

Press release

Fiscal year 2017

Another successful fiscal year – risk portfolio of former WestLB already reduced by more than 80 per cent

Wind-up activity in 2017 still positive, generating EUR 14 million / Cost savings of 16% support earnings / Business volumes reduced by a good EUR 18 billion over 12 months

Düsseldorf, 9 April 2018. The EAA made significant progress with the wind-up of the former WestLB portfolio in the 2017 fiscal year as well. Specifically, the loan and securities portfolio (banking book) contracted from almost EUR 30 billion to roughly EUR 23 billion in nominal terms (-23%), and the trading book dropped from roughly EUR 260 to EUR 206 billion (-20%).

The EAA's entire business volume fell in 2017 to EUR 52 billion, thereby shedding a good EUR 18 billion (-26%) within a year. The business volume comprises irrevocable loan commitments and contingent liabilities, from guarantees for example, in addition to total assets. The latter declined by EUR 14 billion in 2017 to almost EUR 47 billion.

"The wind-up of the portfolio has so far progressed much better than expected at this stage of the procedure," said Matthias Wargers, Spokesman of the EAA Managing Board. Within eight years this means the EAA has wound up loans and securities worth EUR 132 billion – corresponding to roughly 85 per cent of all the positions taken on from the former WestLB. We can add to this the wind-up of derivative financial products totalling almost EUR 860 billion in nominal terms – approximately 81 per cent of the transferred portfolio.

At the end of the previous fiscal year both the result and the equity figures exceeded the forecasts made upon taking on the portfolio. Net profit in 2017 amounted to a good EUR 14 million, raising equity as at 31 December 2017 to around EUR 656 million. As at the end of 2017 the EAA also had almost EUR 0.9 billion in risk provisions. Wargers: "Risk provisions and equity provide a robust buffer against losses in the event of potential risks from winding up the rest of the portfolio."

The positive result in the financial year was again supported by a marked reduction in administrative expenses. It fell by roughly EUR 34 million to EUR 179 million (-16%). The largest portion by far related to portfolio management and restructuring costs. HR costs at the EAA account for roughly 16 per cent of all the administrative expenses. After peaking in 2012, overall administrative expenses have since fallen by 57 per cent.

Equipped for the challenges in winding up the rest of the portfolio

In the 2017 fiscal year the EAA also took the necessary steps to manage the future portfolio reduction in a secure manner and as cost-effectively as possible. As part of its long-term service provider strategy it privatised the former portfolio-management subsidiary EPA as well as outsourcing services from the services subsidiary EFS. Both steps are related to service agreements designed to ensure security and adequate flexibility for the future servicing of the EAA portfolio.

Following successful settlement negotiations in the 2017 fiscal year, the EAA managed to conclude legal disputes regarding municipal interest rate swap transactions of the former WestLB. "This is a milestone in the winding-up process, as it considerably lowers the potential risks of the portfolio taken on", stressed Wargers. The successes of the past fiscal year also include the completion of difficult restructuring processes and the sale of key equity investments. These too were instrumental in reducing the level of risk. This also makes it easier to manage the rest of the portfolio.

"In light of the performance in 2017 we are optimistic of being able to reduce risk early in the interests of our liable stakeholders", said Wargers. When developing future strategies the EAA will stick by its principle of winding up portfolios while conserving value.

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. According to its statutes, its mission is to wind up risk positions taken over from the former WestLB in a risk-minimising manner.

The EAA has taken over positions totalling approximately EUR 200 billion. The acquisition was carried out 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 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 the statutes, the EAA can issue securities at favourable conditions. 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 (both approx. 0.9%).