Press Release

Portfolio reduced by almost EUR 70 billion

- **Takeover of further exposures from former WestLB completed**
- **EAA in the black in FY 2012**
- **New wind-down plan finalised: no extension of planned wind-down period in spite of portfolio increase**
- **Wind-down of the increased total portfolio to end with a “black zero”**
- **EAA Board wants to cut current portfolio at least by half by 2016**

Düsseldorf, April 22, 2013. Erste Abwicklungsanstalt (EAA) continued to wind-down its portfolios swiftly in the first quarter of 2013. On Monday the public-law institution announced that the volume of loans, securities as well as structured financial products taken over from the former WestLB was reduced by another EUR 7 billion between January and March.

For the first time, Managing Board members Markus Bolder and Matthias Wargers presented consolidated figures for the total EAA portfolio, which had been taken over in two tranches in 2009/10 and in 2012. Since its inception, EAA has thus taken over portfolios totalling approx. EUR 200 billion for the purpose of liquidation and wound down loan and securities exposures totalling approx. EUR 68 billion (based on uniform exchange rates as of December 31, 2011). In addition, the derivatives positions in the trading portfolio taken over in mid 2012 have been reduced, with the nominal amount cut by a good 23 percent from EUR 1,064 billion to EUR 813 billion by the end of the first quarter. The corresponding market value dropped from EUR 52 billion below the EUR 50 billion mark.

In the financial year 2012 alone, the loan and securities portfolios were reduced by approx. EUR 32 billion. This is the result of a 30 percent reduction in the newly transferred loan and securities positions. Positions transferred in the first fill transaction were down by another 18 percent on the previous year. During the total period from 2010 through 2012, the so-called “first-fill portfolio” has almost been halved. At 46 percent, the reduction during this period is much higher than had been expected at the time EAA was incorporated. The nominal volume of the derivatives in the trading portfolio was reduced by 17 percent by the end of 2012.

EAA closes FY 2012 with a net profit

“The takeover of additional exposures from the former WestLB entailed considerable organisational, technical and financial challenges in the past financial year,” said Wargers. In spite of increased expenses amounting to a three-digit billion amount resulting from the transfer of positions, EAA closed the financial year with a net profit of approx. EUR 7 million, benefiting from the fact that it had already reduced the first-fill portfolio significantly by the end of 2012. The successful wind-down and a positive trend in the relevant markets made it possible for EAA to reduce risk provisions which had been established in the previous years as a risk buffer.

Net interest income is the relevant parameter for EAA's result. At approx. EUR 260 million, it was up by 38 percent on the previous year. Interest income increased by approx. EUR 800 million to EUR 1.9 billion as a result of the refill. Interest expenses rose from approx. EUR 940 billion to approx. EUR 1.6 billion. "This is the result of the portfolio increase, due to which EAA had to bear additional funding costs in 2012," said Bolder. EAA expects "substantial income" from its portfolio in the coming years.

Wargers and Bolder emphasised that the risk profile of the EAA portfolio has not deteriorated as a result of the refill and the advanced wind-down. At the end of the past financial year, more than half of the loan and securities positions as well as the structured loans had a good rating. EAA's risk provisions for credit risks amounted to approx. EUR 2 billion at the end of the financial year.

An equity cushion of approx. EUR 1 billion protects EAA against unidentified risks; it consists of equity in the amount of EUR 510 million plus equity drawing rights worth EUR 480 million. "In accordance with the agreements EAA has helped to make the transformation of WestLB a success. This led to an outflow of equity of roughly EUR 200 million in the second half of 2012," explained Bolder. At the end of June 2012, EAA's equity capital amounted to a good EUR 600 million.

EAA remains a small entity in spite of additional tasks

The refill transaction also induced a change in EAA's administrative expenses, which increased from approx. EUR 127 million in 2011 to approx. EUR 413 million in 2012. Most of these expenses relate to service provider Portigon. "The scope and the complexity of the portfolio management services provided by Portigon have increased significantly compared to the previous year," said Wargers. The EAA portfolio has increased not only in size but is also spread over many more countries and currencies than after the first fill. The number of investments has increased, too. The takeover of derivatives into a trading portfolio also causes significant additional expenses. Given that EAA is designed as a small entity which relies on flexible outsourcing, its personnel expenses account for only about 3 percent of the total administrative expenses.

In order to master the new challenges, EAA has increased its headcount by 58 since early 2012 to 113 as of April 1, 2013. According to today's plans, EAA will require a total headcount of 124 to master its increased tasks.

Outlook: New targets set

EAA adopted a new wind-down plan for the total portfolio at the beginning of 2013. In spite of the much higher volume, the target has remained unchanged. EAA continues to believe that it will complete the wind-down process with a "black zero" – i.e. without drawing on the guarantee commitments laid down in its statutes. The originally planned wind-down period until 2027 has not been changed, either. As was the case after the first fill, EAA has again set itself a "corporate objective", according to Wargers: "We want to reduce the portfolios that existed at the end of 2012 at least by half by the year 2016."

<u>Enclosures</u>

Chart 1	Development of EAA - Timetable
Chart 2	Total portfolio as of December 31, 2012
Chart 3	Wind-down completed as of 2012 and I/2013
Chart 4	2012 income statement
Chart 5	2012 balance sheet

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