Parliamentary question - E-002289/2022

European Parliament

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Management of Novo Banco by Lone Star, bank recovery and resolution criteria and capital requirements

27.6.2022

Answer in writing

Question for written answer E-002289/2022
to the Commission
Rule 138
João Pimenta Lopes (The Left)

In October 2017, when approving the sale of Novo Banco (NB) to Lone Star (LS), the Commission concluded that ‘taken together, [...] the restructuring plan and the commitments restore the viability of the bank and enable the bank to overcome its legacy burden’.

Around five years on, the resolution fund has already injected EUR 3.4 billion into NB, which is 87.4% of the total value of losses from ‘toxic’ assets which NB inherited from Banco Espírito Santo and which the resolution fund committed to cover until 2026.

In the sales contract, LS agreed to inject EUR 1 billion of capital into NB, while the resolution fund agreed to a EUR 3.9 billion capital injection if assets deteriorated in value and the bank’s soundness declined. Since then, in managing NB, LS has opted to sell off its toxic assets at a huge discount and has failed to comply with capital requirements, triggering activation of the contingent capital mechanism. This strategy is permitted under the sales contract.

In the light of this:

1. What does the Commission make of its decision?
2. What lessons on bank recovery and resolution and capital requirements has it learned from this experience?