

Press Release

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Sale of the Sealink portfolio

Last legacy asset of the financial crisis run off

The portfolio of the Sealink Funding special purpose vehicle, in which securities of the former Sachsen LB were bundled, has been almost completely sold to international investors. Landesbank Baden-Württemberg (LBBW) is thus getting rid of the last great burden deriving from the financial market crisis.

Given the positive market environment, the German Free State of Saxony commissioned the administrator of the Sealink portfolio in September of this year, in consultation with LBBW, to sell the securities. "We owe it to a highly constructive collaboration with the Free State of Saxony that this transaction, which is benefiting both sites, has now been successfully completed," explains Rainer Neske, Chairman of the Board of Managing Directors of LBBW. "This means that the Bank's last remaining legacy asset dating from the financial market crisis has been eliminated."

The portfolio, which had originally amounted to EUR 17.3 billion, had been channeled into the Sealink special purpose vehicle before Sachsen LB was sold to LBBW in 2008. At the time, the Free State of Saxony had provided a guarantee covering initial losses in the amount of EUR 2.75 billion to

hedge payment losses in the portfolio. LBBW had used a loan to finance Sealink. This loan was secured by a guarantee provided by the State of Baden-Württemberg. In September 2017, the portfolio still had a nominal volume of around EUR 4.2 billion.

As a result of the now almost completely concluded sale of the portfolio, all Sealink-related risks for the owners of LBBW (State of Baden-Württemberg, Savings Bank Association of Baden-Württemberg and the City of Stuttgart) have been eliminated. This also makes the risk shield provided by the State of Baden-Württemberg obsolete. The guarantee will not be used, relieving LBBW from the costs for the guarantee commission. Some securities still remain in the portfolio for legal reasons, but their risks are completely covered by the guarantee for initial losses provided by the Free State of Saxony. It is planned to sell these securities as soon as the legal issues have been clarified, and to liquidate Sealink in the coming year.