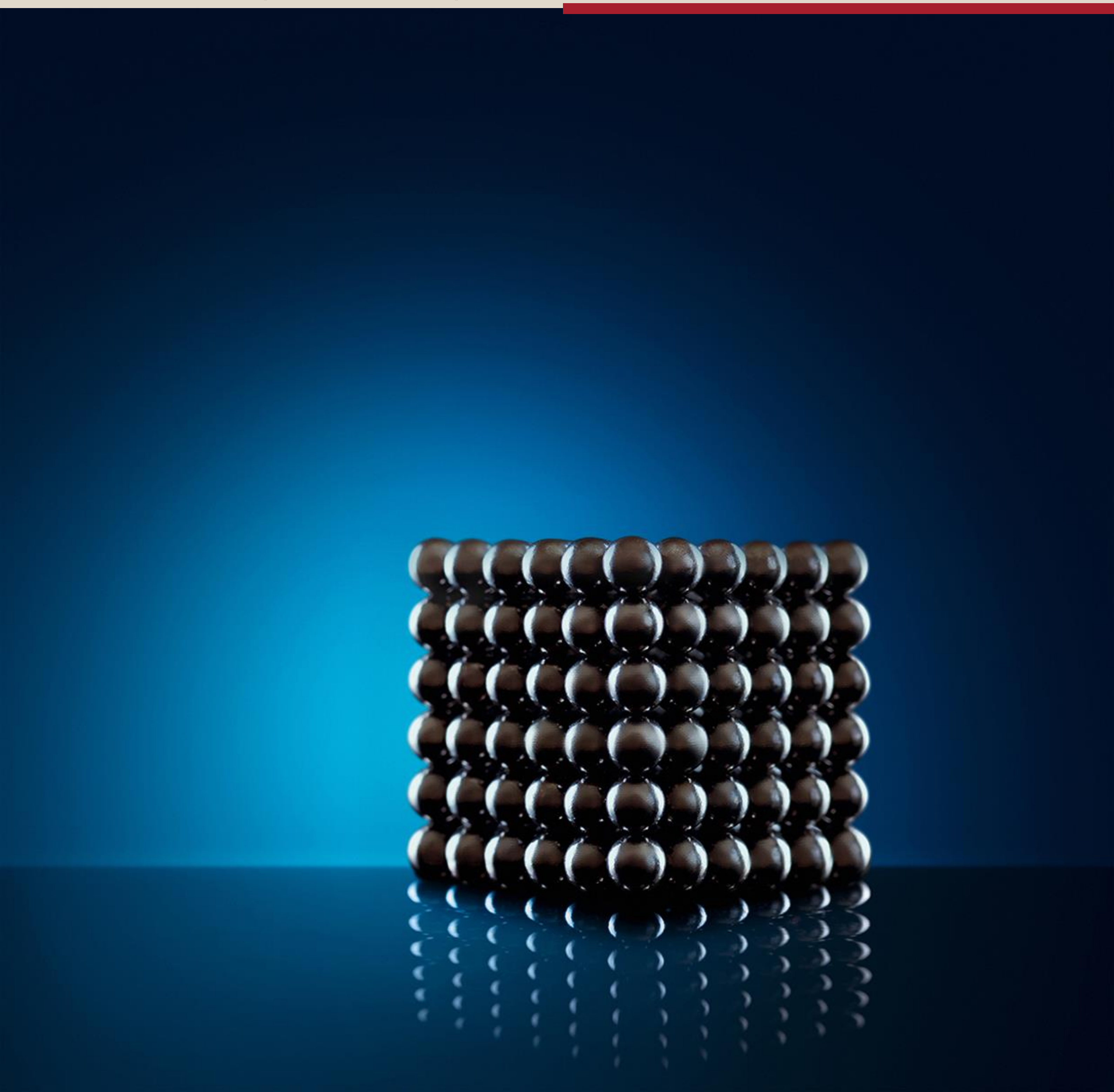
Erste Abwicklungsanstalt

Interim Report as at September 30, 2014



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EAA key figures

Income statement	1/1 - 9/30/2014 EUR million	1/1 - 9/30/2013 EUR million
Net interest income	103.0	228.2
Net fee and commission income	41.6	148.0
Net trading result	-18.8	75.5
Other operating result	-1.6	-2.9
General administrative expenses	-251.7	-295.9
Results from financial assets and shareholdings	198.2	3.6
Results prior to risk provisioning	**70.7**	**156.5**
Loan loss provisions	-40.3	-123.5
Earnings before taxes	**30.4**	**33.0**
Taxes on income and earnings	-0.8	-0.8
Earnings after taxes	**29.6**	**32.2**

Balance sheet	9/30/2014 EUR billion	12/31/2013 EUR billion
Total assets	80.0	78.9
Business volume	93.4	95.1
Loan transactions	43.9	46.8
Trading portfolio	31.4	26.9
Equity	0.6	0.6

Winding-up	9/30/2014	9/30/2013
Banking book		
Notional value (before FX effect) in EUR billion	56.2	75.5
Winding-up activities in EUR billion	-14.5	-18.9
Winding-up activities in %	-20.5	-20.0
Trading portfolio		
Notional value (before FX effect) in EUR billion	493.4	678.6
Winding-up activities in EUR billion	-151.1	-206.2
Winding-up activities in %	-23.4	-23.3

Employees	9/30/2014	12/31/2013
Number of employees	132	123

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

Foreword

Dear Ladies and Gentlemen,

2014 has been marked by economic and political uncertainties, which in the meantime have caused growth to falter. Nevertheless, the EAA remains confident after the first three quarters that it will be able to achieve its targets for the current year. The pace of the wind-up remains strong, and the current wind-up plan was exceeded as of September 30, 2014, as was likewise the case in the two previous quarters. This is true not only for the reduction in loans and securities in the banking portfolio as well as the scale-back in the trading portfolio, but also for net profit.

Net profit totals around EUR 30 million as at September 30, 2014 and is thus unchanged from the prior year. The planned decrease in net income from interest as well as fees and commissions – an inevitable consequence of the wind-up of the portfolio – was offset by higher income from investment securities and long-term equity investments. As at September 30, 2014, the risk exposures, transferred to the EAA, declined to a notional volume of around EUR 56 billion in the banking book and about EUR 493 billion in the trading portfolio. This means that credit and securities risks (banking book) totaling roughly EUR 100 billion – or around 64% of the transferred assets – have been wound up. In the trading portfolio the total has reached about EUR 571 billion – or roughly 54%.

As in previous reporting periods, the wind-up of the portfolio's volume is not reflected in a corresponding decline in the EAA's total assets. The primary reason for this can be found in the trading portfolio. Despite the decrease in the notional volume, the market value rose as a result of interest rate trends in the current year. Nonetheless, the sharp decline in the notional volume is an indication that the EAA was also able to significantly reduce the risks connected with the trading portfolio.

The EAA is on track. The weakening growth in 2014 has had virtually no effect so far on the buying mood among the actors in the financial markets, and from today's perspective, the recovery of the real economy will continue in 2015 – albeit at a lesser pace. The ambitious objectives that the EAA has established for the medium and long term continue to be supported by expected economic trends.

Sincerely yours,

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

Interim management report

For the period from January 1 to September 30, 2014

Business and environment

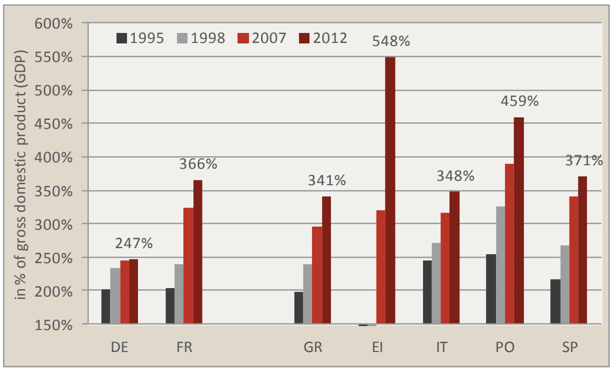
Economic environment

2014: Growth did not pick up in the second quarter

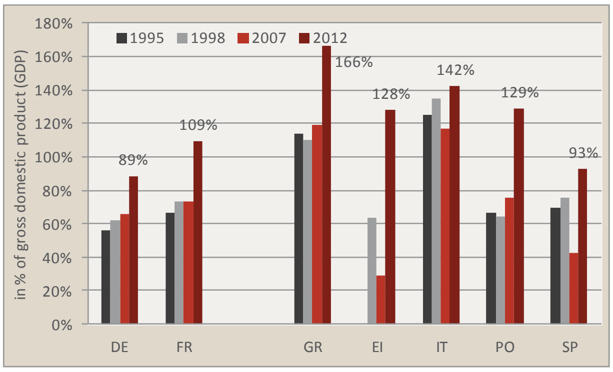
It had already become evident in the first half of 2014, and was then confirmed by the economic trend in the third quarter, namely that the economic recovery in the eurozone has stalled somewhat. This shows, above all, that financial crises and the economic slumps they generate are long-term phenomena involving inherently lengthy adjustment processes in the affected economies. The excessive levels of debt that have been built up over many years must be scaled back to a sustainable level. This process is characterized by reduced consumer spending and investment in the private sector, and tax increases and cuts in benefits in the public sector. If a majority of the real sectors in an economy (government, private households and non-financial companies) must undertake such adjustment measures, the drag on economic growth is substantial.

Levels of debt in the eurozone by sector: selected countries

Total country debt without banks



Sovereign debt

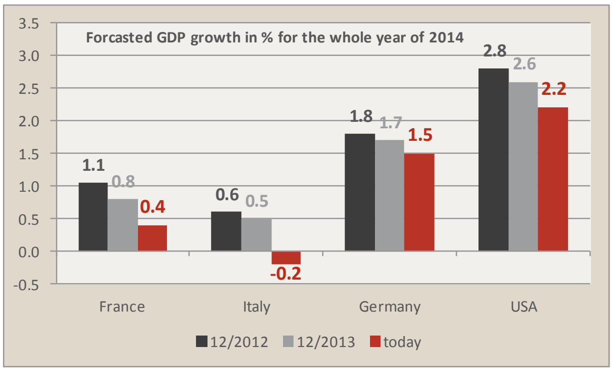


Source: Bloomberg, EAA

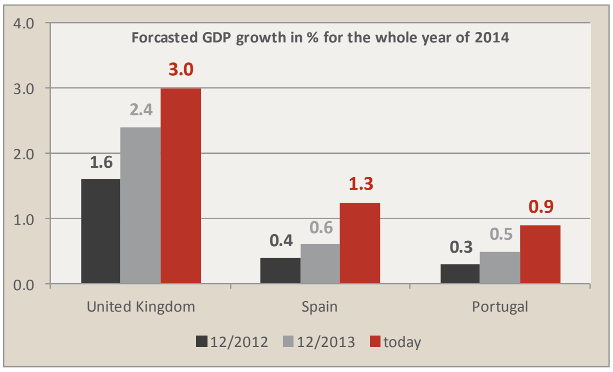
Because 2014 has also been impacted by a series of crises, economic growth has continued to slow down globally and in the eurozone. The crisis in eastern Ukraine has had an adverse effect on sentiment in the eurozone's manufacturing sector, with Germany particularly affected. This hot spot has been joined by additional crises, such as the rampant Ebola epidemic in West Africa and the military successes of the Islamic State, an Islamic terrorist organization. The drag that these conditions have had on economic growth can be seen in the revisions to growth expectations that market participants have made during the course of 2014.

Forecasts of bank economists for 2014 over the course of time (Bloomberg consensus):

Less growth: France & Italy



More growth: Spain & Portugal



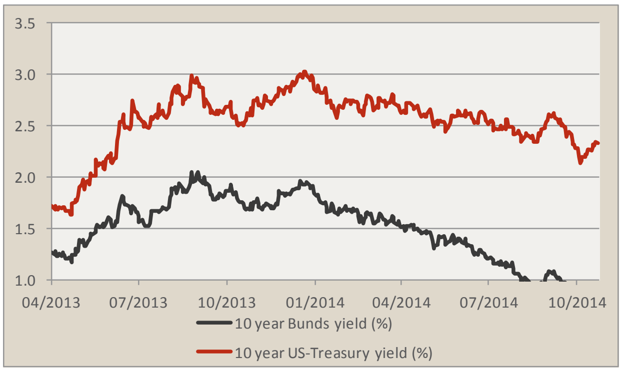
Source: Bloomberg, EAA

These revisions show an interesting pattern. In many economies, the growth expectations of market participants have adjusted to the disappointing economic indicators. In the eurozone, estimates of the growth prospects for France and Italy have deteriorated considerably since the start of the year. Indeed, the market consensus even forecasts that Italy's GDP will contract by 0.2% this year. Economic headwinds have increased in Germany as well, even though the decline in expected growth from 1.8% (median forecast from 2012) to 1.5% (current forecast) is rather modest compared with Italy and France. France's economy, like Italy's, suffers from a loss of international competitiveness; this is a loss which the two countries, in contrast to Spain and Portugal, have not (yet) offset by reforming their decrepit and over-regulated labor and product markets. That is why the economy in Spain and Portugal is regaining momentum.

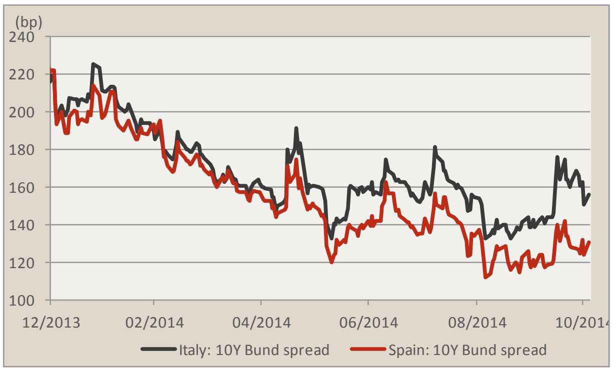
It does not appear that this slightly differentiated and not-quite-as-positive growth picture has dampened the buying mood of investors in the financial markets. Crises – such as the collapse of Portugal's second-largest bank Espirito Santo International, the crisis in eastern Ukraine or the Ebola epidemic – have had little impact on financial markets because of the generous provision of liquidity by central banks, at least until now. The bank stress tests that the ECB has recently completed should also strengthen confidence in the resilience and performance of the euro banking system. At most, interesting (because unusual) patterns are developing.

- Investors remain interested in safe euro investments such as German Bunds. The economic headwinds that currently weigh on many euro countries have further fueled the demand for these bonds. There is speculation that because of the ongoing economic weakness in France and Italy (after all, these are the second and third-largest economies in the eurozone), the ECB must purchase more than just asset-backed securities and covered bonds. In other words, the ECB may have no other choice than to purchase government (German) bonds. The significant decline in the yield on the ten-year German Bund during 2014 cannot be explained any other way. The bond currently trades with a yield of 0.88%, which is 105 bp lower than at the beginning of the year.
- But investors are buying more than just safe havens. The yield on the ten-year Spanish bond, for example, narrowed from 4.15% on December 31, 2013 to now 2.10% (-205 bp).
- The differences between Spanish and Italian growth rates are also reflected in the performance of their government bonds. The spreads that Spanish government bonds offer over German Bunds are considerably lower than the premiums of their Italian counterparts. Spain is being rewarded on the financial markets for its reform efforts.

Financial markets:
Decoupling of US yields from the euro core



Investors continue to favor peripheral bonds



Source: Bloomberg, EAA

Two brief updates on the ECB stress test and the crisis in Ukraine

Asset quality review and bank stress test: Previous stress tests in Europe were criticized for a variety of reasons. As a result, in order not to jeopardize its own prestige and credibility, the ECB insisted that the 2014 stress test be performed in combination with a detailed investigation of bank balance sheets. Since the autumn of 2013, 130 system-relevant banks in Europe had to grant the ECB very deep insight into their balance sheets. The ECB investigated how the banks value the assets therein, and thereby obtained detailed knowledge about the state of the banks in the eurozone.

Many of the problems that had limited the usefulness of previous stress tests in the eurozone and Europe were resolved in this round of reviews. The test was conducted based on the metrics as defined in the Basel III Agreement. In addition, the ECB applied for the first time a uniform definition for non-performing loans to all banks in the eurozone. The defined stress scenarios (slump in economic growth, widening spreads, default rates) were also more severe than in earlier tests. In the core scenario and based on the asset quality review, banks had to have a core capital ratio of 8%. In the adverse scenario the required ratio was 5.5%.

The results of the comprehensive review of the euro banking system have largely met the expectations of market participants. Of the 130 banks investigated in the eurozone, 25 did not pass the test as of the date of the analysis (December 31, 2013). If you take into account the capital measures that many banks have implemented since the start of the year, the number of institutions is significantly lower. The ECB hopes that this rigorous stress test will restore confidence in the banking sector. At the same time, the ECB wanted to coerce the banks to dispose of problem assets and non-core activities. Nevertheless, the pressure on the euro banking sector remains high even after the comprehensive review of the banking system by the ECB. Many banks were only barely able to meet the required capital ratios. The ECB and national regulators will maintain the pressure on these institutions in order to further improve their capital base. These actions are intended to revive lending in the eurozone. According to the ECB's latest Bank Lending Survey, this hope seems to be coming true. First, demand for credit in the eurozone has increased again, and second, banks have eased their lending conditions for the first time since 2009.

In sum, the stress test of banks in the eurozone identified a capital shortfall of around EUR 10 billion. Around half of this need is attributable to just three institutions: Banca Monte dei Paschi (EUR 2.1 billion), EFG Eurobank (EUR 1.8 billion) and Banco Comercial Portugues (EUR 1.1 billion). By November 10, 2014, these banks and the other institutions that failed the test must now agree with the ECB a catalog of measures to fill this gap within the next six to nine months. These measures will probably include the issue of new shares, as Banca Monte dei Paschi has already announced. The bank has engaged a consortium of nine banks to prepare a share capital increase with a volume of EUR 2.5 billion. Additional asset sales and mergers are also potential solutions that the affected banks will take into consideration.

The crisis in Ukraine: A fragile ceasefire has prevailed since the beginning of September 2014 between the pro-Russian separatists and the regular Ukrainian armed forces. This ceasefire and expanded autonomy rights for the regions of Donetsk and Luhansk were agreed in the Minsk Agreement.

The Ukrainian parliamentary elections on October 26, 2014 have resulted in a large majority for moderate, pro-western parties. These parties represent slightly more than 75% of the seats in parliament. The political alliance between the parties of President Poroschenko (21.8% of the votes) and the incumbent Prime Minister Jazenjuk (22.2% of the votes) will probably begin coalition negotiations with the liberal “Self-Help” (Samopomitsch) party (11% share of the votes). The pro-Russian “Party of the Regions” of ex-President Janukowitsch did not take part in the election. In its place, the members of the party formed an “Opposition Block” faction and received 9.4% of the votes. One positive outcome of the election was that the right-wing extremist party Swoboda and the ultra-nationalists received little support (less than 4.7% and 2%, respectively). Allegations by the Russian government that the parliament in Kiev is dominated by neo-Nazis have thus proven to be unfounded. Based on the results of the election, two outcomes from the crisis have become clearly apparent: By annexing the Crimea and supporting the separatists in Donetsk and Luhansk, Russia has, first, lost its support in Ukraine, and second, strengthened the political forces advocating a pro-Western course for Ukraine.

The most urgent task for the new government in Kiev is obvious, namely to resolve the severe economic crisis in Ukraine. Ukraine's GDP is expected to shrink by 6.9% in 2014. With luck, the economy might stabilize enough in 2015 so that zero growth can be achieved. But to accomplish that, the new government must create a number of important preconditions. First, it must avert the looming sovereign default and now secure the energy supply for the population in the upcoming winter. Second, the fragile ceasefire in the east of the country must be transformed into a permanent solution, one in which the legitimate demands of the Russian minority in Donetsk, Luhansk and the other regions are taken into account. The problem, however, is that the Russian government continues to play a destabilizing role in Ukraine's domestic and security policies by supporting the two self-proclaimed people's republics in Donetsk and Luhansk. The elections in these two regions on November 2, 2014 have been recognized only by Russia. In the absence of international observers, doubts remain whether the elections were free and fair. The elections have – not surprisingly – resulted in a majority for the separatists. They deem the outcome to be a vote in favor of independence for the two regions.

The crisis has left its mark on Russia, too. Economic growth has slumped as a result of the sanctions imposed by the US and the EU. Russia's economic output in 2014 is likely to grow by only around 0.3%. The variability of economic forecasts for Russia is quite high at the moment. The forecasts for 2014 range between +0.8%, which is too optimistic, and -0.6%, which is likely too pessimistic. The expectations of market participants for 2015 remain quite vague as well. While the average forecast calls for growth of 0.8% in 2015, the variation in this forecast is very high. The most pessimistic estimate is a contraction of 2.5%, whereas strong optimists expect growth of 1.7%. It does not appear that this economic slump has prompted the Russian government to reconsider its course. With the recognition of the elections carried out by the separatists in Donetsk and Luhansk (election day: November 2), which resulted in significant majorities for the pro-Russian separatists and are seen by them as a mandate for the independence of the two people's republics, Russia has violated the Minsk Agreement.

USA: Following a rough start, a fast finish towards the end of the year

The latest figures on the US economy are encouragingly robust. In the third quarter of 2014, the economy grew by more than 0.9% (3.5% on an annualized basis) compared with the previous quarter. Many obstacles to growth have been successfully addressed in the recent past. The agreement reached in the US Senate and House of Representatives in the budget dispute has once again provided the country with a constitutionally acceptable fiscal budget. The positive effect on the business climate and consumer confidence should not be underestimated. Consumers know that there will be no further general tax increases. In addition, the fact that there will be no across-the-board cutbacks in government spending is good for the sectors and companies that depend on government orders. Yet despite these improvements, the US economy lags behind the original growth expectations for 2014. At the beginning of 2014, forecasts called for the US economy to grow by 2.7%, whereas now growth is likely to come in lower at just 2.2%. The dampening effects of the severe weather in the first quarter – a veritable cold shock – and the correction of obviously unintended inventory buildup have been too onerous.

Surprisingly, there have been few effects from the election campaign on both the economy and the financial markets. The elections themselves have resulted in a Republican majority in both chambers of the US Congress (Senate and House of Representatives). It is likely, however, that this will restrict the Obama administration's room for maneuver. In the current legislative period, as in preceding periods, the Republicans' approach has been to block presidential initiatives. It therefore remains to be seen whether the Republican majority leaders in the Senate (McConnell) and the House of Representatives (Boehner) will in fact turn their promises of cooperation into action.

Progress is being made in (many parts of) the euro periphery

Spain's economic performance has risen since the third quarter of 2013, and the news flow for the third quarter of 2014 is good as well. The Spanish economy is set to post an increase of 0.5% (compared with the previous quarter). The drivers of this turnaround are the reform and consolidation program of the Spanish government and the realignment of the Spanish growth model. For example, the pension system reform that has been implemented has prevented a cost explosion in the future. The first positive effects of the reform on the fiscal budget are expected to be felt as early as 2014. The Spanish government's sharply lower budget deficit is one of these effects. After reaching 11.1% of GDP in 2009, the deficit has fallen and will now amount to just 5.6% in 2014. Labor market reforms are paying off, too. In the third quarter of 2014 the country's unemployment rate stood at 24.4%. Although this rate is quite high when measured against the average unemployment rate between 1999 and 2014 (14.7%), it is nevertheless 1.7 percentage points lower than one year ago. The realignment that has taken place in Spain, with its stronger focus on export-driven economic growth, can be seen in the positive development of the country's current account, which has been in surplus since 2013. Nonetheless, tax increases and high unemployment continue to weigh heavily on Spanish consumption.

In the second quarter of 2014 Portugal was discharged without any further requirements or a precautionary credit line from the rescue and adjustment program monitored by the Troika (EU, IMF and ECB). The Troika members have again praised how smoothly the Portuguese government implemented the austerity measures. As a result of these improvements and reforms, in the second quarter of 2013 Portugal was for the first time able to report renewed increases in economic activity. But then a slight setback took place at the beginning of 2014. After increasing by 0.9% in December 2013, the Portuguese economy declined by -0.5% in the first quarter of 2014. This decline, however, should remain an exception in 2014. The slump was caused by a maintenance-related production shutdown at a major refinery that produces for export. In contrast, Portugal's economy grew again in the second quarter of 2014, rising 0.3% compared with the first quarter of 2014.

Italy's economic performance is not as positive. In 2013, the country's economic output declined by more than 1.9%, much more than in Portugal (-1.3%) or in Spain (-1.2%). These differences in growth will continue to prevail in 2014 as well. The differing economic situation is due to the rather poor track record of Matteo Renzi's government. Although he presented himself as a reformer, he has so far failed to turn his announcements into tangible action; at present, only his electoral reform can be counted as a step forward. Unfortunately, there has not been much improvement in Italy's other, manifold problems. Its labor market remains inefficient and overly regulated, making it difficult for young people entering the work force to find permanent employment. International competitiveness is another of Italy's unresolved problems. According to estimates by the OECD, Italy's unit labor costs continue to increase, whereas those in Spain have decreased noticeably.

Overall, the Renzi government aims to achieve gradual fiscal consolidation. The tax increases put into place under the technocratic government of Mario Monti have made it possible for Italy to quickly return to Maastricht-compliant budget deficits. In 2013 the fiscal deficit was 2.8% of GDP, whereas in 2014 it might be just 2.5%. However, a positive side effect of this slower pace is that the economic slowdown has lost some of its momentum. In 2014 Italy's economy is likely to shrink by only 0.2% (compared to the previous year).

Core and semi-core of the eurozone: recovery – yes, but very sluggish

This growth scenario for the economically more robust core of the eurozone and the nations of the semi-core, for example France, means that the sky is not the limit here, either. The recovery in Spain and Portugal is still too weak for that. Moreover, the crises that have erupted in 2014 have tarnished sentiment. The conflict with Russia and the civil war in Ukraine are having a particularly negative impact. As a result, Germany's economic output declined somewhat in the second quarter of 2014. Compared with the first quarter, German GDP fell by 0.2%.

France is feeling the pinch of the crisis-related drop in demand from its major trading partners in the eurozone periphery. In addition, France's international competitiveness has decreased significantly due to government intervention in the labor market (for example, the introduction of the 35-hour working week). Yet until now, the government of socialist President Hollande has made only very tentative attempts at addressing these problems. To be sure, Hollande changed his cabinet this summer under the leadership of Prime Minister Valls and thereby strengthened the position of the more reformist forces in the Socialist Party. But inner-party resistance remains strong in light of the mood among the electorate and the growing strength of the populist right-wing National Front. It therefore remains to be seen whether Valls can implement his planned reform program for more growth.

Outlook: Wait for 2015! The look forward

The crises of 2014 have slowed, but not stopped, the recovery in many regions of the world. Because of these pressures, the improvements in the economic environment have not led to the desired growth rates in the world economy. Nevertheless, the prospects for the coming twelve months are positive on the whole. Although the basic formula for rescuing the euro has not been changed (financial support in exchange for reforms), the slight loosening of austerity requirements from Brussels will probably support the eurozone economy. Yet even so, the slump in economic growth in France and the ongoing recession in Italy show that the recovery of the eurozone is far from automatic.

Economic prospects for the US: 2014 like 2013, but 2015 will be better

The extremely cold weather under which the US suffered in the first quarter of 2014 caused economic activity to slow dramatically this year (growth in the first quarter of 2014: -0.5% to -0.6%). In many places, companies reported production capacity was underutilized because workers could not get to work due to the onset of winter, or could only do so with great difficulty. The extremely cold weather remained an unpleasant, but purely temporary, extraordinary effect. In the following two quarters US economic growth rose rapidly, reaching slightly more than 1.2% in the second quarter and around 0.9% in the third. Sentiment in the US economy, as these growth rates suggest, is good. The Purchasing Managers' Index for the manufacturing sector (PMI) reached 56.6 points in September 2014, far above the expansion threshold of 50 points.

2014 is and remains a very interesting year for the Fed and its Chair, Janet Yellen. Under her predecessor at the Fed, Ben Bernanke, the central bank had already started to gradually reduce the third round of the purchasing program of US government bonds and mortgage-backed bonds. The Fed had initially purchased US government bonds with a total volume of USD 45 billion per month and US mortgage-backed securities with a volume of USD 40 billion per month. Since December 2013, this intervention had been lowered by USD 5 billion at every meeting of the Fed's Open Market Committee. The program was concluded at the meeting of the Open Market Committee on October 28 and 29, 2014. So far the Fed has managed this process relatively successful. The feared loss of trust in the financial markets has not materialized as the Fed has unambiguously communicated that these extraordinary measures were to expire in October 2014.

Summary of important macroeconomic forecasts

Key economic indicators	Growth		Inflation		Unemployment		Budget balance (% GDP)	
	2014	2015	2014	2015	2014	2015	2014	2015
	in %	in %	in %	in %	in %	in %	in %	in %
USA	2.2	3.0	1.8	2.0	6.2	5.7	-2.9	-2.6
Eurozone	0.8	1.2	0.5	1.0	11.6	11.3	-2.7	-2.3
Core & semi-core								
Germany	1.5	1.6	1.0	1.5	6.7	6.6	0.1	0.1
France	0.4	0.9	0.7	1.0	10.3	10.3	-4.4	-4.2
Periphery								
Greece	0.2	1.6	-1.0	0.3	26.9	25.6	-2.2	-1.4
Ireland	3.3	2.5	0.5	1.1	11.7	10.7	-4.0	-2.8
Portugal	0.9	1.5	-0.2	0.6	14.2	13.6	-4.0	-3.0
Spain	1.3	1.8	0.0	0.6	24.8	23.5	-5.6	-4.7
Italy	-0.2	0.7	0.2	0.6	12.5	12.4	-3.0	-2.5
Emerging Markets								
Asia	6.4	6.1	2.5	3.4	4.0	4.1	-1.8	-2.0
Latin America	1.2	2.3	9.4	9.5	5.9	6.1	-3.4	-3.3
Eastern Europe & Africa	1.6	2.1	5.7	5.4	8.7	8.8	-1.6	-1.7
BRIC countries			0.0					
Brazil	0.3	1.2	6.3	6.3	5.0	5.6	-4.0	-3.8
Russia	0.3	0.8	7.5	6.9	5.2	5.5	0.0	-0.8
China	7.4	7.0	2.2	2.6	4.1	4.2	-2.1	-2.1
India	4.7	5.5	9.5	7.5	n.s.	n.s.	-4.7	-4.3

Source: Bloomberg, EAA

Nevertheless, the risks and difficulties of an exit from the Fed's extraordinary monetary measures should not be underestimated. The Fed is not the first central bank to implement a program of government bond buying. And so far, only a few have succeeded at exiting from these measures. The Bank of Japan at the beginning of the 2000s is likely to be one particularly daunting example. With a premature interest rate hike and a too-rapid exit from its quantitative easing program, the Bank of Japan stalled the economic recovery process and thus extended the recession. Fed Chair Janet Yellen aims to limit the risks associated with initiating the exit by making it clear in a credible manner that the Fed's policy is to maintain the US benchmark rate at the current level of 0% to 0.25% (forward guidance).

Whether this strategy will succeed is not yet clear. Despite all the communication tricks that the Fed undoubtedly possesses, the markets already expect interest rates to rise. The two-year US government bond currently trades at a yield of 0.48%, i.e., the first small rate hike of 25 basis points to 0.5% is already almost completely priced in. A view of the futures contracts on the US benchmark interest rate shows that market participants expect this first interest rate hike to take place in the second half of 2015 (September). Despite the improved conditions on the US labor market and the robust growth of the economy, the Fed will wait for some time before implementing its first rate hike. It will first want to see how US exports are coping with the strength of the US dollar versus the euro and the yen. And second, it wants to avoid causing the level of yields in the US to rise hastily, thereby choking off the recovery of the US economy. The current inflation trend in the US is in line with the Fed's target, making it unnecessary to change policy with regards to the inflation target. At the end of 2014 the core rate is likely to be 1.5%, with a headline rate of 1.8%. And although the expected rates for 2015 have risen somewhat, they are currently forecast to be 1.8% and 2.0%, respectively, i.e., they remain fully compatible with the Fed's comfort zone.

Janet Yellen will refer in particular to one argument that prevents – in her view – a premature rate hike. Many potential employed workers have fallen out of the official statistics because of the crisis. This means that the improvement in the US labor market is overestimated when viewing the unemployment rate in isolation. Although the total number of employed persons is currently at a new record high of 139.4 million, thus exceeding the peak reached in the first quarter of 2008 (138.2 million), the quality of employment has changed. In particular, the share of part-time employment and temporary jobs is higher than in 2008. Yet even if the Fed were to conduct an initial rate hike in 2015, this should be seen more as a sign that the US economy is normalizing. And after all, even in this case monetary policy would still remain historically very accommodative.

In 2015 a noticeable acceleration of the US economy is therefore to be expected, with economic growth reaching 3% in the coming year.

Eurozone: The end of the double-dip recession?

The multiple rates of recovery in the eurozone will continue in the second half of 2014 and 2015. Germany’s GDP will probably grow by 1.5% in 2014. This pace, when compared with the weak growth in 2013 (+0.4%), is a dramatic acceleration and above Germany's potential growth rate. According to an estimate by the German Bundesbank, this potential is 1.25% per year. The German economy is forecast to grow by 1.6% in 2015 as well, meaning the positive trend on the German labor market is likely to continue. With minimal growth of 0.4%, France will probably just barely avoid stagnation. A further acceleration to 0.9% is anticipated for 2015. A modest improvement is likewise forecast in the other countries of the euro periphery.

Spain’s economy is expected to grow by at least 1.3% in 2014. Improvements in Spain’s competitiveness are bearing fruit and are the driving factor behind this acceleration. In 2015 a growth rate of 1.8% is entirely possible. This pickup in growth will go hand-in-hand with a further improvement in the labor market. At the end of 2015, Spain's unemployment rate might decline to around 23.5% (currently 24.4%). However, it is important that the recovery of the Spanish financial system makes further progress. The rising number of problem loans continues to plague Spain's banks. The ECB's comprehensive review of the banking system has shown that Spanish banks have made encouraging progress to restore the health of their balance sheets. But until now, they have been reluctant to lend to Spanish companies and households. However, should lending start to pick up again, Spain has significant potential to surprise on the upside in 2015. Portugal's economy, too, is growing, both this year (+0.9%) and in 2015 (+1.5%). The problem child at the periphery remains Italy. In 2014 the country remains mired in a recession that has lingered since September 2011. With luck, it might succeed in 2015 at escaping from the grasps of this protracted downturn. Perhaps economic growth of 0.7% can be achieved in 2015, although the risks to growth are mostly to the downside.

Financial market outlook for 2014

In terms of the real economy, signs continue to point to a recovery for the world economy – albeit at a very slow pace. The trend in yields in the eurozone and the US will largely develop in parallel. International bond markets will therefore ensure that an interest and yield increase in the US in the second half of 2014 will also be reflected in German federal bonds. Yields on ten-year German Bunds are likely to be at around 1.05% by the end of 2014, whereas the US equivalent is forecast to hit 2.7%.

Overview of key financial markets

Fixed income markets 2014	Policy rate in %	2-Y-yield in %	10-Y-yield in %
USA	0.25	0.70	2.70
Eurozone	0.05	-0.05	1.05
Core & semi-core			
Germany	0.05	-0.05	1.05
France	0.05	0.00	1.40
Periphery			
Spain	0.05	0.15	2.10
Italy	0.05	0.30	2.50

Source: Bloomberg, EAA

As the peripheral economies will also continue to stabilize, risk premiums compared to German government bonds should remain low. The ECB's monetary policy is playing its part, too. The ECB's new tools – targeted longer-term refinancing operations (TLTROs) and the program to purchase ABS and Pfandbriefe – will provide eurozone banks and the financial markets with fresh liquidity. The ECB intends to use these tools to drastically inflate its balance sheet – by more than half – from EUR 2.04 trillion at the moment to around EUR 3.1 trillion. The additional demand from banks for securities will further support the trend towards the narrowing of spreads in the second half of 2014 and in 2015. The different monetary-policy orientation of the Fed and the ECB will also have an impact on the foreign exchange market. The dollar will continue to appreciate against the euro, and it is anticipated that the exchange rate will be around USD/EUR 1.20 by the end of 2014.

Operating activities of the EAA

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

The EAA conducts its transactions in accordance with business and economic principles with regard to its wind-up objectives. It is not a credit or financial services institution as defined by the German Banking Act (Kreditwesengesetz), an investment services firm as defined by the German Securities Trading Act (Wertpapierhandelsgesetz) or an insurance company pursuant to the German Insurance Supervision Act (Versicherungsaufsichtsgesetz). It does not conduct any transactions that require approval pursuant to Di-rective 2006/48/EC of the European Parliament and of the Council of June 14, 2006 or Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004, the amendment to Directives 85/611/EEC and 93/6/EEC of the Council and Directive 2000/12/EC of the European Parliament and of the Council and for the repeal of Directive 93/22/EEC of the Council, as amended.

The EAA is subject to regulation by the FMSA. It is also regulated by the BaFin with regard to banking law provisions applicable to the EAA.

The EAA's work is principally carried out on the basis of section 8a of the FMStFG, its charter, the rules of procedure for the Supervisory Board and the Managing Board plus their committees, as well as its wind-up and risk strategy.

The EAA reviews the wind-up plan at least once a quarter and makes adjustments, when necessary, in order to take account of changes in circumstances, for example current market developments. The FMSA must approve any changes or adjustments to the 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. The possible methods for winding up the portfolio include selling the assets prior to their maturity, holding them to maturity or restructuring them. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and shareholders about the progress of the winding-up and the implementation of the wind-up plan. When doing so, it also documents the wind-up result.

The following stakeholders participate in the EAA's share capital: The State of NRW, approximately 48.2%; the Rheinische Sparkassen- und Giroverband and the Sparkassenverband Westfalen-Lippe, approximately 25% each; and the Landschaftsverband Rheinland and the Landschaftsverband Westfalen-Lippe, approximately 0.9% each.

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

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

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

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

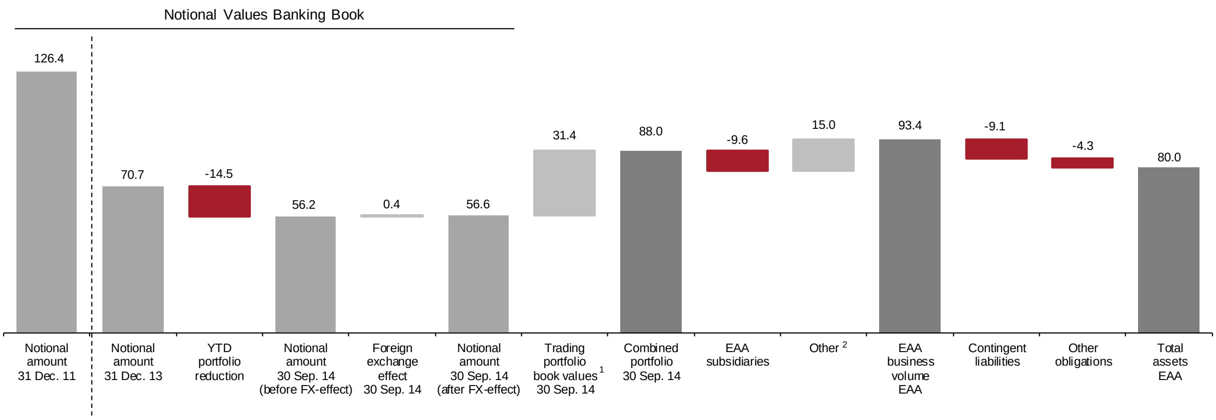
Since its founding, the EAA has outsourced key business processes to PAG, and since February 2014 to PFS, PAG’s service subsidiary. As of July 1, 2014, a portion of these outsourced services, especially portfolio management activities, has been transferred to EPA, an EAA subsidiary. The EPA's employees were primarily recruited from the pool of former employees of the Portfolio Exit Group, which was established in WestLB AG when the EAA was founded, as well as from EAA employees. The EAA provides two of the three managing directors of EPA. The service fee to be paid to PFS will be reduced to the extent that services have been transferred from it to EPA. The parent-subsidiary relationship between the EAA and EPA also means that these services, in contrast to PFS services, are not subject to value-added tax.

Wind-up report

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

The following overview shows the development of the portfolio's notional amounts since January 1, 2014 and the reconciliation to the EAA's balance sheet as of September 30, 2014:

Reconciliation of the transferred notional volume to the balance sheet
in EUR billion



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

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

Wind-up success in the banking book

From January 1 until September 30, 2014, the notional volume of the banking book was reduced from EUR 70.7 billion to EUR 56.2 billion (at exchange rates as of December 31, 2011, including the notional amounts of the guaranteed risk exposures held by the EAA's subsidiaries). That equates to a decline in notional volume of EUR 14.5 billion (20.5%). At current exchange rates as of September 30, 2014, the volume is EUR 56.6 billion. Since January 1, 2012, the total banking book portfolio has decreased by EUR 70.2 billion or 55.5%.

	Notional volume (at exchange rates as of 12/31/2011)				Notional volume (at exchange rates as of 9/30/2014)	
Clusters	Notional 9/30/2014 EUR million	Notional 12/31/2013 EUR million	Delta to 12/31/2013 EUR million	in %	Notional 9/30/2014 EUR million	FX effect[1] EUR million
Structured Securities	17,007.4	21,618.5	-4,611.1	-21.3	17,299.9	292.5
Public Finance	8,312.5	7,353.6	958.9	13.0	8,287.0	-25.5
WestImmo Commercial	8,217.8	11,115.4	-2,897.6	-26.1	8,296.3	78.5
Energy	4,824.3	5,878.6	-1,054.3	-17.9	4,874.8	50.5
NPL	4,333.5	6,320.9	-1,987.4	-31.4	4,330.6	-2.9
Financial Institutions	2,490.3	3,678.0	-1,187.7	-32.3	2,483.0	-7.3
Other clusters	11,018.0	14,689.5	-3,671.5	-25.0	11,005.4	-12.6
EAA (banking book) total	**56,203.8**	**70,654.5**	**-14,450.7**	**-20.5**	**56,577.0**	**373.2**

1 Change in notional volume due to exchange rate effects

In the first three quarters of 2014 the banking book recorded a considerable reduction in the Structured Securities, WestImmo Commercial and NPL clusters. The notional reduction in the Structured Securities cluster is primarily due to partial repayments of the Phoenix A1 (USD) and A2 (EUR) notes as well as the complete repayment of the Phoenix A1 note (EUR). The notional reduction in the NPL and WestImmo Commercial clusters stands in contrast to a notional increase in the Public Finance cluster. The notional reduction in the NPL cluster is primarily caused by a recategorization of Portuguese exposures from NPL to Public Finance due to the improved risk situation. The change in the WestImmo Commercial cluster is partly caused by a reclassification of the WestImmo carve-out portfolio to the Real Estate (contained in Other clusters) and Public Finance clusters. The notional reduction in Other clusters is distributed over the rest of the portfolio, with the main changes being recorded in the Industrials, Infrastructure and Trade clusters.

In the first three quarters of 2014 the EAA generated a positive wind-up-plan impact of EUR 51.4 million from sales and early repayments from the banking book portfolio. Measures in the NPL and Leverage Finance portfolios made a particularly strong contribution.

Wind-up success in the trading portfolio

	Notional volume (at exchange rates as of 6/30/2012)				Notional volume (at exchange rates as of 9/30/2014)	
Clusters[2]	Notional 9/30/2014 EUR million	Notional 12/31/2013 EUR million	Delta to 12/31/2013 EUR million	in %	Notional 9/30/2014 EUR million	FX effect[1] EUR million
Rates	483,999.9	634,593.2	-150,593.3	-23.7	477,367.8	-6,632.1
Equity	7,549.0	7,471.1	77.9	1.0	7,044.6	-504.4
Credit	1,428.9	1,969.4	-540.5	-27.4	1,425.6	-3.3
Other clusters	459.2	507.0	-47.8	-9.4	459.4	0.2
EAA (trading portfolio) total	**493,437.0**	**644,540.7**	**-151,103.7**	**-23.4**	**486,297.4**	**-7,139.6**

1 Change in notional volume due to exchange rate effects
2 The clusters are presented in the new structure of the 2014 wind-up plan; to improve comparability, the previous year values were restated accordingly

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

The notional volume of the trading portfolio amounted to EUR 493.4 billion as at September 30, 2014. The notional volume of the trading portfolio decreased by a total of EUR 151.1 billion during the period from January 1 to September 30, 2014 (at exchange rates as at June 30, 2012). Since its transfer, the trading portfolio has been reduced by EUR 570.6 billion or 53.6%.

The decline is mainly the result of maturities as well as the active liquidation and management of transactions. The principal driving force behind the reduction was the Rates cluster with a notional decrease of EUR 150.6 billion in total. This is divided into maturities of around EUR 133.5 billion and active management of about EUR 17.1 billion. The notional volume of the remaining clusters did not change significantly.

EAA's overall situation

Earnings situation

The EAA's earnings situation in the first three quarters of 2014 was primarily impacted by positive net interest income of EUR 103.0 million, net fee and commission income of EUR 41.6 million and a financial investment result of EUR 198.2 million. Administrative expenses amounted to EUR 251.7 million and mainly consisted of expenses amounting to EUR 197.4 million for the provision of services by Portigon and PFS.

A net result of EUR -40.3 million was derived from net allocations to and releases from loan loss provisions.

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

	1/1 - 9/30/2014	1/1 - 9/30/2013	Delta	
	EUR million	EUR million	EUR million	in %
Net interest income	103.0	228.2	-125.2	-54.9
Net fee and commission income	41.6	148.0	-106.4	-71.9
Net trading result	-18.8	75.5	-94.3	>-100
Total other operating income/expenses	-1.6	-2.9	1.3	44.8
Personnel expenses	-16.4	-13.3	-3.1	-23.3
Other administrative expenses	-235.3	-282.6	47.3	16.7
of which: expenses for service level agreements with Portigon	-197.4	-239.0	41.6	17.4
Net income from investment securities and long-term equity investments	198.2	3.6	194.6	>100
Results prior to risk provisioning	**70.7**	**156.5**	**-85.8**	**-54.8**
Loan loss provisions	-40.3	-123.5	83.2	67.4
Earnings before taxes	**30.4**	**33.0**	**-2.6**	**-7.9**
Taxes on income and earnings	-0.8	-0.8	-	-
Net profit of the year	**29.6**	**32.2**	**-2.6**	**-8.1**
Net retained losses brought forward	-2,460.2	-2,519.3	59.1	2.3
Net retained losses	-2,430.6	-2,487.1	56.5	2.3

Financial position and issuing activity

As at the reporting date, the EAA's outstanding portfolio of issued bearer bonds, registered bonds, promissory note loans and commercial paper totals EUR 42.4 billion. It includes the global Commercial Paper Program with a notional amount equivalent to EUR 8.6 billion.

During the reporting period, the notional volume of new issues for medium and long-term funding totaled an amount equivalent to EUR 3.5 billion, consisting of EUR 1.3 billion, USD 2.7 billion (EUR 2.1 billion) and GBP 40 million (EUR 51 million).

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

Asset position

Assets

	9/30/2014 EUR million	12/31/2013 EUR million	Delta EUR million	Delta in %
Loans and advances to banks	16,811.2	14,885.1	1,926.1	12.9
Loans and advances to customers	13,785.8	15,711.9	-1,926.1	-12.3
Securities (no trading portfolio)	16,077.3	18,856.8	-2,779.5	-14.7
Trading portfolio	31,426.8	26,897.8	4,529.0	16.8
Long-term equity investments and shares in affiliates	1,812.6	1,896.0	-83.4	-4.4
Other assets	133.3	663.5	-530.2	-79.9
Total assets	**80,047.0**	**78,911.1**	**1,135.9**	**1.4**

Liabilities and equity

	9/30/2014 EUR million	12/31/2013 EUR million	Delta EUR million	Delta in %
Deposits from banks	5,173.8	5,984.3	-810.5	-13.5
Deposits from customers	6,189.1	6,732.0	-542.9	-8.1
Debt securities in issue	36,389.1	38,123.5	-1,734.4	-4.5
Trading portfolio	31,158.9	27,119.6	4,039.3	14.9
Provisions	432.1	341.4	90.7	26.6
Other liabilities	118.5	54.4	64.1	>100
Equity	585.5	555.9	29.6	5.3
Total liabilities and equity	**80,047.0**	**78,911.1**	**1,135.9**	**1.4**
Contingent liabilities	9,096.5	11,595.4	-2,498.9	-21.6
Other obligations/loan commitments	4,219.6	4,633.1	-413.5	-8.9
Business volume	**93,363.1**	**95,139.6**	**-1,776.5**	**-1.9**

The total assets of the EAA as at September 30, 2014 amount to EUR 80.0 billion (previous year: EUR 78.9 billion). The business volume, which includes off-balance-sheet components, amounts to EUR 93.4 billion (previous year: EUR 95.1 billion).

As part of a split-off, the EAA obtained assets and liabilities from WestImmo retroactively to January 1, 2014 in the amount of EUR 0.7 billion and EUR 0.3 billion, respectively. The book value of the affiliate was modified to reflect the lower business volume of WestImmo. Its equity was reduced in this respect by EUR 448.7 million.

As at September 30, 2014, loans and advances to banks were EUR 1.9 billion higher compared with the end of 2013. This change was caused by an increase in money market investments, higher advances of cash collateral in the derivatives business and expanded funding for a subsidiary.

The reduction of loans and advances to customers compared to the end of the previous year reflects the wind-up success in the first three quarters of 2014. The position also contains loans transferred from WestImmo in the amount of EUR 0.3 billion.

Securities decreased primarily due to repayments of structured securities. This reduction was offset by securities transferred from WestImmo in the amount of EUR 0.3 billion.

The increase in trading assets by EUR 4.5 billion is mostly due to a declining trend in the yield curve and the corresponding present value effects. This is reflected in trading liabilities of virtually the same amount.

Please refer to section “Wind-up report” for more information.

Lending business

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

Lending business

	9/30/2014	12/31/2013	Delta	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	16,811.2	14,885.1	1,926.1	12.9
Loans and advances to customers	13,785.8	15,711.9	-1,926.1	-12.3
Contingent liabilities	9,096.5	11,595.4	-2,498.9	-21.6
Other obligations/loan commitments	4,219.6	4,633.1	-413.5	-8.9
Lending business	**43,913.1**	**46,825.5**	**-2,912.4**	**-6.2**

Summary of the business situation

As shown, the net profit was attributable to the progress made in winding up the portfolio. The reduction in the portfolio had a significant influence on interest income as well as fee and commission income. Loan loss provisions and the financial investment result were impacted as well.

The asset position of the EAA is in good order. Its equity as at September 30, 2014 amounts to EUR 585.5 million. Adequate liquidity was available at all times.

Risk report

The common objective of the liable stakeholders, the FMS and the EAA is to minimize the strategic wind-up risk. During the reporting period the EAA made further progress toward realizing the wind-up plan. Its wind-up activities focused primarily on continuing to reduce the portfolio transferred from Portigon and mitigating risks.

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

Risk management organization

The Managing Board defines the principles of risk management and steering, and discusses these with the Supervisory Board’s Risk Management Committee. On 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 is the basis for its risk management framework. It contains the basic principles for risk management, defines the key risk categories and identifies the core elements of the risk management process. The general risk management strategy is supplemented by specific strategies for managing individual risks including the related wind-up strategies. The key individual strategies relate to the risk categories of credit risk, market price risk, liquidity risk, operational risk and other risks. Risk management strategies are reviewed at least once every year.

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

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

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

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

Risk reporting

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

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

Credit risks

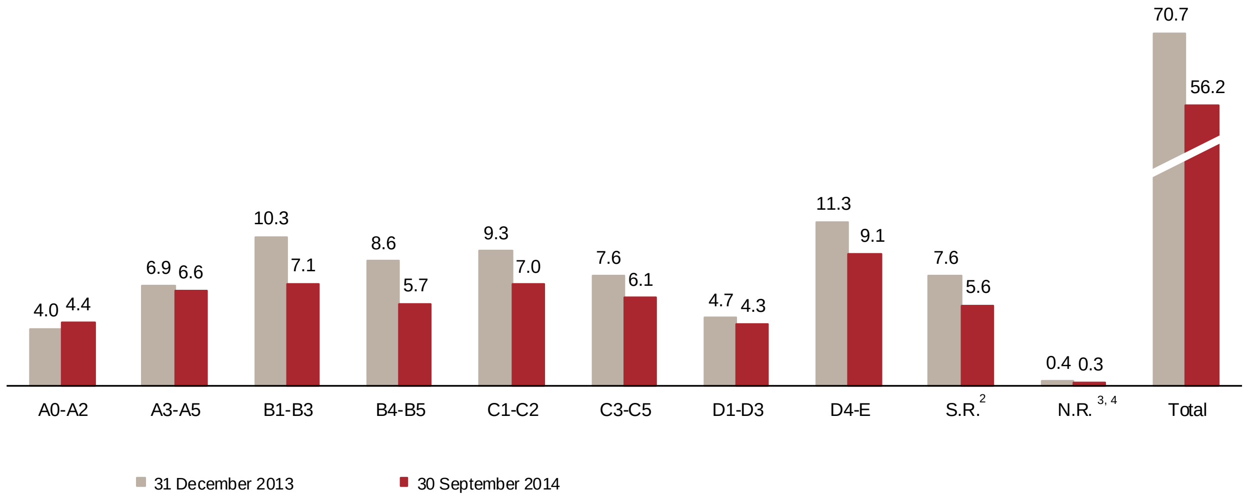
Credit risks – banking book

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

In the first three quarters of 2014, the notional volume of the banking book portfolio – which primarily consists of loans and securities – was reduced by EUR 14.5 billion to EUR 56.2 billion (at constant exchange rates as of December 31, 2011). The EAA holds or guarantees 69% of the total banking book notional volume, and the remaining 31% is held by its subsidiaries. Please refer to section “Wind-up report” for more detailed information on the wind-up success.

The following illustrations relate to the notional volume of the EAA and its subsidiaries WestImmo, EAA CBB, Basinghall and EAA KK on a look-through basis.

Breakdown of notional volume by internal rating category
in EUR billion[1]



[1] Excluding exchange rate effects (based on exchange rates on December 31, 2011)
[2] Special rating pursuant to the not-rated concept
[3] Not rated
[4] Including own bonds repurchased by WestImmo
Please note: Where possible, the internal rating categories are based on the guarantor's rating.

The quality of the banking book portfolio is reflected by an investment grade rating share (rating categories A0-C2) of around 55% (December 31, 2013: 55%). About 20% (December 31, 2013: 15%) of the notional volume has a very good rating (A0-A5), and around 35% (December 31, 2013: 40%) has a medium rating of B1-C2. The S.R. rating category includes the opening clauses of the rating process, the EAA's non-rating concept, and has a share of around 10% of the total portfolio.

The EAA continues to aim for a portfolio reduction across all rating categories. The decline in the first three quarters of 2014 is largely distributed over all rating categories with the exception of the A0-A2 rating category, which increased by EUR 0.4 billion. This is due to a shift of German municipal authorities in the WestImmo Commercial portfolio from the S.R. rating category to the A0-A2 rating category. The decline in the B1-B3 category is mostly attributable to partial repayments of the Phoenix A1 note (USD) in the amount of EUR 2.5 billion. The reduction in the D4-E category is largely due to the wind-up of structured loans.

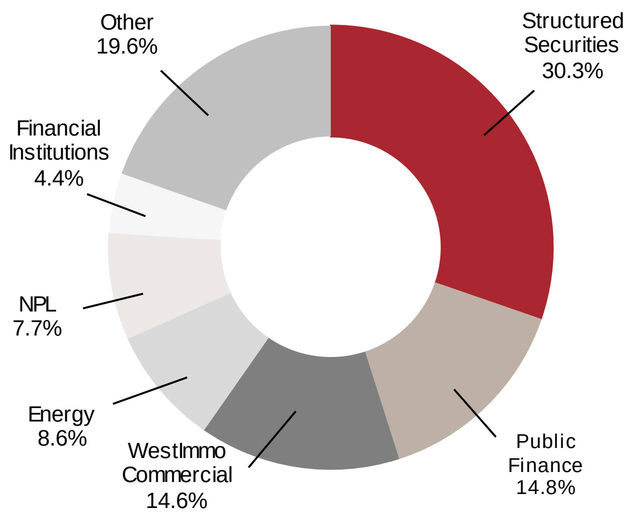
Due to changed conditions, the exposure in the energy sector, just over half of which was classified in the middle rating categories on the reporting date, is also subject to closer monitoring.

The remaining rating category, N.R., mainly includes WestImmo Commercial portfolio exposures.

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

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

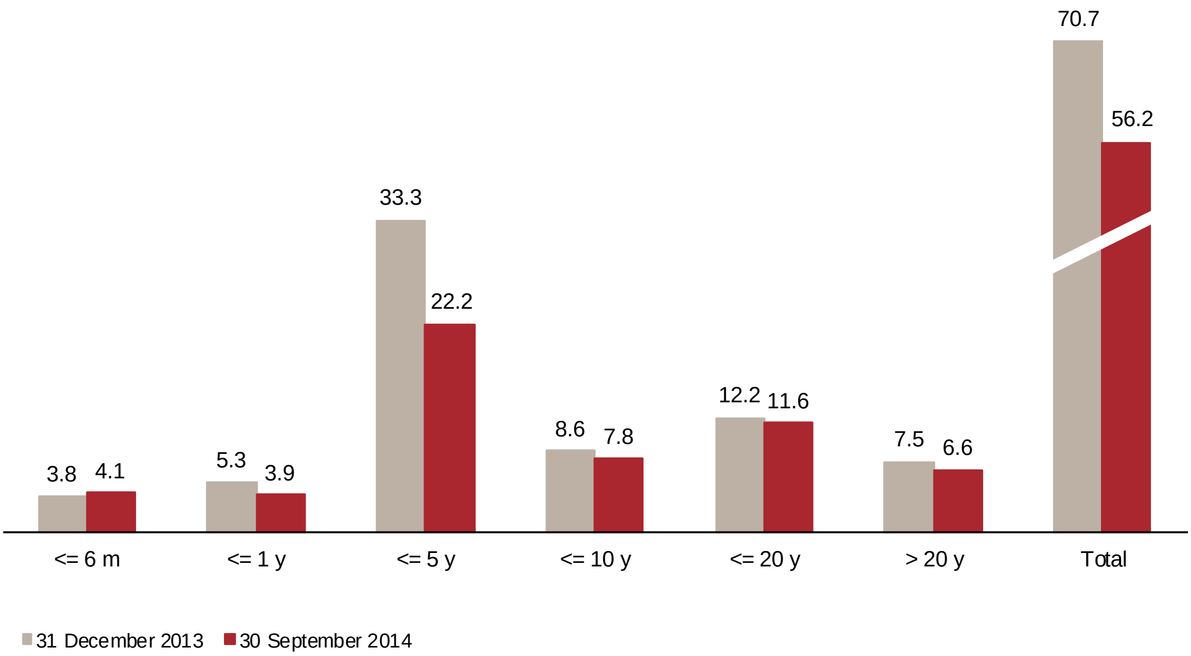
Breakdown of notional volume by headline clusters
100% = EUR 56.2 billion[1]



[1] Excluding exchange rate effects

The EAA's banking book portfolio consists of 19 headline clusters. The largest headline cluster is Structured Securities with a total share of around 30%. This portfolio consists of three sub-portfolios: Phoenix (69% – please refer to section "Phoenix" for further details), Asset Backed Securities (22%) and EUSS (9%). The clusters Public Finance and WestImmo Commercial account each for around 15% of the total portfolio (for further details, please refer to sections "Public Finance" and "Participation risks").

Breakdown of notional volume by maturities[1]
in EUR billion[2]



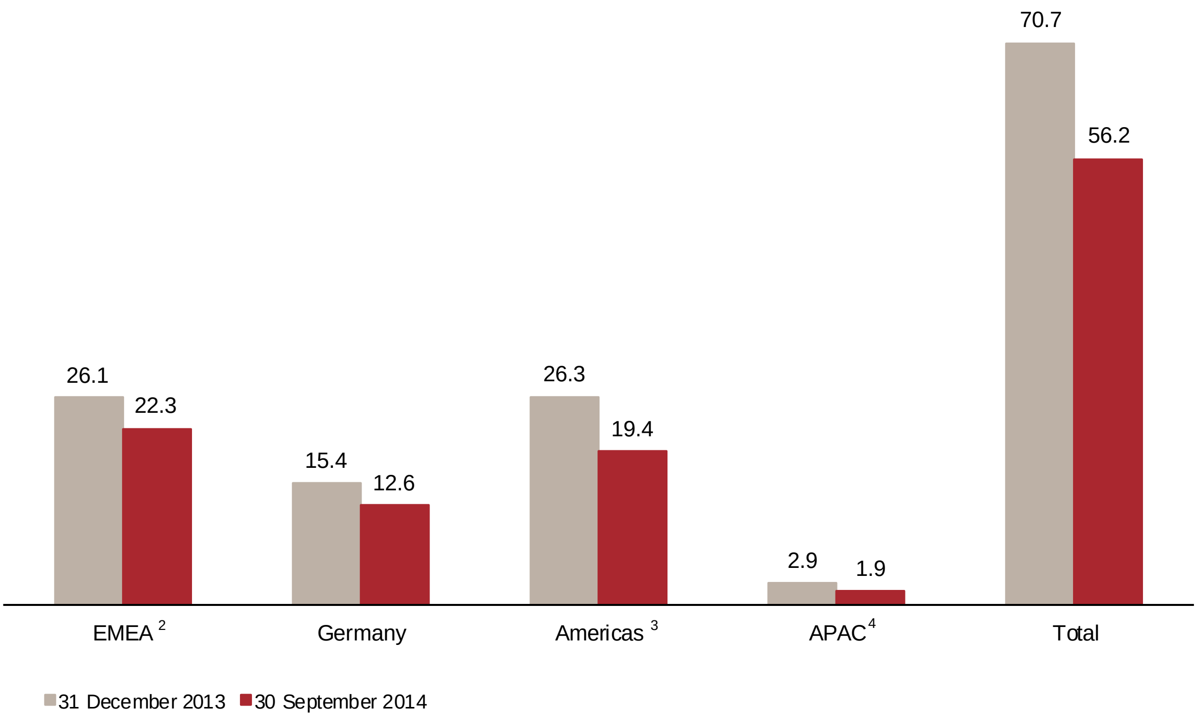
[1] For Phoenix: expected repayment profile
[2] Excluding exchange rate effects (based on exchange rates on December 31, 2011)

The largest part of the portfolio, with a share of approximately 40%, is comprised of medium-term exposures with contractual maturities of one to five years. These are primarily exposures held in the clusters Structured Securities (mainly Phoenix, please also refer to the “Phoenix notes capital structure” table in section “Phoenix”), WestImmo Commercial, Public Finance, NPL and Financial Institutions.

The decrease in the maturity range of up to five years is mainly caused by the reduction in Structured Securities and repayments in the NPL and WestImmo Commercial portfolios. The increase in the maturity range of up to six months results additionally from the shift of parts of the Public Finance and Financial Institutions portfolios from longer maturity ranges.

The other changes within the maturity ranges reflect the portfolio management measures undertaken in the first three quarters of 2014.

Breakdown of notional volume by region
in EUR billion[1]



[1] Excluding exchange rate effects (based on exchange rates on December 31, 2011). Regional breakdown by borrowers, or for securitizations based on the main risk country of the asset pool
[2] Europe, Middle East and Africa; excluding Germany
[3] Contains EUR 3.6 billion for the Phoenix B note guaranteed by the state of NRW
[4] Asia, Pacific and Japan

The regional breakdown of the notional volume has changed only insignificantly compared to December 31, 2013. About 40% of notional volume (December 31, 2013: 37%) is attributable to the EMEA region – Europe (excluding Germany), Middle East and Africa. The decline in this region's notional volume in the amount of EUR 3.8 billion is mainly attributable to active measures and maturities in the WestImmo Commercial, Financial Institutions and Industrials clusters.

The notional volume for German borrowers and guarantors (share in portfolio: 22%, December 31, 2013: 22%) was reduced by EUR 2.8 billion. The decrease here relates primarily to the Industrials, WestImmo Commercial and Public Finance clusters.

Approximately 35% of the notional volume (December 31, 2013: 37%) is attributable to the Americas. Repayments and maturities in the Structured Securities (mainly Phoenix), NPL and WestImmo Commercial clusters resulted in a decrease of EUR 6.9 billion.

The APAC region represents approximately 3% (December 31, 2013: 4%). The APAC region recorded a decline of EUR 1.0 billion.

Problem loans and risk provision

Problem loan exposures are subject to special risk monitoring pursuant to MaRisk. The assessment of possibly required risk provisioning takes into account collateral values, a company valuation, a discounted cash flow analysis or observable market prices. This is reviewed regularly.

Result of risk provisions

	Provisions for loan losses	Charge-offs	Net change in loan loss provision	Other exp./inc. due to risk	Total allow. Losses
	EUR million	EUR million	EUR million	EUR million	EUR million
Acute counterparty default risk	**158.1**	**105.3**	**-52.8**	**0.2**	**-52.6**
Credit risk	158.1	105.3	-52.8	-0.9	-53.7
Other risk	-	-	-	1.1	1.1
Contingent counterparty default risk	**-**	**12.3**	**12.3**	**-**	**12.3**
Total	**158.1**	**117.6**	**-40.5**	**0.2**	**-40.3**

Special banking book issues

Phoenix

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

By far the largest part of the securitized Phoenix portfolio (approximately 90%) is denominated in US dollars and represents US risks, primarily in the real estate market. Repayments in the reporting period resulted in a decrease of the notional volume to EUR 11.7 billion as at September 30, 2014 (calculated at constant exchange rates as of December 31, 2011).

Phoenix notes capital structure

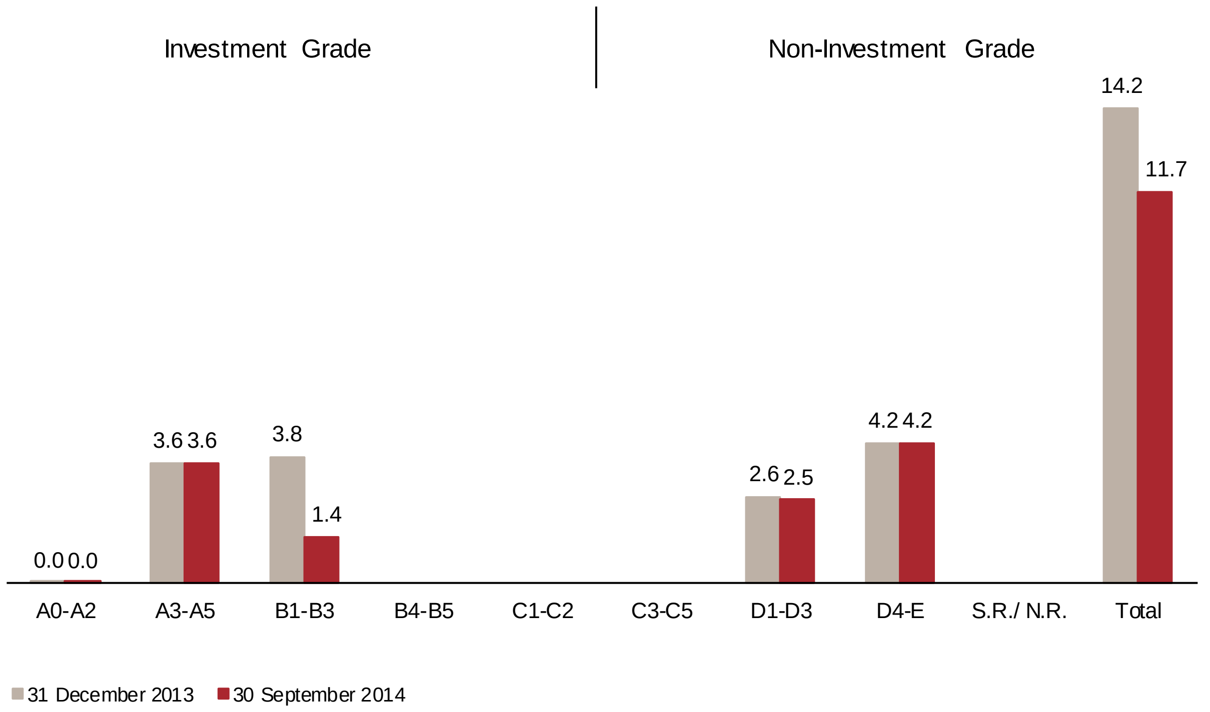
Tranche	Amount as of 9/30/2014 in million		S&P Rating	Legal maturity	Expected maturity in years
Class X	6.4	EUR	AAA	2/9/2015	0.36
Class A1	1,809.1	USD	A	2/9/2091	1.36
Class A2	3,102.0	USD	B	2/9/2091	1.86
	104.3	EUR	B	2/9/2091	1.36
Class A3	2,386.6	USD	CCC-	2/9/2091	3.36
	701.1	EUR	CCC-	2/9/2091	6.86
Class A4	1,909.0	USD	CCC-	2/9/2091	12.37
	180.9	EUR	CCC-	2/9/2091	14.87
Class B	3,566.6	EUR	not rated	2/9/2091	3.50

Approximately 43% of the Phoenix notes consist of risk positions with an investment grade rating (taking into account the rating of the guarantor, the State of NRW, for the Phoenix B notes) and a low probability of default. So far, the EUR 5 billion guarantee of the State of NRW for the Phoenix B note has been utilized in the amount of EUR 1.4 billion.

A total of EUR 2.5 billion was repaid in the first three quarters of 2014. These repayments led in particular to the complete repayment of the EUR A1 tranche and to a reduction in the notional value of the remaining USD A1 tranche.

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

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



[1] Excluding exchange rate effects (based on exchange rates on December 31, 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.

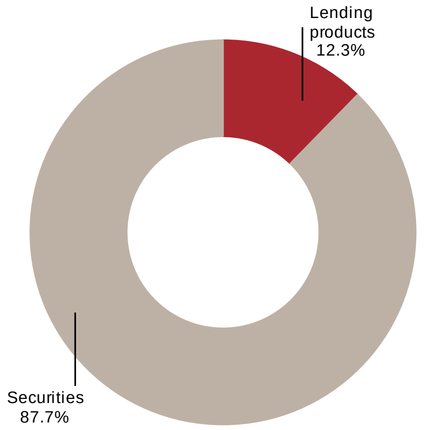
While the EAA used the favorable market environment in the first half of 2014 to selectively dispose of especially risky securities, no additional active measures were undertaken in the third quarter of 2014. In addition to the ongoing sale of parts of the portfolio by taking advantage of market opportunities, the EAA continues to work with the parties involved in Phoenix to optimize the portfolio. These measures include both legal measures in relation to individual portfolio securities and the restructuring of non-performing securities. Work continues in conjunction with PIMCO, the administrator of the Phoenix structure, to optimize market price risk hedging in the Phoenix portfolio.

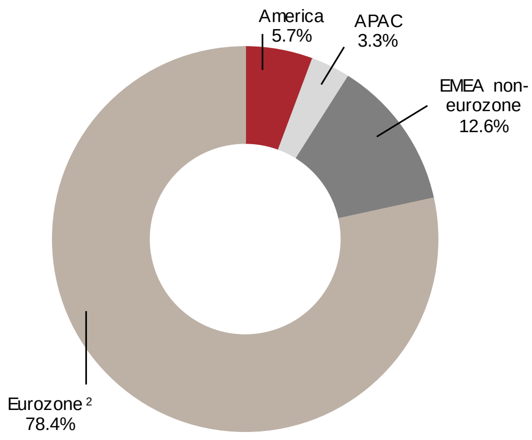
Public Finance

The exposures to the public sector (including the Public Finance positions from the NPL portfolio) as of September 30, 2014 comprise a total notional amount of EUR 8.4 billion.

Securities account for 87.7% of the total public sector exposure, in particular bonds issued by EU member states (including regional and municipal issuers). These are held in part directly by the EAA, and partly by the EAA CBB. The majority of the remaining 12.3% are lending transactions granted to federal states, municipalities or other public law institutions in Europe.

Breakdown of Public Finance exposure by product and region
100% = EUR 8.4 billion[1]





[1] Excluding exchange rate effects (based on exchange rates on December 31, 2011). Regional distribution by borrower or guarantor
[2] Of which EUR 5.1 billion is attributable to Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain. Further information can be found in section “Exposures to selected EU member states”
Please note: The regions for the securities result from the main risk country for the asset pool, for projects at the location of the project as well as other items from the country where the parent company is registered, provided the affected subsidiary is not located in a country with a worse country rating.

Credit risks – trading portfolio

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

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

OTC derivative counterparty default risks are assessed independently of trading using CVA. When doing so, externally traded credit spreads, when 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. As at September 30, 2014, CVA amounted to EUR 65.1 million (December 31, 2013: EUR 35.9 million).

Counterparty and issuer risks

Direct counterparty risk

As the EAA concludes OTC derivatives both from the trading portfolio as well as the banking book and counterparty risks are measured and controlled per counterparty, the explanations and figures relate to the trading portfolio and the banking book.

	9/30/2014 Exposure EUR million	9/30/2014 Limit EUR million	12/31/2013 Exposure EUR million	12/31/2013 Limit EUR million
Counterparty risk OTC Derivatives	904.6	3,290.0	974.8	7,963.5
Credit risk money market[1]	2,547.2	8,467.5	2,941.5	11,045.0
Counterparty risk Repos	116.5	2,860.0	214.7	3,101.0

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

Counterparty risks from OTC derivatives are driven by transactions for liquidity steering (foreign exchange swaps) and interest rate hedging instruments (interest rate swaps). 23.7% of the credit risks for money market transactions result from deposits at Portigon. As the EAA has sufficient liquidity on the reporting date, the utilization of the limits for repo transactions (EUR 116.5 million) is only approximately 4.1%.

Issuer risk

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

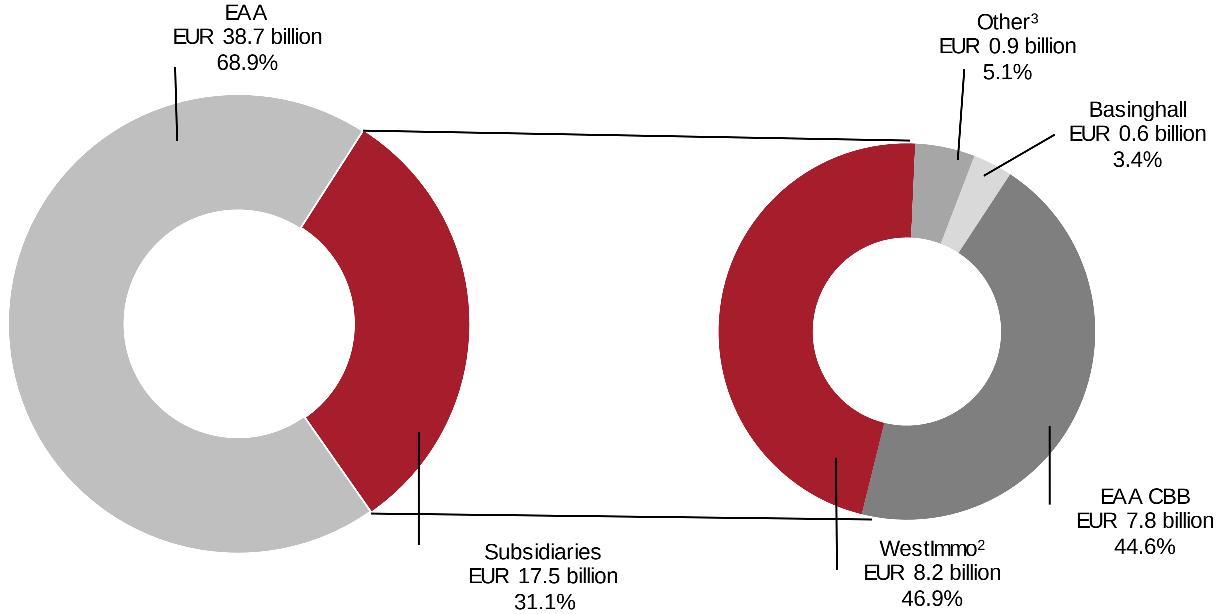
	< 1 Y	1-4 Y	4-8 Y	8-15 Y	> 15 Y	Total exposure
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Public Finance	1,577.1	1,061.2	1,355.7	2,038.1	1,440.7	7,472.8
Financial Institutions	346.5	768.2	586.3	31.5	-	1,732.5
Other securities	146.7	284.3	133.8	1,078.2	2,342.2	3,985.2
Total 9/30/2014	**2,070.3**	**2,113.7**	**2,075.8**	**3,147.8**	**3,782.9**	**13,190.5**
Total 12/31/2013	1,812.5	3,146.3	2,032.6	3,145.8	3,741.7	13,878.9

The Public Finance sub-portfolio accounts for the largest share with about EUR 7.5 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, mainly student loans.

Issuer risks of the trading portfolio are low at only EUR 82.1 million. EUR 69.3 million of this amount is attributable to securities and credit derivatives, with equities and equity derivatives accounting for an additional EUR 12.8 million.

Participation risks

Notional volumes held by subsidiaries
in EUR billion[1]



1 Excluding exchange rate effects (based on exchange rates on December 31, 2011)
2 Only WestImmo Commercial, excluding the retail portfolio
3 Others include primarily EAA KK

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

The EAA's participation risk is primarily due to EAA CBB and WestImmo.

As at September 30, 2014, WestImmo holds a portfolio with a notional volume of EUR 8.2 billion (excluding the retail portfolio guaranteed by the EAA). The total notional reduction of EUR 2.9 billion includes the transfer of the "carve-out portfolio" to the EAA in June 2014, which took effect retroactively as of January 1, 2014 in the amount of EUR 826 million. The WestImmo portfolio primarily consists of commercial real estate financing and structured real estate transactions. WestImmo generally acts independently. The EAA monitors WestImmo via the Supervisory Board, among other means. The EAA is continuing the privatization process of WestImmo that was previously initiated by the former WestLB, and remains committed to its objective of selling WestImmo.

In the first three quarters of 2014, the notional volume of EAA CBB declined by EUR 718.7 million to EUR 7.8 billion, and the notional volume of Basinghall was reduced by EUR 56.2 million to EUR 0.6 billion. The position ''Other'' primarily includes EAA KK.

The subsidiaries EAA CBB, EAA KK and Basinghall are integrated into the EAA's risk management and business administration structure. These participations are subject to governance by the EAA and the EAA's approved internal limit system. EAA representatives are non-executive members of EAA CBB and Basinghall's supervisory bodies and committees, and therefore exercise a control function.

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 EFSF totals EUR 9.3 billion as at September 30, 2014. EUR 0.6 billion of this amount is attributable to the WestImmo portfolio. As of the end of the third quarter of 2014, the exposure to these countries decreased by EUR 1.7 billion. The reduction is mostly attributable to Italy (EUR -1.1 billion) and Spain (EUR -0.5 billion). Due to a change of the internal risk country definition in April 2014, the notional volume declined in Portugal, Ireland, Italy and mainly Spain, whereas the notional volume increased in Greece and Cyprus. The net effect of this definition change in April 2014 was a decrease of the notional volume of EUR 0.3 billion.

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

Country[1]	Debtor group	9/30/2014 Notional in EUR million[2,3]	12/31/2013 Notional in EUR million[2,3]
Greece	Corporates	124.7	31.5
	Financial Institutions	-	-
	Public Finance	-	-
Σ Greece		**124.7**	**31.5**
Ireland	Corporates	99.1	108.8
	Financial Institutions	0.2	7.3
	Public Finance	115.0	115.0
Σ Ireland		**214.3**	**231.1**
Italy	Corporates	1,252.3	1,793.0
	Financial Institutions	222.6	383.8
	Public Finance	2,078.1	2,525.6
Σ Italy		**3,553.0**	**4,702.4**
Portugal	Corporates	69.9	157.2
	Financial Institutions	-	15.0
	Public Finance	1,609.8	1,573.2
Σ Portugal		**1,679.7**	**1,745.4**
Slovenia	Financial Institutions	-	-
	Public Finance	40.0	40.0
Σ Slovenia		**40.0**	**40.0**
Spain	Corporates	1,739.6	2,093.9
	Financial Institutions	636.0	735.9
	Public Finance	1,214.7	1,216.0
Σ Spain		**3,590.3**	**4,045.8**
Cyprus	Corporates	72.7	66.0
	Public Finance	0.3	0.5
Σ Cyprus		**73.0**	**66.5**
EFSF	Public Finance	-	83.1
Σ EFSF		**-**	**83.1**
Total[4]		**9,274.9**	**10,945.8**
of which	Corporates	3,358.3	4,250.5
of which	Financial Institutions	858.8	1,142.0
of which	Public Finance	5,057.9	5,553.4

1 Economic view may differ from the borrower's legal country of residence (for Corporates and Financial Institutions)
2 Based on current exchange rates
3 Presentation of the notional volume, including hedges (net)
4 Of which WestImmo Commercial (EUR 569.7 million) and EAA CBB (EUR 3,103.0 million)

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

Product[1]	Value[2]	Country[3]	9/30/2014 EUR million[4,5]	12/31/2013 EUR million[4,5]
Bonds	Notional	Italy	-	0.7
Σ Bonds			**-**	**0.7**
Single CDS	Notional	Italy	-	-
		Portugal	-	-
		Spain	-	-
Σ Single CDS			-	**-**
Decomposed CDS	EaD	Italy	0.0	0.1
		Portugal	0.0	-
		Spain	0.0	-
Σ Decomposed CDS			0.0	**0.1**
Equities	MtM	Greece	0.0	0.1
		Italy	1.2	1.6
Σ Equities			**1.2**	**1.7**
Equity derivatives	EaD	Greece	-0.0	-
		Italy	-0.3	-0.1
Σ Equity derivatives			**-0.3**	**-0.1**
Other derivatives	MtM	Ireland	1.0	5.1
		Italy	464.9	553.7
		Portugal	-	-
		Spain	271.2	198.4
		Cyprus	24.4	18.1
Σ Other derivatives			**761.5**	**775.3**
ALM	MtM	Ireland	5.0	0.1
		Italy	40.2	31.9
		Spain	200.0	-
Σ ALM			**245.2**	**32.0**

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

Market price risks

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

Market price risks – banking book

As a result of the existing portfolio structure, there are interest rate and foreign exchange risks (particularly in relation to the US dollar) which are nearly fully 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/or maturities, or by concluding derivative transactions.

Interest rate risk

EUR thousand	< 1 Y	1-4 Y	4-8 Y	8-15 Y	> 15 Y	total
EAA Group 9/30/2014	77.1	-158.8	-126.8	-65.7	8.9	**-265.3**
EAA Group 12/31/2013	264.0	-106.5	-152.7	-232.3	-21.3	**-248.8**

The 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 of EUR -265.3 thousand is higher than at the end of 2013 (EUR -248.8 thousand) due to the inclusion of the Phoenix notes in the interest rate risk calculation for the banking book. The utilization is within the limits.

Foreign exchange risk

EUR thousand	AUD	CAD	CHF	GBP	JPY	PLN	RUB	SGD	USD	other	total
EAA Group 9/30/2014	1,318.7	196.4	6,881.7	6,762.2	351.0	350.9	1,229.2	137.9	4,793.8	3,558.4	**25,580.2**
EAA Group 12/31/2013	1,924.0	389.6	-13,234.9	-322.9	73.1	33.6	227.6	75.9	23,371.0	1,521.5	**14,058.5**

The determination of the EAA's currency position is based on the concept of special cover in accordance with section 340h of the HGB. The currency position is higher compared to the previous year because of a higher limit utilization to control the foreign currency position.

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

The non-linear risks in the portfolio were eliminated using micro-hedges resulting in a simple, linear risk profile. Micro-hedge effectiveness is assessed regularly.

The wind-up strategy aims to realize the intrinsic value of the exposure rather than steering based on short-term capital market fluctuations and associated credit-spread changes. The exposures are monitored and, if required, decisions are made to exit specific exposures. Therefore, no limits for credit spread risks are in place.

Market price risks – trading portfolio

In the trading portfolio, equity price risks and, to a small extent, credit spread and commodity risks also exist alongside interest rate and foreign exchange risks. The trading portfolio predominantly includes derivative positions and thus also bears non-linear option risks. As is customary, the risk in the trading portfolio is hedged at the portfolio level. This entails residual risks which change due to market movements and developments in the portfolio and are hedged dynamically (dynamic hedging strategy).

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

Historic and parametric stress tests are calculated weekly. 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 positions are continuously subjected to back testing. This involves comparing on a daily basis the actual market value changes (hypothetical income statement) to the possible market value changes forecasted by the VaR model. In the first half of 2014, the results of the back testing did not exceed set thresholds at the highest level of the portfolio structure of the trading portfolio. From a statistical perspective, two to three exceeded limits must be taken into account per year for a VaR with a holding period of one trading day and a confidence level of 99%.

Value at Risk by clusters

	Value at Risk 9/30/2014 EUR thousand	Value at Risk 12/31/2013 EUR thousand
EAA Trading	901.3	1,864.0
Interest Rate Options	254.9	264.9
Interest Rate Exotics	543.7	1,038.8
Interest Rate Flow	309.5	652.0
Contingent Credit Risk	-	22.3
Corporate Synthetic Obligations	-	-
Basket Default Swaps	-	7.6
Credit Default Swaps	-	4.6
Credit Derivatives [1]	9.6	-
Fund Derivs & Credit Repacks	1.2	18.8
Foreign Exchange Options and Hybrids	168.9	203.0
Foreign Exchange Forwards [1]	-	15.5
Equity Flow Products [2]	-	13.9
Equity Structured Products	75.8	311.9
Muni GIC Portfolio	474.4	828.3
Commodities	0.6	13.6
Gold Aktiv Portfolio [2]	-	-
Other	-	-

[1] The sub-cluster structure changed as at January 2, 2014. The Contingent Credit Risk, Corporate Synthetic Obligations, Basket Default Swaps and Credit Default Swaps sub-clusters are now included as subunits in the Credit Derivatives sub-cluster. The Foreign Exchange Forwards sub-cluster is now part of the Interest Rate Flow sub-cluster.
[2] The Equity Flow Products and Gold Aktiv Portfolio sub-clusters are no longer disclosed because no further risk exists.

The VaR for the trading portfolio decreased to EUR 901.3 thousand (December 31, 2013: EUR 1,864.0 thousand). This is mostly the result of the portfolio reduction and changed market parameters.

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 its liquidity planning and management process so as to ensure optimal access to liquidity. Due to the liable stakeholders' and FMS' duty to offset losses incurred and their creditworthiness, the EAA is perceived positively in the capital markets. Therefore, there is less risk concerning the EAA's specific funding options than there is with regard to systemic market illiquidity.

As at September 30, 2014, all stress scenarios demonstrated a viable liquidity situation. The liquidity reserve consists of collateralized liquidity (the portfolio's securities holdings that can be used in bilateral repo transactions with high probability) and short-term investments. Liquidity reserves were always higher than the liquidity reserve requirement during the reporting period. At the time of the stress test as at the end of September 2014, the liquidity reserve amounted to approximately EUR 9 billion.

Operational risks

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

Operational risks within the EAA itself are determined by regular risk inventories. The EAA's most recent risk inventory revealed one valuation object (1%) with high risks. Of the valuation objects, 11% are characterized by medium risks and 88% by low risks. Overall, the EAA's risk situation has therefore improved slightly following the successful implementation of risk mitigation measures to address last year's high risks and the general stabilization after the refill.

The EAA has outsourced key business processes to Portigon and EPA. Portigon is undergoing a process of transformation to implement restructuring ordered by the European Commission. In this context, the split-up of Portigon into PAG and PFS, for example, was prepared during the previous fiscal year and implemented in February 2014. As a consequence of this split-up, Portigon's service obligations were transferred to PFS. PFS reserves the right, however, to procure some services from PAG for provision to the EAA. Going forward, any additional operational risks possibly associated with this split-up will be covered within the EAA's existing range of risk management tools. Portigon's most recent risk inventory with respect to processes attributable to the EAA showed a high risk for 3% of the assessed risks, especially in the case of the assessments related to personnel. The EAA has been monitoring this development and has prepared measures to take, if necessary, in order to minimize the operational risk. The founding of EPA and the outsourcing of key portfolio management services from PFS to EPA are such measures to stabilize the EAA.

The EAA has established a service provider management system to monitor the interface between the service providers and the EAA – as the recipient of services – in terms of the content, form and quality of the services rendered. As part of a continuous and timely process, the EAA accordingly ensures that the EAA's requirements, which are defined in service level agreements, are fulfilled by the service providers as agreed. In this process the EAA records the outsourcing risks and assesses them by applying a traffic light logic. During the first three quarters of 2014, the quality of the services rendered by the service providers has been stable in accordance with the service level agreements.

Other risks

Reputational risks

Given the strong public interest in the EAA, reputational risks are of particular relevance. The EAA also attaches particular importance to its public image with respect to its funding options on the capital market.

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

Legal risks

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

When necessary, the EAA has established sufficient accounting provisions and initiated other measures in order to cover judicial and non-judicial disputes, such as those resulting from municipal lawsuits and investigations regarding potential manipulations in the trading activities of several banks. For further information, refer to the corresponding section of the 2013 annual report.

Tax risks

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

Summary of risk situation

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

Especially for this purpose, wind-up institutions pursuant to section 8a FMStFG are exempted from capital requirements, the obligation to prepare consolidated financial statements and other statutory provisions that apply to commercial banks. The EAA is thus primarily geared toward assuming credit and market price risks.

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

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

Market price risks are largely limited.

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

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

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

The requirements for risk-bearing capacity pursuant to section AT 4.1 MaRisk are not relevant for the EAA. Instead, the EAA performs a quarterly analysis of the development of its equity to the end of the planning period using the wind-up plan as well as up-to-date variables and market parameters. This involves, in particular, the effects of changed framework conditions on equity in 2027. The analyses conducted as at September 30, 2014 have not given rise to any need for adjustments to the wind-up plan during the year. A new wind-up plan will be prepared, as regularly scheduled, as at December 31, 2014.

In summary, the EAA perceives the risks assumed by it to be adequately covered, given its capital resources as well as the existing guarantee and the loss compensation 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 euro sovereign debt crisis entered a new phase in the summer of 2012 with the successful announcement of the Outright Monetary Transaction (OMT) initiative of the European Central Bank (ECB). Nothing about this has changed because of the current crises in eastern Ukraine, the Ebola epidemic or the military successes of the Islamic State. Mario Draghi's promise to do whatever it takes to save the euro guaranteed the continued existence of the eurozone with its current members. Most recently, the ECB has implemented even further measures (TLTROs, purchases of Pfandbriefe and ABS) to support the economic recovery of the eurozone. Since this promise was made, crises have largely been confined to the place of origin and have not radiated out to other governments and markets.

The diverging rates of growth in the eurozone, which have prevailed for several months, will also continue to exist. Growth rates remain relatively robust at the core of the eurozone (especially in Germany). But at the periphery and in the semi-core, the economies are mostly stagnating — especially in countries such as France or Italy that have so far not taken sufficient steps to improve their international competitiveness. The subdued rates of inflation, which the ECB considers to be too low, make further support measures necessary. This is the reason why the ECB has now created new additional tools to supplement its OMT initiative.

The solvency of eurozone countries is at the core of the European sovereign debt crisis. Banks had exposed themselves heavily to government bonds from the euro periphery prior to the outbreak of the debt crisis. The deterioration of the credit quality of these peripheral economies very rapidly weighed on the creditworthiness of the eurozone’s banking sector in general. At the same time, the implied guarantee of eurozone governments as the buyers of last resort had become increasingly worthless in the view of the financial markets. Only the most affluent countries in the core of the eurozone could afford to provide public support for their banks. As a result, the crisis rapidly spread from governments to banks, simultaneously causing an even further deterioration in the creditworthiness of the governments. The high and growing indebtedness of peripheral economies made it impossible to recapitalize and stabilize stricken or faltering banks.

Consequently, the credit quality of the banks deteriorated, too. A country risk premium (risk surcharge compared to German government bonds) like the one seen in the markets for government bonds became increasingly prevalent in the pricing of bank bonds, corporate bonds, Pfandbriefe and loans. This led to further adverse effects and created a need for additional write-downs. The process of including various country risk premiums rescinded the integration of eurozone financial markets.

This phenomenon, known as the fragmentation of the eurozone financial market, has only been on the decline since the presentation of the OMT, the European Central Bank’s new program to acquire government bonds issued by peripheral countries. The TLTRO initiative – instruments that the ECB plans to utilize to provide EUR 400 billion to eurozone banks in the second half of 2014 – is to be used, according to the ECB, for lending to the eurozone's real economy. But it will require evidence of this usage only in 2016. Banks will therefore be able to initially invest the liquidity they receive from the ECB in euro-denominated government bonds with attractive risk premiums over German Bunds. This is likely to normalize the valuation not only of euro government bonds of peripheral countries, but also of other risky financial products of the eurozone. This process is not limited to just the aforementioned listed financial products; it also applies to other parts of the eurozone credit market (such as promissory note loans, traditional loans and project financing). The EAA’s portfolios benefit from this normalization as the further “pricing out” of additional country risk premiums means that prices will recover considerably.

If European banks continue to repair their balance sheets – motivated by the ECB's asset quality review and the subsequent stress test – there will be further progress in the eurozone. As the balance sheets of the banks in the euro periphery recover, these banks will again be able to perform their primary function as intermediaries for capital, thus enabling them to provide new credit to the real economy. This would result in a further boost to growth in the euro periphery, as access to new loans has been difficult for businesses in Spain, Portugal and Italy in the recent past.

Going forward, this process will probably continue in 2015, too. The ECB's OMT program has created new confidence in the euro periphery. At the same time, the euro crisis was a key catalyst for the region. Many structural problems in the peripheral states (such as rigid labor and product markets, a retirement age that is too low, incorrect export mix) have been resolved, thereby increasing the competitiveness of several countries. This process is expected to continue in the coming months. The consequence of the improved growth prospects of the developed economies – above all the US and Great Britain, but also those in the eurozone – is that investors are withdrawing more capital from the emerging markets. These outflows of capital are tarnishing the growth prospects of these nations to the extent that they could lose their momentum as drivers of global growth. Such a slowdown would have an especially negative effect on the EAA’s project finance portfolio.

Forecast report

The EAA aims in the medium term to wind up around 50% of the notional volume in the banking book as at December 31, 2013 by the end of 2016 (including the exposures held by subsidiaries). This corresponds to a comparable balance sheet reduction of 46%.

The original wind-up plan for the reduction of the total assets remains on schedule. According to this plan, the EAA aims to wind up more than 75% of the entire transferred banking book exposures by 2016 (including the exposures held by the subsidiaries).

For 2014 the wind-up plan provides for a reduction of the notional volume in the banking book by around 18% to about EUR 58 billion through both active measures and contractual maturities. Given that the notional volume as at the end of September 2014 was already EUR 56.6 billion, the value for the end of the year will be below target.

As for the transferred trading portfolios, the EAA aims to reduce the notional volume by more than 70% of the transferred value by the end of 2016. The corresponding book values will decrease to the same extent during this period.

For 2014 the wind-up plan provides for a reduction in the notional volume of the trading portfolio by around 22% to about EUR 501 billion. As of September 2014, the notional volume of EUR 493.4 billion is already far below the planned value for the end of the year. The EAA will continue to analyze the extent to which a faster wind-up of the transferred trading portfolio can be conducted in an effective and cost-efficient manner.

In the 2014 fiscal year net interest income and net fee and commission income will probably decrease as the volume of the portfolio declines. A forecast for the trading result and for the result of risk provisions is difficult due to the imponderables with respect to developments on the global financial and other markets. The EAA will continue to adhere to its value-preserving wind-up strategies.

Additionally, the EAA’s wind-up planning does not include any provision for making use of the existing liability guarantees.

As in previous years, the EAA's wind-up activities in 2014 and beyond will focus on premature portfolio-reduction measures and active participation management.

For 2014 the EAA has again defined a sale portfolio as its objective. In light of this, a number of exposures in the credit and securities portfolio have been identified that hold potential for sales, terminations or early redemptions. This course of action serves the overriding goal of minimizing losses while taking into account expected risk developments.

Independent of the sale portfolio for 2014, the EAA pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess premature and profitable wind-up potentials for all positions of the portfolio.

The fact that the economic recovery has stalled a bit in 2014 due to a wide variety of stress factors (Russia/Ukraine crisis, Ebola, military success of the Islamic State) shows how sensitive the eurozone's economy still is, even in the fourth year after the outbreak of the euro debt crisis. An attempt to overcome a debt crisis through austerity measures will take a very long time. Empirical studies of sovereign debt crises have shown that on average, such crises tend to last a good 25 years. These efforts are even more difficult when additional economic sectors, such as private households and the (non-financial) corporate sector, must likewise make cut-backs in order to reduce excessive, unsustainable debt. Nevertheless, the ambitious objectives that the EAA has established for the long term are supported by current economic trends. Although the recovery might take a brief time-out during the second half of 2014, it will probably continue to advance in 2015, albeit only slowly. That is reason enough to have a positive outlook for the future over the medium term. The economic recovery continues in industrial countries – although the pace has been somewhat slower recently. This is evident in the further improvement in the fundamentals of the eurozone, where GDP is forecast to grow further in 2014.

Subsequent events

In August 2014, Basinghall was sold to a consortium of bidders (“signing”). The conclusion of the selling process (“closing”) for Basinghall is scheduled for the end of 2014. The primary event that must take place between the signing and the closing is the approval of the British banking regulator.

Otherwise, there are no reportable events affecting any risk exposures held or guaranteed by the EAA.

Balance sheet

Assets

		Note	EUR	EUR	9/30/2014 EUR	12/31/2013 EUR
1.	Cash reserve					
a)	Balances with central banks			95		(230)
	of which:					
	with Deutsche Bundesbank EUR 95 (py: EUR 230)					
					95	230
2.	Loans and advances to banks	3, 27				
a)	payable on demand			6,852,407,409		(6,671,729,501)
b)	other loans and advances			9,958,822,359		(8,213,339,021)
					16,811,229,768	14,885,068,522
3.	Loans and advances to customers	4, 5, 14, 27			13,785,763,447	15,711,872,873
	of which:					
	secured by mortgage charges EUR 329,562,657 (py: EUR 324,108,660)					
	Public-sector loans EUR 897,724,878 (py: EUR 945,382,323)					
4.	Bonds and other fixed-income securities	6, 15, 27				
a)	Bonds issued by					
aa)	public issuers		2,026,091,245			(1,919,896,885)
	of which:					
	eligible as collateral with Deutsche Bundesbank EUR 1,893,018,021 (py: EUR 1,785,526,385)					
ab)	other issuers		13,959,635,377			(16,493,114,113)
	of which:					
	eligible as collateral with Deutsche Bundesbank EUR 1,214,443,367 (py: EUR 2,015,135,877)					
				15,985,726,622		(18,413,010,998)
b)	Own bonds Notional value EUR 91,039,000 (py: EUR 442,411,000)			91,533,805		(443,756,946)
					16,077,260,427	18,856,767,944
5.	Equities and other non-fixed-income securities	7, 14			25,330,537	35,713,403
5a.	Trading portfolio	8			31,426,830,621	26,897,754,743
6.	Long-term equity investments	9			112,090,733	105,112,448
	of which:					
	in banks EUR 12,421,102 (py: EUR 12,421,102)					
	in financial service providers EUR 0 (py: EUR 0)					
7.	Shares in affiliates	10			1,700,493,049	1,790,922,575
	of which:					
	in banks EUR 1,619,434,304 (py: EUR 1,722,941,373)					
	in financial service providers EUR 10,799,775 (py: EUR 10,719,705)					
8.	Trust assets	11			266,118	915,070
	of which:					
	trust loans EUR 266,118 (py: EUR 915,070)					
9.	Intangible assets					
a)	paid concessions, trademarks and similar rights and values such as licenses in such rights			29,579		(50,036)
					29,579	50,036
10.	Tangible fixed assets				186,932	186,674
11.	Other assets	12			47,138,196	559,917,010
12.	Prepaid expenses/accrued income	13			60,349,243	66,866,534
Total assets					80,046,968,745	78,911,148,062

Liabilities and equity

		Note	EUR	EUR	9/30/2014 EUR	12/31/2013 EUR
1.	Deposits from banks	13, 16				
a)	payable on demand			2,324,477,560		2,144,560,920
b)	with an agreed maturity or withdrawal notice			2,849,368,609		3,839,763,162
					5,173,846,169	5,984,324,082
2.	Deposits from customers	13, 17				
	other deposits					
a)	payable on demand			141,525,742		122,221,081
b)	with an agreed maturity or withdrawal notice			6,047,581,334		6,609,753,908
					6,189,107,076	6,731,974,989
3.	Debt securities in issue	13, 18				
a)	Bonds			1,071,564,660		2,786,995,201
b)	Other debt securities in issue			35,317,562,892		35,336,527,749
	of which:					
	Money market instruments EUR 8,561,858,127 (py: EUR 6,733,598,662)					
					36,389,127,552	38,123,522,950
3a.	Trading portfolio	19			31,158,914,438	27,119,574,619
4.	Trust liabilities	20			266,118	915,070
	of which:					
	trust loans EUR 266,118 (py: EUR 915,070)					
5.	Other liabilities	21			82,491,697	9,687,797
6.	Accruals/deferred income	22			26,252,738	34,552,072
7.	Provisions	23				
a)	Tax provisions			2,440,282		2,338,097
b)	Other provisions			429,664,345		339,033,316
					432,104,627	341,371,413
8.	Fund for general bank risks				9,323,140	9,323,140
	of which special item pursuant to § 340e (4) HGBEUR 9,323,140 (py: EUR 9,323,140)					
9.	Equity	24				
a)	Called capital					
	Subscribed capital		500,000			500,000
	less uncalled outstanding capital		0			0
				500,000		500,000
b)	Capital reserves			3,013,237,214		3,013,237,214
c)	Revenue reserves					
	Other revenue reserves		2,431,408			2,431,408
				2,431,408		2,431,408
d)	Net retained losses			-2,430,633,432		-2,460,266,692
					585,535,190	555,901,930
Total liabilities and equity					80,046,968,745	78,911,148,062
1.	Contingent liabilities	29				
	Liabilities on guarantees and warrantees			9,096,512,018		(11,595,387,164)
					9,096,512,018	11,595,387,164
2.	Other obligations	29				
	Irrevocable loan commitments			4,219,645,146		(4,633,129,161)
					4,219,645,146	4,633,129,161

Income statement

		Note	EUR	EUR	1/1 - 9/30/2014 EUR	1/1 - 9/30/2013 EUR
1.	Interest income from	25				
a)	Lending and money market transactions		423,182,443			(724,799,168)
b)	Fixed-income securities and debt register claims		169,216,348			(208,706,788)
				592,398,791		(933,505,956)
2.	Interest expense			492,263,440		(707,686,657)
					100,135,351	225,819,299
3.	Current income from	25				
a)	Equities and other non-fixed-income securities			6,631		(1,314,019)
b)	Long-term equity investments			1,748,044		(909,003)
c)	Shares in affiliates			1,116,323		(176,716)
					2,870,998	2,399,738
4.	Fee and commission income	25		64,221,361		(171,588,707)
5.	Fee and commission expense			22,599,518		(23,627,258)
					41,621,843	147,961,449
6.	Net trading result				-18,800,543	75,517,155
7.	Other operating income	25, 26			1,900,231	664,843
8.	General and administrative expenses					
a)	Personnel expenses					
aa)	Wages and salaries		14,804,251			(12,300,119)
ab)	Compulsory social security contributions and expenses for pensions and other employee benefits		1,594,854			(1,020,650)
	of which					
	for pensions EUR 444,255 (py: EUR 0)					
				16,399,105		(13,320,769)
b)	Other administrative expenses			235,220,232		(282,570,218)
					251,619,337	295,890,987
9.	Depreciation and write-offs of claims and certain securities as well as additions to provisions in the lending business				57,396	50,780
10.	Other operating expenses	26			3,484,083	3,488,356
11.	Depreciation and write-offs of claims and certain securities as well as additions to provisions in the lending business	23, 27			37,583,089	288,868,707
12.	Income from appreciations of long-term equity investments, shares in affiliates and long-term securities	27			195,450,405	168,971,838
13.	Result from ordinary activities				30,434,380	33,035,492
14.	Taxes on income and earnings	28			801,042	802,742
15.	Other taxes not reported under item 10				78	14,715
16.	Net profit of the year				29,633,260	32,218,035
17.	Net retained losses brought forward				-2,460,266,692	-2,519,309,076
18.	Net retained losses				-2,430,633,432	-2,487,091,041

Cash flow statement

			1/1 - 9/30/2014 EUR	1/1 - 9/30/2013 EUR
1.		Result for the period before extraordinary items	29,633,260	32,218,035
		Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities		
2.	+/–	Allowances for losses on loans and advances and write-offs on certain securities, depreciation, amortization on tangible fixed assets and long term financial assets as well as the reversal thereof	-200,015,443	182,531,785
3.	+/–	Increase/decrease in provisions	90,733,215	-97,031,240
4.	+/–	Other non-cash income/expense	318,897,610	-448,045,925
5.	–/+	Gain/loss on disposal of long-term financial assets and tangible fixed assets	-27,369,741	-35,014,260
6.	–/+	Other adjustments (net)	-102,205,307	-227,416,296
7.	=	Subtotal	109,673,594	-592,757,901
		Change in operating assets and liabilities		
8.		Loans and advances (no trading portfolio)		
8a.	+/–	– to banks	-2,077,637,767	6,301,327,545
8b.	+/–	– to customers	1,955,127,883	4,685,500,791
9.	+/–	Securities (no trading portfolio)	2,781,760,776	5,619,629,164
10.	+/–	Trading assets	144,165,931	2,190,017,592
11.	+/–	Other operating assets	519,729,954	-3,699,791
12.		Deposits (no trading portfolio)		
12a.	+/–	– from banks	-797,081,273	-1,086,629,228
12b.	+/–	– from customers	-557,597,128	-162,605,224
13.	+/–	Debt securities in issue	-1,639,198,327	-17,044,339,818
14.	+/–	Trading liabilities	-952,799,600	-1,845,804,485
15.	+/–	Other operating liabilities	72,801,648	-441,839,783
16.	+	Interest and dividends received	613,522,993	982,614,308
17.	–	Interest paid	-576,907,534	-846,135,088
18.	+	Extraordinary receipts	0	0
19.	–	Extraordinary payments	0	0
20.	+/–	Income tax payments	-4,932,622	-8,783,949
21.	=	Cash flows from operating activities	**-409,371,472**	**-2,253,505,867**
22.		Proceeds from disposal of	0	0
22a.	+	– long-term financial assets	466,415,345	63,689,933
22b.	+	– tangible fixed assets	0	0
23.		Purchase of	0	0
23a.	–	– long-term financial assets	-198,797,928	-47,046,250
23b.	–	– tangible fixed assets	-37,197	-66,226
24.	+	Receipts from disposal of consolidated subsidiaries and other business units	0	0
25.	–	Purchase of consolidated subsidiaries and other business units	0	0
26.	+/–	Changes in cash due to other investing activities (net)	0	0
27.	=	Cash flows from investing activities	**267,580,220**	**16,577,457**
28.	+	Cash receipts from issue of capital	0	0
29.		Cash payments to owners and minority shareholders	0	0
29a.	–	– Dividend payments	0	0
29b.	–	– Other payments	0	0
30.	+/–	Changes in other capital (net)	0	-13,100,000
31.	=	Cash flows from financing activities	**0**	**-13,100,000**
32.		Net change in cash funds (sum of 21, 27, 31)	-141,791,252	-2,250,028,410
33.	+/–	Effect on cash funds of exchange rate movements, changes in reporting entity structure and remeasurement	0	0
34.	+	Cash funds at beginning of period	163,239,343	2,367,478,189
35.	=	Cash funds at end of period	**21,448,091**	**117,449,779**

The cash and cash equivalents contain the current accounts maintained at Portigon and Deutsche Bundesbank (demand deposits). Further cash funds as defined by DRS 2.16 et seq. do not exist at the present time.

Statement of changes in equity

	Balance as of 1/1/2014 EUR	Transfer related changes EUR	Other change in capital EUR	Appropriation of the result EUR	Balance as of 9/30/2014 EUR
Called capital	500,000	0	0	0	500,000
Capital reserves	3,013,237,214	0	0	0	3,013,237,214
Other revenue reserves	2,431,408	0	0	0	2,431,408
Net retained losses	-2,460,266,692	0	0	29,633,260	-2,430,633,432
Equity under HGB	**555,901,930**	**0**	**0**	**29,633,260**	**585,535,190**

	Balance as of 1/1/2013 EUR	Transfer related changes EUR	Other change in capital EUR	Appropriation of the result EUR	Balance as of 9/30/2013 EUR
Called capital	500,000	0	0	0	500,000
Capital reserves	3,026,337,214	-13,100,000	0	0	3,013,237,214
Other revenue reserves	2,431,408	0	0	0	2,431,408
Net retained losses	-2,519,309,076	0	0	32,218,035	-2,487,091,041
Equity under HGB	**509,959,546**	**-13,100,000**	**0**	**32,218,035**	**529,077,581**

Condensed notes

For the period from January 1 to September 30, 2014

General disclosures

1. Preparation of the interim financial statements

In accordance with section 8a (1) sentence 10 in conjunction with section 3a (4) of the FMStFG and the additional guidance of the EAA's charter, these interim financial statements have been prepared under the provisions of the HGB for large public companies and the RechKredV. The condensed financial statements comply in particular with the requirements of DRS 16 (Interim Reporting).

The information contained in this interim report should be read in conjunction with that contained in the published and audited financial statements for the fiscal year from January 1 to December 31, 2013. All facts were considered up to the time these interim financial statements were prepared.

2. Accounting and measurement principles

The same accounting and measurement principles were applied to the interim financial statements as to the financial statements for the financial year from January 1 to December 31, 2013. Changes are explained in the notes.

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

Notes on the balance sheet

3. Loans and advances to banks

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**16,811.2**	**14,885.1**
of which:		
– to affiliates	5,611.4	4,388.1
– to long-term equity investments	-	-
payable on demand	6,852.4	6,671.7
due		
– within 3 months	8,666.6	6,736.8
– 3 months to 1 year	437.6	377.1
– 1 to 5 years	808.7	820.9
– after 5 years	45.9	278.6

4. Loans and advances to customers

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**13,785.8**	**15,711.9**
of which:		
– to affiliates	1,665.4	734.6
– to long-term equity investments	281.2	308.5
due		
– within 3 months	2,389.1	2,494.6
– 3 months to 1 year	2,593.6	2,187.2
– 1 to 5 years	4,573.8	6,263.2
– after 5 years	4,229.3	4,766.9

5. Loans and advances secured by mortgages

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**329.6**	**324.1**
Loans and advances to customers due		
– within 3 months	31.1	5.3
– 3 months to 1 year	11.1	36.7
– 1 to 5 years	74.6	57.4
– after 5 years	212.8	224.7

6. Bonds and other fixed-income securities

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**16,077.3**	**18,856.8**
of which:		
Amounts due in the following year	510.9	1,404.6
Breakdown		
– Bonds issued by public issuers	2,026.1	1,919.9
– Bonds issued by other issuers	13,959.7	16,493.1
– Own bonds	91.5	443.8
Breakdown by marketability		
– Marketable securities	16,077.3	18,856.8
of which		
– listed	3,832.7	4,836.5
– unlisted	12,244.6	14,020.3
Breakdown by type		
– Liquidity reserve	91.5	443.8
– Investment securities	15,985.8	18,413.0
Breakdown by affiliation		
– Securities of affiliates	324.1	477.1
– Securities of long-term equity investments	-	-

7. Equities and other non-fixed income securities

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**25.3**	**35.7**
Breakdown by marketability		
– Marketable securities	25.3	25.7
of which:		
– listed	5.7	6.1
– unlisted	19.6	19.6
Breakdown by type		
– Liquidity reserve	5.4	5.4
– Investment securities	19.9	30.3

8. Trading portfolio

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**31,426.8**	**26,897.8**
of which:		
– Derivative financial instruments	31,391.1	26,844.0
– Equities and other non-fixed-income securities	36.1	52.9
– Loans and advances	2.3	2.2
– Bonds and other fixed-income securities	0.1	4.6
– Risk allowance pursuant to § 340e (3) sentence 1 HGB	-2.8	-5.9

9. Long-term equity investments

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	112.1	105.1
of which:		
– in banks	12.4	12.4
– in financial service providers	-	-
Breakdown by marketability		
– Marketable securities	53.6	51.6
of which:		
– listed	31.2	29.2
– unlisted	22.4	22.4

The change in marketable and listed securities compared with the ending balance on December 31, 2013 is attributable to a company that has been listed on the stock exchange since December 6, 2013.

10. Shares in affiliates

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**1,700.5**	**1,790.9**
of which:		
– in banks	1,619.4	1,722.9
– in financial service providers	10.8	10.7
Breakdown by marketability		
– Marketable securities	1,184.3	1,184.6
of which:		
– unlisted	1,184.3	1,184.6

11. Trust assets

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**0.3**	**0.9**
of which:		
– Loans and advances to customers	0.3	0.9

12. Other assets

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**47.1**	**559.9**
of which:		
– Guarantee fees and commissions	28.4	21.8
– Tax refund claims	15.9	11.3
– Premiums for options	2.1	2.1
– Currency translation adjustments	-	432.5
– Receivables from profit and loss pooling agreements	-	61.6

The guarantee fees included in Other assets consist of receivables from Portigon totaling EUR 15.7 million. In the prior year these transactions were reported under Loans and advances to banks.

13. Prepaid expenses/accrued income

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**60.3**	**66.9**
of which:		
– Non-recurring payments on swaps	36.0	42.5
– Discount on issuing business	16.8	19.6
– Discount on liabilities	3.5	3.8
– Other	4.0	1.0

14. Subordinated assets

Subordinated assets are included in:

	9/30/2014 EUR million	12/31/2013 EUR million
Loans and advances to customers	**632.8**	**392.1**
of which:		
– to affiliates	240.8	-
– to long-term equity investments	1.9	1.9
Equities and other non-fixed-income securities	**19.6**	**29.6**
of which:		
– to affiliates	-	-
– to long-term equity investments	-	-
Total	**652.4**	**421.7**

15. Assets sold under repurchase agreements

The carrying amount of the assets sold under repurchase agreements is EUR 0.0 million (previous year: EUR 0.2 million).

16. Deposits from banks

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**5,173.8**	**5,984.3**
of which:		
– Deposits from affiliates	98.0	185.5
– Deposits from long-term equity investments	-	-
Payable on demand	2,324.5	2,144.6
due		
– within 3 months	570.1	641.1
– 3 months to 1 year	600.4	965.6
– 1 to 5 years	1,447.3	1,987.4
– after 5 years	231.5	245.6

17. Deposits from customers

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**6,189.1**	**6,732.0**
of which:		
– Deposits from affiliates	-	-
– Deposits from long-term equity investments	-	-
Other deposits	6,189.1	6,732.0
of which:		
– payable on demand	141.5	122.2
due		
– within 3 months	1,387.1	1,340.6
– 3 months to 1 year	722.3	675.7
– 1 to 5 years	1,555.8	1,911.0
– after 5 years	2,382.4	2,682.5

18. Debt securities in issue

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**36,389.1**	**38,123.5**
of which:		
– from affiliates	-	-
– from long-term equity investments	-	-
Bonds	1,071.6	2,787.0
of which:		
Amounts due in the following year	838.4	1,806.9
Other debt securities in issue	35,317.5	35,336.5
of which due:		
– within 3 months	9,589.9	9,650.0
– 3 months to 1 year	8,810.1	4,037.5
– 1 to 5 years	16,763.0	21,494.5
– after 5 years	154.5	154.5

19. Trading portfolio

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**31,158.9**	**27,119.6**
of which:		
– Derivative financial instruments	31,158.8	27,119.4
– Liabilities	0.1	0.2

20. Trust liabilities

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**0.3**	**0.9**
of which:		
– Deposits from banks	0.3	0.2
– Deposits from customers	-	0.7

21. Other liabilities

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**82.5**	**9.7**
of which:		
– Currency translation adjustments	79.0	-
– Premiums from options	2.1	2.1
– Deposits from the assumption of losses	0.4	4.3
– Payable syndication fees	0.1	2.3
– Obligations from swap transactions	-	0.1

22. Accruals/deferred income

	9/30/2014 EUR million	12/31/2013 EUR million
Carrying amount	**26.3**	**34.6**
of which:		
– Non-recurring payments on swaps	18.7	23.5
– Premium on issuing business	4.8	8.9
– Guarantee fees and commissions received in advance	1.4	-
– Premiums for sold interest rate caps and floors	1.3	1.3
– Other	0.1	0.9

23. Provisions

	Balance as of 12/31/2013 EUR million	Additions EUR million	Unwinding of discount EUR million	Charge-offs EUR million	Reversals EUR million	Other changes EUR million	Final balance 9/30/2014 EUR million
Taxes	**2.4**	**-**	**-**	**-**	**-**	**-**	**2.4**
Other provisions	**339.0**	**245.5**	**0.9**	**135.6**	**25.7**	**5.6**	**429.7**
– Loans	198.5	112.3	-	34.1	21.5	-8.0	247.2
– Long-term equity investments	19.9	0.1	0.4	0.6	1.0	1.1	19.9
– Legal actions	16.0	2.4	0.2	0.1	0.5	0.3	18.3
– Personnel	0.3	-	-	-	-	-	0.3
– Other	104.3	130.7	0.3	100.8	2.7	12.2	144.0
Total	**341.4**	**245.5**	**0.9**	**135.6**	**25.7**	**5.6**	**432.1**

24. Equity

The EAA's subscribed capital amounts to EUR 500,000.00 as at September 30, 2014.

From the transfers within the scope of the first fill, the EAA received additions to the capital reserve in the amount of EUR 3,137.0 million. Due to the refill in fiscal year 2012 the capital reserve was reduced by EUR 123.8 million, of which EUR 13.1 million in 2013 was due to a contractual value adjustment clause. This reduction is essentially caused by the measures agreed in the content of the key point agreement dated June 29, 2011 and the binding transcript dated June 18, 2012.

Other reserves amounted to EUR 2.4 million and result from the reversal of provisions for which the book values were reduced as a result of the change in the measurement of obligations under the BilMoG.

The EAA's net profit for the first three quarters of 2014 amounts to EUR 29.6 million and decreases net retained losses carried forward to EUR 2,430.6 million as at September 30, 2014.

Notes on the income statement

25. Geographical breakdown of income components

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

	Interest income	Current income	Fees and commission income	Other operating income
	1/1 - 9/30/2014	1/1 - 9/30/2014	1/1 - 9/30/2014	1/1 - 9/30/2014
	EUR million	EUR million	EUR million	EUR million
Germany	421.8	1.7	59.4	1.9
Great Britain	99.2	0.1	2.9	-
Rest of Europe	3.8	-	0.6	-
Far East and Australia	14.2	-	0.4	-
North America	53.4	1.1	0.9	-
Income statement amount	**592.4**	**2.9**	**64.2**	**1.9**

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

26. Other operating and prior-period expenses and income

Net other operating expenses and income in the first three quarters of 2014 amount to EUR -1.6 million (previous year: EUR -2.8 million) and consist of EUR 3.5 million (previous year: EUR 3.5 million) in expenses and EUR 1.9 million (previous year: EUR 0.7 million) in income.

There were no material prior-period expenses and income in either the first nine months of 2014 or in the previous year.

27. Risk provision

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

	1/1 - 9/30/2014	1/1 - 9/30/2013
	EUR million	EUR million
Risk provision and financial investment result (regarding RechKredV)	**157.9**	**-119.9**
Loans and securities income/expense	**-37.6**	**-288.9**
of which: - Lending operations	-37.7	-295.4
- Securities	0.1	6.5
Equity investments and securities income/expenses	**195.5**	**169.0**
of which: - Long-term equity investments	186.6	-1.9
- Securities	8.9	170.9
Risk provision and financial investment result (regarding risk report)	**157.9**	**-119.9**
Result of risk provisions - loans and advances/securities due to credit risk	**-40.3**	**-123.5**
of which: - Lending operations	-47.8	-173.9
- Structured securities	7.5	50.4
Net income from investment securities and long-term equity investments	**198.2**	**3.6**

The EAA always makes use of the options available under section 340f (3) and section 340c (2) of the HGB. Under section 340f (3) of the HGB, income and expenses resulting from the valuation in the lending business may be reported on a net basis with risk provisions for securities and income from the reversal of risk provisions on securities of the liquidity reserve. The net expense totals EUR 37.6 million (previous year: net expense of EUR 288.9 million). According to section 340c (2) of the HGB, the expenses for long-term equity investments, shares in affiliates as well as for securities of the fixed assets may be offset against the corresponding earnings. Overall, the EAA shows an income of EUR 195.5 million (previous year: income of EUR 169.0 million) as the risk result for equity investments and securities.

28. Taxes on income and earnings and other taxes

Taxes on income and earnings amounting to EUR 0.8 million (previous year: EUR 0.8 million) primarily relate to foreign taxes.

Other disclosures

29. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 9.1 billion (previous year: EUR 11.6 billion) primarily resulted from guarantees for Portigon's risk exposures. They include obligations from credit default swaps amounting to EUR 756.5 million (previous year: EUR 739.7 million). Regarding these contingent liabilities, the EAA has no detailed knowledge whether, when, or the extent to which these specific contingent liabilities will be realized. A provision will be made as soon as there are sufficient concrete indications of probable losses being realized on the contingent liabilities.

Other liabilities

The reported volume of EUR 4.2 billion (previous year: EUR 4.6 billion) is due to the lending business. The EAA constantly reviews whether losses from other liabilities are impending and if a provision needs to be made for impending losses from pending transactions.

30. Forward contracts/derivative financial instruments

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

- **Interest rate-related products**
  Interest rate swaps, interest rate futures, forward rate agreements, interest rate caps, interest rate floors, interest rate collars, swaptions and interest rate options
- **Currency-related products**
  Cross-currency interest rate swaps, forward cross-currency interest rate swaps, forward exchange contracts and currency option contracts
- **Equity- and other price-related products**
  Share options, index options, share and index warrants in issue
- **Credit derivatives**
  Credit default swaps, total return swaps and credit-linked notes

The total volume of forward transactions and derivatives transactions on the reporting date amounts to EUR 558.6 billion based on notional values (previous year: EUR 684.8 billion). Most of the balance continues to be in interest rate-related products, whose share declined to 81.2% (previous year: 82.6%) of the total volume.

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

The prior-year values of the notional volume and market values of exchange-traded interest and equity-related products as well as the notional volume of OTC credit derivatives were restated because more transactions had to be assigned to these categories than were initially allocated. These adjustments had no impact on the balance sheet or income statement.

Derivative financial instruments – volume as of the balance sheet date

	Notional amount		Positive market values		Negative market values	
	9/30/2014 EUR million	12/31/2013 EUR million	9/30/2014 EUR million	12/31/2013 EUR million	9/30/2014 EUR million	12/31/2013 EUR million
Interest rate-related products	**453,361.2**	**565,336.4**	**29,684.0**	**25,098.8**	**29,461.7**	**24,504.8**
OTC products	448,405.7	560,153.2	29,684.0	25,098.7	29,461.7	24,504.7
Exchange-traded products	4,955.5	5,183.2	-	0.1	-	0.1
Currency-related products	**93,437.7**	**105,662.5**	**3,028.0**	**2,290.4**	**2,833.9**	**1,780.4**
OTC products	93,437.7	105,662.5	3,028.0	2,290.4	2,833.9	1,780.4
Equity- and other price-related products	**9,416.7**	**10,578.3**	**451.8**	**504.6**	**520.1**	**913.4**
OTC products	3,200.4	3,960.2	195.8	201.2	225.2	300.8
Exchange-traded products	6,216.3	6,618.1	256.0	303.4	294.9	612.6
Credit derivatives	**2,338.9**	**3,242.9**	**14.2**	**41.4**	**17.4**	**48.0**
OTC products	2,338.9	3,242.9	14.2	41.4	17.4	48.0
Total derivative financial instruments	**558,554.5**	**684,820.1**	**33,178.0**	**27,935.2**	**32,833.1**	**27,246.6**
OTC products	547,382.7	673,018.8	32,922.0	27,631.7	32,538.2	26,633.9
Exchange-traded products	11,171.8	11,801.3	256.0	303.5	294.9	612.7

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 615.5 billion during the current fiscal year 2014 (previous year: EUR 778.0 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	9/30/2014 EUR million	12/31/2013 EUR million	9/30/2014 EUR million	12/31/2013 EUR million	9/30/2014 EUR million	12/31/2013 EUR million
Interest rate-related products	**506,558.9**	**639,593.3**	**27,262.0**	**29,898.1**	**26,759.4**	**29,240.6**
OTC products	503,060.0	630,067.4	27,262.0	29,897.9	26,759.4	29,240.5
Exchange-traded products	3,498.9	9,525.9	-	0.2	-	0.1
Currency-related products	**98,080.2**	**117,413.8**	**2,230.8**	**3,960.9**	**1,918.7**	**3,604.7**
OTC products	98,080.2	117,413.8	2,230.8	3,960.9	1,918.7	3,604.7
Equity- and other price-related products	**8,507.3**	**14,755.9**	**406.0**	**992.7**	**635.6**	**1,332.9**
OTC products	3,663.6	5,526.2	201.4	373.7	264.9	459.5
Exchange-traded products	4,843.7	9,229.7	204.6	619.0	370.7	873.4
Credit derivatives	**2,401.6**	**6,252.5**	**23.9**	**157.2**	**27.5**	**164.6**
OTC products	2,401.6	6,252.5	23.9	157.2	27.5	164.6
Total derivative financial instruments	**615,548.0**	**778,015.5**	**29,922.7**	**35,008.9**	**29,341.2**	**34,342.8**
OTC products	607,205.4	759,259.9	29,718.1	34,389.7	28,970.5	33,469.3
Exchange-traded products	8,342.6	18,755.6	204.6	619.2	370.7	873.5

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

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

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity- and other price-related products		Credit derivatives	
	9/30/2014 EUR million	12/31/2013 EUR million	9/30/2014 EUR million	12/31/2013 EUR million	9/30/2014 EUR million	12/31/2013 EUR million	9/30/2014 EUR million	12/31/2013 EUR million
Due								
– within 3 months	25,270.2	65,442.3	18,609.1	10,981.2	3,567.2	1,104.4	35.5	523.0
– 3 months to 1 year	79,065.3	72,423.6	19,340.7	24,056.2	288.4	4,053.0	1,278.9	413.3
– 1 to 5 years	183,177.8	233,122.2	39,532.6	53,145.1	3,620.9	3,544.2	915.2	2,127.3
– after 5 years	165,847.9	194,348.3	15,955.3	17,480.0	1,940.2	1,876.7	109.3	179.3
Total	**453,361.2**	**565,336.4**	**93,437.7**	**105,662.5**	**9,416.7**	**10,578.3**	**2,338.9**	**3,242.9**

31. Number of employees

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

	Female	Male	Total 1/1 - 9/30/2014	Total 1/1 - 9/30/2013
Number of employees	48	82	130	117

32. EAA shareholders

	9/30/2014 in %	12/31/2013 in %
NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
Total	**100.000**	**100.000**

33. Memberships of other bodies held by Managing Board members

In the first three quarters of 2014, the following members of the Managing Board of the EAA were members of a supervisory board or other supervisory bodies of large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB. Details of the memberships of other bodies marked with * are provided on a voluntary basis as the companies are not classed as large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB.

Matthias Wargers
Börse Düsseldorf AG (until June 4, 2014) *
EAA Portfolio Advisers GmbH (since June 17, 2014) *
Westdeutsche ImmobilienBank AG

Markus Bolder
EAA Portfolio Advisers GmbH (since June 17, 2014) *
Westdeutsche ImmobilienBank AG

Horst Küpker
Börse Düsseldorf AG *

34. Memberships of other bodies held by employees

In the first three quarters of 2014, the following employees of the EAA were members of a supervisory board or other supervisory bodies of public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB. Details of the memberships of other bodies marked * are provided on a voluntary basis as the companies are not classed as large public companies pursuant to section 340a (4) no. 1 in conjunction with section 267 (3) of the HGB.

Dr. Ulf Bachmann
Basinghall Finance Plc (since February 13, 2014)
Westdeutsche ImmobilienBank AG

Gabriele Müller
Basinghall Finance Plc
EAA Corporate Services Public Limited Company *
EAA Covered Bond Bank Plc
EAA Portfolio Advisers GmbH (since June 17, 2014) *

Hartmut Rahner
EAA Corporate Services Public Limited Company *
EAA Covered Bond Bank Plc

Alexander Tcherepnine
Banco Finantia S.A.

35. Executive bodies of the EAA

Members of the Managing Board of the EAA

Matthias Wargers (Spokesman)
Markus Bolder
Horst Küpker

Members of the Supervisory Board of the EAA

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

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

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

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

Michael Breuer
President of the Rheinischer Sparkassen- und Giroverband

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

Wilfried Groos
Chairman of the Managing Board of the Sparkasse Siegen

Dr. Wolfgang Kirsch (until June 30, 2014)
Director of the Landschaftsverband Westfalen-Lippe

Matthias Löb (since July 1, 2014)
Director of the Landschaftsverband Westfalen-Lippe

Hans Martz
Chairman of the Managing Board of Sparkasse Essen

Michael Stölting
Member of the Managing Board of NRW.BANK

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

Dr. Uwe Zimpelmann
Former Chairman of the Landwirtschaftliche Rentenbank

Stakeholders' Meeting of the EAA

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

36. Information on shareholdings

Supplementary disclosures pursuant to section 285 Nos. 11 and 11a HGB

Disclosing party: Erste Abwicklungsanstalt; dated: September 30, 2014
Target currency/unit: EUR/EUR thousand (all currency exchange rates have been converted into EUR as of September 30, 2014); interest and voting rights in %

Other shareholdings

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
1	Basinghall Finance Plc 13)	London, Great Britain	100.00		GBP	23,822	2,909
2	BfP Beteiligungsgesellschaft für Projekte mbH 1) 13)	Düsseldorf	80.00		EUR	25	0
3	Börse Düsseldorf AG 13)	Düsseldorf	21.95		EUR	34,391	1,540
4	Castello di Casole Agricoltura S.r.l. società agricola 1) 9)	Casole d'Elsa, Italy	100.00		EUR	100	-40
5	Castello di Casole S.r.l. 9)	Casole d'Elsa, Italy	100.00		EUR	6,046	-14,731
6	Castello Resort Villas S.r.l. 9)	Casole d'Elsa, Italy	100.00		EUR	978	5
7	CBAL S.A. 2) 11)	Braine l'Alleud, Belgium	100.00		EUR	889	4
8	COREplus Private Equity Partners GmbH & Co. KG 1) 9)	Düsseldorf	36.52	0.00	EUR	27,722	5,001
9	COREplus Private Equity Partners II - Diversified Fund, L. P. 13)	Wilmington, USA	24.75	0.00	USD	38,852	3,302
10	Dussinvest2 Beteiligungsgesellschaft mbH 4) 13)	Düsseldorf	100.00		EUR	232	0
11	Dusskapital Zwanzig Beteiligungsgesellschaft mbH 13)	Düsseldorf	100.00		EUR	28	5
12	EAA Corporate Services Public Limited Company 13)	Dublin 1, Ireland	100.00		EUR	785	745
13	EAA Covered Bond Bank Plc 13) 14)	Dublin 1, Ireland	100.00		EUR	837,785	-3,026
14	EAA DLP I LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
15	EAA DLP II LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
16	EAA DLP III LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
17	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. 13)	Sao Paulo, Brasilia	100.00		BRL	3,225	901
18	EAA Europa Holding GmbH 4) 9)	Düsseldorf	100.00		EUR	42,570	0
19	EAA Japan K.K. 3) 12)	Minato-ku, Japan	100.00		JPY	70,378	4,383
20	EAA LAT ABC LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
21	EAA LAT II LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
22	EAA LS Holdings LLC 1)	Wilmington, USA	100.00			n. s.	n. s.
23	EAA Portfolio Advisers GmbH 13)	Düsseldorf	100.00		EUR	24	-1
24	EAA Portfolio Advisers LLC 1)	New York, USA	100.00			n. s.	n. s.
25	EAA Triskele LLP 1)	Wilmington, USA	100.00			n. s.	n. s.
26	EAA US Holdings Corporation	Wilmington, USA	100.00			n. s.	n. s.
27	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH 1) 13)	Berlin	47.50		EUR	515	-119
28	Erste EAA-Beteiligungs GmbH 13)	Düsseldorf	100.00		EUR	16	-8
29	Fischerinsel Beteiligungs-GmbH i.L. 1) 13)	Mainz	100.00		EUR	13	-3
30	Fischerinsel Vermietungs GmbH & Co.KG i.L. 1) 13)	Mainz	100.00		EUR	5	-2,305
31	Frankonia Eurobau Max-Viertel GmbH 1) 6)	Nettetal	25.00		EUR	-31,484	-2,918
32	GID Gesellschaft für Innenstadtentwicklung in Duisburg mbH 1) 9)	Hamburg	45.00		EUR	-3	0
33	GKA Gesellschaft für kommunale Anlagen mbH 1) 13)	Düsseldorf	100.00		EUR	154	-37
34	GML Gewerbepark Münster-Loddenheide GmbH 1) 13)	Münster	33.33		EUR	11,549	1,698
35	Heber Avenue Partners LLC 13)	Dover, USA	100.00		USD	0	n. s.
36	Home Partners Holdco LLC 13)	Dover, USA	100.00		USD	87	-6
37	KA Deutschland Beteiligungs GmbH & Co KG 1) 9)	Düsseldorf	100.00		EUR	2,965	-17
38	Kassiterit Beteiligungs GmbH 1) 9)	Düsseldorf	100.00		EUR	19	-3
39	KB Zwei Länder Beteiligungs- und Verwaltungs GmbH & Co. KG 1) 9)	Düsseldorf	100.00		EUR	711	-10
40	KB Zwei Länder Beteiligungsgesellschaft mbH 1) 9)	Düsseldorf	100.00		EUR	467	-54
41	Leasing Belgium N.V. 1) 13)	Antwerp, Belgium	100.00		EUR	581	-101
42	LIFE.VALUE Construction GmbH 1) 13)	Düsseldorf	100.00		EUR	-2,658	2
43	LIFE.VALUE GmbH & Co. 11/14 Centre KG 1) 13)	Düsseldorf	100.00		EUR	559	509
44	Life.Value Properties GmbH 1) 13)	Düsseldorf	100.00		EUR	-362	37
45	MCC Bradley LLC 1)	East Hartford, USA	100.00			n. s.	n. s.
46	MCC Divot Place LLC 1)	Wilmington, USA	100.00			n. s.	n. s.
47	MCC Lake Unity LLC 1)	Wilmington, USA	100.00			n. s.	n. s.
48	MCC Monroe LLC 1)	Princeton, USA	100.00			n. s.	n. s.
49	MCC SB Condo LLC 1)	Wilmington, USA	100.00			n. s.	n. s.
50	Methuselah Life Markets Limited 13)	London, Great Britain	100.00		GBP	1,198	-16

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
51	MFC Black Horse LLC 1)	New York, USA	100.00			n. s.	n. s.
52	MFC CMark LLC 1) 13)	New York, USA	100.00		USD	154	-59
53	MFC Eagle Realty LLC 1)	New York, USA	100.00			n. s.	n. s.
54	MFC Holdco LLC 1) 13)	New York, USA	100.00		USD	8,248	-1,065
55	MFC Jennings Gateway LLC 1)	New York, USA	100.00			n. s.	n. s.
56	MFC Leominster LLC 1)	New York, USA	100.00			n. s.	n. s.
57	MFC MAR-COMM LLC 1)	New York, USA	100.00			n. s.	n. s.
58	MFC New Paradigm LLC 1)	New York, USA	100.00			n. s.	n. s.
59	MFC ParcOne LLC 1)	New York, USA	100.00			n. s.	n. s.
60	MFC Pinecrest LLC 1)	New York, USA	100.00			n. s.	n. s.
61	MFC Real Estate LLC 1) 13)	New York, USA	100.00		USD	8,012	-997
62	MFC Spanish Trails LLC 1)	New York, USA	100.00			n. s.	n. s.
63	MFC Twin Builders LLC 1) 13)	New York, USA	100.00		USD	83	-9
64	Mod CapTrust Holding LLC 1) 13)	Dover, USA	100.00		USD	0	k. A.
65	Monolith Grundstücksverwaltungsgesellschaft mbH 1) 13)	Mainz	100.00		EUR	92	6
66	Nephelin Grundstücksverwaltungsgesellschaft mbH 1) 13)	Mainz	100.00		EUR	-48	-3
67	ParaFin LLC 1) 13)	New York, USA	100.00		USD	0	1,951
68	Pathos Bay LLC 13)	Dover, USA	100.00		USD	4,542	-1,518
69	PE Projekt-Entwicklungsgesellschaft mbH 1) 13)	Düsseldorf	100.00		EUR	26	-1
70	PE Projekt-Entwicklungsgesellschaft mbH & Co. Büro- und Businesscenter Leipzig Park KG 2) 13)	Düsseldorf	94.90	83.33	EUR	6	-348
71	PM Portfolio Management GmbH 1) 13)	Düsseldorf	100.00		EUR	63	1
72	Projekt Carrée am Bahnhof GmbH & Co. Bürozentrum KG in Insolvenz 1) 5)	Bad Homburg	51.00		EUR	-3,572	-117
73	Projekt Carrée am Bahnhof Verwaltungs GmbH in Insolvenz 1) 5)	Bad Homburg	51.00		EUR	-13	0
74	Projektentwicklungsgesellschaft Gartenstadt Wildau Röthegrund II mbH 1) 9)	Wildau	94.00		EUR	-6,261	-7
75	Projektgesellschaft Klosterberg mbH 1) 13)	Münster	94.00		EUR	-567	-19
76	S-Chancen-Kapitalfonds NRW GmbH i.L. 9)	Haan	50.00		EUR	4,971	84
77	Sechste EAA-Beteiligungs GmbH	Düsseldorf	100.00			n. s.	n. s.
78	Special PEP II GP Investors L.L.C. 13)	Wilmington, USA	50.00	0.00	USD	304	-15
79	Standard Chartered (SFD No.2) Limited 7)	London, Great Britain	25.00		USD	0	0
80	Tanzbar CH Holdings LLC 13)	New York, USA	100.00		USD	0	n. s.
81	Tanzbar DB Holdings LLC 13)	New York, USA	100.00		USD	0	n. s.
82	Vierte EAA-Beteiligungs GmbH 13)	Düsseldorf	100.00		EUR	15	-8
83	Vivaldis Gesellschaft für strukturierte Lösungen S.A. 9)	Luxembourg, Luxembourg	100.00		EUR	34	48
84	West Equity Fonds GmbH 4) 13)	Düsseldorf	100.00		EUR	25	0
85	West Life Markets GmbH & Co. KG 4) 13)	Düsseldorf	100.00		EUR	1,312	0
86	West Merchant Limited 13)	London, Great Britain	100.00		GBP	21	-15
87	West Zwanzig GmbH 1) 4) 13)	Mainz	100.00		EUR	25	0
88	Westdeutsche Immobilien Fonds Beteiligungsgesellschaft mbH 1) 13)	Düsseldorf	100.00		EUR	42	0
89	Westdeutsche ImmobilienBank AG 3) 4) 13)	Mainz	100.00		EUR	876,577	0
90	Westdeutsche ImmobilienHolding GmbH 4) 13)	Mainz	94.60		EUR	5,539	0
91	Westfälische Textil-Gesellschaft Klingenthal & Co. mit beschränkter Haftung 10)	Salzkotten	25.26		EUR	10,165	-89
92	WestFonds 5 Büropark Aachen Laurensberg KG 1) 13)	Düsseldorf	49.16	49.11	EUR	2,931	-817
93	WestFonds 5 Palazzo Fiorentino Frankfurt KG 1) 13)	Düsseldorf	45.64	45.62	EUR	4,266	-495
94	WestFonds 5 Walle-Center Bremen KG 1) 13)	Düsseldorf	46.03		EUR	12,707	-1,729
95	WestFonds Dachfonds Schiffe GmbH 1) 9)	Düsseldorf	100.00		EUR	26	-5
96	WestFonds Geschäftsführungsgesellschaft 1 mbH 1) 13)	Düsseldorf	100.00		EUR	90	-14
97	WestFonds Geschäftsführungsgesellschaft 2 mbH 1) 9)	Düsseldorf	100.00		EUR	17	-4
98	WestFonds Gesellschaft für geschlossene Immobilienfonds mbH 1) 13)	Düsseldorf	100.00		EUR	61	-5
99	WestFonds Holland Grundstücksgesellschaft Voorburg und s'Hertogenbosch mbH 1) 9)	Düsseldorf	100.00		EUR	13	-13
100	WestFonds Immobilien Gesellschaft Objekt Halle/Saale Charlottenstraße mbH 1) 13)	Düsseldorf	100.00		EUR	4,520	1,857

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
101	WestFonds Immobilien Gesellschaft Objekt Magdeburg An der Steinkuhle 2-2e mbH 1) 13)	Düsseldorf	100.00		EUR	114	-19
102	WestFonds Immobilien Gesellschaft Objekt Wien Heiligenstädter Lände 29 mbH 1) 13)	Düsseldorf	100.00		EUR	312	-11
103	WestFonds Immobilien-Anlagegesellschaft mbH 4) 9)	Düsseldorf	94.90		EUR	4,302	0
104	WestFonds Immobiliengesellschaft Objekt Essen Schnieringshof 10-14 mbH 1) 13)	Düsseldorf	100.00		EUR	2,192	540
105	WestFonds Management GmbH & Co KG 1) 13)	Düsseldorf	94.90		EUR	78	59
106	WestFonds Premium Select Management GmbH 1) 13)	Düsseldorf	100.00		EUR	29	-4
107	WestFonds Premium Select Verwaltung GmbH 1) 13)	Düsseldorf	100.00		EUR	38	6
108	WestFonds Verwaltung GmbH 1) 9)	Schönefeld	100.00		EUR	51	26
109	WestFonds-PHG Gesellschaft RWI-Fonds 120 mbH 1) 13)	Düsseldorf	100.00		EUR	26	-5
110	WestFonds-PHG Gesellschaft RWI-Fonds 125 mbH 1) 13)	Düsseldorf	100.00		EUR	27	-5
111	WestFonds-PHG Gesellschaft RWI-Fonds 140 mbH 1) 13)	Düsseldorf	100.00		EUR	29	-2
112	WestFonds-PHG Gesellschaft RWI-Fonds 43 mbH 1) 9)	Düsseldorf	100.00		EUR	23	-4
113	WestFonds-PHG Gesellschaft RWI-Fonds 47 mbH 1) 13)	Düsseldorf	100.00		EUR	27	-4
114	WestFonds-PHG Gesellschaft WestFonds 1 mbH 1) 13)	Düsseldorf	100.00		EUR	27	-4
115	WestFonds-PHG Gesellschaft WestFonds 2 D mbH 1) 13)	Düsseldorf	100.00		EUR	30	-2
116	WestFonds-PHG Gesellschaft WestFonds 2 H mbH 1) 13)	Düsseldorf	100.00		EUR	30	-2
117	WestFonds-PHG Gesellschaft WestFonds 5 Aachen mbH 1) 9)	Düsseldorf	100.00		EUR	20	-5
118	WestFonds-PHG Gesellschaft WestFonds 5 Bremen mbH 1) 13)	Düsseldorf	100.00		EUR	27	-5
119	WestFonds-PHG Gesellschaft WestFonds 5 Frankfurt mbH 1) 13)	Düsseldorf	100.00		EUR	29	-5
120	WestFonds-PHG Gesellschaft Westfonds 6 mbH 1) 9)	Düsseldorf	100.00		EUR	26	-2
121	WestFonds-PHG Gesellschaft WestFonds 7 mbH 1) 13)	Düsseldorf	100.00		EUR	37	0
122	WestFonds-PHG Gesellschaft WestFonds Wien 2 mbH 1) 13)	Düsseldorf	100.00		EUR	27	-4
123	WestFonds-PHG-Gesellschaft BI-Fonds 12 mbH 1) 13)	Düsseldorf	100.00		EUR	30	-2
124	WestFonds-PHG-Gesellschaft BI-Fonds 14 mbH 1) 13)	Düsseldorf	100.00		EUR	31	-2
125	WestFonds-PHG-Gesellschaft BI-Fonds 18 S mbH 1) 13)	Düsseldorf	100.00		EUR	31	-2
126	WestFonds-PHG-Gesellschaft BI-Fonds 19 S mbH 1) 9)	Düsseldorf	100.00		EUR	20	-4
127	WestFonds-PHG-Gesellschaft BI-Fonds 23 mbH 1) 13)	Düsseldorf	100.00		EUR	27	-5
128	WestFonds-PHG-Gesellschaft BI-Fonds 6 mbH 1) 9)	Düsseldorf	100.00		EUR	21	-5
129	WestFonds-PHG-Gesellschaft KA Deutschland Beteiligungsgesellschaft mbH 1) 13)	Düsseldorf	100.00		EUR	31	-3
130	WestFonds-PHG-Gesellschaft KB Zwei Länder Beteiligungsgesellschaft mbH 1) 13)	Düsseldorf	100.00		EUR	32	-3
131	WestFonds-PHG-Gesellschaft RWI-Fonds 25 mbH 1) 13)	Düsseldorf	100.00		EUR	78	-3
132	WestFonds-PHG-Gesellschaft RWI-Fonds 34 mbH 1) 13)	Düsseldorf	100.00		EUR	58	-23
133	WestFonds-PHG-Gesellschaft RWI-Fonds 40 mbH 1) 13)	Düsseldorf	100.00		EUR	27	-4
134	WestFonds-PHG-Gesellschaft WestFonds 3 Berlin mbH 1) 9)	Düsseldorf	100.00		EUR	26	-3
135	WestFonds-PHG-Gesellschaft WestFonds 3 Düsseldorf mbH 1) 13)	Düsseldorf	100.00		EUR	33	-3
136	WestFonds-PHG-Gesellschaft WestFonds 4 mbH 1) 9)	Düsseldorf	100.00		EUR	20	-5
137	WestGKA Management Gesellschaft für kommunale Anlagen mbH 2) 4) 13)	Düsseldorf	100.00		EUR	1,128	0
138	WestLB Asset Management (US) LLC 13)	Wilmington, USA	100.00		USD	23,928	-1,498
139	WestLB Servicios S.A. 1) 8)	Buenos Aires, Argentina	94.86		ARS	0	-1
140	WestLB Venture Capital Management GmbH & Co. KG 9)	Köln	50.00		EUR	46	-5
141	WestLeasing International GmbH 1) 13)	Düsseldorf	100.00		EUR	191	-11
142	WestLeasing Westdeutsche Leasing Holding GmbH 4) 13)	Düsseldorf	94.90		EUR	11,625	0
143	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. 1) 4) 13)	Düsseldorf	100.00		EUR	1,560	0
144	WestVerkehr Beteiligungsgesellschaft mbH 1) 9)	Düsseldorf	100.00		EUR	123	-17
145	WIP Westdeutsche Immobilien Portfolio Managementgesellschaft mbH 1) 4) 13)	Mainz	100.00		EUR	627	-5
146	WLB CB Holding LLC 1) 13)	New York, USA	100.00		USD	0	195
147	WMB Beteiligungs GmbH 1) 9)	Düsseldorf	100.00		EUR	26	-3

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
148	AKA Ausfuhrkredit-Gesellschaft mbH 13)	Frankfurt am Main	5.02		EUR	187,007	11,235
149	Banco Finantia S.A. 13)	Lisbon, Portugal	8.57		EUR	362,458	6,266

Other companies for whom the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	Currency	Equity	Profit/Loss
150	GBR Industrie- und Handelskammer Rheinisch-Westfälische-Börse	Düsseldorf	5.88	5.00		n. s.	n. s.
151	GLB GmbH & Co. OHG	Frankfurt am Main	15.47			n. s.	n. s.

[1] Indirect shareholdings.
[2] Including indirectly held shares.
[3] A letter of comfort exists.
[4] A profit and loss transfer agreement is in place with this company.
[5] Only data as of December 31, 2009 is available.
[6] Only data as of October 31, 2011 is available.
[7] Only data as of December 31, 2011 is available.
[8] Only data as of October 31, 2012 is available.
[9] Only data as of December 31, 2012 is available.
[10] Only data as of June 30, 2013 is available.
[11] Only data as of October 31, 2013 is available.
[12] Only data as of November 30, 2013 is available.
[13] Only data as of December 31, 2013 is available.
[14] A global guarantee exists.

Responsibility statement

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

Düsseldorf, November 11, 2014

Erste Abwicklungsanstalt

Matthias Wargers
Spokesman
of the Managing Board

Markus Bolder
Member
of the Managing Board

Horst Küpker
Member
of the Managing Board

List of abbreviations

ABS	Asset Backed Securities
ALM	Asset Liability Management
APAC	Asia-Pacific region
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
Basinghall	Basinghall Finance Plc, London/Great Britain
BilMoG	German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz)
Bp	Basis points
CDS	Credit default swaps
CVA	Credit valuation adjustments
DRS	German Accounting Standard (Deutscher Rechnungslegungsstandard)
EAA	Erste Abwicklungsanstalt, Düsseldorf
EAA CBB	EAA Covered Bond Bank Plc, Dublin/Ireland
EAA KK	EAA Japan K.K., Minato-ku (formerly WIB Real Estate Finance K.K. [WIB KK])
EaD	Exposure at default
EBA	European Banking Authority
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
EFSF	European Financial Stability Facility
EMEA	Europe, Middle East and Africa region
EPA	EAA Portfolio Advisers GmbH, Düsseldorf
EU	European Union
EUSS	European Super Senior Notes
FED	US Federal Reserve
Fitch	Fitch Ratings
FMS	Financial Market Stabilization Fund
FMSA	Financial Market Stabilization Authority (Bundesanstalt für Finanzmarktstabilisierung)

FMStFG	Financial Market Stabilization Fund Act (Finanzmarktstabilisierungsfondsgesetz)
FX-Effect	Foreign exchange effect
GDP	Gross domestic product
HGB	German Commercial Code (Handelsgesetzbuch)
IMF	International Monetary Fund
MaRisk	Minimum requirements for risk management (Mindestanforderungen an das Risiko-management)
Moody´s	Moody´s Investors Service
MtM	Mark to market
NPL	Non-performing loans
N.R.	Not rated
NRW	North Rhine-Westphalia
OECD	Organization for Economic Cooperation and Development
OMT	Outright Monetary Transactions
OTC	Over the counter
PAG/Portigon	Portigon AG, Düsseldorf (until July 2, 2012 WestLB AG)
PFS	Portigon Financial Services GmbH, Düsseldorf
PIMCO	Pacific Investment Management Company, LLC
RechKredV	Ordinance on Accounting for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute)
S.R.	Special rating
S&P	Standard and Poor's Corporation
TLTRO	Targeted Longer-term Refinancing Operations of the ECB
VaR	Value at risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz