Press Release

Interim report on the first six months of 2013

EAA reduces volume of its combined portfolio by almost one fifth between January and June

- **Sharp drop in total assets**
- **Income statement closes with positive result**
- **Wind-up of loans and securities since the inception of EAA adds up to approx. EUR 73 billion**
- **Market value of the trading portfolio has declined by a good EUR 18 billion since the July 2012 takeover**

Düsseldorf, August 15, 2013. Thanks to great progress made in winding up the portfolio, Erste Abwicklungsanstalt (EAA) significantly reduced its total assets as of June 30, 2013, when they stood at EUR 94.8 billion, compared to EUR 123.3 billion on December 31, 2012. The individual financial statements of Abwicklungsanstalt comprise the assets that were directly transferred to EAA. Taking into account all exposures, including those held indirectly through subsidiaries, the combined portfolio amounted to approx. EUR 116 billion as of June 30, 2013. This includes the banking portfolio, which primarily consists of loans and securities, as well as the derivatives in the trading portfolio, which amounted to approx. EUR 143 billion at the beginning of the year and had been reduced by almost one fifth by the end of June.

“The wind-up of the portfolio proceeded faster than expected in the first half of the year,” said Board Spokesperson Matthias Wargers. Between January and June 2013, EAA wound up loans and securities with a nominal value of approx. EUR 12 billion. Since its inception, the amount of these banking portfolio positions has been reduced by a total of approx. EUR 73 billion. As of June 30, 2013, the remaining loans and securities had a nominal value of a good EUR 82 billion.

The trading portfolio had a market value of approx. EUR 34 billion as of the reporting date. This represents a decline by EUR 15 billion compared to December 31, 2012 and a reduction by a good EUR 18 billion since the takeover on July 1, 2012. The derivative financial products in the trading portfolio currently have a nominal value of EUR 727 billion, compared to EUR 885 billion at the beginning of the year and to EUR 1,064 billion at the takeover on July 1, 2012. This means that the wind-up result to date adds up to a nominal amount of EUR 337 billion.

First half closed with a net profit of EUR 25 million

On the earnings side, the positive trend of the previous year continued. Between January and June 2013, EAA generated a net profit of a good EUR 25 million. “This is the sixth consecutive time that we are posting a positive quarterly result,” Wargers emphasised. This and the speed of the portfolio wind-up show that “EAA has a stringent and very solid wind-up strategy.”

Also the quality of the remaining banking portfolio has not deteriorated in the context of the wind-up. Some 57 percent of all positions continue to have a good or satisfactory creditworthiness, which is reflected in an investment grade rating. EAA had primarily wound up difficult exposures, which is not least illustrated by the systematic cancellation of unused credit lines for US municipalities. At the time of the takeover by EAA in 2010, the contracts had a volume of approx. EUR 4 billion and were terminated prematurely as soon as this was permitted by the legal and financial conditions. The shipping portfolio of the former WestLB, which was exposed to relatively high risks, has meanwhile been reduced by approx. 30 percent, too. EAA was able to wind up approx. EUR 300 million through repayments and effective sales activities in what continued to be a difficult market environment. At the end of June 2013, EAA’s shipping portfolio amounted to just under EUR 700 million.

“We not only reduced the total amount of the trading portfolio but were able to eliminate entire risk categories,” said Wargers, adding that a particularly complex and, hence, risky, sub-portfolio of credit derivatives has been sold in its entirety in the meantime. The remaining trading portfolio is clearly dominated by less complex interest rate products.

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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. EAA has taken over positions totalling approximately EUR 200 billion. The portfolio was transferred in two steps. The “first fill” in 2009/2010 comprised loans and securities with a nominal value of EUR 77.5 billion. The second transfer, also referred to as “refill”, took place in 2012 and comprised loans, securities (banking portfolio) and derivatives (trading portfolio) totalling EUR 124.4 billion. The first fill portfolio was reduced by almost half by the end of 2012 – much faster than originally planned.
Being a public-law institution, EAA has a bankruptcy-remote structure and funds itself independently in 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, EAA can issue securities at favourable conditions. EAA nevertheless plans to complete the wind-up activities in 2027 at least “with a black zero” - i.e. without taking advantage of the loss compensation duties.