



EUROPEAN CENTRAL BANK  
BANKING SUPERVISION

# PRESS RELEASE

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## ECB has assessed that AS PNB Banka in Latvia was failing or likely to fail

- Assessment followed identification of significant capital shortfalls
- Single Resolution Board (SRB) found resolution action not in public interest

The European Central Bank (ECB) has assessed that AS PNB Banka in Latvia was failing or likely to fail in accordance with the Single Resolution Mechanism Regulation.

The need for additional impairments of its assets led to a significant deterioration in its capital situation to the point that the bank's assets were less than its liabilities. The bank was unable to satisfy requirements for continuing authorisation and unable to provide assurances that it could comply with capital requirements in the near future.

Following the failing or likely to fail assessment, the ECB duly informed the Single Resolution Board (SRB), which determined that resolution action was not necessary in the public interest.

Eligible deposits in AS PNB Banka are protected up to €100,000 under Latvia's deposit guarantee fund. Customers can contact the Financial Capital and Markets Commission, which is the administrator for the deposit guarantee fund.

### Facts about AS PNB Banka

- AS PNB Banka (which operated under the name of Norvik Banka until November 2018) is the sixth-largest bank in Latvia, with total assets of €550 million.
- The bank was founded in April 1992 and is privately owned.
- At the end of the first quarter of 2019, the bank reported deposits of €472 million.

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- The bank has been in breach of capital requirements since the end of 2017.
- AS PNB Banka had been called on by the competent authorities to restore compliance with prudential requirements on several occasions and given sufficient time to take measures. The bank consistently failed to implement remediation measures.
- The ECB took over direct supervision of AS PNB Banka on 4 April 2019, at the request of the Financial Capital and Markets Commission.
- On 11 July 2019 the ECB issued an early intervention decision, requiring the bank to address its capital shortfalls and other deficiencies according to a specific timeline.
- On 25 July 2019 the bank published its audited financial statement for 2018. The external auditor of the annual financial statement, issued a qualified opinion, stating that the bank did not recognise sufficient allowances for expected credit losses on loans to and receivables from customers. It also stated that the bank did not recognise sufficient provisions for the impairment of tangible fixed assets as at 31 December 2018.
- On 12 August 2019 the ECB concluded an on-site inspection, which identified a substantial provisioning shortfall and found objective elements indicating that the assets of the bank were less than its liabilities.
- The bank failed to provide evidence that it would be able to replenish its capital in line with the timeline under the early intervention decision.

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#### **Related information**

[Single Resolution Board](#)