

Press Release

Interim Report as of 30 June 2011 of Erste Abwicklungsanstalt

Risk portfolio down by more than a quarter

- **Reduction reached some seven billion euros in the first half of 2011 and exceeded the budget**
- **Portfolio is thus reduced by a total of 21 billion euros to now around 56 billion euros**
- **Operating profit in the first half of 2011 continued to stabilize**

Erste Abwicklungsanstalt (EAA) has managed to reduce its initially transferred portfolio by 22 percent in the first year of operational activity (excluding foreign exchange effects): Düsseldorf 11th August 2011. The in Düsseldorf domiciled Erste Abwicklungsanstalt (EAA) has managed to reduce its portfolio nominally by about 6.7 billion euros during the first half of 2011. In July further nominal reductions amounting to 430 million euros were able to be achieved to a total of 7.2 billion euros. "We have clearly exceeded our objectives for the first half of 2011. As the trend shows in July, we can keep the high pace of portfolio reduction", said Markus Bolder, member of EAA's managing board, on presentation of the half-year report of the public law agency.

After almost one and a half years of operational activity EAA has succeeded to reduce the portfolio originally transferred from WestLB by 21 billion euros. More than a quarter of the originally transferred portfolio of 77.5 billion € has been wound up. At constant exchange rates (31/12/2009) the nominal volume amounted to 56.5 billion euros in late July.

In the first half of 2011 EAA was especially able to reduce its loan portfolio by just under four and a half billion euros. "Parts of the engagements matured during the first months of the year, but the much larger amount could be reduced through active measures," said Matthias Wargers, member of EAA's managing board. EAA sold a large number of international corporate loans. Even the most risky structured securities portfolio – commonly known as the Phoenix portfolio - shrank by more than one billion euros.

The operating profit of EAA has further been able to be stabilized during the first half of 2011. It amounted to approximately € 61.5 million and achieved despite further portfolio reductions the same magnitude as in the second half of 2010 (abridged financial year 2010). "After the results for both the first and the second abridged financial year of EAA were driven by high risk provisions on the loan and structured securities portfolios no significant further correction needs showed up in 2011 as expected", explained Wargers. The market development in conjunction with sales ef-

forts led to reversals of previous write-downs in individual cases.

This produces a profit of around EUR 67 million for the first half of 2011. However, following the recommendations of the Institute of Chartered Accountants in Germany (IDW) EAA recognized risk provisions amounting to 243 million euros for their Greek exposure, which will mature in its entirety before 2020. This applies the discount of 21 percent stipulated by the IDW. However, the details of the restructuring of the southern European country's debt and the impact on public law agencies like EAA have yet to be determined. Therefore, it is still open whether or not and how EAA will participate in the restructuring measures; thus the current risk provisions are possibly too conservative. Taking into account the precautionary measures for the Greece-exposure results in a total loss of around 176 million euros for the first half of 2011.

"Due to the current turmoil in our key markets it is difficult to make a sound forecast of the full year results", said Wargers. "We are, however, committed to our goal of driving the accelerated reduction of the portfolio." Bolder underlined "the EAA will be primarily strengthening its international funding strategy in the second half of 2011." In the first six months the public institution expanded its activities in this regard, including a first benchmark issuance in euros and a commercial paper program in the U.S. and Europe.

Facilities

Chart Portfolio breakdown

Chart Portfolio Management

Chart breakdown of the total portfolio by rating classes

Charts interim financial statements (balance sheet and P & L data)

Chart involvement in some euro countries

For further queries

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About the Erste Abwicklungsanstalt (EAA)

The EAA has taken over risk exposures and non-strategic business units from WestLB AG with an original total volume of 77.5 billion euro. It manages this portfolio with the goal of minimizing risk. The EEA is a structurally and financially independent public law institution with partial legal capacity within the FMSA. The EEA is not a credit institution within the meaning of the German Banking Act and does not operate any business requiring authorization within the meaning of the EU-Directive 2006/48/EG. The EEA is not supervised as a credit institution by the German Federal Financial Supervisory Authority (BaFin). Stakeholders in the EAA are the state of Nordrhein-Westfalen (approx. 48.2%), the two savings bank associations of the state of Nordrhein-Westfalen (each approx. 25%) and the two regional associations of the state of Nordrhein-Westfalen (each approx. 0.9%).