State aid: Commission approves restructuring of HSH Nordbank, subject to conditions

European Commission
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Brussels, 20 September 2011 - The European Commission has approved under EU state aid rules restructuring aid for German bank HSH Nordbank consisting of a capital injection of €3 billion and a risk shield of €10 billion provided by the regions of Hamburg and Schleswig-Holstein. The support also includes liquidity guarantees amounting to €17 billion. Clearance relies on the commitment to reduce the bank's balance sheet by 61%, including the wind down of its aircraft financing division and the reduction of its shipping financing activities to make the bank less reliant on volatile businesses and to shrink its funding needs, thereby increasing its long-term viability. The approval of the restructuring plan is conditional on the payment of a higher remuneration for the €10 billion risk shield provided by the two regional authorities in particular in the form of the payment of a lump sum of €500 million in shares. This is to ensure compliance of the risk shield with EU state aid rules relative to impaired assets measures and that minority shareholders bear a fair share of the restructuring costs.

"The restructuring plan will profoundly change HSH Nordbank's business model, creating the conditions for a more viable bank in the long-term. The balance sheet reductions HSH committed to implement are necessary to refocus the bank on its core business and to reverse the unsustainable expansion in which it engaged in the past. I commend the bank for acknowledging its weaknesses and structural deficits and engaging with the German authorities and the Commission's services to address them in a convincing way," Commission Vice President in charge of competition policy Joaquín Almunia said:

The restructuring plan, which was revised to take into account Commission objections, will result in a sounder, less-risky business model and more adequate levels of capitalisation which will better ensure its future viability.

The bank will improve its funding needs through a 61% reduction of its balance sheet in the aircraft financing, corporate business line, real estate and shipping, and the transfer of deteriorated and non strategic assets to a restructuring unit. In respect of US dollar funding, the bank committed to a prudent funding strategy of new business to reduce its exposure to currency fluctuations. The commitment to limit its market share in the shipping market, where HSH has been a major player, contributes to remedying the distortions of competition.

In light of all this, the Commission concluded that the distortions of competition stemming from the aid are adequately addressed and the restructuring plan is in line with the Commission's guidelines on restructuring aid for banks (see IP/09/1180), subject to conditions.
Background

HSH Nordbank is more than 85% owned by the State governments of Hamburg and Schleswig-Holstein, in northern Germany. The savings association Sparkassen- und Giroverband Schleswig-Holstein and a trustee held by US private equity investor JC Flowers holds the remaining shares.

The Commission had opened in-depth investigation into the rescue measures in 2009 (see IP/09/1577).

The non-confidential version of the decision will be made available under the case number SA.29338 in the State Aid Register on the DG Competition website once any confidentiality issues are resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

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