

Press release

EAA CBB

Purchase contract cancelled

EAA will close Irish subsidiary // consequences for wind-up plan limited

Düsseldorf, 31 March 2020. The sale of the EAA subsidiary EAA Covered Bond Bank (CBB) in Ireland cannot proceed as planned. The investor has informed the EAA that the competent supervisory authorities will only approve the transfer subject to additional conditions. In view of the changed circumstances, the parties have now agreed to cancel the purchase agreement.

“As a consequence, the EAA will wind up and close the Irish subsidiary,” said Christian Doppstadt, the member of the EAA Managing Board with responsibility for this topic. In operational terms, this will lead to increased expenditure for the EAA. Mr Doppstadt pointed out that the CBB portfolio has been further reduced since the purchase agreement was concluded in 2017 and that from today’s perspective there is a good chance of greatly limiting any negative financial consequences for the EAA wind-up plan.

EAA CBB is comparable to a German Pfandbriefbank and is one of the last majority shareholdings in the EAA’s portfolio to conduct operating business. Since 2009/2010, the EAA has been reducing the assets of the former WestLB with a view to minimising losses. The Irish bank mainly holds bonds issued by public sector borrowers in Europe. Its balance sheet has been cut from EUR 10.9 billion in 2010 to EUR 1.6 billion as at the end of 2019.

The agreement on the sale of the bank, which was concluded at the start of 2017, was aimed in particular at speeding up the scaling back of the risks associated with its activities, and opening up new prospects for the future for the bank and its employees. As is usual with such sales, final transfer to the buyer was subject to approval by the competent regulatory authorities. The investor therefore requested an assessment under an ownership control procedure.

EAA CBB is further on included in the EAA's risk management and business management. Its holdings have been part of the EAA's wind-up plan from the outset.

Enquiries

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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. In accordance with its charter, its mission is to wind up risk positions taken over from the former WestLB in such a way as to minimise losses.

The EAA has taken over positions totalling approximately EUR 200 billion, which it accomplished in two stages: The "first fill" in 2009/2010 comprised loans and securities with a notional volume of EUR 77.5 billion. The second transfer, or "replenishment", took place in 2012 and comprised loans, securities (banking portfolio) and derivatives (trading portfolio) in the amount of EUR 124.4 billion.

Being a public-law institution, the EAA has a structure that protects it against insolvency 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 its charter, the EAA can issue securities on favourable terms. The 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. 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 (each approx. 0.9%).