IP/11/264

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State aid: Commission temporarily clears support for Nova Ljubljanska Banka

The European Commission has authorised under EU state aid rules an emergency recapitalisation of up to €250 million in favour of the Slovenian bank Nova Ljubljanska Banka (NLB). The Commission temporarily approved the measure for reasons of financial stability until it reaches a final decision on a restructuring plan for NLB which must be submitted within six months.

Commission Vice-President in charge of competition policy Joaquín Almunia said: "*I appreciate Nova Ljubljanska Banka needs an emergency recapitalisation in order to achieve an adequate level of capital and preserve financial stability in Slovenia. However, we need to make sure that NLB restructures in a way that ensures a sustainable future for the bank without continued state support and addresses distortions of competition caused by the aid."*

In mid-January the Commission received a notification by the Slovenian government to increase the capital of Nova Ljubljanska Banka (NLB), the country's largest bank, by €250 million. NLB passed the stress tests conducted by the European Banking Authority (formerly CEBS), in mid-2010, by a small margin only, leading the Central Bank of Slovenia to decide that the bank must raise its capital levels to preserve an adequate level of Core Tier 1 capital.

According to the measure notified to the Commission, NLB needs to raise €250 million of equity capital, equivalent to 1.6% of its risk-weighted assets. It will try to raise money through a public offering of its shares, in two tranches. In the first tranche, existing shareholders will be offered the opportunity to subscribe to the entire €250 million of new shares, pro rata to their existing shareholdings. In the second tranche, any new shares not taken up by existing shareholders will be offered to the general public. The Slovenian State will participate in the emergency recapitalisation by purchasing new shares at least in proportion to its current shareholding (approximately 49%). The capital injection will help NLB to preserve an adequate level of Core Tier 1 capital.

The Commission found the recapitalisation plan to be well-targeted, limited to the minimum necessary and proportional. Therefore, the Commission temporarily authorised the measure as emergency aid until it will have reached a final decision on NLB's restructuring plan, which must be submitted by the Slovenian authorities within six months from today's decision.

Background

In December the Commission prolonged into 2011, albeit in a stricter form, the crisis-related State aid rules for banks and for other companies with problems accessing finance (see IP/10/1636).

The rules outlined in a Communication on the recapitalisation of financial institutions (see IP/08/1901) enabling Member States to inject emergency support into banks in order to safeguard financial stability.

Under the Communication the Commission temporarily authorises emergency support and requests a restructuring plan that ensures the bank's viability and compensation for the distortion of competition.

The July 2009 Communication on restructuring aid to banks (see IP/09/1180) outlines the terms under which Member States can give aid to banks for periods exceeding six months on condition that:

- aided banks implement a restructuring plan that ensures that they are viable in the long term without further support from taxpayers
- aided banks and their owners must carry a fair burden of the restructuring costs and
- measures must be taken to limit distortions of competition in the Single Market.

For an overview of the State aid decisions, temporary or otherwise, as well as investigations pending see Memo/11/122.

The non-confidential version of the present decision will be made available under case number SA.32261 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.