

Press release

EAA privatises its portfolio management subsidiary

EAA Portfolio Advisers GmbH (EPA) gets new perspective as part of Mount Street Group // EAA secures the required flexible servicing for the portfolio wind-down

Düsseldorf, 23 January 2017. Erste Abwicklungsanstalt (EAA) has sold its portfolio management subsidiary to Mount Street Group. The financial service provider headquartered in London will take over EAA Portfolio Advisers GmbH (EPA) including its approximately 90 employees at offices in London, Düsseldorf, New York and Madrid. Post-acquisition, EPA will remain a separate company providing tailored services for the EAA portfolio until at least 2020. The transaction is yet to be approved by the relevant regulatory authorities and a Closing is expected in the first half of 2017.

“The privatisation of EPA secures the capacities and expertise we will need in the coming years to continue winding-down the EAA portfolio successfully,” says Managing Board spokesman Matthias Wargers. The purchaser Mount Street has many years of experience in servicing international portfolios with a focus on real estate and structured credit. The acquisition of EPA is in line with the Group's aim to further expand its existing product spectrum and network of locations with EPA playing an integral role in achieving this.

“The sale to an internationally experienced financial service provider will give EPA's employees a new perspective and thus help maintain the expertise on all aspects of the EAA portfolio. Additionally, EAA can benefit from the know-how of Mount Street Group for its own work,” Wargers says. Furthermore, the move enables EAA to benefit from increased flexibility for the remaining wind-down by turning fixed costs into variable costs that can be adapted to EAA's actual needs and progress made with regard to the portfolio wind-down.

EAA founded EPA in 2014, taking on workforces of its former service providers Portigon AG and Portigon Financial Services GmbH, respectively. Thereafter, EPA's services have consistently been tailored to EAA's needs, whilst exploiting a significant amount of synergistic potential. "Now, however, EPA needs a perspective for the future to be able to continue guaranteeing the necessary quality in managing, evaluating and analysing the EAA portfolio. EAA's tasks as a winding-up agency require a permanent optimisation of organisational and cost structures," Wargers explains.

Since EAA has already reduced its portfolio by about 80% and undertaking new business under the EAA umbrella is prohibited, EPA would have been forced to continually cut back its workforce in the coming years were it not for its privatisation. Such a process could have threatened the stability of its services provided.

Inquiries

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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 so-called first fill in 2009/2010 comprised loans and securities with a notional volume of EUR 77.5 billion. The second transfer, the so-called refill, took place in 2012 and comprises loans, securities (bank 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 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%).