

Press release

Interim report as at 30 June 2020

Realization of the wind-up mandate is progressing – pandemic so far without major impact

Düsseldorf, 19 August 2020. The reduction in the portfolio of the former WestLB slowed down in the first half of 2020 compared with expectations at the beginning of the year, as a result of the corona pandemic. Nevertheless, the EAA's Managing Board expressed satisfaction with the progress of the winding-up when presenting its interim report for 2020. "Despite the impairments, we were able to make significant progress in reducing derivative products in the trading portfolio and at the same time press ahead with the reduction and restructuring of our own organisation," said EAA Managing Board member Horst Küpker.

The loans and securities in EAA's banking book were reduced by around EUR 600 million or around 4% to EUR 14.2 billion between January and June. In the first half of 2020, the trading portfolio declined by around EUR 25 billion to just under EUR 112 billion in notional terms. This represents a decline of a good 18% within six months. At the end of last year, the EAA launched a project to accelerate the winding up of derivative products. The present result however remains below expectations.

"During the pandemic, activities in the markets relevant to us slowed down, which inevitably curbed our pace of reduction," says EAA Managing Board member Christian Doppstadt. However, the EAA had not had to cope with any major defaults or impaired exposures as a result of the pandemic up to the reporting date.

Focus on cost reduction and cutting back of its own organisation

The EAA's income statement shows a deficit of EUR 24.5 million as at 30 June 2020. Negative results were forecast in the EAA's long-term business plan for this late winding-up phase from the outset. "In this respect, despite negative figures, we continue to see ourselves on the right track in fulfilling our winding-up mandate," said Doppstadt.

In addition to reducing the portfolio, the EAA was concentrating in particular on safeguarding the management of the remaining portfolio and at the same time cutting back its own organisation in order to further reduce costs. In the first half of 2020, the EAA's general administrative expenses were reduced by around EUR 4 million to just under EUR 64 million compared with the same period of the previous year. By the end of 2019, the EAA had already reduced administrative expenses by 67% compared with 2012, the year in which the EAA portfolio reached its peak.

The EAA was established as the Federal Republic's winding-up agency to help stabilise the markets in the wake of the financial crisis and to reduce risk positions with a view to minimising losses. Downsizing and winding up its own organisation are part of its overall mission.

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, 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 in 2027 at least "with a black zero" - i.e. without taking advantage of the loss compensation duties. Shareholders in 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%).