State aid: Commission approves aid to support the resolution of the Polish Getin Noble Bank S.A.

Brussels, 1 October 2022

The European Commission has approved, under EU State aid rules, several support measures in the context of the resolution of the Polish Getin Noble Bank S.A.

The resolution process, coordinated by the Polish national resolution authority, as well as the related support measures, will enable an orderly sales process or wind-down of the bank, while preserving both financial stability and a level playing field in the Single Market.

Resolution plan of Getin Noble Bank

Getin Noble Bank is among the ten largest Polish banks with total assets of approximately €9.2 billion (PLN 44 billion).

The bank has been encountering difficulties since 2016 due to low profitability, which led to the depletion of its capital. In 2018, the bank experienced a bank run, when around €2.25 billion (PLN 10.7 billion) funds were withdrawn in less than three weeks. The legal and credit risks associated with the Swiss francs mortgage loans further decreased the value of the bank's assets. The recovery measures taken by the bank since 2016 to address its difficulties proved to be insufficient.

On 30 September 2022, based on the opinion of the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego,* 'KNF'), the Polish national resolution authority (*Bankowy Fundusz Gwarancyjny*, 'BFG') formally declared the bank "failing or likely to fail".

Following this decision, the BFG decided that it was in the public interest to put the bank into resolution, in line with the European Bank Recovery and Resolution Directive (BRRD), rather than to follow insolvency procedures under national law.

The resolution plan provides that, after the bank is resolved, its main assets and liabilities, except the equity and subordinated debt that will be fully written down to absorb losses, will be transferred to a newly created bridge bank. The purpose of this transfer is to ensure that the normal banking operations can continue.

In line with the possibilities foreseen by the BRRD, the bridge bank will serve as a temporary solution to prevent a sudden exit of Getin Noble Bank from the market and to provide sufficient time to organise an orderly sales process for the bridge bank. Poland has committed to start an open, transparent and non-discriminatory sales process for the newly created bridge bank with the aim of finding a suitable purchaser who would ensure its long term viability.

The BFG, which is responsible for both the resolution of banks and the guarantee of deposits in Poland, will ensure that the newly created bridge bank is adequately capitalised and has access to sufficient liquidity.

In this respect, the BFG will provide the newly created bridge bank with direct support measures in the form of cash injections worth around €1.4 billion (PLN 6.9 billion). These measures will be financed through (i) the national resolution fund; and (ii) the national deposit guarantee fund, both under the BFG's responsibility.

In addition, the Polish Commercial Banks' Protection System (*System Ochrony Banków Komercyjnych*, 'SOBK'), comprising the eight largest commercial banks active on the Polish market, decided to (i) support the operation with approximately €735 million (PLN 3.5 billion) to absorb further losses; and (ii) temporarily purchase a 49% share in the bridge bank.

The Commission's assessment

The intervention from the resolution fund funded by the contributions of the banking sector and managed by the BFG, qualify as State aid under EU rules. On the other hand, the commercial banks in the SOBK made the decision to support the resolution of the Getin Noble Bank voluntarily from their own funds, and their intervention therefore does not qualify as State aid.

The Commission assessed the aid measures, which have been designed and implemented by the BFG, under its rules on State aid to banks in the context of the financial crisis ("2013 Banking Communication"). It found that the measures are in line with the objective of preserving financial stability. Existing shareholders and subordinated debt holders contributed to the costs, reducing the need for intervention by the Polish resolution fund, in line with burden-sharing principles. Furthermore, in order to limit distortions of competition, Poland has committed, amongst other things, that the existence of the bridge bank will be limited in time and a prudent management will be implemented. On this basis, the Commission **approved the measures under EU State aid rules.**

As part of its State aid decision, the Commission has also verified that the bail-in principles under the BRRD were respected. In particular, the Polish law transposing the BRRD requires the bank's losses to be covered by the bail-in of shareholders and creditors (covering at least 8% of the bank's liabilities). These rules ensure that the amount of State aid is minimised, while financial stability is preserved. In this case, the resolution fund and the deposit guarantee fund are funded by the contributions of the industry, therefore the resolution is financed entirely by the banking sector, without the recourse to taxpayer money. The deposits held by the bank remain intact and fully accessible throughout the procedure. The Commission therefore concluded that the resolution aid to Getin Noble Bank **meets the relevant conditions of the BRRD**.

Background

The common EU rules on State support in favour of banks in the context of the financial crisis ("2013 Banking Communication") encourage the exit of non-viable players, while allowing for the exit process to take place in an orderly manner so as to preserve financial stability. Moreover, the rules ensure that the aid is limited to the minimum necessary and that the distortions of competition brought about by the subsidies, which give aided banks an advantage over their competitors, are mitigated.

The European Bank Recovery and Resolution Directive rules equip national authorities with the necessary tools and powers to mitigate and manage the distress or failure of banks or large investment firms. It allows national authorities to safeguard financial stability, while taking appropriate measures to limit the use of public funds and mitigate the distortions of competition resulting from the aid, including notably the sale of bridge banks.

For More Information

The non-confidential version of the decision will be made available under the case number SA.100687 in the State Aid Register on the 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.

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