

Press release

Interim Report as at 30 June 2016

EAA continues to reduce its portfolio, ensuring a positive result

- **Loans and securities have been reduced by about nine percent over the last six months**
- **Notional volume of the trading portfolio reduced by around eleven percent**
- **Cost-cutting and successful restructuring support results**

Düsseldorf, 23 August 2016. The EAA made considerable progress in implementing its wind-up objectives in the first half of 2016. The notional volume of the banking book declined by EUR 3.2 billion from the start of the year to EUR 32.8 billion (-8.9%). The trading portfolio fell during the same period by a notional EUR 39 billion to EUR 302.7 billion (-11.4%). In addition, the EAA initiated the sale of another important participation in the first half of the year. The process for selling the WestFonds Immobilien-Anlagegesellschaft was completed in July. This reduces the complexity of the EAA investment portfolio and impacts positively on the wind-up planning.

The EAA posted a net profit in the first half of 2016 of EUR 3.2 million. "This cannot be taken for granted, since the portfolio reduction is already well advanced, which also necessarily lowers the earnings base," said Matthias Wargers, spokesman of the EAA's Managing Board. The main contributions to the positive result came from the net income from investment securities and long-term equity investments in the amount of EUR 34 million as well as a cutback in administrative expenses, which fell by about EUR 34 million to EUR 115 million (-23%) compared with the same period last year. "We are pleased that we are able to actively boost the value of the securities and investment portfolio beyond the cost-cutting," said Wargers. The acquisition of the former Portigon Financial Services in the first quarter, inter alia, had a positive impact on the first-half results.

Confidence for the wind-up process going forward

The loans and securities transferred to the banking book have been reduced by almost 80 percent. The notional volume of the trading portfolio has sunk by more than 70% of its original size. This means that the ongoing interest income as well as net fee and commission income from the wind-up portfolio is no longer enough to cover

the administrative expenses. The EAA has repeatedly stated that there could be losses in some reporting periods. This is taken into account in the wind-up plan and thus does not jeopardize the reduction targets. "In addition, we will use all opportunities going forward to improve our results through restructuring and to complete the wind-up ahead of schedule," Wargers said.

The Managing Board of the EAA is confident that the economic situation will be favourable for risk reduction for the rest of the 2016 business year. In addition, the EAA benefits from a balanced wind-up strategy, which has aimed, and continues to aim, at decreasing assets equally across all rating categories. The investment grade share of the loan and securities portfolio as at the end of the first half year was at approximately 66 percent.

Inquiries

EAA Press Office: 0211 826-7900

The EAA is a financially and organisationally independent public law institution. It was established in 2009 with a view to helping stabilise the financial markets. According to its statutes, its mission is to wind up risk positions taken over from the former WestLB in a risk-minimising manner.

The EAA has taken over positions totalling approximately EUR 200 billion. The acquisition was carried out in two stages: The so-called first fill in 2009/2010 comprised loans and securities with a notional volume of EUR 77.5 billion. The second transfer, the so-called replenishment, took place in 2012 and comprises loans, securities (bank portfolio) and derivatives (trading portfolio) in the amount of EUR 124.4 billion.

Being a public-law institution, the EAA has a bankruptcy-remote structure and funds itself independently on the capital market. Thanks to the loss compensation duties of the State of NRW, the North Rhine-Westphalian savings bank and regional associations and the Financial Market Stabilisation Fund laid down in the statutes, the EAA can issue securities at favourable conditions. The EAA nevertheless plans to complete the wind-up activities at least "with a black zero" - i.e. without taking advantage of the loss compensation duties. Stakeholders in the EAA are the state of North Rhine-Westphalia (approx. 48.2%), the two North Rhine-Westphalian savings banks and giro associations (both approx. 25%) and the two Regional Associations of North-Rhine Westphalia (both approx. 0.9%).