

Press release

EAA sells significant stake

Bluestone Group takes over private property loan specialist subsidiary Basinghall

Dusseldorf, 12 December 2014. The Erste Abwicklungsanstalt (EAA - First Winding-up Agency) has divested itself of its subsidiary Basinghall Finance Ltd with a nominal loan portfolio of more than EUR 600 million. The EAA Board announced today in Dusseldorf that Bluestone Mortgages is taking over the London based company. The competent British supervisory authorities have approved the transfer. Bluestone is an international provider of mortgage and consumer finance and belongs to a group of institutional investors including the Australian investment bank Macquarie, and LDC, a wholly owned subsidiary of Lloyds Banking Group. Experts working for Basinghall will also be transferred to the new owner following the sale. Until now they have worked within the Portigon Group which provides services across the entire EAA portfolio.

The EAA considers the sale of its fourth-biggest operating stake to be an important step in the dismantling of the portfolio worth billions that it took over from the former WestLB as part of a financial market stabilisation. "The divestment of Basinghall also accelerates the dismantling process and reduces the complexity of our stake", explained EAA Board spokesman Matthias Wargers. It should reduce EAA costs and operational risks. The purchaser will fully dissolve the EAA refinancing for Basinghall.

Basinghall was transferred in 2010 with assets of just under EUR 900 million (based on current exchange rates) from the former WestLB to EAA. WestLB had pursued the aim, with the London subsidiary, of building a portfolio of property loans in order subsequently to securitize it and then offer it to the capital market. The outplacement failed in the financial crisis. The winding-up agency reduced the portfolio by approximately EUR 260 million, improved the structure of the remaining exposures by introducing stringent risk management and reducing costs in the subsidiary. Around one year ago it then initiated the sale process, which was published Europe-wide on 29 January 2014 in order to ensure non-discrimination.

For queries

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The EAA is an economically and organisationally independent body incorporated under public law. It was incorporated in 2009 in order to contribute to the stabilisation of the financial markets. According to its articles its duty is to dismantle the risk positions taken by the former WestLB with minimal losses. It assumed commitments worth around EUR 200 billion. The transfer occurred in two stages: The so-called initial charging in 2009/2010 comprised loans and securities with a nominal value of EUR 77.5 billion. The second transfer, the so-called subsequent charging, took place in 2012 and comprised loans, securities (bank holdings) and derivatives (trading positions) worth EUR 124.4 billion.

The EAA is incorporated as an insolvency-protected establishment under public law and refinances itself independently on the capital market. The loss compensation obligations laid down in their articles of the North-Rhine Westphalia (NRW) Land, the NRW savings banks and regional authorities and of the financial market stabilisation fund enable it to obtain favorable conditions when issuing securities. Its schedule, however, is aimed at ending 2027 at least at break-even, thereby avoiding financial accountability for loss compensation obligations. Stakeholders in the EAA are the Land of North Rhine-Westphalia (approx. 48.2%), both of the North Rhine-Westphalian savings banks and Giro associations (both approx. 25%) and both North-Rhine Westphalian regional authorities (both approx. 0.9%).