

Press release

Fiscal year 2020

EAA successfully continues with portfolio reduction

Result for the year slightly negative // Loans and securities reduced by about 15%, derivatives by about 31% // Corona pandemic has little impact on winding up // Reserves strengthened in relation to remaining portfolio // Milestone reached in the accelerated wind-up of EAA Covered Bond Bank Plc

Düsseldorf, 19 April 2021. The EAA closed the 2020 financial year with a lower net loss of EUR 1.9 million after tax compared to EUR 2.7 million in the previous year. A slightly negative result in the current winding-up phase has been taken into account in the original wind-up planning and is no indication of changed conditions or risks. “We successfully continued to wind up the financial products acquired from the former WestLB in the 2020 fiscal year, which was dominated by the Corona pandemic”, says Horst Küpker, member of the Managing Board of the EAA. “Of the loans and securities in the banking book acquired in 2009/2010 and 2012, some EUR 12.7 billion were still on the EAA’s books as of 31 December 2020”, Küpker continues. This is roughly 15% less than in the previous year. Overall, the notional volume of the transferred financial products has so far been reduced by 90%. The notional volume of derivatives in the trading portfolio fell by around 31% in 2020 to EUR 94.6 billion. This means that around 91% has been reduced since the takeover in 2012. The accelerated winding-up of the Irish subsidiary EAA Covered Bond Bank Plc (EAA CBB), for which the European Central Bank approved the return of the full banking licence in March 2021, also contributed to this. EAA CBB was the last operational special bank participation from the portfolio of the former WestLB AG. EAA CBB mainly held bonds issued by public-sector borrowers in Europe.

The wind-up portfolio is now notionally smaller and of better quality than originally planned. At the same time, the EAA’s reserves are higher than they were expected to be at this time. Its equity as of 31 December 2020 amounted to around EUR 654 million. The buffer made up of equity, equity capital drawing facility and risk provisions has improved steadily relative to the remaining portfolio to around EUR 1.6 billion as of 31 December 2020. At the same time, the risk assessment for the remaining portfolio improved.

The EAA has already made it clear on several occasions that its interest-bearing business would inevitably shrink as the winding up progressed, and that costs could no longer be reduced in proportion to the shrinking portfolio.

However, the economic losses in 2020 were significantly lower than expected. The net interest result was EUR 23.8 million higher than in the previous year, mainly due to the one-off effect from the profit transfer of a subsidiary.

General administrative expenses fell by EUR 10.7 million year on year to EUR 125 million. Compared with 2012 (the year of the second portfolio transfer to the EAA) costs were reduced by around 70%.

In the past fiscal year, the EAA pressed ahead with projects to optimise and increase the flexibility of administrative expenses to ensure that it is in an efficient and cost-effective position for the remaining tasks. “We are currently creating the conditions for the EAA to focus on its core functions and to be able to draw on a flexible service landscape in the medium term”, explains EAA Managing Board member Christian Doppstadt. “These measures form the basis for us to successfully continue with our mandate of winding up while minimising risks and preserving value”, Doppstadt emphasises.

Enquiries

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Please note our new phone number.

For more information, visit www.aa1.de

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 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 its charter, the EAA can issue securities on favourable terms. The EAA nevertheless plans to complete the wind-up activities at least “with a black zero” - i.e. without taking advantage of the loss compensation duties. Shareholders 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%).