

## State aid: Commission approves Danish liquidation aid for Roskilde Bank

*The European Commission has authorised, under EC Treaty rules on state aid, a package of measures to liquidate Roskilde Bank in Denmark. In August 2008, when it became clear that the rescue of the bank would fail, the Danish National Bank and the Danish association of private banks (DPB) took over, through a newly created entity, all assets and liabilities of Roskilde Bank, with a view to preparing an orderly winding-up. In the context of the liquidation, the new entity was provided with capital and continued to benefit from the liquidity facility granted as a rescue measure (see [IP/08/1222](#) and [MEMO/08/532](#)). Furthermore, the Danish authorities agreed to provide a guarantee to the Danish National Bank for any losses it may incur in relation to this transaction. The new entity will only exist as a bank for the time needed to complete the sale of the branches, which already took place on 7 October, and the redemption of all senior creditors of the bank. The Commission found the liquidation to be in line with its Guidance Communication on state aid to overcome the financial crisis (see [IP/08/1495](#)), because it was an appropriate and proportionate measure to address a serious disturbance of the Danish economy, while keeping the potential distortions of competition to the minimum. The liquidation measures are therefore compatible with Article 87.3.b. of the EC Treaty.*

Competition Commissioner Neelie Kroes said: "Thanks to good cooperation with the Danish authorities, the Commission was able to provide legal certainty on the liquidation of Roskilde Bank. In the current context of financial turmoil this was important for both Roskilde's creditors and for the Danish financial market as a whole."

Roskilde Bank, based in the town of Roskilde, was the eighth largest bank in Denmark, with a balance sheet total of DKK 42.9 billion as of 31.03.2008. In July 2008, in view of the turmoil in the global financial markets and the crisis in the Danish real estate market, the bank ran into financial difficulties and received state aid to be able to continue its business. However, the rescue, approved by the Commission (see [IP/08/1222](#) and [MEMO/08/532](#)) did not succeed.

As a result, the Danish National Bank (DNB) and Det Private Beredskab (DPB) decided on 24 August 2008 to take over, through a newly created entity, all assets and liabilities of Roskilde Bank, to wind up Roskilde Bank's activities. The purchase price for the transferred assets was DKK 37.3 billion (around €5 billion). DNB and DPB also agreed to provide a capital base contribution of minimum DKK 4.5 billion (around €603 million) to the newly created entity. In addition, the liquidity facility granted by DNB to Roskilde Bank was prolonged. It was further agreed that Roskilde Bank's creditors, apart from hybrid core capital and subordinated loan capital, would be fully redeemed.

After subsequent negotiations, a large part of Roskilde Bank's branches were sold on 29 September 2008 to Nordea, Spar Nord Bank and Arbejdernes Landsbank. The buyers agreed to take over loans worth around DKK 10 billion (around € 1.3 billion) and deposits of DKK 5 billion (around € 670 million). The difference would be paid in cash, including DKK 550 million (around € 73.7 million) for goodwill i.e. for the value of branches sold above book value of loans.

Following intensive contacts between the Danish authorities and the Commission, the above mentioned liquidation aid measures were formerly notified by Denmark on 7 October 2008.

The Commission's examination showed that no state aid was involved in the sale of the branches to Nordea, Spar Nord Bank and Arbejdernes Landsbank, because the price achieved for the sale was the maximum possible market price and the assets and liabilities were transferred to the buyers without any aid attached. In other words, the buyers could not rely on any support from the state.

On the other hand, the rest of the measures supporting the liquidation of the bank do constitute state aid. However, in the current financial situation, a possible default of Roskilde Bank could put at risk confidence in the Danish financial system, which is very dependent on international financing. This constitutes a serious risk of a systemic crisis, which may also have spill-over effects into other business sectors.

The objective of the Danish authorities was to preserve financial stability of the Danish financial system. Therefore, in view of this objective, the Commission considered the implemented measures to be appropriate. The measures were also necessary, as the Danish authorities had to restore the confidence of institutional lenders. The Commission noted that in this context subordinated debt was not covered by the state, which means that the risk of moral hazard is minimised, if not avoided. Furthermore, the implemented measures were proportionate, as the aid and distortions of competition were kept to the minimum, *inter alia* by the contribution of the private banks, through the DPB, to the measures.

The Commission concluded that these liquidation aid measures were an appropriate and proportionate means of addressing a serious disturbance of the Danish economy and as such in line with Article 87.3.b of the EC Treaty and the Commission guidance (see [IP/08/1495](#)).

The non-confidential version of the decision will be made available under the case number [NN 39/2008](#) 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](#).