

Press release

EAA places services for the remaining wind-up portfolio in the hands of private service providers

- **Service subsidiary EFS signs outsourcing agreement with IBM and transfers around 300 staff at the same time**
- **Portfolio management subsidiary EPA privatised following approval by the supervisory authorities and transferred to Mount Street Group (closing)**
- **The EAA's service provider strategy secures operational stability as the portfolio continues to be wound up**
- **Agreements open up new prospects for EFS and EPA staff**

Düsseldorf, 04 December 2017. EAA subsidiary Erste Financial Services (EFS) has concluded an outsourcing agreement with IBM Deutschland GmbH and spinning off most of the services it provides. Under the agreement, IBM will also take on about 300 EFS staff in Düsseldorf and London. The EAA had already announced in 2016 that it would be considering outsourcing measures for its EFS subsidiary as part of its long-term service provider strategy.

For the time being, EFS remains a subsidiary of the EAA and will concentrate on provider management. In the medium term, this function will be integrated within the EAA. On the basis of the outsourcing agreement with EFS, IBM will provide the EAA with both IT and operational services for loan, securities and derivatives portfolios. "The agreement between EFS and IBM represents a milestone in the implementation of the EAA's public mission. It will significantly contribute to the EAA's future stability and capability and to ensuring that it can wind up the former WestLB's remaining portfolio in the best way possible", said Matthias Wargers, Spokesman of the EAA Managing Board.

Flexibility in implementing the wind-up plan

Previously, in December 2016, as part of its service provider strategy, the EAA sold EAA Portfolio Advisers GmbH (EPA) to Mount Street Group, which has its headquarters in London (signing). Following approval by the supervisory authorities, the transfer was finally completed in the fourth quarter (closing). This meant that all the EPA shares and approximately 75 staff were transferred to Mount Street Group. The portfolio manager will continue to provide services for the EAA as part of Mount Street Group.

The EAA founded its service subsidiary EPA in 2014 and took over EFS (previously Portigon Financial Services GmbH) in 2016, in order to align it completely with the requirements of its portfolio. These earlier steps served to guarantee the operational stability of the EAA and to create synergies. Following these changes, the EAA will continue to wind up the remaining portfolio: under the agreements, EFS and EPA – today Mount Street Portfolio Advisers (MSPA) – will provide services for the EAA until at least 2020. If other services are required in subsequent years, these are contractually guaranteed. “The form of the agreements provides the necessary flexibility to wind up the remaining portfolio. It is therefore also compatible with our goal of ending the activity of the EAA earlier than planned”, underlined Wargers.

Know-how retained as the portfolio continues to be wound up

In general, the EAA is faced with the challenge of maintaining the quality of asset management even if the continuing wind-up of the portfolio requires cost reductions and consequent staff cuts. So as not to compromise its operational stability in this situation, the EAA intends to open up prospects for employees in the private sector environment. At the same time, it ensures their know-how is retained for future tasks by means of service agreements.

As a result of the IBM and Mount Street agreements and other personnel measures, the number of direct EAA group staff will fall to around 254 on 31 December 2017 (equates to around 238 full-time equivalents). Per 31 December 2016, the Group had 752 employees (around 704 full-time equivalents).

Enquiries

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The EAA is a financially and organisationally independent public law institution. It was established with a view to helping stabilise the financial markets. According to its statutes, its mission is to wind up risk positions taken over from the former WestLB in a risk-minimising manner. Around EUR 200 billion in total was transferred to the EAA in the form of loans, securities, structured loans, shareholdings (bank portfolio) and derivatives (trading portfolio). After almost eight years of operating activities, it has successfully wound up a good 80% of the holdings. As owner of the assets, it takes all decisions on the wind-up strategy and therefore on the disposal, restructuring or continuation of commitments. The EAA currently has around 180 staff (170 full-time equivalents). In addition, there are two major service providers, each focused on specific portfolio services:

The EFS provides IT and operational services and is a wholly-owned subsidiary of the EAA. It has comprehensive experience of major client commitments and well-founded knowledge of a very wide range of product categories in international portfolios. The EAA is its principal client; to a lesser extent it provides services for Portigon AG and other clients. As a subsidiary of the EAA, EFS is not permitted to acquire new clients. The company currently has 370 full-time staff in Düsseldorf, London and New York. As part of the outsourcing agreement concluded in 2017, IBM is taking on the major part of the portfolio-related services and approximately 300 staff in Düsseldorf and London. The New York office is to be closed at the end of the year. The remaining EFS headcount will be progressively reduced.

EPA/now: MSPA is the EAA's portfolio manager. It offers a wide spectrum of loans and securities services: as part of its services for the EAA, it monitors, for example, large-volume corporate loans and processes non-performing exposures. It evaluates complex structured securities and generates data and analyses for sales or produces stress scenarios. Until it was sold in 2017, EPA was a 100% subsidiary of the EAA. It now provides its services as a Mount Street Group company under the new name Mount Street Portfolio Advisers (MSPA), in Düsseldorf, London, New York and Madrid.