ERSTE ABWICKLUNGS ANSTALT

INTERIM REPORT
31 March 2018

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Rounding may result in minor deviations in the totals and percentages relative to the computed values.
Individual balance sheet and earnings items may increase within the scope of the winding-up activities.
To facilitate readability, only the masculine form of words is used. All personal designations apply to both genders, unless the content dictates otherwise.

EAA key figures

Income statement in EUR million	1/1-31/3/2018	1/1-31/3/2017
Net interest income	36.8	32.2
Net fee and commission result	-4.7	-1.1
Net trading result	1.4	11.0
Total other operating income/expenses	0.2	-1.1
General administrative expenses	-40.1	-43.6
Results from financial assets and shareholdings	-13.5	-1.6
Results prior to risk provisioning	**-19.9**	**-4.2**
Loan loss provisions	21.9	10.1
Results before taxes	**2.0**	**5.9**
Taxes	-0.9	-2.3
Net profit for the year	**1.1**	**3.6**

Balance sheet in EUR billion	31/3/2018	31/12/2017
Total assets	45.4	46.6
Business volume	50.5	52.0
Lending business	22.8	21.8
Trading assets	16.1	17.4
Equity	0.7	0.7

Winding-up	31/3/2018	31/3/2017
Banking book		
Notional value (before FX effect) in EUR billion	21.2	28.1
Winding-up activities (compared with previous year-end) in EUR billion	-1.7	-1.6
Winding-up activities (compared with previous year-end) in %	-7.5	-5.3
Trading portfolio		
Notional value (before FX effect) in EUR billion	199.3	247.4
Winding-up activities (compared with previous year-end) in EUR billion	-6.6	-11.2
Winding-up activities (compared with previous year-end) in %	-3.2	-4.3

Employees	31/3/2018	31/12/2017
Number of employees	170	174

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

Foreword

Dear Ladies and Gentlemen,

After six fiscal years of positive results, the EAA once again posted a profit in the first quarter of 2018. The surplus of EUR 1.1 million after taxes is largely attributable to the reversal of risk provisions as a result of the wind-up progress. The quarterly result was supported not least by falling administrative expenses and the improvement in net interest income.

The negative net fee and commission result in the first quarter of 2018 resulted from shifts between interest and commission payments, among other things. This is also down to the successful wind-up, as the EAA is enjoying increasing success in resolving complex legal issues, in order to also assume legal acquisition of the previously guaranteed positions. This is leading to lower income from guarantees, while generating additional interest income. In addition, net fee and commission result includes fees that the EAA pays its stakeholders for the equity capital drawing limit.

The EAA significantly reduced the portfolio in the first quarter of 2018, especially through repayments in the structured loans portfolio. Sales and early repayments of public-sector exposures, loans to financial institutions or loans to finance buildings, aircraft or ships also played a contributory role. The EAA expects the economic performance will continue to support the portfolio wind-up in the months ahead too. For 2018 as a whole, the plan calls for a reduction of the banking book to around EUR 19 billion and of the trading portfolio to around EUR 180 billion.

Bearing in mind that considerably more than 80 percent of the assets transferred to the EAA were already reduced at the end of the past fiscal year, net interest income and net fee and commission result, and the results from financial assets and shareholdings will tend to decline during the current fiscal year. At the same time, the net trading and risk provision result are difficult to predict due to the imponderables on the financial markets. Statements concerning the expected results for the year 2018 as a whole are therefore reliable only to a limited extent. Based on the wind-up planning, annual deficits are not ruled out in the future. Losses in future fiscal years are therefore also taken into account in the wind-up planning. The equity capital drawing limit and the loss compensation duties of the public stakeholders are currently not expected to be utilised.

The future challenges of the EAA include securing the acquired expertise for future successful wind-up activities and reducing costs and saving on staff in parallel with winding up the portfolio. Winding up the rest of the portfolio remains a complex task between these two poles. It will be necessary to continue to assess and optimise the EAA's processes and strategies. The focus here is on reducing risk ahead of schedule in the interests of the EAA stakeholders.

Yours sincerely

Matthias Wargers	Christian Doppstadt	Horst Küpker
Spokesman	Member	Member
of the Managing Board	of the Managing Board	of the Managing Board

Interim management report

For the period from 1 January to 31 March 2018

Business and environment

Operating activities of the EAA

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

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

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

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

The wind-up plan describes the intended wind-up activities of the EAA by classifying its assets into sub-portfolios (clusters) and standard strategies, and contains a schedule for the winding-up of assets. The standard strategies will thus be oriented as of 2018 on an investor or disposal perspective, and take into consideration the categories "Self-monetisation", "Value accretion" and "Managed divestment". The "Self-monetisation" strategy comprises assets that will be repaid in full by 2020, while the "Value accretion" strategy covers assets with a strong pull-to-par effect up to 2020. The "Managed divestment" strategy takes into account assets with long-term cash flow profiles. The possible methods for winding-up the portfolio include selling the assets prior to their maturity, holding them to maturity or restructuring the relevant items. The EAA reviews the wind-up plan at least once a quarter and makes adjustments when necessary, mainly in order to take account of changes in circumstances, for example current market developments. Changes or adjustments to the wind-up plan must be approved by the FMSA. The EAA regularly submits wind-up reports to inform the FMSA, its Supervisory Board and the stakeholders about the progress of the wind-up and the implementation of the wind-up plan, and documents the wind-up success. The annual wind-up report must be adopted by a resolution of the Supervisory Board before being submitted to the FMSA.

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

The governing bodies of the EAA are the Managing Board, the Supervisory Board and the Stakeholders' Meeting.

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 were appointed by the Stakeholders' Meeting and one member was delegated by the FMSA. The members elect a Chairman and a Vice Chairman on the recommendation of the State of NRW. The Supervisory Board advises and consults with the EAA's Managing Board, monitors its activities and carries out additional duties set forth in the charter.

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

Since it began its operating activities, the EAA has repeatedly adjusted its organisational structure to manage changes and challenges in the corporate environment. The gradual takeover of multi-billion portfolios presented it with enormous challenges in developing an adequate organisation and recruiting the required experts. The gradual reduction of the portfolio required capacity and costs to be reduced, without compromising the expertise required to successfully complete the wind-up.

Against this background, the EAA and EFS have reviewed the sub-outsourcing of a large part of the services rendered to a third party, which it successfully implemented at the end of 2017. Besides the IT and operational services, which EFS provides with its outsourcing partner IBM, the EAA receives portfolio management services from MSPA, a former subsidiary of the EAA that was privatised in the third quarter of 2017. Within the scope of its long-term service strategy, the EAA largely outsourced the provision of portfolio services to third parties, with the objective of maintaining continuity and stability on the one hand and enabling flexibility on the other. As a subsidiary of the EAA, the remaining EFS organisation will concentrate initially on service provider management. In the medium term, this function will be integrated within the EAA.

Ongoing optimisation of organisational and cost structures is part of the EAA's responsibility in view of the progressive reduction of the portfolio.

Economic environment

Relatively stable growth environment

Important economic indicators, such as purchasing managers' indices deteriorated slightly in the last three months. Current figures in the eurozone in particular are down slightly on those still reported at the end of the fourth quarter of 2017. This somewhat weaker trend does not yet seem to pose any concerns, as most indices still demonstrate a robust pace of expansion, despite the somewhat weaker trend. There is no need to be unduly alarmed about the reporting season on business development in the first quarter of 2018 either. The tax reform in the US has had a noticeably positive impact on corporate profits.

US economy: Growth powered by consumption

The US tax reform came as a warm breeze for the US companies. On average, profits reported exceeded market expectations by 6.3% (as of 2 May 2018). The additional impetus from the tax reform enabled the US economy to largely escape the trend towards lower sentiment indicators, even though job creation had eased somewhat in March 2018. While 205,000 new jobs on average per month were created between 2012 and 2017, new jobs expanded by only 103,000 in March 2018. Due to this slower pace of job creation, the US unemployment rate persisted at 4.1% in the first quarter of 2018.

US economic output in the first quarter of 2018 increased by 0.6% over the previous quarter, achieving almost the same pace of growth as in the fourth quarter of 2017 (0.7%). With no signs of late-cyclical phenomena such as a sharp rise in wages, high and gradually rising inflation rates as well as rising interest rates and yields, the risk of a new recession seems low. The growth engine in the US continues to be powered largely by consumers. Private household spending rose by 0.3% over the preceding quarter in the first quarter of 2018. A recovery is expected in the months ahead, as consumer confidence (Conference Board) climbed by just over 10 points to 128.7 points in the last 12 months, therefore exceeding the long-term average of 94 points (2000 to 2017) by a wide margin. The EAA expects real economic output to rise by 2.8% in 2018, with an increase of 2.5% expected for 2019.

The steady upturn in the US is unlikely to be threatened by overly aggressive countermeasures from the Fed. Although the rate of inflation is slightly above the Fed's target figure of around 2% per annum again, following many years of undershooting, the Fed is unlikely to take rash action on interest rate hikes and stall the US economic recovery. It is keenly aware of this risk, which is why various members of the Federal Open Market Committee are currently noting the significant flattening of the US yield curve. Yields at the short end have increased markedly as a consequence of the previous interest rate increases and expectation of further monetary tightening. At the same time, yields at the long end are stagnating, suggesting the market is sceptical about the sustainability of the current recovery. To avoid an inverted yield curve – where short-term yields are higher than the long-term yields – and hence a signal of a looming recession, some of the Federal Open Market Committee members are increasingly favouring a slower pace with regard to interest rate hikes. The pace at which interest rates and yields rise is therefore expected to remain muted. Ten-year US Treasuries are expected to yield 3.1% at the end of 2018 and 3.5% at the end of 2019. The EAA expects yields at the short end to rise to 2.7% at the end of 2018 and to 3.1% at the end of 2019. We therefore do not expect an inversion of the US yield curve.

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

Eurozone economic output in the first quarter of 2018 was up 0.4% on the previous quarter. This figure is down somewhat on the growth rates of 0.7% reported in each of the second, third and fourth quarters of 2017. The deceleration can also be explained by seasonal effects. This year's winter weather also caused work in outdoor professions to come to a standstill, so that a somewhat weaker trend was expected here. There is, however, little risk of stagnation or of a recession occurring. The purchasing managers' index for the eurozone fell slightly during the first quarter of 2018 from 60.6 points in December 2017 to 56.2 points. Nonetheless, it remains well above the expansion threshold of 50 points, which indicates continued albeit slightly slower growth.

The robust economic growth in the eurozone is attributable to the fast pace of growth in the euro periphery, with Spain and Portugal playing a leading role here. Spain's economic performance is expected to improve by 2.7% in 2018, while Portugal should be able to achieve growth of 2.3% during the same period. Further positive impetus is coming from France and Italy, whose economic growth is significantly higher than in the last five years. France's GDP is expected to rise to 2.1% after 1.7% the year before, while Italy's economy will likely increase by 1.5% as in the previous year. Germany's economy started the year 2018 on a satisfactory note, with GDP rising by 0.6% in the first quarter of 2018. The sentiment indicators for the German economy are very high, even though the trend is easing slightly. Consumer sentiment is good on the back of low unemployment and rising wages, as a result of which Germany's economic performance could increase by 2.4% in 2018.

The ECB will reduce its net securities purchases this year and is expected to end its purchase programme in the fourth quarter of 2018. However, this does not mean the ECB will not buy any more bonds after that. It will continue to purchase bonds in the amount of EUR 15 to 20 billion every month, within the scope of reinvesting cash inflows from its portfolio, in order to keep its balance sheet at a constant level. The increase in EUR government bond yields should therefore remain manageable. The EAA expects the Ten-year Bund yield to rise to 0.9% by the end of 2018 (+30 bps). A yield of 1.4% is likely at year-end 2019.

Two developments bear a certain risk for the economic outlook. The EAA predicts a satisfactory solution will be reached concerning Catalonia's independence. Madrid could, for example, grant Catalonia further autonomy and gradually convert the Kingdom of Spain to a federal structure in return for recognising the sovereignty of the Spanish state. The EAA expects the difficult coalition negotiations to fail in Italy, which could once again result in a technocratic transitional government or fresh elections.

Economic report

Overview of economic development

The EAA's economic performance in the first quarter of 2018 was largely determined by its wind-up mission.

The notional volume of the banking book fell 7.5% to EUR 21.2 billion. The notional volume of the trading portfolio declined by 3.2% to EUR 199.3 billion during the same period.

The net profit for the year of EUR 1.1 million was primarily impacted by positive net interest income of EUR 36.8 million and the result from financial assets and shareholdings of EUR -13.5 million. Personnel expenses totalled EUR 6.0 million, while other general administrative expenses amounted to EUR 34.1 million.

The EAA's total assets declined from EUR 46.6 billion in the previous year to their current level of EUR 45.4 billion. The business volume, which also includes off-balance-sheet components, fell 3.0% to EUR 50.5 billion (previous year: EUR 52.0 billion).

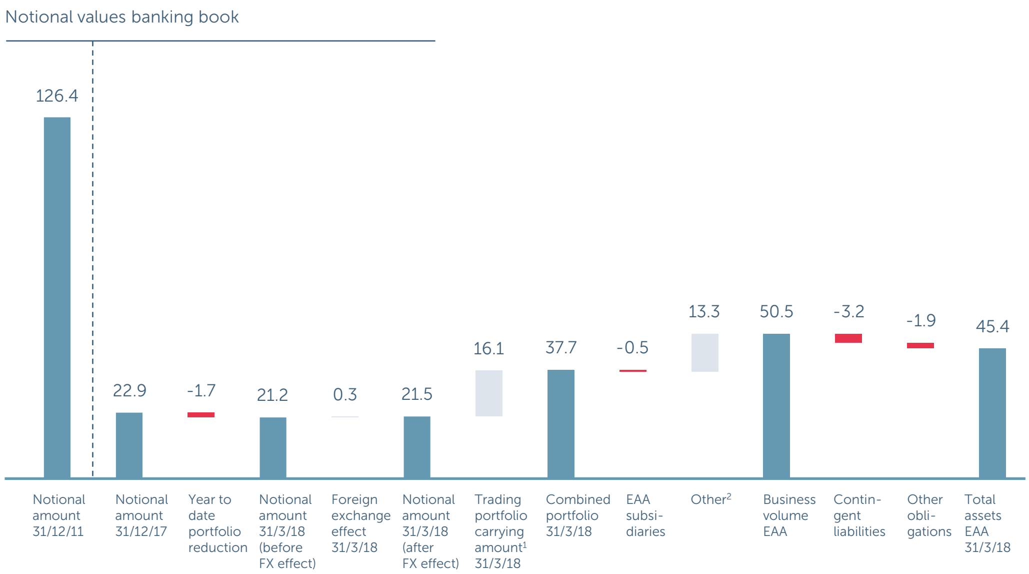
Wind-up report

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

The following overview shows the changes in the portfolio's notional amounts since 1 January 2018 and the reconciliation to the EAA's total assets as of 31 March 2018.

Reconciliation of the transferred notional volume to the balance sheet

in EUR billion



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

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

Wind-up success in the banking book

From 1 January to 31 March 2018, the notional volume of the banking book was reduced from EUR 22.9 billion to EUR 21.2 billion (at exchange rates as of 31 December 2011, including the notional amounts of the guaranteed risk exposures and the risk exposures held by the EAA's subsidiaries). That equates to a decline in notional volume of EUR 1.7 billion (7.5%). The volume at exchange rates as of 31 March 2018 is EUR 21.5 billion. The total banking book portfolio has decreased by EUR 105.2 billion or 83.2% since 1 January 2012.

Clusters	Notional 31/3/2018 EUR million	Notional 31/12/2017 EUR million	Notional volume (at exchange rates as of 31/12/2011) EUR million	Change to 31/12/2017 in %	Notional volume (at exchange rates as of 31/3/2018) Notional 31/3/2018 EUR million	FX effect[1] EUR million
Structured Securities	8,334.8	9,704.3	-1,369.5	-14.1	8,566.0	231.2
Public Finance & Financial Institutions	5,741.9	5,823.2	-81.3	-1.4	5,741.3	-0.6
Real Assets	4,410.4	4,587.9	-177.5	-3.9	4,428.5	18.1
Structured Products	1,596.8	1,664.0	-67.2	-4.0	1,648.4	51.6
Corporates	1,035.9	1,051.9	-16.0	-1.5	1,048.8	12.9
Equity/Mezzanine	89.2	89.9	-0.7	-0.8	89.9	0.7
Total	**21,209.0**	**22,921.2**	**-1,712.2**	**-7.5**	**21,522.9**	**313.9**

[1] Change in notional volume due to exchange rate effects.
Note: The cluster structure was modified as of 1 January 2018. The previous 13 clusters were condensed into six clusters. The presentation of the previous year has been restated accordingly. As of 31 March 2018, the total NPL portfolio amounted to EUR 3.0 billion at current exchange rates.

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

The notional reduction in the other clusters is distributed over the rest of the portfolio, with the changes here attributable in particular to sales and repayments in the Real Assets and Public Finance & Financial Institutions clusters.

There was a EUR +9.9 million effect on the wind-up plan in the first quarter of 2018 associated with sales and early repayments from the banking book portfolio. A positive wind-up plan effect of EUR +14.4 million was achieved from other measures. This effect was mainly as a result of reversals of risk provisions.

Wind-up success in the trading portfolio

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

The notional volume of the trading portfolio amounted to EUR 199.3 billion as of 31 March 2018. The notional volume of the trading portfolio decreased by a total of EUR 6.6 billion during the period from 1 January to 31 March 2018 (at exchange rates as of 30 June 2012). Since its transfer, the notional volume of the trading portfolio has been reduced by EUR 864.7 billion or 81.3%.

			Notional volume (at exchange rates as of 30/6/2012)			Notional volume (at exchange rates as of 31/3/2018)
	Notional	Notional		Change	Notional	FX effect[1]
	31/3/2018	31/12/2017		to 31/12/2017	31/3/2018	
Clusters	EUR million	EUR million	EUR million	in %	EUR million	EUR million
Rates	196,537.5	203,097.9	-6,560.4	-3.2	193,712.3	-2,825.2
Other	2,775.2	2,822.5	-47.3	-1.7	2,325.5	-449.7
Total	**199,312.7**	**205,920.4**	**-6,607.7**	**-3.2**	**196,037.8**	**-3,274.9**

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

The decline is largely the result of maturities as well as the liquidation and active management of transactions. The principal driving force was the Rates cluster with a total notional decrease of EUR 6.6 billion. This decline resulted primarily from maturities of around EUR 8.0 billion, active reduction measures totalling EUR 0.2 billion and offsetting hedging transactions in the amount of EUR 1.6 billion.

The notional volume of the remaining cluster ("Other") did not change significantly.

EAA's overall situation

Earnings situation

The EAA's earnings situation was impacted by positive net interest income of EUR 36.8 million and the result from financial assets and shareholdings of EUR -13.5 million. Personnel expenses totalled EUR 6.0 million. Other administrative expenses of EUR 34.1 million were comprised mainly of expenses for services rendered by EFS and MSPA.

Negative net fee and commission result compared with the previous year is mainly attributable to fees payable on the equity capital drawing limit and guarantee fees as well as the advanced legal transfer of previously guaranteed interest-bearing financial instruments and the resulting cessation of guarantee fees. Contrary to this, additional interest income is reported.

After taking account of a net result of EUR +21.9 million from loan loss provisions, the results after taxes were EUR 1.1 million.

Income statement

	1/1-31/3/2018 EUR million	1/1-31/3/2017 EUR million	Change EUR million	in %
Net interest income	36.8	32.2	4.6	14.3
Net fee and commission result	-4.7	-1.1	-3.6	>-100
Net trading result	1.4	11.0	-9.6	-87.3
Total other operating income/expenses	0.2	-1.1	1.3	>100
Personnel expenses	-6.0	-6.2	0.2	3.2
Other administrative expenses	-34.1	-37.4	3.3	8.8
Results from financial assets and shareholdings	-13.5	-1.6	-11.9	>-100
Results prior to risk provisioning	-19.9	-4.2	-15.7	>-100
Loan loss provisions	**21.9**	**10.1**	**11.8**	**>100**
Results before taxes	2.0	5.9	-3.9	-66.1
Taxes	**-0.9**	**-2.3**	**1.4**	**60.9**
Net profit for the year	1.1	3.6	-2.5	-69.4
Net retained losses brought forward	**-2,360.6**	**-2,375.0**	**14.4**	**0.6**
Net retained losses	-2,359.5	-2,371.4	11.9	0.5

Financial position and issuing activity

The portfolio of issued bearer bonds, promissory note loans and commercial paper totalled a notional amount of EUR 26.0 billion as of the reporting date. It included the global Commercial Paper Programme with a notional amount equivalent to EUR 11.6 billion.

The notional volume of new issues for medium and long-term funding during the reporting period totalled USD 1.3 billion (EUR 1.0 billion) and EUR 1.0 billion.

A notional amount equivalent to EUR 8.5 billion was issued during the reporting period under the global Commercial Paper Programme, consisting of USD 6.4 billion (EUR 5.2 billion), GBP 2.1 billion (EUR 2.4 billion) and EUR 0.9 billion.

As of the reporting date, the portfolio contained securities issued by the EAA with a notional volume of around EUR 51.0 million that were bought back from the market for liquidity management purposes.

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

Asset position

The EAA's total assets as of 31 March 2018 amounted to EUR 45.4 billion (previous year: EUR 46.6 billion). The business volume, which also includes off-balance-sheet components, amounted to EUR 50.5 billion (previous year: EUR 52.0 billion).

Assets

	31/3/2018 EUR million	31/12/2017 EUR million	Change EUR million	in %
Cash reserve	2,246.3	2,048.4	197.9	9.7
Loans and advances to banks	7,139.6	5,464.8	1,674.8	30.6
Loans and advances to customers	10,557.7	10,981.2	-423.5	-3.9
Securities (no trading portfolio)	7,893.5	9,277.2	-1,383.7	-14.9
Trading portfolio	16,140.4	17,447.1	-1,306.7	-7.5
Long-term equity investments and shares in affiliates	1,300.6	1,302.1	-1.5	-0.1
Other assets	76.6	73.4	3.2	4.4
Total assets	**45,354.7**	**46,594.2**	**-1,239.5**	**-2.7**

Liabilities and equity

	31/3/2018 EUR million	31/12/2017 EUR million	Change EUR million	in %
Deposits from banks	1,998.7	2,099.2	-100.5	-4.8
Deposits from customers	2,981.3	3,014.9	-33.6	-1.1
Debt securities in issue	23,752.2	23,478.4	273.8	1.2
Trading portfolio	15,587.7	16,949.4	-1,361.7	-8.0
Provisions	193.0	201.6	-8.6	-4.3
Other liabilities	185.1	195.1	-10.0	-5.1
Equity	656.7	655.6	1.1	0.2
Total liabilities and equity	**45,354.7**	**46,594.2**	**-1,239.5**	**-2.7**
Contingent liabilities	3,220.6	3,485.0	-264.4	-7.6
Other obligations/loan commitments	1,885.8	1,917.9	-32.1	-1.7
Business volume	**50,461.1**	**51,997.1**	**-1,536.0**	**-3.0**

Loans and advances to banks increased by EUR 1.7 billion as of 31 March 2018 compared with the year-end amount. The increase is mainly the result of a higher volume of time deposits for liquidity steering.

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

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

Trading assets and liabilities declined by EUR 1.3 billion and EUR 1.4 billion respectively due to the wind-up of the trading portfolio and changes in the yield curve compared with the end of the previous year.

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

Lending business

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

Lending business

	31/3/2018	31/12/2017	Change	
	EUR million	EUR million	EUR million	in %
Loans and advances to banks	7,139.6	5,464.8	1,674.8	30.6
Loans and advances to customers	10,557.7	10,981.2	-423.5	-3.9
Contingent liabilities	3,220.6	3,485.0	-264.4	-7.6
Other obligations/loan commitments	1,885.8	1,917.9	-32.1	-1.7
Lending business	**22,803.7**	**21,848.9**	**954.8**	**4.4**

Summary of the business situation

The realisation of a net profit in the first quarter of 2018 is attributable not least to reduced administrative expenses and to the net interest income, despite a declining portfolio, as well as the positive effects from risk provisioning.

The EAA's assets are in good order. Its equity as of 31 March 2018 amounted to EUR 656.7 million. Adequate liquidity was available at all times.

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

Risk, opportunities and forecast report

Risk report

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

The EAA made further progress during the reporting period towards realising the wind-up mandate. Its wind-up activities are focused on continuing to reduce the assets transferred from the former WestLB and on 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 assets transferred to the EAA, regardless of whether these figures are recorded on or off-balance-sheet in the EAA's separate financial statements, or whether they are held via subsidiaries (look-through approach).

Risk management organisation

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

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

The Managing Board has established a framework of various interdisciplinary committees throughout the institution to aid it in fulfilling its responsibility to manage risks. As Managing Board committees, these committees are permanent institutions of the EAA. They serve as central decision-making, management and information-gathering bodies which assist in dealing with strategic issues related to portfolio management and the wind-up plan.

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

- Supporting management in connection with all risk policy issues, especially in the development and implementation of the risk strategy as well as in the organisation of a system for mitigating risks;

- Conducting a risk inventory and preparing the overall risk profile; and

- Assisting management with the establishment and development of risk management and risk controlling processes.

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

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

Risk reporting

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

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

Credit risks

Credit risks – banking book

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

The notional volume of the banking book (which primarily consists of loans and securities) declined by EUR 1.7 billion to EUR 21.2 billion in the first quarter of 2018 (at constant exchange rates as of 31 December 2011). Please refer to the section "Wind-up report" for more detailed information on the wind-up success.

Breakdown of notional volume by internal rating category[1]

	31/3/2018 EUR billion	31/12/2017 EUR billion
A0-A2	1.3	1.3
A3-A5	5.7	6.9
B1-B3	1.0	1.1
B4-B5	3.0	2.4
C1-C2	3.2	3.8
C3-C5	2.5	2.7
D1-D3	1.0	1.0
D4-E	2.4	2.5
S.R.	0.5	0.5
N.R.	0.7	0.8
Total	**21.2**	**22.9**

[1] Excluding exchange rate effects (based on exchange rates as of 31 December 2011).
Note: Where possible, the internal rating categories are based on the guarantor's rating.

The quality of the banking book portfolio is reflected by an investment grade rating share (rating categories A0-C2) of around 67% (31 December 2017: 68%). About 33% (31 December 2017: 36%) of the notional volume has a very good rating (A0-A5) and around 34% (31 December 2017: 32%) is assigned to the mid-rating categories B1-C2. The S.R. rating category includes the opening clauses of the rating process and has a share of around 2% of the total portfolio.

The EAA continues to aim for a portfolio reduction across all rating categories. The EUR 1.2 billion reduction in the A3-A5 rating category is largely due to repayments of EUR 1.2 billion for Phoenix notes in this rating category. The increase in rating category B4-B5 and reduction in rating category C1-C2 of EUR 0.6 billion in each case is mainly due to improvements in credit ratings.

The following table shows the 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	Baa2	BBB	BBB	
C1	Baa2	BBB	BBB	
C2	Baa3	BBB-	BBB-	
C3	Ba1	BB+	BB+	
C4	Ba2	BB	BB	
C5	Ba3	BB-	BB-	
D1	B1	B+	B+	
D2	B2	B	B	Non-investment grade
D3	B2	B	B	
D4	B3	B-	B-	
D5	Caa1 to C	CCC+ to C	CCC+ to C	
E	C	C	C	

Breakdown of notional volume by clusters[1,2]

	31/3/2018 in %	31/12/2017 in %
Structured Securities	39.3	42.3
Public Finance & Financial Institutions	27.1	25.4
Real Assets	20.8	20.0
Structured Products	7.5	7.3
Corporates	4.9	4.6
Equity/Mezzanine	0.4	0.4
Total	**100.0**	**100.0**

[1] 31 March 2018 = EUR 21.2 billion; 31 December 2017 = EUR 22.9 billion.
[2] Excluding exchange rate effects (based on exchange rates as of 31 December 2011).
Note: The cluster structure was modified as of 1 January 2018. The previous 13 clusters were condensed into six clusters. The presentation of the previous year has been restated accordingly.

The EAA's banking book portfolio consists of six clusters. The largest cluster, Structured Securities, with a total share of 39.3%, consists of four sub-portfolios: Phoenix (61.5% – please refer to the section "Phoenix" for further details), ABS (27.9%), Dritte EAA (9.3%) and EUSS (1.3%).

Breakdown of notional volume by maturities[1,2]

	31/3/2018 EUR billion	31/12/2017 EUR billion
<= 6 M	0.4	0.5
> 6 M <= 1 Y	0.4	0.5
> 1 Y <= 5 Y	6.4	7.6
> 5 Y <= 10 Y	5.2	5.2
> 10 Y <= 20 Y	5.5	5.8
> 20 Y	3.3	3.3
Total	**21.2**	**22.9**

[1] For assets with no fixed or with very long maturities: expected repayment profile.
[2] Excluding exchange rate effects (based on exchange rates as of 31 December 2011).

The reduction in the maturity range of one year to five years relates in particular to the repayment of the Phoenix A3 note and drawings of the Phoenix B note.

The maturity range of 10 to 20 years includes the expected repayment profile of the assets held by one of the participations.

The other changes within the maturity ranges reflect the portfolio management measures undertaken during the first quarter of 2018.

Breakdown of notional volume by region[1]

	31/3/2018 EUR billion	31/12/2017 EUR billion
Americas[2]	10.1	11.4
EMEA	8.6	8.9
Germany	2.2	2.3
APAC	0.3	0.3
Total	**21.2**	**22.9**

[1] Excluding exchange rate effects (based on exchange rates as of 31 December 2011). The regional breakdown by borrowers or for securitisations is based on the main risk country of the asset pool.
[2] Contains EUR 2.7 billion for the Phoenix B note guaranteed by the State of NRW.

The regional breakdown of the notional volume hardly changed compared with 31 December 2017. Approximately 48% of the notional volume was attributable to the Americas region (31 December 2017: 50%). Repayments were mainly responsible for a decline of EUR 1.3 billion in the Americas region, particularly in the Structured Securities cluster (largely Phoenix).

About 41% of the notional volume (31 December 2017: 39%) was attributable to the EMEA region – Europe (excluding Germany), Middle East and Africa.

The share of German borrowers and guarantors (share of portfolio: about 10%; 31 December 2017: 10%) is almost unchanged.

The APAC region represents around 1% (31 December 2017: 1%) and was also almost unchanged.

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

Result of risk provisions

	Provisions for loan losses EUR million	Charge-offs EUR million	Net change in loan loss provision EUR million	Other exp./inc. due to risk EUR million	Total allow. losses EUR million
Acute counterparty default risk	**9.0**	**24.7**	**15.7**	**6.7**	**22.4**
Credit risk	9.0	24.7	15.7	4.4	20.1
Other risk	-	-	-	2.3	2.3
Contingent counterparty default risk	**0.5**	**-**	**-0.5**	**-**	**-0.5**
Total	**9.5**	**24.7**	**15.2**	**6.7**	**21.9**

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

Special banking book issues

Phoenix

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

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

Phoenix notes capital structure

Tranche	Amount as of 31/3/2018 in million		S&P rating	Legal maturity
Class A3	945.5	USD	BBB+	9/2/2091
	31.5	EUR	BBB+	9/2/2091
Class A4	1,909.0	USD	B+	9/2/2091
	180.9	EUR	B+	9/2/2091
Class B	2,692.7	EUR	N.R.	9/2/2091

Repayments of EUR 0.7 billion and a guarantee drawdown of EUR 0.5 billion resulted in a decrease in the reporting period of the notional volume reported in euros to EUR 5.1 billion as of 31 March 2018 (at constant exchange rates as of 31 December 2011). At the present time, the EAA assumes the Phoenix structure will be dissolved before 2024.

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

	31/3/2018 EUR billion	31/12/2017 EUR billion
A0-A2	-	-
A3-A5	3.5	4.6
B1-B3	-	-
B4-B5	-	-
C1-C2	1.7	1.7
C3-C5	-	-
D1-D3	-	-
D4-E	-	-
S.R./N.R.	-	-
Total	**5.1**	**6.3**

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

All of the Phoenix notes have an investment grade rating (rating categories A0-C2), taking into account the rating of the State of NRW (the guarantor for the Phoenix B note). Roughly EUR 2.3 billion of this guarantee had been utilised up to 31 March 2018.

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

Public Finance

The exposure to the public sector (including the Liquidity Portfolio) as of 31 March 2018 totals a notional amount of EUR 5.0 billion (excluding exchange rate effects, based on exchange rates as of 31 December 2011). EUR 3.1 billion of this amount is attributable to the UK, Ireland, Italy, Portugal and Spain. Further information can be found in the section “Exposures to selected EU member states”.

Securities account for 87% of the total public-sector exposure (including regional and municipal borrowers). Some of these are held directly by the EAA and some by EAA CBB. The remaining 13% largely consist of lending transactions involving federal, municipal or other public-law institutions.

The largest part of the overall exposure, at 79%, is attributable to borrowers or issuers from the eurozone, with the remaining volume coming from other European countries outside the eurozone, Africa and the Middle East (13%), North and South America (6%), and Asia and Australia (2%).

Credit risks – trading portfolio

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

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

OTC derivative counterparty default risks are assessed independently from the front office using CVA. When doing so, externally traded credit spreads, where available, are used to determine the probability of default. The expected loss can be calculated as CVA based on expected future exposures and a statistically determined recovery rate. The CVA in the trading portfolio amounted to EUR 9.4 million as of 31 March 2018 (31 December 2017: EUR 11.9 million). The EUR 2.5 million decrease in CVA is attributable to novations (EUR -2.2 million), market fluctuations (EUR -0.4 million), changes in credit spreads (EUR +0.1 million), changes in credit ratings (EUR +0.1 million) and expired derivatives (EUR -0.1 million).

Counterparty and issuer risks

Direct counterparty risks

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

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

	31/3/2018 Exposure EUR million	31/3/2018 Limit EUR million	31/12/2017 Exposure EUR million	31/12/2017 Limit EUR million
Credit risk - money market positions[1]	3,637.6	5,250.5	1,791.4	5,430.5
Counterparty risk - OTC derivatives (pre-settlement risk)	369.5	3,168.0	374.5	3,143.0
Counterparty risk - repos	3.7	664.0	3.4	694.0

[1] All money market transactions with counterparties outside the EAA Group have a maximum maturity of up to six months.

The credit risk for money market positions as of 31 March 2018 increased compared with year-end 2017 because of an increased liquidity reserve. Counterparty risks from OTC derivatives are driven by transactions for liquidity steering (foreign exchange swaps) and interest rate hedging instruments (interest rate swaps).

Issuer risks

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

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

	< 1 Y EUR million	1-4 Y EUR million	4-8 Y EUR million	8-15 Y EUR million	> 15 Y EUR million	Total exposure EUR million
Public Finance	303.6	832.8	746.1	1,632.7	993.1	4,508.3
Financial Institutions	180.8	122.5	52.1	24.8	-	380.2
Other securities	20.0	3.1	319.4	446.6	2,678.7	3,467.8
Total 31/3/2018	**504.4**	**958.4**	**1,117.6**	**2,104.1**	**3,671.8**	**8,356.3**
Total 31/12/2017	504.9	955.7	1,088.7	1,901.2	3,451.6	7,902.1

The Public Finance sub-portfolio accounts for the largest share with EUR 4.5 billion. The remaining issuer exposures are made up of Financial Institutions securities as well as Other securities, mainly US student loans.

Issuer risks in the trading portfolio had been eliminated completely as of 31 March 2018.

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

Of the total portfolio of the EAA Group, a notional volume of EUR 3.3 billion (15.6 %) is held by subsidiaries, mainly consisting of EAA CBB with EUR 1.3 billion (40.4%), Erste EAA Anstalt öffentlichen Rechts & Co. KG with EUR 1.2 billion (36.1%) and Dritte EAA Anstalt & Co. KG with EUR 0.8 billion (23.4%).

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

Erste EAA Anstalt öffentlichen Rechts & Co. KG holds a portfolio of US life insurance contracts through partnerships under US law. This company is fully funded by the EAA (EUR 1.1 billion).

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

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

Exposures to selected EU member states
The banking book exposure of the EAA and its subsidiaries to Greece, the UK, Ireland, Italy, Portugal, Spain and Cyprus totalled EUR 5.2 billion as of 31 March 2018. This exposure has been reduced by EUR 0.2 billion since the beginning of 2018. This decline is mostly attributable to Italy (EUR 0.1 billion) and the UK (EUR 0.1 billion).

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

Country[1]	Debtor group	31/3/2018 Notional in EUR million[2]	31/12/2017 Notional in EUR million[2]
Greece	Corporates	18.5	40.9
	Financial Institutions	-	-
Σ Greece		**18.5**	**40.9**
UK	Corporates	715.5	780.3
	Financial Institutions	18.3	18.3
	Public Finance	133.7	131.9
Σ UK		**867.5**	**930.4**
Ireland	Corporates	25.6	24.7
	Financial Institutions	0.2	0.1
	Public Finance	30.0	30.0
Σ Ireland		**55.8**	**54.8**
Italy	Corporates	431.9	506.6
	Financial Institutions	-	0.0
	Public Finance	1,646.1	1,653.7
Σ Italy		**2,078.0**	**2,160.3**
Portugal	Corporates	18.0	18.0
	Financial Institutions	11.2	11.2
	Public Finance	852.2	853.0
Σ Portugal		**881.5**	**882.2**
Spain	Corporates	601.4	594.9
	Financial Institutions	160.0	210.0
	Public Finance	488.0	488.0
Σ Spain		**1,249.5**	**1,292.9**
Cyprus	Corporates	63.0	63.0
Σ Cyprus		**63.0**	**63.0**
Total[3]		**5,213.8**	**5,424.6**
of which	Corporates	1,874.0	2,028.4
of which	Financial Institutions	189.7	239.6
of which	Public Finance	3,150.1	3,156.6

[1] Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
[2] Based on current exchange rates. Presentation of the notional volume, including hedges (net).
[3] Of which EAA subsidiaries: EUR 1,272.4 million (31 December 2017: EUR 1,323.2 million).

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

Product[1]	Value	Country[2]	31/3/2018 EUR million[3]	31/12/2017 EUR million[3]
Other derivatives and ALM	MtM	UK	289.9	241.9
		Ireland	0.0	0.0
		Italy	300.4	39.5
		Spain	274.5	122.4
Σ Other derivatives and ALM			**864.7**	**403.8**
Other	Notional	UK	21.1	26.0
Σ Other[4]			**21.1**	**26.0**

1 ALM = cluster ALM as part of the banking book is identified here as in the internal view and not as a banking book exposure; derivatives = replacement risks from OTC derivatives and from CDS.
2 Economic view; may differ from the borrower's legal country of residence (for Corporates and Financial Institutions).
3 Based on current exchange rates. Presentation of the notional volume, including hedges (net).
4 Includes mainly the HSBC nostro portfolios.

Market price risks

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

Market price risks – banking book

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

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

Interest rate risk (EAA Group)

	31/3/2018 EUR thousand	31/12/2017 EUR thousand
< 1 Y	89.2	82.9
1-4 Y	37.0	51.9
4-8 Y	63.1	69.9
8-15 Y	29.4	36.8
> 15 Y	-33.8	-41.3
Total	**184.9**	**200.2**

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

The interest rate sensitivity PV01 is now EUR 184.9 thousand compared with year-end 2017 (EUR 200.2 thousand), due to management and maturity effects. The utilisation is within the limits.

Foreign exchange risk (EAA Group)

	31/3/2018 EUR thousand	31/12/2017 EUR thousand
AUD	4,861.2	3,346.7
CHF	974.0	-907.3
GBP	-2,144.1	2,535.1
JPY	3,481.8	4,914.4
PLN	366.9	454.4
SGD	435.4	1,062.3
USD	-5,635.4	-2,295.6
Other	1,943.3	2,362.6
Total	**4,283.1**	**11,472.6**

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

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

Market price risks – trading portfolio

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

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

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

The relevant market price risk exposures are continuously subjected to backtesting. This involves comparing the actual market value changes (hypothetical income statement) to the possible market value changes forecast by the VaR model on a daily basis. There was no backtesting breach in the current fiscal year 2018 at the highest level of the portfolio structure of the trading portfolio. From a statistical perspective, two to three instances of exceeded limits must be expected per year for a VaR with a holding period of one trading day and a confidence level of 99%.

Value at Risk by clusters

	31/3/2018 EUR thousand	31/12/2017 EUR thousand
EAA Trading	363.2	455.6
Muni GIC Portfolio	291.6	372.8
Interest Rate Exotics	140.5	123.7
Interest Rate Flow	133.8	148.6
Interest Rate Options	97.7	91.4
Foreign Exchange Options and Hybrids	61.4	70.4
Credit and Equities	3.3	3.5

As of 31 March 2018 the VaR for the trading portfolio declined to EUR 363.2 thousand due to market movements and hedging activities (31 December 2017: EUR 455.6 thousand).

Liquidity risks

The EAA distinguishes between tactical and strategic liquidity risks.

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

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

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

The limited stress scenarios ("liquidity crisis and downgrade", "liquidity crisis and downgrade USD") demonstrated a viable net liquidity situation as of 31 March 2018 (defined as the total of cumulated cash flows and the liquidity reserve). The liquidity reserve comprises highly-liquid securities which are very likely to be eligible for repo transactions, in order to generate new liquidity. The liquidity reserve was around EUR 4.3 billion when the stress test was performed.

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

Longevity risks

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

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

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

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

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

Operational risks

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

Operational risks within the EAA are determined using a risk inventory, which is performed on a regular basis. The EAA's most recent risk inventory revealed no assessment object with high risks. Of the assessment objects, 14% are characterised by medium risks and 86% by low risks. The overall risk situation therefore remains largely unchanged.

A risk inventory of the EAA together with EFS, EPA and EAA CBB was carried out in 2017. This risk inventory showed that after acquiring EFS to secure the services provided by EFS for the EAA, risks in the high-risk area were once again reduced to 2.2% (previous year: 3%), particularly in the case of personnel risks.

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

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

There were no elevated risks during the first quarter of 2018, and the quality of the services rendered during the period was fundamentally stable in accordance with the service agreement.

The EAA Group underwent considerable structural changes in the fourth quarter of 2017. EPA was sold to Mount Street with effect from 27 October 2017 and a large part of the EFS services were outsourced to IBM at the start of December 2017. Accordingly, governance structures already in existence with EFS were extended to include IBM employees. The Group-wide standards for service provider management are also being applied gradually for the new re-outsourcing. A corresponding project was launched in the EAA in the first quarter of 2018 to support the transition/transformation of the processes to IBM or within IBM.

Other risks

Reputational risks

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

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

Legal risks

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

Since April 2010 the authorities in the US and in the EU (particularly BaFin) had been investigating possible misconduct in the trading departments of several banks. The results of the investigation have not produced any evidence of wrongdoing at the former WestLB; the investigations by BaFin and the US supervisory authorities were terminated without any measures being undertaken against Portigon. A large number of investment banks active in the US were also sued in the US in various class action lawsuits due to alleged manipulative actions with regard to exchange rates. Certain aspects of these class actions were repeatedly rejected with respect to Portigon. The plaintiffs launched an appeal against this, the outcome of which led in part to a referral back to the Court of First Instance and in part to an uncertain outcome as things currently stand. The Court of First Instance has yet to make a final decision in favour of the plaintiffs. This is currently rather unlikely, however, given the facts and the evidence, and in particular also because of the disputed jurisdiction of US courts. The EAA has no reason to doubt Portigon's claims that there are no indications of any misconduct.

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

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

Tax risks

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

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

Summary of the risk situation

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

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

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

Due to its good rating, the EAA has a stable funding situation. The stress scenarios demonstrated reasonable net liquidity as of 31 March 2018.

Market price risks are largely limited.

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

Longevity risk is the risk that insured individuals live longer than originally calculated or the insurance companies increase the premiums. It is limited to the acquired portfolio. The longevity risks in the portfolio are regularly analysed.

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

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

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 changes in its equity to the end of the planning period using the wind-up plan as well as updated variables and market parameters. This involves, in particular, analysing the effects of changed framework conditions on equity in 2027. The wind-up plan shows positive equity capital as of the end of the planning period. This means that the only possibility of a loss occurring that would require utilisation of the EAA's liability mechanism in the period to the end of the planning horizon for the wind-up plan would be if adverse scenarios were to materialise which, from today's perspective, are unlikely to occur.

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

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

Opportunities report

The economic recovery in the eurozone will continue. Former crisis-hit countries (Spain, Portugal and Ireland) will be among the fastest-growing economies in the eurozone in 2018 and 2019. The euro crisis was a key catalyst for reforms and improvements, in particular for Spain and Portugal. Structural problems were addressed and the reforms improved the international competitiveness of these countries. Italy's economy is likely to grow further in 2018, despite the general election in March 2018. Even so, the growth of 1.5% expected for the year as a whole will still lag behind the eurozone average. The eurozone's faster pace of growth will have a positive effect on the countries' credit quality and ratings. Higher growth and falling unemployment will drive up tax revenues and social security contributions. At the same time, the necessary social spending will fall, which the rating agencies will reward with rating upgrades. The improved economic situation and better ratings will benefit the valuations of euro government bonds and other financial products that are valued based on their respective country's bond curves. The process will not be limited to listed products only; it will also affect other segments of the euro credit market such as promissory note loans, traditional loans and project financing.

The ECB's monetary policy is likely to support the valuations of euro government bonds in 2018, even if it is recalibrating its purchase programmes. It reduced its monthly purchases volume for securities in January 2018 from EUR 60 billion to EUR 30 billion and will continue to make these purchases up to September 2018. Thereafter, it should continue to gradually reduce the purchase volume and cease new purchases completely in the fourth quarter of 2018. Next year, the ECB will then only purchase securities within the scope of reinvesting cash inflows from its portfolio. It will continue to have a positive influence on the valuation level through these purchases, which will be made for reinvestment purposes. This should limit price and spread volatility. The return of other investors who were replaced by the ECB is also likely to limit the valuation risks. The ECB will probably have reached the maximum degree of easing in September 2018. Further support initiatives are unlikely to follow. The combination of very loose monetary policy and economic recovery is allowing the eurozone states and the companies and project finance established there to service their debt on much better terms.

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

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

Forecast report

Active measures and contractual maturities are expected to reduce the notional volume of the banking book by around 17% to about EUR 19 billion in 2018.

The EAA's objective is to wind up around 87% of the banking book's portfolio as of 31 December 2011 (including the exposures held by subsidiaries and the exposures from the refill) by the end of 2019. As in previous years, the wind-up activities will focus on advance portfolio-reducing measures and active participation management.

For 2018 the plan calls for a reduction in the notional volume of the trading portfolio by around 13% to about EUR 180 billion compared with the previous year. Since the transfer in 2012, the EAA has continued to target a reduction in the notional volume of more than 85% by the end of 2019. The EAA will continue to analyse how the trading portfolios can be reduced at an accelerated pace effectively and cost efficiently.

Mainly as a result of the significantly reduced portfolio compared with 2017, net interest income, net fee and commission result, and the results from financial assets and shareholdings is expected to decline during fiscal year 2018 to EUR 104 million (including dividend income). A forecast for the net trading and risk provision result is difficult due to the imponderables with respect to developments on the global financial markets and other markets. The EAA is sticking with its strategy of winding up in a value-preserving manner. Losses cannot be ruled out in the next few fiscal years because of the now substantial reduction of the portfolio and the associated decline in income from ongoing operations. This possibility is taken into account in the EAA's wind-up planning.

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

The EAA fundamentally pursues an opportunistic approach by conducting regular analyses of market conditions and exit opportunities in order to assess early and profitable wind-up opportunities for all positions of the portfolio. It is currently intensely reviewing whether it can reach the wind-up objectives ahead of schedule.

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

The combination of further asset purchases and the ECB's promise to stand ready as buyer of last resort within the framework of OMT has prevented crises from spreading from one eurozone state to other states or regions. This also explains why, for example, the crisis in the Spanish region of Catalonia hardly impacted on the financing conditions of Spain and other countries. The effect of the ECB purchases is not limited to just government bonds. It is also radiating out to other segments, as investors are looking for investment alternatives in the current environment of low interest rates and yields.

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

Balance sheet

Assets

	Notes	EUR	EUR	31/3/2018 EUR	31/12/2017 EUR
1. Cash reserve					
a) Balances with central banks			2,246,278,792		(2,048,446,807)
of which:					
with Deutsche Bundesbank EUR 2,246,278,792 (py: EUR 2,048,446,807)					
				2,246,278,792	2,048,446,807
2. Loans and advances to banks	4, 28				
a) Payable on demand			2,924,647,973		(3,295,501,985)
b) Other loans and advances			4,214,938,836		(2,169,320,444)
				7,139,586,809	5,464,822,429
3. Loans and advances to customers	5, 6, 14, 28			10,557,727,207	10,981,205,434
of which:					
secured by mortgage charges EUR 193,188,182 (py: EUR 210,898,911)					
Public-sector loans EUR 1,354,925,506 (py: EUR 1,389,301,223)					
4. Bonds and other fixed-income securities	7, 15, 28				
a) Bonds issued by					
aa) public issuers		1,782,007,757			(1,791,982,174)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 1,632,999,593 (py: EUR 1,641,231,640)					
ab) other issuers		6,060,592,952			(7,433,127,403)
of which:					
eligible as collateral with Deutsche Bundesbank EUR 407,159,882 (py: EUR 457,221,085)					
			7,842,600,709		(9,225,109,577)
b) Own bonds notional value: EUR 50,633,000 (py: EUR 50,569,000)			50,935,907		(52,120,334)
				7,893,536,616	9,277,229,911
5. Equities and other non-fixed-income securities				1	1
5a. Trading portfolio	8			16,140,383,005	17,447,078,399

BALANCE SHEET

	Notes	EUR	EUR	31/3/2018 EUR	31/12/2017 EUR
6. Long-term equity investments	9			47,210,396	48,151,064
of which:					
in banks EUR 12,421,102 (py: EUR 12,421,102)					
7. Shares in affiliates	10			1,253,412,899	1,253,940,954
of which:					
in banks EUR 434,297,095 (py: EUR 434,297,095)					
in financial service providers EUR 26,214,000 (py: EUR 26,214,000)					
8. Trust assets	11			24,194	24,657
of which:					
trust loans EUR 24,194 (py: EUR 24,657)					
9. Intangible assets					
a) Paid concessions, trademarks and similar rights and values such as licences in such rights			3,871,262		(3,977,779)
				3,871,262	3,977,779
10. Tangible fixed assets				213,030	224,934
11. Other assets	12			32,261,964	24,616,970
12. Prepaid expenses/accrued income	13			40,183,188	44,491,424
Total assets				**45,354,689,363**	**46,594,210,763**

BALANCE SHEET

Liabilities and equity

	Notes	EUR	EUR	31/3/2018 EUR	31/12/2017 EUR
1. Deposits from banks	16				
a) Payable on demand			1,531,034,317		(1,618,232,108)
b) With an agreed maturity or withdrawal notice			467,637,862		(480,937,323)
				1,998,672,179	2,099,169,431
2. Deposits from customers	17				
other deposits					
a) Payable on demand			146,868,761		(44,705,624)
b) With an agreed maturity or withdrawal notice			2,834,407,175		(2,970,162,785)
				2,981,275,936	3,014,868,409
3. Debt securities in issue	18				
a) Bonds			12,139,194,386		(12,534,414,318)
b) Other debt securities in issue			11,612,996,820		(10,943,994,265)
of which:					
money market instruments EUR 11,612,996,820 (py: EUR 10,943,994,265)					
				23,752,191,206	23,478,408,583
3a. Trading portfolio	19			15,587,687,562	16,949,357,227
4. Trust liabilities	20			24,194	24,657
of which:					
trust loans EUR 24,194 (py: EUR 24,657)					
5. Other liabilities	21			160,415,651	171,630,108
6. Accruals/deferred income	22			24,716,624	23,510,081
7. Provisions	23				
a) Tax provisions			13,103,373		(13,121,644)
b) Other provisions			179,938,423		(188,525,941)
				193,041,796	201,647,585

BALANCE SHEET

	Notes	EUR	EUR	31/3/2018 EUR	31/12/2017 EUR
8. 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			-2,359,504,407		(-2,360,573,940)
				656,664,215	655,594,682
Total liabilities and equity				**45,354,689,363**	**46,594,210,763**
1. Contingent liabilities	25				
a) Liabilities from guarantees and warranties			3,220,570,846		(3,484,983,937)
				3,220,570,846	3,484,983,937
2. Other obligations	25				
a) Irrevocable loan commitments			1,885,799,127		(1,917,913,981)
				1,885,799,127	1,917,913,981

Income statement

	Notes	EUR	EUR	1/1-31/3/2018 EUR	1/1-31/3/2017 EUR
1. Interest income from	26				
a) Lending and money market transactions		84,941,636			(78,875,036)
b) Fixed-income securities and debt register claims		38,761,611			(49,551,421)
			123,703,247		(128,426,457)
2. Interest expense			88,214,648		(96,731,961)
				35,488,599	31,694,496
3. Current income from	26				
a) Equities and other non-fixed-income securities			0		(0)
b) Long-term equity investments			1,282,141		(486,229)
c) Shares in affiliates			0		(0)
				1,282,141	486,229
4. Income from profit pooling, profit transfer or partial profit transfer agreements	26			0	0
5. Fee and commission income	26		512,578		(4,512,247)
6. Fee and commission expense			5,188,517		(5,642,258)
				-4,675,939	-1,130,011
7. Net trading result	26			1,352,658	10,993,902
8. Other operating income	26, 27			2,398,832	2,942,244
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		5,270,573			(5,487,919)
ab) Compulsory social security contributions and expenses for pensions and other employee benefits		725,818			(738,370)
of which:					
for pensions EUR 193,623 (py: EUR 192,328)					
			5,996,391		(6,226,289)
b) Other administrative expenses			34,017,024		(37,286,951)
				40,013,415	43,513,240

INCOME STATEMENT

	Notes	EUR	EUR	1/1-31/3/2018 EUR	1/1-31/3/2017 EUR
10. Depreciation and write-offs on intangible assets and tangible fixed assets				118,421	123,481
11. Other operating expenses	27			2,103,766	3,884,072
12. Income from appreciations of loans and advances and certain securities and from reversals of loan loss provisions	23, 28			21,882,115	9,577,606
13. Depreciation and write-offs on long-term equity investments, shares in affiliates and long-term securities	28			13,544,193	1,127,454
14. Expenses from loss assumption	28			0	14,346
15. Result from ordinary activities				1,948,611	5,901,873
16. Taxes on income and earnings	29			878,967	2,279,472
17. Other taxes not reported under item 11	29			110	65,116
18. Net profit for the year				1,069,534	3,557,285
19. Net retained losses brought forward				-2,360,573,941	-2,375,005,466
20. Net retained losses				-2,359,504,407	-2,371,448,181

Cash flow statement

			1/1-31/3/2018 EUR	1/1-31/3/2017 EUR
1.	+/-	Result for the period	1,069,534	3,557,285
		Non-cash items included in net loss for the period and reconciliation to cash flows from operating activities		
2.	+/-	Allowances for losses on loans and advances and write-offs on certain securities, depreciation, amortisation on tangible fixed assets and long-term financial assets as well as the reversal thereof	-24,487,599	-3,387,966
3.	+/-	Increase/decrease in provisions	-8,605,789	-23,669,150
4.	+/-	Other non-cash income/expense	1,937,642	249,859,657
5.	+/-	Gain/loss on disposal of long-term financial assets	13,886,145	-2,474,922
6.	=	Subtotal	-16,200,067	223,884,904
		Change in operating assets and liabilities		
7.	+/-	Increase/decrease of loans and advances to banks (no trading portfolio)	-1,596,911,063	-1,195,898,508
8.	+/-	Increase/decrease of loans and advances to customers (no trading portfolio)	459,554,058	377,432,530
9.	+/-	Increase/decrease of securities (no financial assets and no trading portfolio)	1,382,369,596	1,005,110,399
10.	+/-	Trading assets	1,256,242,814	168,029,586
11.	+/-	Increase/decrease of other operating assets	2,824,518	-61,697,794
12.	+/-	Increase/decrease of deposits from banks (no trading portfolio)	-101,152,932	-366,874,630
13.	+/-	Increase/decrease of deposits from customers (no trading portfolio)	-47,491,657	86,852,229
14.	+/-	Increase/decrease of debt securities in issue	273,879,252	-320,612,142
15.	+/-	Trading liabilities	-1,313,154,727	12,018,002
16.	+/-	Increase/decrease of other operating liabilities	-8,805,885	-103,330,027
17.	+/-	Interest expenses/interest income	-36,770,740	-32,180,725
18.	+/-	Tax expenses/tax income	878,967	2,279,472
19.	+	Interest payments and dividend payments received	113,584,862	126,848,381
20.	-	Interest paid	-79,904,162	-85,975,117
21.	+/-	Income tax payments	-892,031	-1,706,944
22.	=	Cash flows from operating activities (sum of 6 to 21)	288,050,803	-165,820,384
23.	+	Proceeds from disposal of long-term financial assets	41,383,971	13,015,199
24.	-	Purchase of long-term financial assets	-54,849,769	-5,300,196
25.	-	Purchase of tangible fixed assets	0	-1,546
26.	-	Purchase of intangible assets	0	0
27.	=	Cash flows from investing activities (sum of 23 to 26)	-13,465,798	7,713,457
28.	+/-	Changes in other capital (net)	0	0
29.	=	Cash flows from financing activities (sum of 28)	0	0
30.		Net change in cash funds (sum of 22, 27, 29)	274,585,005	-158,106,927
31.	+	Cash funds at beginning of period	2,108,360,650	1,760,393,757
32.	=	Cash funds at end of period (sum of 30 to 31)	2,382,945,655	1,602,286,830

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

Statement of changes in equity

	Balance as of 1/1/2018 EUR	Appropriation of the result EUR	Balance as of 31/3/2018 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,360,573,940	1,069,533	-2,359,504,407
Equity under HGB	**655,594,682**	**1,069,533**	**656,664,215**

	Balance as of 1/1/2017 EUR	Appropriation of the result EUR	Balance as of 31/3/2017 EUR
Called capital	500,000	0	500,000
Capital reserves	3,013,237,214	0	3,013,237,214
Other revenue reserves	2,431,408	0	2,431,408
Net retained losses	-2,375,005,466	3,557,285	-2,371,448,181
Equity under HGB	**641,163,156**	**3,557,285**	**644,720,441**

Condensed notes

For the period from 1 January to 31 March 2018

General disclosures

1. Legal framework of the EAA

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

The EAA is winding up the risk exposures and non-strategic business units (transferred assets) transferred from the former WestLB and its domestic and foreign subsidiaries. In doing so, it proceeds in a value-preserving and risk-minimising manner. This serves to stabilise the financial market. The risk exposures and non-strategic business units of the former WestLB were transferred to the EAA in the years 2009 and 2010 (first fill) as well as in 2012 (refill) using several different transfer methods. In an ongoing process, transactions that were synthetically transferred initially will be transferred legally and fully from Portigon to the EAA. For further information on the transfer methods, please refer to the section "Operating activities of the EAA" in the Annual Report 2017.

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

2. Basis of accounting

In accordance with section 8a (1a) FMStFG in conjunction with the additional guidance of the EAA's charter, the EAA's interim report has been prepared under the provisions of the HGB for large public companies and RechKredV. In particular, the condensed financial statements comply with the requirements of DRS 16 (half-year interim reporting).

The information contained in this interim report should be read in conjunction with the disclosures contained in the published and audited financial statements for the fiscal year from 1 January to 31 December 2017. All facts were considered up to the time these interim financial statements were prepared.

3. Accounting and valuation principles

The same accounting and valuation principles were applied to the interim financial statements as to the financial statements for the fiscal year from 1 January to 31 December 2017.

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

Notes on the balance sheet and the income statement

4. Loans and advances to banks

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**7,139.6**	**5,464.8**
of which:		
- to affiliates	444.1	451.5
Payable on demand	2,924.6	3,295.5
due		
- within 3 months	3,517.8	2,130.4
- 3 months to 1 year	668.9	8.7
- 1 to 5 years	8.0	8.2
- after 5 years	20.3	22.0

5. Loans and advances to customers

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**10,557.7**	**10,981.2**
of which:		
- to affiliates	1,298.5	1,416.6
- to long-term equity investments	7.0	7.3
due		
- within 3 months	1,551.5	1,540.0
- 3 months to 1 year	1,484.7	1,639.5
- 1 to 5 years	2,168.8	1,962.2
- after 5 years	5,352.7	5,839.5

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

6. Loans and advances secured by mortgages

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**193.1**	**210.9**
Loans and advances to customers due		
- within 3 months	5.1	6.3
- 3 months to 1 year	4.1	4.8
- 1 to 5 years	21.8	23.9
- after 5 years	162.1	175.9

7. Bonds and other fixed-income securities

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**7,893.5**	**9,277.2**
of which:		
Amounts due in the following year	591.8	483.2
Breakdown		
- Bonds issued by public issuers	1,782.0	1,792.0
- Bonds issued by other issuers	6,060.6	7,433.1
- Own bonds	50.9	52.1
Breakdown by marketability		
- Marketable securities	7,893.5	9,277.2
of which:		
- listed	2,473.3	2,559.5
- unlisted	5,420.2	6,717.7
Breakdown by type		
- Liquidity reserve	69.5	70.7
- Investment securities	7,824.1	9,206.6

Bonds and other fixed-income securities in the amount of EUR 7.8 billion (previous year: EUR 9.2 billion) are included in the financial assets portfolio. As of the reporting date, financial assets with a carrying amount of EUR 5.5 billion (previous year: EUR 6.8 billion) were recognised above their fair value of EUR 5.5 billion (previous year: EUR 6.6 billion) because the EAA expects to receive repayments totalling at least the carrying amount. This judgement is based on the EAA's long-term wind-up strategy and the expected performance of the financial assets. The difference is primarily attributable to structured credit products.

Of the aforementioned financial assets with a carrying amount of EUR 5.5 billion, EUR 0.1 billion (previous year: EUR 0.1 billion) relates to bonds that were acquired in connection with asset swaps. The EAA funds the portion of the investment portfolio that was not hedged with asset swaps (EUR 5.4 billion) either with financing that is congruous in terms of maturities and currencies, or it hedges the balance at the portfolio level against changes in value caused by fluctuations in interest rates and currencies.

8. Trading portfolio

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**16,140.4**	**17,447.1**
of which:		
- Derivative financial instruments	16,141.5	17,446.6
- Equities and other non-fixed-income securities	-	1.9
- Risk allowance pursuant to section 340e (3) sentence 1 HGB	-1.1	-1.4

9. Long-term equity investments

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**47.2**	**48.2**
of which:		
- in banks	12.4	12.4
Breakdown by marketability		
- Marketable securities	11.2	11.2
of which:		
- unlisted	11.2	11.2

10. Shares in affiliates

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**1,253.4**	**1,253.9**
of which:		
- in banks	434.3	434.3
- in financial service providers	26.2	26.2
Breakdown by marketability		
- Marketable securities	434.3	434.3
of which:		
- unlisted	434.3	434.3

11. Trust assets

The EAA's trust assets as of 31 March 2018 comprise loans and advances to customers amounting to EUR 24.2 thousand (previous year: EUR 24.7 thousand).

12. Other assets

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**32.3**	**24.6**
of which:		
- Tax refund claims	16.7	8.8
- Receivables from profit and loss pooling agreements	15.1	15.1
- Guarantee fees and commissions	0.4	0.6

The guarantee fees and commissions included in other assets consist of receivables from Portigon totalling EUR 0.2 million (previous year: EUR 0.4 million).

13. Prepaid expenses/accrued income

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**40.2**	**44.5**
of which:		
- Non-recurring payments on swaps	25.3	32.9
- Discounts from issuing business	8.6	7.2
- Discounts from liabilities	3.0	2.9
- Other	3.3	1.5

14. Subordinated assets

Subordinated assets are included in:

	31/3/2018 EUR million	31/12/2017 EUR million
Loans and advances to customers	**666.2**	**682.3**
of which:		
- to affiliates	271.6	286.4

15. Assets sold under repurchase agreements

No assets were sold under repurchase agreements as of 31 March 2018 and at the previous year-end.

16. Deposits from banks

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**1,998.7**	**2,099.2**
of which:		
- Deposits from affiliates	32.3	32.7
Payable on demand	1,531.0	1,618.2
due		
- within 3 months	152.1	143.0
- 3 months to 1 year	6.3	34.4
- 1 to 5 years	176.0	156.0
- after 5 years	133.3	147.6

17. Deposits from customers

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**2,981.3**	**3,014.9**
of which:		
- Deposits from affiliates	147.7	8.4
Other deposits	2,981.3	3,014.9
of which:		
- payable on demand	146.9	44.7
due		
- within 3 months	659.9	881.1
- 3 months to 1 year	240.9	74.8
- 1 to 5 years	633.9	709.5
- after 5 years	1,299.7	1,304.8

18. Debt securities in issue

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**23,752.2**	**23,478.4**
Bonds	12,139.2	12,534.4
of which:		
Amounts due in the following year	7,560.6	4,847.4
Other debt securities in issue	11,613.0	10,944.0
of which due:		
- within 3 months	8,156.2	7,757.9
- 3 months to 1 year	3,456.8	3,186.1
- 1 to 5 years	-	-
- after 5 years	-	-

19. Trading portfolio

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**15,587.7**	**16,949.4**
of which:		
- Derivative financial instruments	15,587.7	16,949.4

20. Trust liabilities

The EAA’s trust liabilities as of 31 March 2018 comprise deposits from customers amounting to EUR 24.2 thousand (previous year: EUR 24.7 thousand).

21. Other liabilities

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**160.4**	**171.6**
of which:		
- Currency translation adjustments	142.9	157.7
- Other	17.5	13.9

"Other" liabilities mostly include unpaid invoices.

22. Accrued expenses/deferred income

	31/3/2018 EUR million	31/12/2017 EUR million
Carrying amount	**24.7**	**23.5**
of which:		
- Premium on issuing business	13.7	13.5
- Non-recurring payments on swaps	10.3	9.2
- Premiums for sold interest rate caps and floors	0.7	0.8

23. Provisions

	Balance as of 31/12/2017 EUR million	Additions EUR million	Accumulation EUR million	Utilisation EUR million	Reversals EUR million	Other changes EUR million	Final balance 31/3/2018 EUR million
Taxes	**13.1**	**-**	**-**	**-**	**-**	**-**	**13.1**
Other provisions	**188.5**	**12.3**	**0.2**	**13.9**	**6.6**	**-0.6**	**179.9**
- Loans	50.5	7.0	-	4.3	4.6	-0.8	47.8
- Shareholdings	3.4	-	-	-	-	-	3.4
- Legal actions	2.8	-	-	-	1.4	-0.1	1.3
- Personnel	0.6	-	-	-	-	-	0.6
- Other	131.2	5.3	0.2	9.6	0.6	0.3	126.8
Total	**201.6**	**12.3**	**0.2**	**13.9**	**6.6**	**-0.6**	**193.0**

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

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

24. Equity

As of 31 March 2018, the EAA's subscribed capital amounted to EUR 500,000.

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

Other reserves amounted to EUR 2.4 million and originate from the reversal of provisions for which the reported amounts were reduced as a result of the change in the valuation of obligations under BilMoG.

The net profit for the year for the first quarter of 2018 amounts to EUR 1.1 million and reduces net retained losses to EUR 2,359.5 million as of 31 March 2018.

25. Contingencies

Contingent liabilities

Contingent liabilities amounting to EUR 3.2 billion (previous year: EUR 3.5 billion) primarily arose from guarantees for Portigon's risk exposures and the liabilities inherited from WestImmo. The volume of legacy WestImmo liabilities stood at EUR 2.6 billion as of 31 March 2018 (previous year: EUR 2.7 billion). This volume is constantly decreasing as a result of repayments. All material bank-related assets and liabilities were transferred to Aareal Bank AG as of 30 June 2017 by way of a spin-off and takeover agreement concluded between Aareal Bank AG and WestImmo. This rendered obsolete the measures for reducing the likelihood of claims being asserted against the EAA (Aareal Bank AG liquidity line for the WestImmo and profit and loss transfer agreement between Aareal Bank Group and WestImmo).

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

Other obligations

The reported volume of EUR 1.9 billion (previous year: EUR 1.9 billion) was due to the lending business. The EAA constantly reviews whether losses from other obligations are to be expected and if a provision needs to be made for impending losses from pending transactions.

26. Geographical breakdown of income components

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

	Interest income 1/1-31/3/2018 EUR million	Current income 1/1-31/3/2018 EUR million	Fees and commission income 1/1-31/3/2018 EUR million	Net trading result 1/1-31/3/2018 EUR million	Other operating income 1/1-31/3/2018 EUR million
Germany	21.0	0.5	0.5	1.4	2.4
UK	6.3	-	-	-	-
Rest of Europe	68.6	-	-	-	-
Far East and Australia	11.1	-	-	-	-
North America	16.7	0.8	-	-	-
IS amount	**123.7**	**1.3**	**0.5**	**1.4**	**2.4**

The geographic split of income is generally based on where the business partner is domiciled.

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

27. Other operating and prior-period expenses and income

Net other operating expenses and income in the first quarter of 2018 comprises EUR 2.1 million (previous year: EUR 3.9 million) in expenses and EUR 2.4 million (previous year: EUR 2.8 million) in income.

The expenses include EUR 1.8 million (previous year: EUR 2.8 million) from the foreign exchange result in the banking book, while the income includes reversals of provisions in the amount of EUR 1.6 million (previous year: EUR 0.0 million).

28. Risk provision

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

	1/1-31/3/2018 EUR million	1/1-31/3/2017 EUR million
Risk provision and financial investment result including loss assumption (pursuant to RechKredV)	**8.4**	**8.5**
Loans and securities income/expense	**21.9**	**9.6**
of which: - Lending operations	21.9	9.6
- Securities	-	-
Shareholdings and securities income/expenses	**-13.5**	**-1.1**
of which: - Shareholdings	-14.9	-1.3
- Securities	1.4	0.2
Expenses from loss assumption	**-**	**-**
Risk provision and financial investment result including loss assumption (pursuant to risk report)	**8.4**	**8.5**
Result of risk provisions - loans and advances/securities due to credit risk	**21.9**	**10.1**
of which: - Lending operations	21.9	9.6
- Structured securities	-	0.5
Results from financial assets, shareholdings and loss assumption	**-13.5**	**-1.6**

The EAA always makes use of the options available under section 340f (3) and section 340c (2) HGB. Under section 340f (3) HGB, income and expenses resulting from the valuation in the lending business may be reported on a net basis with risk provisions for securities and income from the reversal of risk provisions on securities of the liquidity reserve. Net income amounted to EUR 21.9 million (previous year: net income of EUR 9.6 million). According to section 340c (2) HGB, the expenses for long-term equity investments, shares in affiliates as well as for long-term investment securities may be offset against the corresponding income. Overall, the EAA had expenses of EUR 13.5 million (previous year: expenses of EUR 1.1 million) as the risk result for shareholdings and securities.

29. Taxes

Taxes on income and earnings amounting to EUR 0.9 million (previous year: EUR 2.3 million) primarily related to foreign taxes.

In the current fiscal year, the EAA incurred other taxes in the amount of EUR 0.0 million (previous year: EUR 0.1 million), mainly comprising insurance tax.

Other disclosures

30. Forward contracts/derivative financial instruments

The EAA enters into the following types of forward contracts and derivative financial instruments:

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

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

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

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

The total volume of forward transactions and derivatives transactions as of the reporting date amounted to EUR 240.4 billion based on notional values (previous year: EUR 256.0 billion). The focus remains on interest-rate-related products, whose share stands at 85.6% (previous year: 86.1%) of the total volume.

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

Derivative financial instruments – volume as of the reporting date

	Notional amount		Positive market values		Negative market values	
	31/3/2018 EUR million	31/12/2017 EUR million	31/3/2018 EUR million	31/12/2017 EUR million	31/3/2018 EUR million	31/12/2017 EUR million
Interest rate-related products	**205,767.2**	**220,506.5**	**15,925.8**	**17,097.9**	**16,374.8**	**17,700.5**
OTC products	203,669.6	218,488.5	15,925.8	17,097.9	16,374.8	17,700.5
Exchange-traded products	2,097.6	2,018.0	-	-	-	-
Currency-related products	**32,629.1**	**33,400.5**	**601.1**	**802.6**	**476.7**	**650.0**
OTC products	32,629.1	33,400.5	601.1	802.6	476.7	650.0
Equity and other price-related products	**1,972.1**	**1,972.1**	**52.4**	**47.5**	**52.4**	**47.5**
OTC products	1,972.1	1,972.1	52.4	47.5	52.4	47.5
Credit derivatives	**80.0**	**80.0**	**0.7**	**0.9**	**0.7**	**1.5**
OTC products	80.0	80.0	0.7	0.9	0.7	1.5
Total	**240,448.4**	**255,959.1**	**16,580.0**	**17,948.9**	**16,904.6**	**18,399.5**
OTC products	238,350.8	253,941.1	16,580.0	17,948.9	16,904.6	18,399.5
Exchange-traded products	2,097.6	2,018.0	-	-	-	-

The average annual notional volume of forward contracts and derivatives transactions amounted to EUR 248.2 billion in fiscal year 2018 (previous year: EUR 289.5 billion).

Derivative financial instruments – average volumes

	Notional amount		Positive market values		Negative market values	
	31/3/2018 EUR million	31/12/2017 EUR million	31/3/2018 EUR million	31/12/2017 EUR million	31/3/2018 EUR million	31/12/2017 EUR million
Interest rate-related products	**213,136.8**	**249,556.7**	**16,508.8**	**19,426.7**	**17,015.5**	**20,094.6**
OTC products	210,579.0	246,798.5	16,508.8	19,426.7	17,015.5	20,094.6
Exchange-traded products	2,557.8	2,758.2	-	-	-	-
Currency-related products	**33,014.8**	**37,690.8**	**695.4**	**1,013.2**	**561.4**	**696.3**
OTC products	33,014.8	37,690.8	695.4	1,013.2	561.4	696.3
Equity and other price-related products	**1,972.1**	**2,056.5**	**50.0**	**70.2**	**50.0**	**70.2**
OTC products	1,972.1	2,056.5	50.0	70.2	50.0	70.2
Credit derivatives	**80.0**	**197.8**	**0.8**	**1.6**	**1.1**	**2.0**
OTC products	80.0	197.8	0.8	1.6	1.1	2.0
Total	**248,203.7**	**289,501.8**	**17,255.0**	**20,511.7**	**17,628.0**	**20,863.1**
OTC products	245,645.9	286,743.6	17,255.0	20,511.7	17,628.0	20,863.1
Exchange-traded products	2,557.8	2,758.2	-	-	-	-

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

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

Derivative financial instruments – maturities

	Interest rate-related products		Currency-related products		Equity and other price-related products		Credit derivatives	
	31/3/2018 EUR million	31/12/2017 EUR million	31/3/2018 EUR million	31/12/2017 EUR million	31/3/2018 EUR million	31/12/2017 EUR million	31/3/2018 EUR million	31/12/2017 EUR million
Due								
- within 3 months	12,593.6	22,414.3	6,872.0	9,199.8	-	-	20.0	-
- 3 months to 1 year	25,192.7	23,588.9	5,691.8	4,009.0	-	-	60.0	20.0
- 1 to 5 years	71,864.0	75,256.1	11,004.0	11,135.1	1,972.1	1,972.1	-	60.0
- after 5 years	96,116.9	99,247.1	9,061.3	9,056.6	-	-	-	-
Total	**205,767.2**	**220,506.4**	**32,629.1**	**33,400.5**	**1,972.1**	**1,972.1**	**80.0**	**80.0**

31. Number of employees

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

	Male	Female	Total 1/1-31/3/2018	Total 1/1-31/3/2017
Number of employees	97	75	172	179

As of 31 March 2018 the EAA employed 158 (31 March 2017: 137) full-time equivalents.

The temporary increase in the number of employees resulted in particular from taking over services no longer performed by Portigon, EFS and MSPA.

32. Stakeholders in the EAA

	31/3/2018 in %	31/12/2017 in %
State of NRW	48.202	48.202
Rheinischer Sparkassen- und Giroverband	25.032	25.032
Sparkassenverband Westfalen-Lippe	25.032	25.032
Landschaftsverband Rheinland	0.867	0.867
Landschaftsverband Westfalen-Lippe	0.867	0.867
Total	**100.000**	**100.000**

33. Memberships of other bodies held by Managing Board members

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

Christian Doppstadt
Mount Street Portfolio Advisers GmbH *
Erste Financial Services GmbH

Horst Küpker
EDD AG i.L. * (formerly Börse Düsseldorf AG)
Erste Financial Services GmbH

34. Memberships of other bodies held by employees

The following employees of the EAA are members of a supervisory board or other supervisory bodies of large public companies pursuant to section 340a (4) No. 1 in conjunction with section 267 (3) HGB.

Hartmut Rahner
EAA Covered Bond Bank Plc

35. Executive bodies of the EAA

Members of the Managing Board of the EAA
Matthias Wargers (Spokesman)
Christian Doppstadt
Horst Küpker

Members of the Supervisory Board of the EAA
Dr Patrick Opdenhövel
Chairman
State Secretary in the Ministry of Finance of NRW

Joachim Stapf
Vice Chairman
Senior Assistant Secretary (Leitender Ministerialrat) in the Ministry of Finance of NRW

Günter Borgel (until 9 January 2018)
Member of the Executive Committee (Leitungsausschuss) of the FMSA

Michael Breuer
President of the Rheinischer Sparkassen- und Giroverband

Hans Buschmann
Former Deputy Association Director of the Rheinischer Sparkassen- und Giroverband

Dr Jutta A. Dönges (since 9 January 2018)
Member of the Executive Board of Federal Republic of Germany – Finance Agency GmbH

Rolf Einmahl
Lawyer,
Member of the Landschaftsversammlung of the Landschaftsverband Rheinland

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

Wilfried Groos
Chairman of the Managing Board of the Sparkasse Siegen

Matthias Löb
Director of the Landschaftsverband Westfalen-Lippe

Angelika Marienfeld
Former State Secretary in the Ministry of Finance of NRW

Michael Stölting
Member of the Managing Board of NRW.BANK

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

Stakeholders' Meeting of the EAA

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

36. Information on shareholdings

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

Shareholdings in a foreign currency converted into EUR using the balance sheet rate
Disclosure of capital share and voting rights in %, amounts in EUR thousand
Disclosure of voting rights only if the percentage share differs from the share of capital

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
1	Achte EAA-Beteiligungs GmbH [9]	Düsseldorf	100.00		EUR	19	-6
2	ANC Handels GmbH & Co. KG [1]	Mörfelden-Walldorf	1.00			n. s.	n. s.
3	APAX Europe V-C GmbH & Co. KG [1) 9]	Munich	0.33	0.00	EUR	4	11
4	BNYM GCS 2 GP Investors, LLC [9]	Wilmington, US	50.00	0.00	USD	165	-44
5	CBAL S.A. [2) 10]	Brussels, Belgium	100.00		EUR	1,660	-93
6	CLS Group Holdings AG [9]	Lucerne, Switzerland	0.47		CHF	486,641	2,798
7	COREplus Private Equity Partners GmbH & Co. KG [1) 9]	Frankfurt am Main	36.52	0.00	EUR	8,992	9,175
8	COREplus Private Equity Partners II - Diversified Fund, L. P. [9]	Wilmington, US	24.75	0.00	USD	33,327	1,613
9	Corsair III Financial Services Capital Partners L.P.	Wilmington, US	1.84	0.00		n. s.	n. s.
10	Corsair III Financial Services Offshore Capital Partners L.P.	George Town, Cayman Islands	1.84	0.00		n. s.	n. s.
11	Deutsche Anlagen-Leasing Service & Co. Objekt ILB Potsdam KG i.L. [1) 9]	Aschheim	92.20	91.82	EUR	4,292	3,089
12	Deutsche Anlagen-Leasing Service & Co. Sparkassenneubau Teltow-Fläming KG [1]	Aschheim	75.96	75.20		n. s.	n. s.
13	Dritte EAA Anstalt & Co. KG [2) 11]	Düsseldorf	100.00		EUR	759,627	3,836
14	Dusskapital Zwanzig Beteiligungsgesellschaft mbH [9]	Düsseldorf	100.00		EUR	34	1
15	EAA Charity LLP [1) 9]	Wilmington, US	100.00		USD	14,633	7,947
16	EAA Covered Bond Bank Plc [11) 12]	Dublin 1, Ireland	100.00		EUR	444,992	-5,436
17	EAA DLP I LLP [1) 9]	Wilmington, US	100.00		USD	115,746	-4,636
18	EAA DLP II LLP [1) 9]	Wilmington, US	100.00		USD	99,789	3,563
19	EAA DLP III LLP [1) 9]	Wilmington, US	100.00		USD	149,555	4,797
20	EAA do Brasil Participacoes, Representacoes e Negocios Ltda. [6]	Sao Paulo, Brazil	100.00		BRL	2,861	279
21	EAA Europa Holding GmbH [3) 9]	Düsseldorf	100.00		EUR	5,731	0
22	EAA Greenwich LLP [1) 9]	Wilmington, US	100.00		USD	137,982	-1,424
23	EAA LAT ABC LLP [1) 9]	Wilmington, US	100.00		USD	163,221	-4,749
24	EAA LAT II LLP [1) 9]	Wilmington, US	100.00		USD	172,321	-15,839
25	EAA LS Holdings LLC [1) 9]	Wilmington, US	100.00		USD	120	n. s.
26	EAA PF LLP [1) 9]	Wilmington, US	100.00		USD	139,073	-11,761

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
27	EAA Spyglass Holdings LLC [1) 11)]	Wilmington, US	100.00		USD	14,204	0
28	EAA Triskele LLP [1) 9)]	Wilmington, US	100.00		USD	191,776	5,026
29	EAA US Holdings Corporation [11)]	Wilmington, US	100.00		USD	40,275	2,839
30	EDD AG i.L. [9)]	Düsseldorf	21.95		EUR	32,245	-542
31	EMG Projekt Gewerbepark Ludwigsfelde/Löwenbruch GmbH [9)]	Potsdam	47.50		EUR	0	-165
32	Entertainment Asset Holdings C.V. [1) 5)]	Amsterdam, Netherlands	36.36		USD	80	80
33	EQT III GmbH & Co. KG [1) 5)]	Munich	1.18	0.00	EUR	261	-6,151
34	Erste EAA Anstalt öffentlichen Rechts & Co. KG [2) 3) 9)]	Düsseldorf	100.00		EUR	16	0
35	Erste Financial Services GmbH [11)]	Düsseldorf	100.00		EUR	63,836	-40,949
36	Garnet Real Estate LLC [1) 5)]	Wilmington, US	100.00		USD	0	k. A.
37	GKA Gesellschaft für kommunale Anlagen mbH i.L. [1) 9)]	Düsseldorf	100.00		EUR	115	87
38	Indigo Holdco LLC [1) 11)]	Dover, US	100.00		USD	3,084	0
39	Indigo Land Groveland LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
40	Leasing Belgium N.V. [1) 9)]	Antwerp, Belgium	100.00		EUR	443	-9
41	Liquiditäts-Konsortialbank Gesellschaft mit beschränkter Haftung i.L. [1) 4)]	Frankfurt am Main	6.55		EUR	236,224	7,629
42	MCC Paris LLC [1) 11)]	Wilmington, US	100.00		USD	1,932	0
43	MCC SB Condo LLC [1) 11)]	Wilmington, US	100.00		USD	0	0
44	MCC SB Unit 144 LLC [1) 11)]	South Bend, US	100.00		USD	0	0
45	MCC SB Unit 145 LLC [1) 11)]	South Bend, US	100.00		USD	0	0
46	MCC SB Unit 146 LLC [1) 11)]	South Bend, US	100.00		USD	0	0
47	MCC SB Unit 147 LLC [1) 11)]	South Bend, US	100.00		USD	0	0
48	MCC Tern Landing LLC [1) 11)]	Wilmington, US	100.00		USD	974	0
49	Meritech Capital Partners II L.P. [1) 9)]	Palo Alto, US	0.06	0.00	USD	82,626	1,634
50	Methuselah Life Markets Limited [6)]	London, UK	100.00		GBP	75	-7
51	MFC Holdco LLC [1) 11)]	Dover, US	100.00		USD	3,717	0
52	MFC Pinecrest LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
53	MFC Real Estate LLC [1) 11)]	Dover, US	100.00		USD	812	0
54	MFC Waterfront LLC [1)]	Wilmington, US	100.00			n. s.	n. s.
55	Mod CapTrust Holding LLC [1) 11)]	Dover, US	100.00		USD	0	0
56	Monolith Grundstücksverwaltungsgesellschaft mbH [1) 9)]	Mainz	100.00		EUR	108	5
57	Monolith Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neubau Sparkassen-Versicherung Sachsen OHG [1) 9)]	Mainz	5.00	76.00	EUR	-14,671	2,378
58	Nephelin Grundstücksverwaltungsgesellschaft mbH [1) 9)]	Mainz	100.00		EUR	-59	-4
59	Neunte EAA-Beteiligungs GmbH i.L. [8)]	Düsseldorf	100.00		EUR	28	-7,102
60	New NIB Partners LP [9)]	New York, US	1.59	0.00	EUR	1,032,903	48,365
61	S-Chancen-Kapitalfonds NRW GmbH i.L. [9)]	Haan	50.00		EUR	2,032	-33
62	Sechste EAA-Beteiligungs GmbH [9)]	Düsseldorf	100.00		EUR	22	-13
63	Siebte EAA-Beteiligungs GmbH [9)]	Düsseldorf	100.00		EUR	17	-8

Other shareholdings

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
64	Special Private Equity Partners II, L.P. [9]	Wilmington, US	18.79	0.00	USD	16,090	-4,603
65	ThyssenKrupp Aufzugswerke GmbH [7]	Neuhausen auf den Fildern	0.50		EUR	13,951	0
66	thyssenkrupp Electrical Steel GmbH [7]	Gelsenkirchen	0.42		EUR	96,622	0
67	thyssenkrupp Materials Processing Europe GmbH [7]	Krefeld	0.42		EUR	57,903	0
68	thyssenkrupp Materials Services GmbH [7]	Essen	0.16		EUR	745,235	0
69	ThyssenKrupp Rasselstein GmbH [7]	Andernach	0.50		EUR	247,021	0
70	True Sale International GmbH [9]	Frankfurt am Main	7.69	9.09	EUR	4,809	46
71	West Life Markets GmbH & Co. KG [3, 9]	Düsseldorf	100.00		EUR	1,312	0
72	West Merchant Limited [9]	London, UK	100.00		GBP	120	-42
73	West Zwanzig GmbH [3, 9]	Düsseldorf	100.00		EUR	25	0
74	Westdeutsche ImmobilienHolding GmbH [3, 9]	Düsseldorf	100.00		EUR	5,539	0
75	WestGKA Management Gesellschaft für kommunale Anlagen mbH i.L. [2, 9, 13]	Düsseldorf	100.00		EUR	642	0
76	WestInvest Gesellschaft für Investmentfonds mbH [1, 9]	Düsseldorf	0.00		EUR	11,339	0
77	WestLB Asset Management (US) LLC [1, 11]	Wilmington, US	100.00		USD	3,139	0
78	WestLeasing International GmbH [1, 9]	Düsseldorf	100.00		EUR	174	-1
79	WestLeasing Westdeutsche Leasing Holding GmbH [3, 11]	Düsseldorf	94.90		EUR	11,625	0
80	WestProject & Consult Gesellschaft für Projektentwicklung und Consulting mbH i.L. [1, 9]	Düsseldorf	100.00		EUR	276	0
81	WestVerkehr Beteiligungsgesellschaft mbH [1, 9]	Düsseldorf	100.00		EUR	98	-5
82	Windmill Investments Limited	Grand Cayman, Cayman Islands	5.07	0.00		n. s.	n. s.
83	Winoa Steel Co. S.A. [9]	Luxembourg, Luxembourg	3.12		EUR	1,288	-135
84	WIV GmbH & Co. Beteiligungs KG [9]	Frankfurt am Main	5.10		EUR	12,857	757
85	WMB Beteiligungs GmbH [1, 9]	Düsseldorf	100.00		EUR	55	45

Interest greater than 5% (large corporations)

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
86	AKA Ausfuhrkredit-Gesellschaft mbH [9)]	Frankfurt am Main	5.02		EUR	231,752	22,885
87	Banco Finantia S.A. [9)]	Lisbon, Portugal	8.93		EUR	408,022	30,713

Other companies for which the EAA assumes unlimited liability

No.	Name	Location	Capital share	Voting rights	CCY	Equity	Result
88	GLB GmbH & Co. OHG	Frankfurt am Main	15.47			n. s.	n. s.

[1] Indirect shareholdings.
[2] Including indirectly held shares.
[3] A profit and loss transfer agreement is in place with this company.
[4] Data as of 31 July 2014.
[5] Data as of 31 December 2014.
[6] Data as of 31 December 2015.
[7] Data as of 30 September 2016.
[8] Data as of 30 November 2016.
[9] Data as of 31 December 2016.
[10] Data as of 31 October 2017.
[11] Data as of 31 December 2017.
[12] A global guarantee exists.
[13] A profit and loss transfer agreement is in place between the company and its immediate parent; a profit and loss transfer agreement is also in place between the parent company and the EAA.

Subsequent events

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

Responsibility statement

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

Düsseldorf, 17 May 2018

Erste Abwicklungsanstalt

Matthias Wargers	**Christian Doppstadt**	**Horst Küpker**
Spokesman	Member	Member
of the Managing Board	of the Managing Board	of the Managing Board

List of abbreviations

ABS	Asset backed securities
ALM	Asset liability management
APAC	Asia Pacific; Asia-Pacific economic area
AT	General part
AUD	Australian dollar
BaFin	German Federal Financial Supervisory Authority
BilMoG	German Accounting Law Modernisation Act
bps	Basis points
BRL	Brazilian real
CCY	Currency code
CDS	Credit default swaps
CHF	Swiss franc
CVA	Credit valuation adjustments
DAC	Designated activity company
DRS	German Accounting Standard
EAA	Erste Abwicklungsanstalt, Düsseldorf
EAA CBB	EAA Covered Bond Bank Plc, Dublin/Ireland
EC	European Community
ECB	European Central Bank
EEC	European Economic Community
EFS	Erste Financial Services GmbH, Düsseldorf (Portigon Financial Services GmbH until 28 June 2016)
EMEA	Europe, Middle East and Africa
EPA	EAA Portfolio Advisers GmbH, Düsseldorf (Mount Street Portfolio Advisers GmbH since 15 November 2017)
EU	European Union
EUR	Euro
EUSS	European Super Senior Notes
Fed	Federal Reserve
Fitch	Fitch Ratings
FMS	German Financial Market Stabilisation Fund
FMSA	German Federal Agency for Financial Market Stabilisation
FMStFG	German Financial Market Stabilisation Fund Act
FX effect	Foreign exchange effect
GBP	Pound sterling
GDP	Gross domestic product
HGB	German Commercial Code
HRA	Commercial register department A
HSBC	HSBC Trinkaus & Burkhardt AG, Düsseldorf
IBM	IBM Deutschland GmbH, Ehningen
IS	Income statement
IT	Information technology
JPY	Japanese yen
MaRisk	German Minimum Requirements for Risk Management

LIST OF ABBREVIATIONS

Moody's	Moody's Investors Service
Mount Street	Mount Street Loan Solutions LLP, London/UK
MSPA	Mount Street Portfolio Advisers GmbH, Düsseldorf (EAA Portfolio Advisers GmbH until 15 November 2017)
MtM	Mark to market
Muni GIC	Municipal guaranteed investment contracts
N.R.	Not rated
n.s.	Not specified
No.	Number
NPL	Non-performing loans
NRW	North Rhine-Westphalia
OMT	Outright Monetary Transactions
OTC	Over the counter
PLN	Polish zloty
Portigon	Portigon AG, Düsseldorf (WestLB AG until 2 July 2012)
py	Previous year
RechKredV	German Ordinance on Accounting for Banks and Financial Service Providers
S&P	Standard and Poor's Corporation
S.R.	Special rating
SGD	Singapore dollar
US	United States
USD	US dollar
VaR	Value at Risk
WestImmo	Westdeutsche ImmobilienBank AG, Mainz (Westdeutsche Immobilien Servicing AG since 30 June 2017)
WestLB	WestLB AG, Düsseldorf (Portigon AG since 2 July 2012)

Imprint

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