

# Press Release

EAA Interim Report 2012

## **EAA reports risk positions totalling EUR 32 billion wound down within the past two and a half years**

**Positive result in H1 2012 / Preparations for takeover of another portfolio are proceeding as planned / Integrated strategy for winding down the new overall portfolio totalling approximately EUR 150 billion**

Düsseldorf, September 3, 2012. - As of the end of the first half of 2012, Erste Abwicklungsanstalt (EAA) reduced the portfolio transferred to it by almost 42 percent. EAA thus reduced the risk positions taken over from the former WestLB AG from EUR 77.5 billion to EUR 45.3 billion in exchange rate-adjusted terms. This represents a reduction by a good EUR 32 billion within about two-and-half years.

Assets worth EUR 5.7 billion were wound down between January and June 2012. Roughly two thirds of this amount relate to active measures such as sales or premature repayments. Roughly one third relates to maturities and the exchange of Greek bonds. In the meantime, EAA has completely wound down its Greek exposure which originally totalled EUR 1.2 billion. The especially high-risk Phoenix portfolio declined by almost EUR 1.1 billion to about EUR 17 billion, down from its original amount of approx. EUR 23 billion.

“In view of the results achieved to date, we are confident that we will soon reach our first interim target to reduce the portfolio by half,” said Board member Matthias Wargers. At the time of taking office, the EAA Managing Board envisaged a 50 percent reduction of the portfolio by 2014.

At the end of the first six months of 2012, EAA posted a positive result of about EUR 10 million. The successful wind-down made it possible to reduce the risk provisions by a good EUR 41 million. At just under EUR 45 million, net interest income was below the prior year level. “The net lower interest income is attributable to increased interest expenses, which relate to the preparations for the takeover of another portfolio,” said Managing Board member Markus Bolder. As announced, EAA has been building up a liquidity buffer since 2011 to prepare the takeover of a second portfolio from WestLB, which has been renamed Portigon AG in the meantime.

**New portfolio valued at approximately EUR 100 billion includes large trading book portion**

Under the “subsequent transfer” arrangement, EAA will take over another portfolio valued at approximately EUR 100 billion. This new portfolio includes trading books with a market valuation of a good EUR 50 billion. These are the first trading books ever to be transferred to EAA for winding down purposes. EAA has already devised suitable winding down strategies and hired an additional team of experts ahead of this transaction. The other positions in the “subsequent transfer” portfolio are mainly loans and securities. In addition, Westdeutsche Immobilien Bank AG (WestImmo) will pass to EAA as a subsidiary. The loans, securities and participations in the investment portfolio have a nominal value of just under EUR 50 billion; this amount includes the equity value of WestImmo. More than half the loans and securities benefit from good and medium ratings. The share of non-performing loans is below five percent.

“EAA will now develop an integrated wind-down concept for both portfolios and will, in the future, present combined annual reports for a total volume under management in the vicinity of almost EUR 150 billion,” said Markus Bolder. EAA will remain bankruptcy-remote in the future. This is guaranteed by the loss compensation rules laid down in its statutes, which will also apply to the new total portfolio. Regardless of this, EAA’s own funds are sufficient to cover losses that are expected to result from the wind-down from today’s point of view.

In addition to the existing equity capital of approx. EUR 624 million (as of June 30, 2012), EAA will obtain additional equity drawing rights of EUR 480 million in the context of the subsequent transfer. To the extent required, i.e. if the equity capital of EAA falls below EUR 50 million during the wind-down process, these funds will be made available by the shareholders of the former WestLB and the German Finanzmarktstabilisierungsfonds (Financial Market Stabilisation Fund; SoFFin). “We remain committed to continuing the wind-down of the portfolio at a steady pace and to achieve a black zero at the end of the wind-down period,” Wargers said.

Enclosures

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| <i>Chart 1</i> | Wind-down result and portfolio structure as of June 30, 2012 |
| <i>Chart 2</i> | Income statement as of June 30, 2012                         |
| <i>Chart 3</i> | Balance sheet as of June 30, 2012                            |

## **Inquiries**

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### ***About the Erste Abwicklungsanstalt (EAA)***

*The EAA has taken over risk exposures and non-strategic business units from the former 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%).*