[State aid: Commission approves new Slovenian commitment package for Nova Ljubljanska Banka]

Slovenia has firmly committed to an ambitious time schedule for NLB's sale with a first sale tranche of at least 50% plus one share by the end of 2018. Slovenia prolonged key commitments and also offered new commitments to compensate for the delayed sale and restructuring process of NLB.

Commissioner Margrethe Vestager, in charge of competition policy, said: "*The sale of NLB was an important remaining milestone of NLB's restructuring plan, which allowed us to approve over €2 billion of State aid to the bank in 2013. Therefore, I welcome Slovenia's commitment to a clear time path to achieve this sale. Thanks to this, the Commission can today approve Slovenia's new commitment package for NLB, ensuring that the bank will be a viable long-term player in the Slovenian banking market.*"

The Commission opened an in-depth State aid investigation on 26 January 2018, to assess whether new measures proposed by the Slovenian authorities regarding the restructuring of NLB sufficiently compensated for delaying the bank's sale. In particular, the Commission was concerned that Slovenia had not sold a first tranche of NLB before the end of 2017, in line with the commitments originally proposed by Slovenia to ensure NLB's long-term viability.

The sale of NLB was a crucial element of the Commission's viability assessment in the NLB State aid decision of December 2013, allowing the Commission to approve the granting of significant State aid of up to €2.32 billion to NLB. Slovenia committed in 2013 and again in 2017 to this sale to ensure that it would no longer unduly influence NLB's daily business operations. A change in ownership will allow the bank – at all its levels – to operate solely for commercial objectives.

The Commission can exceptionally accept modifications to existing State aid commitments if the new commitments are equivalent to the original ones. In the case at hand, the new commitments should ensure NLB's viability to the same extent as the original commitments and address any additional competition distortions resulting from the delayed sale.

Slovenia first notified amended commitments to the Commission in December 2017. In its opening Decision of 26 January 2018, the Commission doubted whether these amended commitments were equivalent to the original ones. On 13 July 2018, Slovenia submitted another amendment commitment package, now with an ambitious schedule to sell NLB.

The new proposed commitments

The new commitment package proposed by Slovenia includes **strict deadlines to**

complete the sale of 75% minus one share of NLB. A first significant sale tranche of at least 50% plus one share will be sold by the end of 2018 and the Slovenian government will reduce its stake in NLB to 25% plus one share by the end of 2019.

If Slovenia does not respect the deadlines foreseen, a divestiture trustee will be appointed to take over the sales process. This commitment is important, as the Commission in the January 2018 decision already suggested that a fully empowered divestiture trustee could further improve NLB's viability.

Furthermore, the **key existing commitments are prolonged**. An important commitment in this regard is the return on equity commitment, which ensures that NLB can only grant new loans if the bank receives a minimum return on equity on those loans. This commitment will help ensure the long term profitability of the bank and limit undue distortions of competition.

NLB will also **not re-enter the businesses it sold** as part of the restructuring plan (such as the leasing business) and will also strictly **comply with an acquisition ban**.

Finally, the new commitment package also includes **additional compensatory measures**, which will improve the viability of NLB and help to avoid undue distortions of competition in the Slovenian banking market:

- NLB will close additional bank branches in its home market and – unless a full sale is completed by the end of 2018 – also sell its stake in its insurance subsidiary NLB Vita.
- to further remove any viability doubts, NLB will also issue a so-called "Tier 2 bond" (subordinated debt).

The Commission's investigation concluded that the new Slovenian commitment package is sufficient to remove the Commission's doubts concerning the long-term viability of NLB and distortions of competition to the Slovenian banking market. On this basis, the Commission has approved Slovenia's new commitment package for NLB under EU State aid rules.

Background

NLB is the largest banking group in Slovenia with a balance sheet of €13 billion (end 2017 figure). It has received three State recapitalisations, one of €250 million in March 2011, one of €383 million in July 2012 and in December 2013 a third recapitalisation of €1558 million together with a transfer of impaired assets to a State-owned bad bank with an implied aid element of €130 million

The Commission approved in December 2013 under EU State aid rules the €2.32 billion in State aid from these three recapitalisations – equivalent to 20% of the bank's risk weighted assets as of December 2012 –on the basis of the bank's restructuring plan and associated commitments. As a crucial part of this restructuring plan, Slovenia committed to sell 75%-1 share of NLB by end 2017. In May 2017, the Commission accepted a request from Slovenia for a more gradual sale of NLB. Slovenia still committed to sell (at least) 50% of NLB by end 2017 and the remainder of the shares by the end of 2018.

More information will be available on the Commission’s competition website, in the public case register under the case number SA.33229.