



Notice summarising the decision taken in respect of AS PNB Banka

On 15 August 2019, the Single Resolution Board (the "SRB") decided not to adopt a resolution scheme in respect of AS PNB Banka (the "Bank"). The SRB assessed that, while the conditions for resolution action of Article 18(1)(a) and (b) of Regulation (EU) No 806/2014 (the "SRMR") are met, the condition of Article 18(1)(c) of the SRMR is not met.

- **Article 18(1)(a) of the SRMR: Failing or Likely To Fail.** On 15 August 2019, the European Central Bank ("ECB") concluded that the Bank is failing or likely to fail on the basis of Article 18(1)(a) in conjunction with Article 18(4)(a) and (b) of the SRMR. In particular, the ECB concluded that there are objective elements to support the determination that the Bank's assets are less than its liabilities, and that the Bank infringes the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the ECB. Taking into account the information provided in the ECB's assessment of FOLTF and on the basis of the information available to the SRB, the SRB concurs with the ECB's assessment that the Bank is deemed to be failing or likely to fail in accordance with Article 18(1)(a) and 18(4)(a) and 18(4)(b).
- **Article 18(1)(b) of the SRMR: Alternative private sector measures and supervisory actions.** The SRB concluded that no such measures or actions could prevent the failure of the Bank within a reasonable timeframe. The SRB reached this conclusion taking into account several elements, including the Bank's inability to sufficiently and timely improve its capital position, the absence of available supervisory or early intervention measures that could restore the capital position of the Bank, and the inability of a write-down and conversion of capital instruments to prevent failure of the Bank.
- **Article 18(1)(c) of the SRMR: Public interest.** The SRB concluded that, given the characteristics of the Bank and its specific financial and economic situation, resolution action with respect to the Bank is not necessary in the public interest, in accordance with Article 18(1)(c) in conjunction with Article 18(5) of the SRMR. This conclusion is based on the following grounds, among others:
 - The functions performed by the Bank, e.g. deposit-taking, lending activities and payment services, are not critical since their discontinuance would lead neither to the disruption of services that are



essential to the real economy of Latvia nor to the disruption of financial stability in Latvia or in other Member States; and

- The failure of the Bank is not likely to result in significant adverse effects on financial stability in Latvia or in other Member States taking into account, in particular, the low financial and operational interconnections with other financial institutions.

Therefore, the SRB decided not to take resolution action in respect of this Bank. The decision is addressed to the National Resolution Authority in Latvia, the Financial and Capital Market Commission, which should implement it in accordance with the national law.