



BayernLB to file lawsuit over Austria's Hypo Alpe creditor law

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Oct 15 (Reuters) - State-controlled German lender BayernLB is filing a lawsuit against a law Austria passed this year that forces some creditors to share the costs of winding down nationalised bank Hypo Alpe Adria, BayernLB said on Wednesday.

It is the first lawsuit against the law, which entered uncharted territory for debt markets by wiping out subordinated debt worth nearly 900 million euros (\$1.14 billion) despite guarantees from Hypo's home province of Carinthia.

Austria had to take over Hypo from BayernLB in 2009 to avoid a collapse that would have sent shock waves through eastern Europe. The law mandates an 800 million euro contribution from the German bank as well for Hypo costs.

Munich-based BayernLB will file the lawsuit to Austria's Constitutional Court, a spokesman said, confirming comments from Bavarian Finance Minister Markus Soeder to the Sueddeutsche Zeitung newspaper.

"We cannot accept this expropriation," Soeder told the paper.

Austrian Deputy Chancellor Reinhold Mitterlehner said the government took note of the lawsuit plan but declined further comment to reporters after a cabinet meeting.

Other investors hit by the law - including insurers Uniqa and Vienna Insurance - have also said they will take legal action, but a court spokesman in Vienna said it had not received any such actions so far.

The World Bank, which has exposure of 150 million euros, has said it was in discussions with the Austrian authorities.

Bavaria, which owns the majority of BayernLB, is battling Austria in court over 2.3 billion euros in funds left with Hypo at the time of the nationalisation. The Germans want the money repaid, while the Austrians argue it should be treated as replacement capital.

Soeder told the paper Bavaria was open for a settlement. (1 US dollar = 0.7907 euro) (Reporting by Andreas Kroener in Frankfurt and Angelika Gruber in Vienna, writing by Michael Shields, editing by Louise Heavens)

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