IP/09/1434

Brussels, 7th October 2009

State aid: Commission approves temporary additional aid to German Landesbank WestLB

The European Commission has approved, under EC Treaty state aid rules, a temporary increase of the guarantee for a portfolio of securities of German Landesbank WestLB. The aid measure amounts to €6.4 billion and is provided by SoFFin, a fund administrating the German support scheme for financial institutions. WestLB is currently in the process of implementing a restructuring plan that was approved by the Commission in May 2009 (see IP/09/741). The plan foresees, among other measures, the creation of a "bad bank", which will ensure that the bank can return to viability. The aid subject to today's decision is in line with the Commission's Communication on state aid to banks during the crisis (see IP/08/1495), as it is necessary for the creation of the "bad bank".

Competition Commissioner Neelie Kroes said: “The temporary additional aid is necessary to allow WestLB to set up a bad bank, which was anticipated in our decision of last May."

WestLB AG, based in North Rhine-Westphalia (NRW), with total assets of €288.1 billion as of 31 December 2008, operates as a central bank and a provider of services for Germany's biggest regional saving banks' network and as a commercial bank. At the request of the Commission, WestLB has initiated a fundamental restructuring process that will result in the sale of the bank.

On 12 May 2009 the Commission approved a restructuring plan for WestLB and the prolongation of a €5 billion risk shield protecting the bank's structured investment portfolio (see IP/09/741). Under the plan, WestLB will focus on three core businesses, terminate certain risky business activities and reduce its assets by 50%. Large parts of the bank will be transferred to a "bad bank" and subsequently wound up. Moreover, Germany committed to change the bank's ownership structure through a public tender procedure before the end of 2011.

The additional aid became necessary when a delay in the implementation of the bad bank solution and increasing capital requirements for a previously hedged portfolio of structured securities led to a breach of regulatory capital requirements.

Germany has committed to submit a revised restructuring plan which will duly take into account that substantial additional aid has become necessary since the Commission's May decision.

The non-confidential version of the decisions will be made available under the case number C43/2008 in the State Aid Register on the DG Competition website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.