

## **State aid: the Commission approves Danish rescue package for Roskilde Bank**

***The European Commission has authorised, under the EC Treaty's rules on state aid, the package of measures to support Roskilde Bank in Denmark. With effect from 11 July 2008, the Danish National Bank granted Roskilde Bank a liquidity facility, which was guaranteed partly by the private financial sector, partly by the Danish state. The Commission received the details of the measures on 21 July 2008. It concluded that the private guarantee and the part of the liquidity facility that it covers do not constitute State aid. At the same time, the remaining part of the liquidity facility, as well as the state guarantee constitute compatible rescue aid measures.***

EU Competition Commissioner Neelie Kroes said: "Thanks to the good cooperation with the Danish authorities, the Commission was able to adopt a decision in a very short period of time. This decision will provide legal certainty for the measures to support Roskilde Bank."

Roskilde Bank, based in the town of Roskilde, is the eighth largest bank in Denmark, with a balance sheet total of DKK 42.9 billion as of 31.03.2008 (€ 5.75 billion at current currency rates). The shares of the bank are listed at the OMX Nordic Exchange. A substantial part of the bank's loan portfolio is related to the real estate market.

On 21 July 2008, following intensive contacts between the Danish authorities and the Commission in the preceding week, Denmark communicated the details of the measures taken to rescue Roskilde Bank. The Commission examined the measures carefully and concluded that the part of the liquidity facility granted by the Danish National Bank as of 11 July 2008, which was guaranteed by the private financial sector, does not constitute aid. Neither does the private guarantee itself involve State aid. However, the Commission concluded that the remaining part of the liquidity facility that is guaranteed by the Danish State, as well as this state guarantee, constitute State aid.

The Commission authorised the aid measures as rescue aid, in line with the Community Guidelines on state aid for rescuing and restructuring firms in difficulty. Under these rules, rescue aid must be provided in the form of loans or guarantees. A control mechanism ensures that the aid is restricted to the amount necessary to keep the bank in business. In line with the rules, the Danish authorities have given a commitment to submit in six months a restructuring or a liquidation plan or proof that the loan has been reimbursed in full and/or the state guarantee has been terminated.

## **Background**

On 10 July 2008 Roskilde Bank announced that the recent turmoil in the global financial markets and the crisis in the Danish real estate market have led to a severe adverse development in a number of its larger client relationships. In preparation of the half-year financial statements, the management of the bank found that write-downs had to be made on a significantly larger scale than previously assumed. Raising additional share capital was not possible and negotiations with potential buyers had not led to any actual bids.

After discussions with the Ministry of Economic and Business Affairs, the Danish Financial Supervisory Authority and the Danish Bankers' Association, the Danish National Bank granted an unlimited liquidity facility to Roskilde Bank, taking effect on 11 July 2008. At the same time, a private association set up by the Danish Bankers' Association ("Det Private Beredskab") agreed to provide a guarantee of up to DKK 750 million of any potential losses on the liquidity facility. Beyond the amount covered by the Danish financial sector, the Danish state will also provide an unlimited guarantee to cover the potential losses that the Danish National Bank might suffer as a result of granting the liquidity assistance.

The non-confidential version of the decision will be made available under the case number NN 36/2008 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](#).

See also [MEMO/08/532](#).