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COMMISSION DECISION

of 23.07.2014

ON THE STATE AID

SA.34824 (2012/C), SA.36007 (2013/NN) SA.36658 (2014/NN), SA.37156 (2014/NN), SA.34534 (2012/NN)

implemented by Greece

for National Bank of Greece Group related to:

- **Recapitalisation and restructuring of National Bank of Greece S.A.;**
- **Resolution of First Business Bank S.A. through a transfer order to National Bank of Greece S.A.;**
- **Resolution of Probank S.A. through a transfer order to National Bank of Greece S.A.**
- **Resolution of Cooperative Bank of Lesvos-Limnos, Cooperative Bank of Achaia, and Cooperative Bank of Lamia**

(Only the English version is authentic)

(Text with EEA relevance)

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first subparagraph of Article 108(2) thereof,

Having regard to the Agreement on the European Economic Area, and in particular Article 62(1)(a) thereof,

Having called on Member States and other interested parties to submit their comments pursuant to those provisions,

Whereas,

1. PROCEDURE

1.1. Procedure related to the National Bank of Greece Group[1] ("the Bank").

(1) By decision of 19 November 2008 the Commission approved a scheme entitled "Support Measures for the Credit Institutions in Greece" (the "Greek Banks Support Scheme") designed to ensure the stability of the Greek financial system. The Greek Banks Support Scheme allows for aid to be granted under its three constituent measures, a recapitalisation measure, a guarantee measure and a government bond loan measure[2].

[1] National bank of Greece S.A. and all its subsidiaries

[2] Commission Decision of 19 November 2008 in State Aid N 560/2008 *"Support Measures for the Credit Institutions in Greece"* (OJ C 125, 05.06.2009, p. 6). It was attributed the number

(2) Recital (14) of the Decision of 19 November 2008 recorded that a restructuring plan would be notified to the Commission in respect of the beneficiaries of the recapitalisation measure.

(3) In May 2009, the Bank was recapitalised under the recapitalisation measure of the Greek Banks Support Scheme.

(4) On 2 August 2010, the Greek authorities submitted a restructuring plan in respect of the Bank to the Commission. The Commission registered that plan, its subsequent updates as well as additional information submitted by the Greek authorities as Case SA.30342 (PN 26/2010) and then Case SA.32788 (2011/PN).

(5) In December 2011, the Bank was again recapitalised by Greece under the recapitalisation measure. On 22 December 2011, the Commission approved the second recapitalisation of the Bank[3].

(6) The Bank has repeatedly benefited from State guarantees on debt instruments and government bond loans under the Greek Banks Support Scheme[4]. It also benefited from State-guaranteed emergency liquidity assistance ("State-guaranteed ELA").

SA.26678 (N 560/2008). That scheme was subsequently prolonged and amended as described in footnote 4.

3 See Commission Decision of 22 December 2011 in State aid SA.34064 (2011/N) "Second rescue recapitalisation of NBG under the Greek recapitalisation scheme" (OJ C 99, 03.04.2012, p. 4).

4 On 2 September 2009, Greece notified a number of amendments to the support measures and a prolongation until 31 December 2009 that were approved on 18 September 2009 (See Commission Decision of 18 September 2009 in State Aid N 504/2009 "Prolongation and amendment of the Support Measures for the Credit Institutions in Greece" (OJ C 264, 6.11.2009, p. 5)). On 25 January 2010, the Commission approved a second prolongation of the support measures until 30 June 2010 (See Commission Decision of 25 January 2010 in State Aid N 690/2009 "Prolongation of the Support Measures for the Credit Institutions in Greece" (OJ C 57, 9.3.2010, p. 6)). On 30 June 2010, the Commission approved a number of amendments to the support measures and an extension until 31 December 2010 (See Commission Decision of 30 June 2010 in State Aid N 260/2010 "Extension of the Support Measures for the Credit Institutions in Greece" (OJ C 238, 3.9.2010, p. 3)). On 21 December 2010 the Commission approved a prolongation of the support measures until 30 June 2011 (See Commission Decision of 21 December 2010 in State aid SA 31998 (2010/N) "Fourth extension of the Support measures for the credit Institutions in Greece" (OJ C 53, 19.2.2011, p. 2)). On 4 April 2011 the Commission approved an amendment (See Commission Decision of 4 April 2011 in State Aid SA.32767 (2011/N) "Amendment to the Support Measures for the Credit Institutions in Greece" (OJ C 164, 2.6.2011, p. 8)). On 27 June 2011 the Commission approved a prolongation of the support measures until 31 December 2011 (See Commission Decision of 27 June 2011 in State aid SA.33153 (2011/N) "Fifth prolongation of the Support measures for the credit Institutions in Greece" (OJ C 274, 17.9.2011, p. 6)). On 6 February 2012, the Commission approved a prolongation of the support measures until 30 June 2012 (See Commission Decision of 6 February 2012 in State aid SA.34149 (2011/N) "Sixth prolongation of the Support Measures for the Credit Institutions in Greece" (OJ C 101, 4.4.2012, p. 2)). On 6 July 2012, the Commission approved a prolongation of the support measures until 31 December 2012 (See Commission Decision of 6 July 2012 in State Aid case SA.35002 (2012/N) - Greece "Prolongation of the Support Scheme for Credit Institutions in Greece" (OJ C 77, 15.3.2013, p.14)). On 22 January 2013, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 30 June 2013 (See Commission Decision of 22 January 2013 in State Aid case SA.35999 (2012/N) - Greece "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece" (OJ C 162, 7.6.2013, p. 6)). On 25 July 2013, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 31 December 2013 (See Commission Decision of 25 July 2013 in State Aid case SA.36956 (2013/N) - Greece "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece" (OJ C 141,

(7) On 18 March 2012, the Bank of Greece proceeded with the withdrawal of the licenses of three Cooperative Banks ("the three Cooperative Banks"), namely the Cooperative Bank of Lesvos-Limnos ("Lesvos-Limnos Bank"), the Cooperative Bank of Achaia ("Achaia Bank") and the Cooperative Bank of Lamia ("Lamia Bank") and put them into liquidation.

(8) The Commission registered the information informally received from Greece on the resolution of the Cooperative Banks as Case SA.34534 (2012/NN).

(9) On 23 March 2012, the Bank of Greece proceeded with the transfer of selected liabilities of the three Cooperative Banks to the Bank and determined the amount of the funding gaps[5] which would be covered by the Hellenic Financial Stability Fund ("HFSF") pursuant to the law 4051/2012[6]. The funding gaps were equal to the value of the transferred liabilities since there was no transfer of assets of the three Cooperative Banks.

(10) On 20 April 2012, the HFSF provided the Bank with a letter committing to participate in a planned share capital increase of the Bank. On 28 May 2012, the HFSF granted a bridge recapitalisation of EUR 7 430 million to the Bank ("the first bridge recapitalisation").

(11) In May 2012, the Greek authorities notified to the Commission the commitment letter that had been provided by the HFSF to the Bank. The Commission registered it as a non-notified aid (Case SA.34824 (2012/NN)) as the measure had already been implemented.

(12) On 27 July 2012, the Commission opened a formal investigation procedure on the first bridge recapitalisation ("the NBG Opening Decision")[7].

(13) In December 2012, the HFSF granted a second bridge recapitalisation of EUR 2 326 million to the Bank ("the second bridge recapitalisation")[8]. The Greek authorities notified that measure to the Commission on 27 December 2012. The Commission registered those measures as case SA.36007 (2013/NN).

(14) In June 2013, the Bank announced the successful completion of its EUR 1 079 million rights issue[9] while the HFSF partially converted the first and second bridge recapitalisations into equity ("the Spring 2013 recapitalisation", which

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9.4.2014, p.3)). On 14 January 2014, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 30 June 2014 (See Commission Decision of 14 January 2014 in State Aid case SA. 37958 (2013/N) - Greece "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece", not yet published.

5 ”Funding gap” is a term which refers to the difference between the value of the assets and the value of the liabilities transferred to the bank.

6 Law 4051/2012 on the rules related to pensions and other urgent rules related to the application of the Memorandum of Understanding of the law 4046/2012.

7 See Commission Decision of 27 July 2012 in State Aid SA. 34824 (2012/C), "Recapitalisation of National Bank of Greece by the Hellenic Financial Stability Fund" (OJ C 359, 21.11.2012, p. 4).

8 HFSF press release, 24 December 2012, available online at: http://www.hfsf.gr/files/press_release_20121224_en.pdf.

9 The Bank's interim financial report of 30 June 2013, August 2013, p. 9 available online at: https://www.nbg.gr/english/the-group/investor-relations/financial-information/annual-interim-financial-statements/Documents/Annual%20and%20interim%20financial%20statements/Financial%20Report%20NBG%20GROUP-BANK%2030%2006%202013_EN%20FINAL.pdf.

includes both the EUR 1079 million rights issue and the conversion of the first and second bridge recapitalisations). The total amount of the Spring 2013 recapitalisation was EUR 9 756 million, out of which EUR 8 677 million was injected by the HFSF (the "HFSF's participation in the Spring 2013 recapitalisation").

(15) On 19 December 2013, the Greek authorities submitted information to the Commission regarding the terms of the Spring 2013 recapitalisation.

(16) On 25 June 2014, the Greek authorities submitted a final restructuring plan for the Bank ("the restructuring plan") to the Commission. On the same date they provided information on the State-guaranteed ELA. They indicated that they wanted to continue providing the Bank with such liquidity support, as well as State guarantees on debt instruments and government bond loans under the Greek Banks Support Scheme. The Commission registered the notification under number SA.34824 (2012/C).

(17) The Commission had numerous meetings, teleconferences and electronic mail exchanges with representatives of the Greek authorities and the Bank.

(18) Greece accepts that exceptionally this Decision is adopted in English only.

1.2. Procedure related to the acquired businesses

1.2.1. Procedure related to First Business Bank S.A.

(19) In July 2009, First Business Bank S.A. ("FB Bank") was recapitalised by Greece under the recapitalisation measure of the Greek Banks Support Scheme[10], for an amount of EUR 50 million.

(20) In spring 2013, the Bank of Greece decided to proceed with the resolution of FB Bank through a Purchase & Assumption procedure[11].

(21) On 1 May 2013, the Bank of Greece invited the four largest banks in Greece to submit non-binding offers for a portfolio of FB Bank's assets and liabilities. The Bank of Greece, in its letter to the bidders, stated that the HFSF would, on top of the funding gap, cover the capital needs of the acquirer which were related to the assets transferred from FB Bank.

(22) On 8 May 2013, the Bank and another bank submitted their preliminary bids.

(23) On 10 May 2013, the Bank revised its offer.

(24) On the same date, the Bank of Greece proceeded with the resolution of FB Bank and the transfer of selected assets and liabilities to the Bank.

(25) On 11 May 2013, the Greek authorities submitted information to the Commission regarding the resolution of FB Bank. The Commission registered that information and the subsequent submissions by the Greek authorities as Case SA.36658 (2014/NN).

10 Commission Decision of 19 November 2008 in State Aid N 560/2008 "Support Measures for the Credit Institutions in Greece" (OJ C 125, 05.06.2009, p. 6).

11 A Purchase & Assumption is a resolution procedure which consists of identifying, in a legal entity under liquidation, the assets and liabilities of high quality and auctioning them in order to transfer them to a viable company.

(26) On 28 June 2013, the HFSF disbursed two-thirds of the funding gap as it was initially estimated.

(27) On 29 July 2013, the Greek authorities notified to the Commission the financing of the funding gap for a total amount of approximately EUR 524 million, as estimated at the time of the resolution on the basis of data at 31 March 2013.

(28) On 7 November 2013, the Bank of Greece finalised the calculation of the total funding gap, which amounted to EUR 457 million[12].

(29) On 13 November 2013, the HFSF paid the remaining balance of the funding gap to the Bank.

(30) On 25 June 2014, the Greek authorities notified the Commission that the Bank does not intend to ask the HFSF to inject the amount of capital needs created by the acquisition of FB Bank's assets into the Bank.

1.2.2. Procedure related to Probank S.A.

(31) On 10 May 2013, the Bank of Greece appointed a Commissioner at Probank S.A. ("Probank").

(32) In July 2013, the Bank of Greece decided to proceed with the resolution of Probank through a Purchase & Assumption procedure.

(33) On 22 July 2013, the Bank of Greece invited the four largest banks in Greece to submit offers for a portfolio of Probank's assets and liabilities. The Bank of Greece, in its letter to the potential bidders, stated that the HFSF, would, on top of the funding gap, cover the capital needs of the acquirer which were related to the assets transferred from Probank.

(34) On 24 July 2013, a bank submitted a draft offer and on 25 July 2013 the Bank submitted its binding offer.

(35) On 26 July 2013, the Bank of Greece proceeded with the resolution of Probank and the transfer of selected assets and liabilities to the Bank.

(36) On 29 July 2013, the Greek authorities notified to the Commission the financing of the funding gap for a total amount of EUR 238 million, as estimated by the Bank of Greece on the basis of data at 31 March 2013. The Commission registered that notification and subsequent information submitted by the Greek authorities as Case SA.37156 (2014/NN).

(37) On 9 August 2013, the HFSF disbursed two-thirds of the funding gap as it was initially estimated.

(38) On 30 December 2013, the Bank of Greece finalised the calculation of the total funding gap, which amounted to EUR 563 million.

(39) On 31 December 2013, the HFSF paid the remaining balance of the funding gap to the Bank.

(40) On the same date, the Bank of Greece provided the Commission with further information on the finalisation of the funding gap.

[12] HFSF, Annual Financial Report for the year ended 31 December 2013, June 2014, p. 8.

(41) On 25 June 2014, the Greek authorities notified the Commission that the Bank does not intend to ask the HFSF to inject the amount of capital needs created by the acquisition of Probank's assets into the Bank.

2. DESCRIPTION

2.1. The Bank and its difficulties

2.1.1. General context of the Greek banking sector

(42) Greece's real gross domestic product ("GDP") fell by 20% from 2008 to 2012, as shown in Table 1. As a result, Greek banks faced a rapidly increasing default rate on loans to Greek households and companies[13]. Those developments have adversely affected the performance of the assets of Greek banks and generated large loan losses.

Table 1 – Real GDP Growth in Greece, 2008-2013

Greece	2008	2009	2010	2011	2012	2013
Real GDP growth, %	-0,2	-3,1	-4,9	-7,1	-6,4	-3,9

Source: Eurostat, available online at: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115

(43) In addition, in February 2012, Greece implemented a private sector bond exchange known as Private Sector Involvement ("the PSI programme"). Greek banks were involved in the PSI programme, in the course of which the Greek government offered existing private bondholders new securities (including new Greek Government Bonds ("GGBs"), GDP-linked securities and PSI payment notes issued by the European Financial Stability Fund ("EFSF")) in exchange for existing GGBs, with a nominal discount of 53,5% and longer maturities[14]. The Greek authorities announced the results of that exchange of bonds on 9 March 2012[15]. The exchange resulted in significant losses for the bondholders (estimated by the Bank of Greece at 78% of the face amount of old GGBs on average for the Greek banks) and capital needs which were retroactively booked in the Greek banks' 2011 financial statements.

13 European Commission – Directorate-General Economic and Financial Affairs. The Second Economic Adjustment Programme for Greece - March 2012, p. 17, available online at: http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp94_en.pdf.

14 See section II "The restructuring of the Greek Sovereign Debt" of the Report on the Recapitalisation and Restructuring of the Greek Banking Sector, Bank of Greece, December 2012, available online at: http://www.bankofgreece.gr/BogEkdoseis/Report_on_the_recapitalisation_and_restructuring.pdf.

15 Press release of Ministry of Finance of 9 March 2012, available online at: http://www.pdma.gr/attachments/article/80/9%20MARCH%202012%20-%20RESULTS.pdf.

Table 2 – Total PSI losses of the main Greek banks (EUR million)

Banks	Face amount of GGBs (1)	Face amount of state related loans (2)	Total face amount (3)=(1)+(2)	PSI loss on GGBs (4)	PSI loss on state-related loans (5)	Total gross PSI loss (6)=(4)+(5)	Total gross PSI loss / Core Tier 1[16] (Dec 2011)	Total gross PSI loss / Total assets (Dec 2011)
NBG	13 748	1 001	**14 749**	10 985	751	**11 735**	161,0%	11,0%
Eurobank	7 001	335	**7 336**	5 517	264	**5 781**	164,5%	7,5%
Alpha	3 898	2 145	**6 043**	3 087	1 699	**4 786**	105,7%	8,1%
Piraeus	7 063	280	**7 343**	5 686	225	**5 911**	226,0%	12,0%
Probank	415	0	**415**	295	0	**295**	105,1%	8,7%
FB Bank	70	0	**70**	49	0	**49**	33,8%	3,1%

Source: Bank of Greece, *Report on the Recapitalisation and the Restructuring of the Greek Banking Sector*, December 2012, p. 14.

(44) Since the Greek banks faced substantial capital shortfalls as a result of the PSI programme and the continuing recession, the Memorandum of Economic and Financial Policies ("MEFP") of the Second Adjustment Programme for Greece between the Greek government, the European Union, the International Monetary Fund ("IMF") and the European Central Bank ("ECB"), dated 11 March 2012, made funds available for the recapitalisation of those banks. The Greek authorities estimated the total bank recapitalisation needs and resolution costs to be financed under that programme at EUR 50 billion[17]. That amount was calculated on the basis of a stress test performed by the Bank of Greece for the period starting December 2011 and ending December 2014 ("the stress test of 2012"), which relied on the loan losses forecast performed by Blackrock[18]. The funds for the recapitalisation of the Greek banks are available through the HFSF. Table 3 summarizes the calculation of capital needs for the main Greek banks as they result from the stress test of 2012.

16 The Core Tier 1 ratio of a bank is one of the regulatory capital ratio watched by the banking supervisor in the framework of the Capital Requirement Directive.

17 See footnote 13, p. 106.

18 See footnote 14.

Table 3 – Stress test of 2012: Capital needs of the main Greek banks (EUR million)

Banks	Reference Core Tier 1 (Dec 2011) (1)	Total gross PSI loss (Dec 2011) (2)	Provisions related to PSI (June 2011) (3)	Gross Cumulative Loss Projections for credit risk (4)	Loan loss reserves (Dec 2011) (5)	Internal capital generation (6)	Target Core Tier 1 (Dec 2014) (7)	Capital needs (8)=(7)-(1)-(2)-(3)-(4)-(5)-(6)
NBG	7 287	-11 735	1 646	-8 366	5 390	4 681	8 657	**9 756**
Eurobank	3 515	-5 781	830	-8 226	3 514	2 904	2 595	**5 839**
Alpha	4 526	-4 786	673	-8 493	3 115	2 428	2 033	**4 571**
Piraeus	2 615	-5 911	1 005	-6 281	2 565	1 080	2 408	**7 335**
Probank	281	-295	59	-462	168	147	180	**282**
FB Bank	145	-49	0	-285	167	-29	116	**168**

Source: Bank of Greece, *Report on the Recapitalisation and the Restructuring of the Greek Banking Sector*, December 2012, p. 8.

(45) According to the MEFP, "banks submitting viable capital raising plans will be given the opportunity to apply for and receive public support in a manner that preserves private sector incentives to inject capital and thus minimizes the burden for taxpayers"[19]. The Bank of Greece found only the four largest banks (Eurobank, National Bank of Greece, Piraeus Bank and Alpha Bank) to be viable[20]. They received a first recapitalisation from the HFSF in May 2012.

(46) Domestic deposits in the banks in Greece decreased by 37% in total between the end of 2009 and June 2012 due to the recession and political uncertainty. Those banks had to pay higher interest rates to try to retain deposits. The costs of deposits increased, reducing the net interest margin of the banks. As Greek banks were shut out from wholesale funding markets, they became entirely dependent on Eurosystem financing[21], a growing portion of which was in the form of State-guaranteed ELA granted by the Bank of Greece.

(47) On 3 December 2012, Greece launched a buy-back programme on the new GGBs received by the investors in the framework of the PSI programme, at prices ranging from 30,2% to 40,1% of their nominal value[22]. The Greek banks participated in that buy-back programme which crystallised further losses on their balance sheets, since

19 See footnote 13, p. 104.

20 See footnote 14.

21 The European Central Bank and the national central banks together constitute the Eurosystem, the system of central banks of the euro area.

22 Press release of Ministry of Finance of 3 December 2012, available online at: http://www.pdma.gr/attachments/article/248/Press%20Release%20-%20December%2003.pdf.
That buy-back of its own debt at a price deeply below face value generated a significant debt reduction for Greece.

most of the accounting loss (that is, the difference between market value and nominal value) booked on those new GGBs at the time of the PSI programme became definitive and irreversible[23].

(48) In December 2012, the four largest Greek banks received a second bridge recapitalisation from the HFSF.

(49) In spring 2013, the bridge recapitalisations of the four banks were converted into permanent recapitalisations in ordinary shares, with the HFSF holding more than 80% of the shareholding of each of the four banks. For the banks which succeeded in attracting a pre-determined amount of private capital, the HFSF received non-voting shares and private investors who injected new money along with the HFSF were granted warrants on the shares acquired by the HFSF.

(50) In July 2013, the Bank of Greece commissioned an advisor to carry out a diagnostic study on the loan portfolios of all Greek banks. That advisor carried out credit loss projections ("CLPs") on all domestic loan books of the Greek banks as well as on loans carrying Greek risk in foreign branches and subsidiaries over a three-and-a-half-year and a loan-lifetime horizon. The analysis provided CLPs under two macroeconomic scenarios, a baseline scenario and an adverse scenario. The CLPs for foreign loan portfolios were estimated by the Bank of Greece using some input from the advisor.

(51) Based on the advisor's assessment of the CLPs, the Bank of Greece launched a new stress test exercise in autumn 2013 ("the stress test of 2013") to assess the robustness of the Greek banks' capital position under both a baseline and an adverse scenario. The Bank of Greece conducted the capital needs assessment with the technical support of a second advisor.

(52) The key components of the capital needs assessment under the stress test of 2013 were i) the CLPs[24] on banks' loan portfolios on a consolidated basis for Greek risk and foreign risk, net of existing loan reserves, and ii) the estimated operating profitability of banks for the period from June 2013 to December 2016, based on a conservative adjustment of the restructuring plans which had been submitted to the Bank of Greece during the fourth quarter of 2013. Table 4 summarizes the calculation of capital needs for the main Greek banks on a consolidated basis under the baseline scenario for that stress test of 2013.

23 In the absence of such a buy-back, the market value of those new GGBs could have increased depending on the evolution of market parameters such as interest rates and the probability of default of Greece.

24 The CLPs include the expected losses from the new loan production in Greece over the period from June 2013 to December 2016.

Table 4 – Stress test of 2013: Capital needs of the Greek banks on a consolidated basis in the baseline scenario (EUR million)

Banks	**Reference Core Tier 1 (June 2013) (1)**	**Loan Loss reserves (June 2013) (2)**	**CLPs for Greek risk (3)**	**CLPs for foreign risk[25] (4)**	**Internal Capital Generation (5)**	**Stress test Core Tier 1 ratio (December 2016) (6)**	**Capital needs (7)=(6)-(1)-(2)-(3)-(4)-(5)**
NBG[26]	4 821	8 134	-8 745	-3 100	1 451	4 743	**2 183**
Eurobank[27]	2 228	7 000	-9 519	-1 628	2 106	3 133	**2 945**
Alpha	7 380	10 416	-14 720	-2 936	4 047	4 450	**262**
Piraeus	8 294	12 362	-16 132	-2 342	2 658	5 265	**425**

Source: Bank of Greece, *2013 Stress Test of the Greek Banking Sector, March 2014*, p. 42.

(53) On 6 March 2014, the Bank of Greece announced the results of the stress test of 2013 and requested the banks to submit, by mid-April 2014, their capital raising plans to cover the capital needs under the baseline scenario.

(54) Between the end of March 2013 and early May 2014, the four banks proceeded with capital increases.

2.1.2. The beneficiary

(55) The Bank provides universal banking services mainly in Greece, Turkey and other countries of Central, Eastern and South-Eastern Europe (Cyprus, Romania, Bulgaria, Serbia, Albania and the Former Yugoslav Republic of Macedonia ("FYROM")). It offers a full range of banking and financial products and services to households and businesses. It is active in retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. On 30 September 2012, the Bank employed a total of 37 831 people[28], of which around one-third were employed in Greece, and one-third in Turkey, while the remaining third were employed in other countries, mainly in South-Eastern Europe.

25 The impact of the foreign risk CLPs was calculated after foreign tax and taking into account the disposal commitments discussed with the Commission's Directorate General for Competition Policy at that time.

26 NBG loan loss reserves at 30 June 2013 pro-forma of the provisions of First Business Bank and Probank.

27 Eurobank loan loss reserves at 30 June 2013 pro-forma of the provisions of New Hellenic Postbank and New Proton Bank, which were acquired in August 2013.

28 http://www.nbg.gr/wps/wcm/connect/91c0c238-1219-4f87-b0d6-0a3e9c62f4c3/Summary+financial+data+30+09+2013_EN.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=91c0c238-1219-4f87-b0d6-0a3e9c62f4c3.

(56) The Bank participated in the PSI programme, exchanging GGBs and State-related loans with a face value of EUR 14 749 million. Its total PSI-related charge amounted to around EUR 11 735 million before tax and was entirely booked in its 2011 accounts[29]. During the buy-back programme of December 2012, the Bank sold the new GGBs it had received in the framework of the PSI at a deep discount to nominal value. That sale crystallised its losses on the new GGBs.

(57) The key figures of the Bank in December 2010, December 2011, December 2012 and December 2013 (consolidated data as per annual financial statements) are presented in Table 5.

Table 5 – National Bank of Greece key figures, 2010, 2011, 2012 and 2013[30]

Profit and loss (EUR million)	**2010**	**2011**	**2012**	**2013**
Net Interest Income	4 148	3 843	3 365	3 157
Total Operating Income	4 639	4 372	3 527	3 771
Total Operating Expenses	-2 512	-2 541	-2 322	-2 547
Pre Provision Income	2 127	1 833	1 205	1 224
Impairment Losses to cover credit risk	-1 450	-3 439	-2 966	-1 373
Impairment losses on GGBs and loans eligible to PSI	0	-11 783	-187	0
Net profit/loss	440	-12 325	-2 131	807
Selective Volume figures (EUR million)	**31 December 2010**	**31 December 2011**	**31 December 2012**	**31 December 2013**
Total Net Loans and Advances to Customers	77 262	71 496	69 135	67 250
Deposits	68 039	59 544	58 722	62 876
Total Assets	120 745	106 870	104 798	110 930

29 See Table 2.

30 Sources:
2012 and 2013: Financial results 2013 – Consolidated financial statements, pp. 42-43
2011: Financial results 2012 – Consolidated financial statements, pp. 44-45
2010: Financial results 2010 – Consolidated financial statements, pp. 42-43.

Total Equity[31]	10 905	-253	-2 042	7 874

(58) Table 5 illustrates that, apart from the huge losses it booked in 2011 due to the PSI programme (EUR 11 735 million[32]), the Bank suffered from declining income (due, among other reasons, to the higher costs of deposits) and from high and rising impairment losses on its loan portfolios in Greece and abroad. The liquidity position of the Bank was hit by deposit outflows but its net loan-to-deposit ratio remained relatively low compared to other Greek banks (118% at 31 December 2012[33]).

(59) Following the stress test of 2013, according to which the capital needs of the Bank were estimated at EUR 2 183 million in the baseline scenario, the Bank sought to raise EUR 2,5 billion of capital on the market.

(60) On 6 May 2014, the Bank announced the launch of the book-building exercise[34] for an amount of EUR 2,5 billion[35].

(61) On 9 May 2014, the Bank announced the issue and placement of 1 136,4 million new ordinary shares, at a price of EUR 2,20 per share, for total gross proceeds of EUR 2,5 billion[36]. The share capital increase was carried out through the cancellation of pre-emption rights for existing shareholders, as decided by the general meeting of shareholders held in Athens on 10 May 2014[37]. The HFSF approved the share capital increase on the basis of two valuations reports carried out by independent experts as per law 3864[38].

2.2. The Bank's acquisitions of Greek banking activities

2.2.1. Acquisition of selected liabilities of the three Cooperative Banks

(62) On 18 March 2012, the Bank of Greece noted that the three Cooperative Banks did not meet the capital adequacy requirements and concluded that they would not be able to increase their capital. Therefore, the Bank of Greece decided to withdraw their licenses and put them into liquidation.

(63) The Bank of Greece considered that taking resolution measures and in particular the auctioning of the deposits in the context of the resolution framework (Article 63(D) of law 3601/2007) and the financing of the relevant funding gap was crucial to maintain the increases in depositors' confidence that had occurred in the aftermath of

31 Those amounts of equity include:
- for 2010, EUR 350 million of preference shares granted by Greece in 2009;
- for 2011, 2012 and 2013, EUR 1 350 million of preference shares granted in 2009 and 2011;
Those amounts do not include the bridge recapitalisation received by the Bank in 2012, for an amount of EUR 9 756 million.

32 See Table 2.

33 As per consolidated financial statements for year 2012.

34 A book-building exercise consists of contacting potential investors in order to register their purchase orders in the order book, in view of the completion of the capital increase.

35 https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/Launch_press_release.06.05.2014.pdf.

36 https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/20140509%20Pricing%20Press%20Release_%ce%95%ce%9d.pdf.

37 https://www.nbg.gr/en/the-group/press-office/press-releases/update-regarding-the-egm-10-5-14.

38 http://www.hfsf.gr/files/press_release_20140509_en.pdf.

the successful conclusions of the PSI and the Second Adjustment Programme and that, despite the recent turnaround of the market sentiment, such sentiment was fragile. The Bank of Greece estimated that on 19 March 2012 the total amount of customer deposits (based on unaudited data at 30 September 2013) in those three Cooperative Banks amounted to approximately EUR 325 million.

(64) The Bank of Greece proceeded with a Purchase & Assumption procedure whereby all deposits, including interbank deposits, and the claims and liabilities towards the Hellenic Deposit and Investment Guarantee Fund ("HDIGF") but no loans would be transferred to an acquirer. On 20 March 2012, the Bank of Greece invited the five largest Greek credit institutions at that time to submit their offers. The Bank and three other banks submitted binding offers. The Bank's offer was the preferred one, in terms of consideration and time required for the conclusion of the transfer. The Bank offered to pay as consideration an amount equal to […]% of the transferred deposits and estimated that the transfer could be completed within one working day.

2.2.1.1. Cooperative Bank of Lesvos-Limnos ("Lesvos-Limnos Bank")

(65) On 23 March 2012, the Bank of Greece decided that the deposits and the claims and liabilities of Lesvos-Limnos Bank towards the HDIGF were to be transferred to the Bank[39]. According to the Bank of Greece[40], the fair value of the transferred liabilities amounted to EUR […] million, while no assets were transferred. The consideration was calculated[41] at EUR […] million, that is to say, […]% of the transferred deposits. The funding gap was covered by the HFSF pursuant to Article 63D(13) of law 3601/2007. On 10 April 2012, the HFSF disbursed two-thirds of the total funding gap in EFSF Notes while it committed that the remaining amount would be paid upon the final determination of the funding gap. On 22 June 2012, the Bank of Greece determined that the final funding gap of Lesvos-Limnos Bank amounted to EUR 56,6 million. The HFSF covered the undisbursed part of the funding gap on 20 July 2012.

(66) At the time of its resolution, Lesvos-Limnos Bank employed 37 people and had 3 branches. The Bank took over no branches of Lesvos-Limnos Bank and its employees were laid off.

2.2.1.2. Cooperative Bank of Achaia ("Achaia Bank")

(67) On 23 March 2012, the Bank of Greece decided that the deposits and the claims and liabilities of Achaia Bank towards the HDIGF were to be transferred to the Bank[42]. According to the Bank of Greece[43], the fair value of the transferred liabilities amounted to EUR […] million, while no assets were transferred. The consideration was calculated[44] at EUR […] million, that is to say, […]% of the capital of the transferred deposits. The funding gap was covered by the HFSF pursuant to Article 63(D)(13) of law 3601/2007. On 10 April 2012, the HFSF disbursed two-thirds of the total funding gap in EFSF Notes while it committed that the remaining

39 Decision 1/4/23.3.2012 of its Resolution measures Committee of the Bank of Greece.
40 Decision 1/6/23.3.2012 of the Resolution Measures Committee of the Bank of Greece.
41 Decision 1/5/23.3.2012 of the Resolution Measures Committee of the Bank of Greece.
42 Decision 1/1/23.3.2012 of its Resolution measures Committee of the Bank of Greece.
43 Decision 1/3/23.3.2012 of the Resolution Measures Committee of the Bank of Greece.
44 Decision 1/2/23.3.2012 of the Resolution Measures Committee of the Bank of Greece.

amount would be paid upon the final determination of the funding gap. On 22 June 2012, the Bank of Greece determined that the final funding gap of Achaia Bank amounted to EUR 212,9 million. The HFSF covered the undisbursed part of the funding gap on 20 July 2012.

(68) At the time of its resolution, Achaia Bank employed 103 people and had 13 branches. The Bank took over no branches of Achaia Bank and its employees were laid off.

2.2.1.3. Cooperative Bank of Lamia ("Lamia Bank")

(69) On 23 March 2012, the Bank of Greece decided that the deposits and the claims and liabilities of Lamia Bank towards the HDIGF were transferred to the Bank[45]. According to the Bank of Greece, the fair value of the transferred liabilities amounted to EUR […] million, while no assets were transferred. The consideration was calculated[46] at EUR […] million, that is to say, […]% of the capital of the transferred deposits. The funding gap was covered by the HFSF pursuant to Article 63D(13) of law 3601/2007. On 10 April 2012, the HFSF disbursed two-thirds of the total funding gap in EFSF Notes while it committed that the remaining amount would be paid upon the final determination of the funding gap. On 22 June 2012, the Bank of Greece determined that the final funding gap of Lamia Bank amounted to EUR 56,3 million. The HFSF covered the undisbursed part of the funding gap on 20 July 2012.

(70) At the time of its resolution, Lamia Bank employed 47 people and had 5 branches. The Bank took over no branches of Lamia Bank and its employees were laid off.

(71) The amounts of the funding gaps of the three Cooperative Banks are set out in Table 6.

Table 6: Final funding gaps of the three Cooperative Banks

	Final funding gap (in EUR million)
Lesvos-Limnos Bank	*56,6*
Achaia Bank	*212,9*
Lamia Bank	*56,3*
Total	*325,8*

Sources: Decisions 3/1, 3/2, 3/3 of 22 June 2012 of the Resolution Measures Committee of the Bank of Greece.

2.2.2. Acquisition of selected assets and liabilities of First Business Bank

(72) FB Bank was a small bank with a total balance sheet of EUR 1,4 billion at the time of its resolution, and a market share of less than 1% in loans and in deposits. FB Bank had 19 branches across Greece and employed 260 employees at 31 December 2012.

45 Decision 1/7/23.3.2012 of its Resolution measures Committee of the Bank of Greece.
46 Decision 1/8/23.3.2012 of the Resolution Measures Committee of the Bank of Greece.

(73) Under the Greek bank Support Scheme FB Bank received (i) a capital injection of EUR 50 million from the Greek State in July 2009, (ii) Greek Government Securities amounting to EUR 60 million in May 2012[47] and (iii) a State guarantee for issued bonds with a nominal value of EUR 50 million in March 2011.

(74) FB Bank participated in the PSI programme, exchanging GGBs with a face value of EUR 70 million. As illustrated in Table 2, its total PSI-related charge amounted to around EUR 49 million before tax. As illustrated in Table 3, the capital needs of FB Bank were estimated at EUR 168 million in the stress test of 2012.

Acquisition of First Business Bank

(75) On 8 November 2012, the Bank of Greece requested FB Bank to complete the capital increase by 30 April 2013 in order to restore its Core Tier 1 ratio.

(76) As FB Bank failed to raise the required capital by 30 April 2013, the Bank of Greece decided to proceed with the withdrawal of the license of FB Bank and put it into liquidation.

(77) The Bank of Greece considered that taking resolution measures through a Purchase & Assumption procedure, in particular the financing of the relevant funding gap and the associated coverage of the capital needs related to the transferred assets, was crucial to maintain the depositors' confidence in the Greek banking system and thus to preserve financial stability. The Bank of Greece estimated that on 31 December 2012 the total amount of customer deposits in FB Bank amounted to approximately EUR 1 278 million, of which only EUR 830 million were guaranteed by the HDIGF. Therefore, if FB Bank had been put into liquidation without the application of resolution measures, around EUR 448 million of deposits would not have been covered.

(78) For those financial stability considerations, the Bank of Greece proceeded with the auction of the selected assets and liabilities of FB Bank, including deposits. However, the acquisition of FB Bank's assets could have created further capital needs for the acquirer and hence no bank would accept to acquire the selected assets and liabilities. The Bank of Greece, in its letter to the HFSF dated 8 May 2013, indicated that it considered it to be appropriate that the HFSF should cover those capital needs as part of the resolution costs. In its final binding bid dated 10 May 2013, the Bank requested that the capital needs created by the acquisition of the assets transferred from FB Bank be covered by the HFSF. The amount of those capital needs was estimated at around EUR 100 million by the Bank of Greece at the time of the resolution[48].

(79) On 8 May 2013, only the Bank and another bank submitted non-binding offers. The bids of both banks were based on the understanding that the HFSF would cover both the funding gap and the capital needs related to the transferred assets. On 10 May 2013, the Bank submitted its final offer. The Bank of Greece decided to transfer the assets and liabilities of FB Bank to the Bank, whose offer was considered to be the preferred one.

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47 FB Bank had received Greek Government Securities in January 2009, which matured in December 2011.

48 Electronic mail of the Bank of Greece to the Commission, 11 May 2013.

(80) Customer loans (other than those permanently in arrears) and most cash balances, as well as intangible assets and goodwill, property rights, contracts related to the lease or purchase of property, interbank liabilities and customer deposits were transferred to the Bank.

(81) According to the initial assessment of the Bank of Greece at the time of the resolution[49], the value of the liabilities transferred from FB Bank to the Bank was estimated at EUR 1 402 million while the value of the transferred assets was estimated at EUR 878 million, the difference being the funding gap of EUR 524 million. The funding gap was covered pursuant to Article 63D(13) of law 3601/2007 by the HFSF, which on 28 June 2013 disbursed the two-thirds of the estimated funding gap, meaning EUR 349,6 million. After the finalisation of the calculation of the funding gap by the Bank of Greece on 7 November 2013[50] at EUR 457 million, on 13 November 2013[51] the HFSF paid to the Bank the balance of EUR 107,4 million.

2.2.3. Acquisition of selected assets and liabilities of Probank

(82) Probank had a network of 112 branches across Greece and employed 1 087 people[52] at 31 March 2013.

(83) The balance sheet of Probank was around EUR 3,2 billion at 30 June 2013[53]. Probank had a market share of 1,1% in loans and a market share of 1,7% in deposits at 31 March 2013.

(84) Probank participated in the PSI programme, exchanging GGBs with a face value of EUR 415 million. As illustrated in Table 2, its total PSI-related charge amounted to around EUR 295 million before tax. As illustrated in Table 3, the capital needs of Probank were estimated at EUR 282 million in the stress test of 2012.

Acquisition of Probank

(85) On 26 October 2012, the Bank of Greece requested Probank to increase its capital by EUR 282 million.

(86) As Probank failed to increase its capital, in July 2013 the Bank of Greece decided to proceed with the withdrawal of its license and put it into liquidation[54]. More precisely, the own funds of Probank were negative and were estimated at around EUR -16 million based on data at 31 March 2013 on a consolidated basis. Therefore, Probank did not meet its minimum capital requirements and its own funds were lower than the minimum share capital for any bank, as set at Article 5(4)(a) of law 3601/2007.

(87) The Bank of Greece considered that resolution measures were crucial to maintain depositors' confidence in the Greek banking system and thus to preserve financial

[49] Decision 10/2/10.5.2013 of Resolution Measures Committee of the Bank of Greece.
[50] Decision 13/1/7.11.2013 of Resolution Measures Committee of the Bank of Greece.
[51] Report of the Hellenic Financial Stability Fund's Activities for the period July - December 2013, available online at: http://www.hfsf.gr/files/HFSF_activities_Jul_2013_Dec_2013_en.pdf.
[52] The Bank's bid of 25 July 2013, based on data provided by the Bank of Greece, as of 31 March 2013.
[53] Data submitted by the Bank of Greece on 2 April 2014.
[54] Decision 85/1/26.7.2013 of the Credit and Insurance Committee of the Bank of Greece.

stability. The Bank of Greece estimated that on 31 March 2013 the total amount of customer deposits in Probank amounted to approximately EUR 3 123 million, of which only EUR 1 998 million were guaranteed by the HDIGF. Therefore, if Probank had been put into liquidation without the application of resolution measures, around EUR 1 125 million of deposits would not have been covered.

(88) For those financial stability considerations, the Bank of Greece proceeded with the auction of selected assets and liabilities of Probank, including deposits. However, the acquisition of Probank's assets could have created further capital needs for the acquirer and hence no bank would accept to acquire the selected assets and liabilities. Therefore, in its final binding bid dated 25 July 2013, the Bank requested that the capital needs created by the acquisition of the assets transferred from Probank be covered by the HFSF. The requested commitment to cover those capital needs was taken into account by the HFSF when assessing the bids received. The amount of those capital needs was estimated at EUR [180 to 280] million[55].

(89) On 24 July 2013 another large Greek bank submitted a draft offer and on 25 July 2013 the Bank submitted its offer. The bids of both banks were based on the understanding that the HFSF would cover both the funding gap and the capital needs created by the transferred assets. The Bank of Greece decided to transfer the assets and liabilities of Probank to the Bank, whose offer was considered to be the preferred one.

(90) Customer loans (other than the loans permanently in arrears) and most cash balances, as well as intangible assets and goodwill, property rights, contracts related to the lease or purchase of property, interbank liabilities and customer deposits were transferred to the Bank.

(91) According to the initial assessment of the Bank of Greece at the time of the resolution[56], the value of the liabilities transferred from Probank to the Bank was estimated at EUR 3 198,9 million while the value of the transferred assets was estimated at EUR 2 961,4 million, the difference being the funding gap of EUR 237,6 million. The funding gap was covered pursuant to Article 63D(13) of law 3601/2007 by the HFSF, which on 9 August 2013, disbursed in cash two-thirds of the estimated funding gap, meaning EUR 158,4 million. The funding gap, the calculation of which was finalised by the Bank of Greece on 30 December 2013, amounted to EUR 562,7[57]. On 31 December 2013, the HFSF paid the Bank the balance of EUR 404,4 million in cash[58].

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55 HFSF, *Probank – Review of submitted offers*, 25 July 2013.

56 Decision 12/2/26.7.2013 of Resolution Measures Committee of the Bank of Greece.

57 The difference stemmed mainly from the fact that the actual amount of gross loans transferred was less than that initially estimated by the amount of EUR 197 million, the fact that provisions for loans also increased by EUR 141 million, the decrease in the valuation of the equity and bond portfolio and the decrease of the valuation of liabilities and mainly deposits.

58 Report of the Hellenic Financial Stability Fund's Activities for the period July - December 2013, available online at: http://www.hfsf.gr/files/HFSF_activities_Jul_2013_Dec_2013_en.pdf.

2.3. Aid measures

2.3.1. Aid measures granted to the Bank under the Greek Banks Support Scheme (measures L1 and A)

(92) The Bank obtained several forms of aid under the recapitalisation measure, the guarantee measure and the government bond loan measure of the Greek Banks Support Scheme.

2.3.1.1. State liquidity support granted under the guarantee measure and the government bond loan measures (measure L1)

(93) The Bank has benefited and continues to benefit from aid under the guarantee measure and the government bond loan measures. That aid will be described in this Decision as "measure L1". As of 30 November 2013[59], the guarantees granted to the Bank amounted to around EUR 14,8 billion. At that date, the outstanding loans of government bonds to the Bank amounted to EUR 847 million. As of 15 April 2011, the Bank had received loans of government bonds amounting to EUR 787 million and State guarantees amounting to EUR 12,9 billion.

(94) In the restructuring plan for the Bank submitted by the Greek authorities to the Commission on 25 June 2014, the Greek authorities signalled their intention to continue granting guarantees and lending government bonds to the Bank under the Greek Banks Support Scheme during the restructuring period.

2.3.1.2. State recapitalisation granted under the recapitalisation measure (measure A)

(95) In May 2009 and December 2011, the Bank received from Greece under the recapitalisation measure capital injections of EUR 350 million and EUR 1 000 million respectively, totalling EUR 1 350 million (measure A), equivalent to around 2% of the risk weighted assets ("RWA") of the Bank at that time.

(96) The recapitalisation took the form of preference shares subscribed by Greece which had a coupon of 10% and a maturity of five years. In 2010 the duration of the preference shares was extended while their remuneration was increased. From the end of the initial five-year period, if the preference shares are not redeemed and no decision has been taken by the general meeting of shareholders as to the redemption of those shares, the Greek Minister of Finance will increase the coupon by 2% a year on a cumulative basis (that is to say, a coupon of 12% for year six, 14% for year seven, etc…).

2.3.2. State-guaranteed ELA (measure L2)

(97) ELA is an exceptional measure enabling a solvent financial institution, facing temporary liquidity problems, to receive Eurosystem funding without such an operation being part of the single monetary policy. The interest rate paid by such a financial institution for ELA is […] basis points ("bps") higher than the interest it pays for regular ECB refinancing.

[59] According to the report on the use of the guarantee measure and the bond loan measure submitted by Greece on 13 December 2013.

(98) The Bank of Greece is responsible for the ELA programme, which means that any cost of, and the risks arising from, the provision of ELA are incurred by the Bank of Greece[60]. Greece granted the Bank of Greece a State guarantee which applies to the total amount of ELA granted by the Bank of Greece. The adoption of Article 50(7) of law 3943/2011, which amended Article 65(1) of law 2362/1995, allowed the Minister of Finance to grant guarantees on behalf of the State to the Bank of Greece in order to safeguard the Bank of Greece's claims against the credit institutions. The banks benefiting from ELA have to pay a guarantee fee to the State amounting to […] bps.

(99) At 31 January 2012 the Bank had benefited from EUR 8,6 billion of State-guaranteed ELA[61], while at 31 December 2012 the Bank had benefited from EUR 30,9 billion of State-guaranteed ELA[62].

2.3.3. Aid measures granted to the Bank through the HFSF (measures B1, B2 and B3)

(100) Since 2012, the Bank has benefited from several capital support measures granted by the HFSF. Table 7 provides an overview of those aid measures.

Table 7 – Aid measures granted to the Bank through the HFSF

	1st bridge recapitalisation - May 2012 (EUR million)	**2nd bridge recapitalisation - Dec 2012 (EUR million)**	**Spring 2013 recapitalisation – May 2013 (EUR million)**
Measure	**B1**	**B2**	**B3**
Amount (EUR million)	7 430	2 326	8 677

2.3.3.1. The first bridge recapitalisation (measure B1)

(101) Recitals (14) to (33) of the NBG Opening Decision give a detailed description of the first bridge recapitalisation of May[63] 2012 (measure B1). The background and main features of that measure are set out in this section.

(102) On 20 April 2012, the HFSF provided a letter to the Bank committing to participate in a planned share capital increase of the Bank for an amount of up to EUR 6,9 billion.

(103) Under measure B1, the HFSF transferred EUR 7,4 billion of EFSF bonds to the Bank on 28 May 2012, in line with the provisions for bridge recapitalisations laid down in the law 3864/2010 establishing the HFSF (the "HFSF law"). The Commission has already established in recital (50) of the NBG Opening Decision that "*The bridge recapitalisation finalised on 28 May 2012 is the implementation of the obligation*

60 According to the letter of the Bank of Greece of 7 November 2011, "Guarantees apply on the total amount of Emergency Liquidity Assistance (ELA)".

61 Information submitted in the notification on 25 June 2014.

62 Restructuring plan submitted on 25 June 2014, Annex I, p. 24.

63 As explained in recital (101) and (102), the commitment was granted in April 2012, and the recapitalisation actually took place in May 2012.

undertaken in the commitment letter and thus a continuation of the same aid". Both the amounts provided in the commitment letter and in the first bridge recapitalisation were calculated by the Bank of Greece to ensure the Bank reached a total capital ratio of 8% at 31 December 2011, the date of retroactive booking of the bridge recapitalisation in the Bank's records. As can be seen from Table 3, measure B1 did not cover entirely the capital needs identified by the stress test of 2012. The Bank was supposed to raise the capital through a future capital increase and the bridge recapitalisation was only intended to preserve the Bank's eligibility for ECB financing until that capital increase had taken place.

(104) For the period between the date of the first bridge recapitalisation and the date of the conversion of the first bridge recapitalisation into ordinary shares and other convertible financial instruments, the pre-subscription agreement between the Bank and the HFSF stipulated that the Bank had to pay to the HFSF a 1% annual fee on the nominal value of the EFSF notes and that any coupon payments and accrued interest to the EFSF notes for that period would count as an additional capital contribution by the HFSF to the Bank[64].

2.3.3.2. The second bridge recapitalisation (measure B2)

(105) The Bank booked further losses in the autumn of 2012. Its capital therefore fell again below the minimum capital requirements for it to remain eligible for ECB refinancing.

(106) A second bridge recapitalisation became necessary as a result. On 21 December 2012, the HFSF implemented a second bridge recapitalisation of EUR 2 326 million (measure B2), which was again paid by transferring EFSF bonds to the Bank.

(107) The total of the two bridge recapitalisations (measures B1 and B2) meant that the total capital needs identified by the stress test of 2012 (EUR 9,76 billion[65]) were already disbursed by the HFSF at 21 December 2012.

2.3.3.3. HFSF's participation in the Spring 2013 recapitalisation (measure B3)

(108) On 22 May 2013 the Board of Directors of the Bank announced the issue of 2 274,1 million new shares with a nominal value of EUR 0,30 at a price of EUR 4,29 per share[66].

(109) On 21 June 2013[67] the Bank announced the full payment of the total increase in shares for a total amount of EUR 9 756 million, including premium amounts. The total private participation in the Bank's share capital increase amounted to

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64 The pre-subscription agreement provided that: "The Effective Risk payable to the Bank shall include the EFSF bonds and any coupon payments and accrued interest to the EFSF bonds for the period from the issuance of the bonds until the conversion of the Advance into share capital and other convertible financial instruments as prescribed herein".

65 See Table 3.

66 http://www.nbg.gr/wps/wcm/connect/71b1f08a-2c84-4cfe-a368-f985c93d2da9/20130523_Announcement_Cut+Off+Date+and+Subscription+Period_final+clean+...%283%29_EN.pdf?MOD=AJPERES.

67 http://www.nbg.gr/wps/portal/en/the-group/Press-Office/Press-Releases/content/Press-Releases/anakoinosi-21-6-2013.

EUR 1 079 million[68]. The participation of the HFSF in the share capital increase of the Bank therefore amounted to EUR 8 677 million (measure B3).

(110) That amount is equal to the sum of measures B1 and B2, after deduction of the amount of private participation. By means of the Bank's share capital increase, the first and second bridge recapitalisations (measures B1 and B2) were partially converted into a permanent recapitalisation.

(111) The price of new shares was set at 50% of the volume-weighted average stock price over the 50 trading days preceding the determination of the offer price. As a result of a reverse stock split and of a reduction of the Bank's share capital, both decided by the extraordinary general meeting of shareholders on 29 April 2012[69], the price of new shares was set at EUR 4,29 per share.

(112) Immediately after the Spring 2013 recapitalisation, the HFSF became the majority shareholder of the Bank with a stake of 84,39%[70]. The HFSF issued 245 779,6 million warrants and granted private investors one warrant for each share subscribed, for no consideration[71]. Each warrant incorporates the right to buy 8,23 shares of the HFSF, at specified intervals and strike prices. The first exercise date is 26 December 2013, and then the warrants are exercisable every six months until 26 December 2017. The exercise price is equal to the subscription price of EUR 4,29 increased by an annual interest rate (4% for year one, 5% for year two, 6% for year three, 7% for year four and then 8% annualized for the last six months)[72].

(113) The HFSF law as amended in 2014 provides that only the warrant strike prices may be adjusted in the event of a rights issue. Additionally, the adjustment must take place ex post and only up to the amount of the proceeds realised from the sale of pre-emption rights of the HFSF. No adjustment is provided for in the event of a non-pre-emptive share capital increase.

2.3.4. Aid measures to the acquired businesses

2.3.4.1. State support to the three Cooperative Banks

(114) As already mentioned in section 2.2.1, the funding gaps of Lesvos-Limnos bank, Achaia Bank and Lamia Bank of EUR 56,6 million, EUR 212,9 million and EUR 56,3 million respectively, were covered by the HFSF. Therefore, the total amount of the funding gaps was EUR 325,8 million.

2.3.4.2. Aid measures to FB Bank

(115) Since 2009, FB Bank has benefited from several aid measures. Table 8 provides an overview of those aid measures.

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68 http://www.hfsf.gr/files/HFSF_activities_Jan_2013_Jun_2013_en.pdf.

69 http://www.nbg.gr/wps/portal/en/the-group/Press-Office/Press-Releases/content/Press-Releases/reverse-split.

70 http://www.hfsf.gr/files/HFSF_activities_Jan_2013_Jun_2013_en.pdf.

71 http://www.nbg.gr/wps/wcm/connect/af79cd67-5fd6-4811-bd70-2b493cf5c205/Announcement+Commencement+of+Trading_EN.pdf?MOD=AJPERES.

72 For instance, the exercise price on 26 December 2013 was EUR 4,3758, on 26 June 2014 it will be EUR 4,4616, on 26 December 2014, it will be 4,5689, on 26 June 2015, it will be EUR 4,6761 and so forth.

Table 8 - Overview of the aid measures to FB Bank

Aid beneficiary	Measure	Description	Entity which granted the aid	Date	State aid amount (in EUR million)
FB Bank's activities	**FB1**	Preference shares granted under the Greek Banks Support Scheme	State	July 2009	**50**
	FB2	Lending of Greek government bonds under the Greek Banks Support Scheme	State	From January 2009	**60**
	FB3	State guarantee for issued bonds under the Greek Banks Support Scheme	State	March 2011	**50**
	FB4	Financing of the funding gap for assets transferred from FB Bank to the Bank	HFSF	10.05.2013 (Date of the resolution)	456,97
	FB5	Commitment to cover the capital needs related to the assets transferred from FB Bank to the Bank	HFSF	10.05.2013 (Date of the resolution)	***100***
		Total amount FB4 and FB5			**556,97**

2.3.4.2.1 State recapitalisation received by FB Bank (measure FB1)

(116) In July 2009, Greece injected EUR 50 million into FB Bank, equivalent to around 3% of its RWA at that time. That capital injection was made under the recapitalisation measure which is part of the Greek Banks Support Scheme. The recapitalisation took the form of preference shares.

2.3.4.2.2 State liquidity support received by FB Bank (measures FB2 and FB3)

(117) FB Bank has also benefited from liquidity support under the guarantee measure and the government bond loan measures which are part of the Greek Banks Support Scheme. In January 2009, FB Bank received Greek government securities amounting to EUR 60 million, which matured in December 2011 (Measure FB2). In May 2012 it received Greek government securities amounting to EUR 60 million, which were supposed to mature in April 2015 but were cancelled on 23 May 2013 (Measure FB3)[73]. In March 2011, FB Bank also received a State guarantee for issued bonds with a nominal value of EUR 50 million.

[73] That amount of EUR 60 million of Greek government securities was allocated and granted to the Bank in September 2013, following decision 73/1/10/05.2013 of Credit and Insurance Committee of the Bank of Greece and decision 10/1/10.5.2003 of the Resolution Measures Committee of the Bank of Greece.

2.3.4.2.3 Measures related to the resolution of FB Bank (measures FB4 and FB5)

i) Coverage of the funding gap of assets transferred from FB Bank to the Bank for an amount of EUR 456.97 million (measure FB4)

(118) The HFSF covered the funding gap[74] of assets transferred from FB Bank to the Bank. In line with the decisions of the Bank of Greece of 10 May and 7 November 2013, the HFSF paid the total amount of EUR 456.97 million in two instalments, on 26 July and on 13 November 2013[75].

ii) Commitment of the HFSF to cover the capital needs related to the transferred assets (measure FB5)

(119) Under the resolution procedure, the HFSF committed to cover the capital needs arising from the acquisition of the assets transferred from FB Bank. Therefore the HFSF would be required to inject an amount of capital equivalent to 9% of the transferred RWA into the Bank. At the time of the resolution, the capital needs related to the transferred assets were estimated at around EUR 100 million.

(120) As already mentioned in recital (30), the HFSF will not inject any further capital into the Bank, as the Bank in its restructuring plan waives its right to request the HFSF to cover potential capital needs related to the transferred assets.

2.3.4.3. Aid measures to Probank

(121) Probank has not benefited from any aid measure under the Greek Banks Support Scheme. Table 9 provides an overview of the other aid measures from which Probank has benefitted.

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[74] The name "funding gap" may therefore be misleading since it describes a capital support measure and not a liquidity support.

[75] HFSF, Report of the Hellenic Financial Stability Fund’s Activities for the period July- December 2013, March 2014, p. 4, available online at: http://www.hfsf.gr/files/HFSF_activities_Jul_2013_Dec_2013_en.pdf.

Table 9 - Overview of the aid measures to Probank

Aid beneficiary	Measure	Description	Entity which granted the aid	Date	State aid amount (in EUR million)
Probank's activities	**PB1**	Financing of the funding gap of assets transferred from Probank to the Bank	HFSF	26.07.2013 (Date of the resolution)	562,73
	PB2	Commitment to cover the capital needs related to the assets transferred from Probank to the Bank	HFSF	26.07.2013 (Date of the resolution)	[180 to 280]
		Total amount PB1 and PB2			**[742,73 to 842,73]**

2.3.4.3.1. Coverage of the funding gap of the assets transferred from Probank to the Bank for an amount of EUR 562,73 million (measure PB1)

(122) The HFSF financed the funding gap of the assets transferred from Probank to the Bank. In line with the decisions of the Bank of Greece of 26 July and 30 December 2013, the HFSF paid the total amount of EUR 562,73 million in two instalments, on 9 August and 31 December 2013.

2.3.4.3.2. Commitment of the HFSF to cover the capital needs related to the transferred assets (measure PB2)

(123) Under the resolution procedure, the HFSF committed to cover the capital needs of the buyer arising from the acquisition of the assets of Probank. Therefore the HFSF would be required to inject an amount of capital equivalent to 9% of the transferred RWA into the Bank. At the time of the resolution, the capital needs related to the transferred assets were estimated at around EUR [180 to 280] million.

(124) As already mentioned in recital (41), the HFSF will not inject any further capital into the Bank, as the Bank in its restructuring plan waives its right to request the HFSF to cover the potential capital needs related to the transferred assets.

2.4. The restructuring plan

(125) On 25 June 2014, Greece submitted the restructuring plan of the Bank, which explains how the Bank, as a combined entity resulting from the acquisitions of FB Bank, Probank and the three Cooperative Banks, intends to restore its long-term viability.

2.4.1. Domestic operations

(126) Through the restructuring plan, the Bank will focus on its core banking activities in Greece and in Turkey.

(127) Regarding Greece, the key priority of the Bank is to bring its Greek banking operations back to strong profitability and viability by the end of the restructuring period, namely 31 December 2018. To that end, the restructuring plan includes a number of measures aimed at improving the Bank's operational efficiency and net interest margin, as well as measures enhancing its capital position and balance sheet structure.

(128) As regards operational efficiency, the Bank has already started a vast programme of rationalization. From 31 December 2009 to 30 December 2012, the Bank reduced its physical presence in Greece. It reduced its number of branches from 575 in 2009[76] to 511 in 2012[77] and also reduced the workforce of the Greek banking activities (from 12 534 in December 2009[78] to 11 230 in December 2012[79]).

(129) From December 2012 until the end of 2017, the Bank plans to further decrease the number of employees in Greece (from 13 675 to […])[80] despite the impact of the acquisitions of FB Bank and Probank that employed 260 and 1087 employees[81] respectively. The difference between the workforce of the Greek banking activities at 31 December 2012 (11 230) and the total Greek workforce at the end of 2012 (13 675) is due to the headcounts of non-banking activities such as insurance (Ethniki Hellenic General Insurance S.A.), tourism (Astir Palace Vouliagmenis S.A.) or real estate (NBG Pangaea Reic).

(130) From December 2012 until the end of 2017, the Bank will pursue the rationalization of its domestic network. The number of branches will increase by […] from 511 to […]. It is recalled that in 2013 the Bank acquired the FB Bank and Probank networks with 19 and 112 branches respectively.

(131) The increased efficiency in terms of branches and personnel will help to bring down the total cost of its Greek activities by […]% from EUR 1 301 million on a pro forma basis in 2012 to EUR […] million in 2017[82]. As a result, the expected cost-to-income ratio of its Greek banking activities will fall below […]% at the end of the restructuring period.

(132) The restructuring plan also describes how the Bank will reduce its funding costs, which is key to the restoration of viability. The Bank expects to be able to pay lower interest rates on its deposits on the back of the more stable environment and, in particular, the anticipated stabilisation and recovery of the Greek economy, which is expected to grow again from 2014 onwards. Spreads on deposits (average of time deposits, sight deposits and savings rates) are expected to decrease in Greece.

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76 2010 Annual Report https://www.nbg.gr/english/the-group/investor-relations/annual-report-offerring-circular/Documents/73301T05_CNB.pdf (figures refer to National Bank of Greece S.A.).

77 2012 Annual Report, https://www.nbg.gr/english/the-group/investor-relations/annual-report-offerring-circular/Documents/NBG%20Form%2020-F.PDF (figures refer to National Bank of Greece S.A.).

78 2010 Annual Report https://www.nbg.gr/english/the-group/investor-relations/annual-report-offerring-circular/Documents/73301T05_CNB.pdf (figures refer to National Bank of Greece S.A.).

79 2012 Annual Report, https://www.nbg.gr/english/the-group/investor-relations/annual-report-offerring-circular/Documents/NBG%20Form%2020-F.PDF(figures refer to National Bank of Greece S.A.).

80 Restructuring plan submitted on 25 June 2014, ,p. 30 (figures refer to the domestic operations, including for instance subsidiaries active in insurance, real estate and tourism).

81 See recitals (72) and (82).

82 Restructuring plan submitted on 25 June 2014, p. 30.

Similarly, the Bank's reliance on the State-guaranteed ELA and wider Eurosystem funding will decrease during the restructuring period.

(133) The restructuring plan anticipates that the Bank will also strengthen its balance sheet. Its net loan-to-deposit ratio in Greece will further decrease, while its capital adequacy will improve (from a Core Tier 1 ratio of 8.4% at group level at 31 December 2013).

(134) Another priority of the Bank is the management of non-performing loans. The Bank will enhance its credit processes regarding both the origination of loans (better collateral coverage, reduced limits) and the management of non-performing loans. The rate of non-performing loans will […], with an expected rate of […]% at the end of the restructuring period[83]. The cost of risk (loan loss impairments) will decrease from EUR 2 billion in 2012 to EUR […] billion in 2018[84].

(135) The improvement of operational efficiency, the increase in the net interest margin, and the decreasing cost of risk will enable the Bank to increase its profitability. The Bank anticipates that its profits in Greece will amount to EUR […] million and EUR […] million in 2014 and 2018 respectively. The return on equity will reach […]% in 2017 for the Greek activities[85], which is sufficient given the risk profile of the Bank at that date[86].

2.4.2. International banking activities (except Turkey)

(136) The Bank has already started to deleverage and restructure its international network. The number of branches in South-Eastern Europe has been reduced by 170 since 2009[87].

(137) The Bank will continue to restructure and deleverage its international network. In particular, the Bank will sell its foreign subsidiaries in […] and divest its branches in […]. Those divestments represented […]% of the Bank's assets outside Greece and Turkey, that is to say EUR […] million out of EUR 12,101 million at the end of 2012.

(138) Branches in the […] and […] as well as the subsidiary in […] will be […].

(139) As a result of those divestments, the net parent funding will be eliminated by the end of the restructuring period.

2.4.3. Turkey

(140) The Bank intends to reduce its ownership in Finansbank to 60%[…].

(141) […] will provide Finansbank with […] and enhance the commitment of the Bank to provide […] to Finansbank over the restructuring period.

(142) The Bank plans that Finansbank will grow significantly during the restructuring period. It will also implement a cost control plan. In 2014, Finansbank intends to […]

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83 Restructuring plan submitted on 25 June 2014, Annex I, p. 11.

84 Restructuring plan submitted on 25 June 2014, Annex I, p. 9.

85 Restructuring plan submitted on 25 June 2014, Annex I, p. 11.

86 The return on RWA, which is not adversely affected by the high capital adequacy of the Bank, will reach […]% at the end of the restructuring period.

87 Restructuring plan submitted on 25 June 2014, p. 13.

and to […]. In the following years, the […], resulting in a decrease in the cost-to-income ratio from […] to […] at the end of the restructuring period[88].

(143) The restructuring plan foresees close scrutiny of risks taken by Finansbank. It is expected that impairments will amount to less than […]% of customer loans from 2014 to 2018, with a return on assets expected at […]% in 2018. The return on equity of Finansbank will remain high throughout the period.

(144) The Bank sold its Turkish insurance business (life and non-life) in 2012 at a capital gain of EUR […] million[89].

2.4.4. Non-banking activities: sale of […] real estate activities

(145) The Bank has reduced its ownership in its real estate subsidiary Pangea below 35% with a positive impact on the Core Tier 1 ratio of the Bank[90].The Bank also plans to sell […] by […] and its private equity subsidiary by […].

2.4.5. Private capital raising and contribution by existing shareholders and subordinated creditors

(146) The Bank succeeded in raising significant amounts of capital on the market and reduced thereby the State aid which it needed.

(147) First, the Bank raised private capital in 2009 with a rights issue of EUR 1 247 million. In 2010 the Bank again raised EUR 1 815 million[91] in private capital from the market. As mentioned in recital (109), the Bank also managed to raise EUR 1 079 million in capital from private investors through the Spring 2013 recapitalisation. The shareholders, which included those who participated in the 2009 and 2010 capital increases, were heavily diluted by the Spring 2013 recapitalisation: the HFSF received 84,4% of the Bank's shares and the new investors received 10,5% of the shareholding, leaving the pre-existing shareholders with a shareholding of only 5,1%. No dividend has been paid to ordinary shareholders since 2007 or to US preference shareholders since 2009[92].

(148) The Bank raised EUR 2,5 billion in capital from the market in May 2014. The Bank intends to […].

(149) Regarding the contribution by hybrid and subordinated debt holders, on 3 January 2012 the Bank offered to buy back preferred securities at prices ranging from 45% to 70% of the nominal value of those securities. On that occasion, the Bank also bought back covered bonds. For each of those buy-backs, the price was determined on the basis of the market value of the instruments and contained a premium of not more than ten percentage points, which was added to encourage investors to participate in

[88] Restructuring plan submitted on 25 June 2014, p. 34.
[89] Restructuring plan submitted on 25 June 2014, p. 12.
[90] The gain in the Core Tier 1 ratio is estimated at 35 bps in 2013, according to the submission of the Greek authorities on 21 November 2013.
[91] Financial Report 2010, p. 44.
[92] Restructuring plan submitted on 25 June 2014, p. 12.

the buy-back. The acceptance rate was 44% and the overall increase in capital amounted to about EUR 302 million[93].

(150) Later in 2012 and 2013 the Bank launched additional liability management exercises on securities issued to investors, including covered bonds, hybrid instruments, Tier 2 instruments and preference shares issued in the United States. Those buybacks generated additional capital of EUR […] million. Overall, the Bank indicates that the total amount of capital generated by liability management exercises over recent years amounts to approximately EUR […] million[94]. As a result of those buy-backs, the outstanding amount of subordinated and hybrid debt decreased to EUR 293 million at 31 December 2013.

2.5. Commitments of the Greek authorities

(151) On 25 June 2014, Greece gave a commitment that the Bank and its affiliates will implement the restructuring plan submitted on 25 June 2014 and gave further commitments regarding the implementation of the restructuring plan ("the Commitments"). The Commitments, in the Annex, are summarized in this section.

(152) First, Greece has given a commitment that the Bank will restructure its commercial operations in Greece, setting a maximum number of branches and employees as well as a maximum amount of total costs to be achieved by 31 December 2017[95].

(153) Greece has also given a commitment that the Bank will reduce the cost of deposits collected in Greece and will comply with a maximum ratio of net loans-to-deposits[96] by 31 December 2017[97].

(154) Regarding the Bank's foreign subsidiaries, Greece has given a commitment that the Bank will not provide […], and that it will divest a minority stake in that subsidiary. Greece has also given a commitment that the Bank will deleverage a number of foreign subsidiaries by 30 June 2018[98].

(155) Greece has given a commitment that the Bank will divest […] and its private equity subsidiary, as well as a number of securities. In addition, the Bank will not purchase non-investment grade securities, with limited exceptions[99].

(156) Greece has given a number of commitments related to the corporate governance of the Bank. It gave a commitment to limit the remuneration of the Bank's employees and managers, […][100].

(157) Greece has also given a commitment that the Bank will enhance its credit policy, in order to ensure that decisions on granting and restructuring loans aim at maximizing

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93 http://www.barchart.com/plmodules/?module=secFilings&filingid=8338505&type=HTML&popup=1&override=1&symbol=NBG.

94 Restructuring plan submitted on 25 June 2014, p. 11.

95 See Commitments in the Annex, chapter II.

96 The interest rate swaps agreed with the Hellenic Republic under an ISDA agreement, including those securitized through Titlos Plc, will be excluded from the net loans for the purpose of the calculation of the net loan-to-deposit ratio.

97 See Commitment in the Annex, chapter II.

98 See Commitments in the Annex, chapter II.

99 See Commitments in the Annex, chapter II.

100 See Commitments in the Annex, chapter III, section A.

the viability and profitability of the Bank. Greece has given a commitment that the Bank will comply with high standards regarding the monitoring of credit risk as well as the restructuring of loans[101].

(158) A number of commitments deal with the operations of the Bank with connected borrowers. Those commitments aim at ensuring that the Bank does not deviate from prudent banking practices when granting or restructuring loans to its employees, managers and shareholders, as well as to public entities, political parties and media companies[102].

(159) Finally Greece has given a commitment that the Bank will comply with some behavioural limitations, such as a coupon and dividend ban, an acquisition ban and a ban on advertising State support[103].

(160) Those commitments will be monitored until 31 December 2018 by a monitoring trustee.

(161) Separately, Greece has indicated that it would seek the approval of the Commission prior to any buy-back of the warrants by the Bank or by any State entity including the HFSF[104].

3. GROUNDS FOR INITIATING THE FORMAL INVESTIGATION PROCEDURE ON THE FIRST BRIDGE RECAPITALISATION

(162) On 27 July 2012, the Commission opened the formal investigation procedure in order to verify whether the conditions of the 2008 Banking Communication[105] were met regarding the appropriateness, necessity and proportionality of the first bridge recapitalisation provided by the HFSF in favour of the Bank (measure B1).

(163) Regarding the appropriateness of the measure, since the aid came after prior recapitalisations and liquidity aid and given the protracted rescue period, the Commission expressed doubts as to whether all actions possible had been taken by the Bank to avoid a need for aid in the future[106]. In addition, the Commission was not clear who would control the Bank once the first bridge recapitalisation was replaced by a permanent recapitalisation[107] as the Bank might come under the control either of the State or of minority private owners. The Commission noted that it would wish to ensure that the quality of the Bank´s management and in particular its lending process should not deteriorate in either case.

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101 See Commitments in the Annex, chapter III, section A.

102 See Commitments in the Annex, chapter III, section A.

103 See Commitments in the Annex, chapter III, section C.

104 Letter of Greece to the Commission dated 25 June 2014: "*Finally, as regards the warrants issued by the HFSF, it should be clarified that Hellenic Republic will seek the approval of the European Commission prior to any buy-back to the warrants by NBG or by any State entity (including the HFSF), so that the European Commission can verify that the envisaged buy-back of the warrants is not contrary to the State remuneration requirements under State aid rules*."

105 Communication from the Commission - The application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis (OJ C 270, 25.10.2008, p. 2).

106 Recital (59) of the NBG Opening Decision.

107 Recital (63) of the NBG Opening Decision.

(164) Regarding the necessity of the first bridge recapitalisation, in recital (67) of the NBG Opening Decision the Commission questioned whether all the measures possible had been taken to avoid the Bank again needing aid in the future. Moreover, since the duration of the bridge recapitalisation period was uncertain the Commission could not reach a conclusion as to whether the remuneration was sufficient and complied with the remuneration and burden-sharing principles under State aid rules. Furthermore, as the terms of the conversion of the first bridge recapitalisation into a permanent recapitalisation were not known at the time the NBG Opening Decision was adopted, the Commission could not assess them.

(165) Regarding the proportionality of the measure, the Commission expressed doubts as to whether the safeguards (State support advertisement ban, coupon and dividend ban, call option ban and buy-back ban as described in recital (71) of the NBG Opening Decision) were sufficient in relation to the first bridge recapitalisation. Furthermore, in recital (72) of the NBG Opening Decision the Commission stated that distortions of competition could be caused by the lack of rules preventing the HFSF from coordinating the four largest Greek banks (namely, the Bank, Alpha Bank, Eurobank and Piraeus Bank) and the absence of adequate safeguards to avoid them sharing commercially sensitive information. The Commission, therefore, proposed the appointment of a monitoring trustee, who would be physically present in the Bank.

4. COMMENTS FROM INTERESTED PARTIES ON THE FORMAL INVESTIGATION PROCEDURE ON THE FIRST BRIDGE RECAPITALISATION

Comments from a Greek bank

(166) On 3 January 2013, the Commission received comments from a Greek bank on the NBG Opening Decision. That Greek bank commented that the recapitalisation of Greek banks by the HFSF constituted, in principle, a welcome step towards a healthier and more viable banking system and expressed no objection to the recapitalisation of the Bank.

(167) However, while expressing its entire support for the principle of the recapitalisation of Greek banks by the HFSF, that Greek bank explained that, in order to minimize distortions of competitions and to avoid discrimination, it expected recapitalisation by the HFSF to be open to all banks operating in Greece under similar conditions.

5. COMMENTS FROM GREECE ON THE FORMAL INVESTIGATION PROCEDURE ON THE FIRST BRIDGE RECAPITALISATION

(168) On 5 September 2012, Greece submitted comments which had been prepared by the Bank of Greece and the HFSF.

5.1. Comments from the Bank of Greece

(169) Regarding the appropriateness of the first bridge recapitalisation, the Bank of Greece noted that the amount of EUR 18 billion of capital with which the HFSF recapitalised the four largest Greek banks in May 2012 was less than the final amount which was needed in order for those banks to gradually reach and maintain a Core Tier 1 ratio set at 10% and Core Tier 1 ratio set at 7% under a three-year adverse stress scenario. It also noted that the first bridge recapitalisation was

temporary given that the recapitalisation process would be concluded with share capital increases by those four banks.

(170) The Bank of Greece also observed that the recapitalisation of the largest Greek banks is part of the longer term restructuring of the Greek banking sector. It noted that where a bank remains in private hands, the management will most probably remain the same, while if a bank becomes State-owned (that is to say, owned by the HFSF), the HFSF may appoint new management which, in any case, will be assessed by the Bank of Greece. The Bank of Greece noted that it assesses the corporate governance framework, the adequacy of management and the risk profile of every bank on an ongoing basis in order to ensure that excessive risks are not taken. It also pointed out that the HFSF had already appointed representatives in the Board of Directors of the recapitalised banks.

(171) Regarding the necessity of the first bridge recapitalisation, the Bank of Greece observed that the Bank's recapitalisation was limited so as to ensure that the then applicable minimum capital requirements (8%) were met. It also stated that the protracted period of time prior to the recapitalisations was due to the sharp deterioration of the operating environment in Greece and the impact of the PSI programme, to the complexity of the whole project and to the need to maximize private investors' participation in the share capital increases.

(172) Regarding the proportionality of the first bridge recapitalisation, the Bank of Greece pointed out that the full implementation of the restructuring plan to be submitted to the Commission is safeguarded by the fact that the suspension of the voting rights of the HFSF will be lifted if, inter alia, the restructuring plan is substantively violated. The Bank of Greece also observed that the Bank's difficulties were not due either to an underestimation of risks by the Bank's management or to commercially aggressive actions.

5.2. Comments from the HFSF

(173) Regarding the appropriateness of the first bridge recapitalisation, to address the issue of potential State interference if the State provides high amounts of State aid through the HFSF and the HFSF has full voting rights, the HFSF stated that the HFSF-funded banks are not considered to be public entities or under State control and that they will not be controlled by the State after they have been permanently recapitalised by the HFSF. The HFSF pointed out that it is a fully independent private-law legal entity with autonomy of decision. It is not subject to government control, pursuant to Article 16C(2) of the HFSF law, according to which the credit institutions to which the HFSF has provided capital support are not part of the broader public sector. It also referred to the governing structure of the HFSF.

(174) As regards the intervention of the HFSF in the Bank’s management, the HFSF noted that it would respect the Bank's autonomy and not interfere with its day-to-day management given that its role is limited to that laid down in the HFSF law. It stated that there would not be any State interference or coordination and that the decisions of the Bank regarding the lending process (inter alia on collateral, pricing and solvency of borrowers) would be taken on the basis of commercial criteria.

(175) The HFSF pointed out that the HFSF law and the pre-subscription agreement set appropriate safeguards in order to prevent existing private shareholders from

excessive risk-taking. It pointed to elements such as (i) the appointment of HFSF representatives as independent non-executive members of the Board of Directors of the Bank and their presence at committees, (ii) the HFSF carrying out due diligence in the Bank and (iii) the fact that, after the final recapitalisation, its voting rights would be restricted only for as long as the Bank complied with the terms of the restructuring plan.

(176) Regarding the necessity of the first bridge recapitalisation and specifically regarding the level of the remuneration of aid, the HFSF stated that the remuneration had been agreed with the representatives of the Commission, the ECB and the IMF. That agreed level took into account that the first bridge recapitalisation would be converted into a permanent recapitalisation before 30 September 2012, a deadline which was set in March 2012 in the MEFP between the Commission, the ECB, the IMF and Greece.

(177) Regarding the proportionality of the first bridge recapitalisation, the HFSF noted that the measures it adopted, such as those described in recital (175), are sufficient safeguards in view of the large amounts of aid received and the protracted rescue period. Moreover, the HFSF stated that there are appropriate measures in place in order to ensure that banks in which the HFSF participates do not share commercially sensitive information between them. Such measures include the appointment of different HFSF representatives to those banks, the mandates addressed to those representatives which specifically safeguard against the flow of information from one representative to another and clear internal instructions to those officers not to transmit commercially sensitive information of the banks. Moreover, the HFSF stated that it does not exercise its rights in relation to the banks in a manner which may prevent, restrict, distort or significantly lessen or impede effective competition. Lastly, the HFSF pointed out that the members of its Board of Directors and its employees are subject to strict confidentiality rules and fiduciary duties and are bound by provisions concerning professional secrecy with regards to its affairs.

6. ASSESSMENT OF AID RELATED TO THE ACQUIRED BUSINESSES

6.1. Assessment of the State support related to the resolution of the three Cooperative Banks

6.1.1. Existence and the amount of aid

(178) The Commission first has to assess whether the State support related to the resolution of the three Cooperative Banks (meaning the financing of the funding gaps which enabled the transfer of the deposits) constitutes State aid within the meaning of Article 107(1) of the Treaty. According to that provision, State aid is any aid granted by a Member State or through State resources in any form whatsoever which distorts, or threatens to distort, competition by favouring certain undertakings, in so far as it affects trade between Member States.

(179) The Commission will start by assessing whether or not there was an advantage for the following potential beneficiaries: (i) the Cooperative Banks and the potentially transferred "activities" to the Bank; and (ii) the Bank.

(i) Existence of aid to the three Cooperative Banks and to the activities potentially transferred to the Bank.

(180) With regards to the three Cooperative Banks, the Commission notes that Lesvos-Limnos Bank, Achaia Bank and Lamia Bank have been put in liquidation and their banking licenses withdrawn. Therefore, they will no longer carry out economic activities on the banking market.

(181) The State support, that is to say the financing of the funding gaps, would constitute State aid to the transferred claims and liabilities within the meaning of Article 107(1) of the Treaty only if they together constitute an undertaking. The concept of an undertaking encompasses every entity engaged in an economic activity, regardless of legal status and the way in which it is financed. Any activity consisting in offering goods or services on a given market is regarded as an economic activity. Therefore, in order to conclude whether there is aid to an undertaking, it should be assessed whether the transfer of claims and liabilities entail the transfer of an economic activity.

(182) As already mentioned in section 2.2.1, following the resolution of the three Cooperative Banks, only the deposits and the claims and liabilities towards the HDIGF were transferred to the Bank. The three Cooperative Banks employed 187 employees and had 21 branches in total. It should be noted that there was no automatic transfer of branches or employment contracts or loans between the three Cooperative Banks and the Bank. Therefore, the fact that loans are not transferred to the Bank but remain with the three Cooperative Banks in liquidation, the fact that no branches were transferred and the lack of automatic transfer of labour contracts contribute[108] to the conclusion that there is no transfer of economic activity. The transferred liabilities (that is to say deposits) cannot be considered to be the beneficiary of State support, as they do not constitute an undertaking.

(183) In summary, the three existing legal entities have been put into liquidation and no longer carry out any banking activities. At the same time, the transferred liabilities do not constitute an economic activity.

(184) It is therefore concluded that the grant of EFSF bonds by the HFSF to the Bank to cover the funding gap of the acquired assets and liabilities of the three Cooperative Banks does not allow the continuation of the latter's economic activities. Therefore, the HFSF support does not constitute either aid to the liquidated entities or aid to the transferred assets and liabilities.

(ii) Existence of aid to the Bank

(185) With regards to whether the sale of the three Cooperative Banks' assets and liabilities entails State aid to the Bank, the Commission must assess whether certain requirements are met and in particular whether (i) the sale process was open, unconditional and non-discriminatory; (ii) the sale took place on market terms; and (iii) the State maximised the sale price for the assets and liabilities involved[109].

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[108] See Recital (146) of the Commission Decision of 12 November 2008 in State Aid Case SA. 510/2008 – Italia "Vendita dei beni della compagnia aerea ALITALIA" (OJ C 46, 25.2.2009, p. 6).

[109] See point 49 of the 2008 Banking Communication and point 20 of the Restructuring Communication.

(186) As already mentioned in recital (64), the Bank of Greece only contacted the five largest Greek credit institutions operating in Greece at that time. The limited set of buyers contacted cannot exclude that the tender was open given that they were the only credit institutions likely to be interested in submitting an offer. Indeed, the package for sale only included deposits. Therefore, to benefit from synergies on those deposits, it is necessary to operate in the geographical area concerned. A bank with no presence in those areas could not offer services to depositors, thus deposit retention would be minimal and the acquirer would support the cost of acquiring the deposits for no benefit. The Bank of Greece could therefore reasonably assume within the short timeframe available to resolve the three Cooperative Banks that only credit institutions whose business models were consistent with being able to service those depositors would have an interest in acquiring those assets. The Bank and three other banks submitted binding offers. The Bank's offer was the preferred one in terms of consideration and time required for the conclusion of the transfer. The Bank offered to pay as consideration an amount equal to […]% of the transferred deposits and estimated that the transfer could be completed within one working day.

(187) On the basis of the above, the Commission concludes that State aid to the Bank can be excluded, in line with point 20 of the Restructuring Communication and the Commission's decisional practice[110].

(iii) Conclusion on the existence of aid

(188) The State support involved in the sale of the three Cooperative Banks does not constitute State aid to the three Cooperative Banks, to the transferred assets or to the Bank. Therefore, the measure does not constitute aid within the meaning of Article 107(1) of the Treaty.

6.2. Assessment of aid related to First Business Bank

6.2.1. Existence and the amount of aid

(189) The Commission has to assess whether the measures constitute State aid within the meaning of Article 107(1) of the Treaty.

6.2.1.1. Existence of aid in the measures granted under the Greek Banks Support Scheme (measures FB1, FB2 and FB3)

(190) The EUR 50 million capital injection by Greece into FB Bank in July 2009 (measure FB1), the Greek government securities amounting to EUR 60 million in May 2012 (Measure FB2) and the State guarantee given to FB Bank for issued bonds with a nominal value of EUR 50 million in March 2011 (measure FB3) were granted under the Greek Banks Support Scheme[111]. In the decision approving that scheme, the Commission concluded that measures granted under that scheme would constitute State aid.

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110 See Commission decision of 25.01.2010 in the State aid case NN 19/2009 – Restructuring aid to Dunfermline Building Society, recital (47) (OJ C101, 20.04.2010, p. 7).
Commission decision of 25.10.2010 in State aid case N 560/2009 – Aid for the liquidation of Fionia bank, recital (55) (OJ C76, 10.03.2011, p. 3).
Commission decision of 8.11.2010 in State aid case N 392/2010 – Restructuring of CajaSur, recital (52) (OJ C357, 30.12.2010. p. 12).

111 See footnotes 2 and 4.

(191) Therefore, the Commission notes that the transferred activities would no longer exist without those measures. Those measures have contributed to the stabilisation and the continuance of the economic activities which were later transferred to the Bank and therefore the Commission considers that they have benefited the economic activities of FB Bank which were later transferred to the Bank and constitute State aid within the meaning of Article 107(1) of the Treaty.

6.2.1.2. Existence of aid in the measures granted in view of the resolution of FB Bank (measures FB4 and FB5)

(192) The Commission notes that the HFSF is an entity set up and financed by Greece to support banks, and therefore measures FB4 and FB5 involve State resources. The Commission also notes that measures FB4 and FB5 are selective in nature, since they only benefit FB Bank's activities.

(193) Moreover the Commission considers that measures FB4 and FB5 provide FB Bank's activities with a clear advantage by keeping them alive. The transfer order in that case is indeed a sale "en bloc". While the equity and subordinated debt will not be transferred, the key productive banking assets will be transferred (branches, deposits and loans). Measure FB4 therefore provides the transferred activities with an advantage as it provides sufficient assets to cover its deposits and the transferred activities continue to exist due to the sale of FB Bank's assets en bloc.

(194) Moreover, without measure FB5, the sale would not be possible because the transfer would have a potential negative impact on the acquirer's capital adequacy ratio. Therefore, the transferred activities would no longer exist and measures FB4 and FB5 thus provide them with a clear advantage.

(195) The Commission considers that measures FB4 and FB5 do not comply with the market economy investor principle ("MEIP"). In fact, the HFSF has no prospect of making a profit on its contribution: in exchange for its contribution, it received no claim against the Bank but only a claim against the entity under liquidation, that is to say FB Bank[112]. Therefore, the HFSF will not probably fully recover the money contributed.

(196) The selective advantage which measures FB4 and FB5 provide distorts competition by keeping one banking activity alive, allowing it to operate on the market and to compete with other banks, including subsidiaries of foreign banks, which are active in Greece or potentially interested in entering the Greek market. Hence, measures FB4 and FB5 have an effect on trade between Member States and potentially distort competition.

(197) The Commission therefore concludes that the coverage by the HFSF of the funding gap of EUR 456,97 million related to the assets transferred from FB Bank to the Bank and the commitment of the HFSF to cover the capital needs related to those assets, which may amount to EUR 100 million, constitute State aid within the meaning of Article 107(1) of the Treaty.

[112] See Article 9(15) of Law 4051/2012 and Article 13A(4) of Law 3746/2009.

Beneficiary of measures FB4 and FB5

(198) As already explained in recital (193), the Commission considers FB Bank's activities as the beneficiary of measures FB4 and FB5, as the aid allowed the continuation of those economic activities within the Bank.

(199) As to whether the sale of FB Bank's activities entails State aid to the Bank, in line with point 49 of the 2008 Banking Communication, the Commission needs to assess whether certain requirements are met. It needs to examine in particular whether (i) the sale process was open and non-discriminatory; (ii) the sale took place on market terms; and (iii) the financial institution or the government maximised the sale price for the assets and liabilities involved.

(200) The Bank acquired the package of the assets and liabilities of FB Bank because it submitted the preferred offer in the framework of a non-discriminatory tender procedure open to other banks. The Bank of Greece decided to contact only the four largest banks operating in Greece, of which only the Bank and one other bank submitted non-binding offers. The Bank of Greece invited the two bidders to submit improved offers. The Bank of Greece selected NBG because its offer entailed lower resolution costs[113].

(201) The Commission observes that the Bank of Greece only contacted four banks[114]. The limited set of buyers contacted cannot exclude that the tender was open given the lack of other banks operating in Greece with sufficient size to absorb the tendered assets and with adequate capital at the time of resolution and given the limited interest, at the time of resolution, shown by foreign credit and financial institutions in engaging in banking activities in Greece. Moreover, the Bank of Greece determined in advance the portfolio of the assets and liabilities to be transferred and the timetable the offers should meet in order to be valid. The Commission considers that the sale process was open and non-discriminatory.

(202) The negative price (that is to say, taking into account the funding gap and the coverage of the aforementioned capital needs) for the assets and liabilities of FB Bank does not preclude that the sale price reflects the market value of the business[115]. The Commission has no reason to consider that the offer made and the price paid did not reflect the market price of the business. It is recalled that, under Greek law, the fair value of the transferred assets is initially estimated by the Bank of Greece and then verified and adjusted by external experts during the following six months. As a result, the Commission considers that the sale took place on market terms. On the basis of the above, in line with point 49 of the 2008 Banking Communication, point 20 of the Restructuring Communication and its decisional practice[116], the Commission concludes that State aid to the Bank can be excluded.

113 Letter of Bank of Greece to the European Commission dated 14 May 2013.

114 In contrast with what was done for the resolution of the three Cooperative Banks, Emporiki Bank was not contacted since in the meantime it had been taken over by Alpha Bank.

115 See also recital (82) of Commission Decision of 28.11.2012 in State aid SA. 34053 (2012/N) – Spain Recapitalisation and Restructuring of Banco de Valencia S.A. (OJ C75, 14.3.2013, p. 3).

116 See footnote 109.

6.2.1.3. Conclusion on the existence and total amount of aid received

(203) On the basis of recitals (190) to (197), the Commission considers that measures FB1, FB2, FB3, FB4 and FB5 all fulfil the conditions laid down in Article 107(1) of the Treaty and constitute State aid.

(204) Therefore, the Commission concludes that the activities of FB Bank have received State aid in the form of capital support of EUR 606,97 million (measures FB1, FB4 and FB5), in addition to loans of Greek government securities of EUR 60 million (measure FB2) and State guarantees of EUR 50 million (measure FB3), as summarized in Table 10.

Table 10 - Overview of the total aid to FB Bank's activities

Aid beneficiary	**Measure**	**Nature of aid**	**Amount of aid (in EUR million)**
FB Bank's activities	**FB1**	Recapitalisation	50
	FB4	Financing of funding gap from FB Bank to the Bank	*456,97*
	FB5	Commitment letter to cover the capital needs related to FB Bank's transferred assets to the Bank	*100*
Total capital aid granted			**606,97**
Total capital aid eventually disbursed			**506,97**
Aid beneficiary	***Measure***	***Nature of aid***	
FB Bank's activities	**FB2**	Bond loan	60
	FB3	Guarantee	50
Total liquidity aid granted			**110**

6.2.2. Legal basis of the compatibility assessment

(205) Article 107(3)(b) of the Treaty empowers the Commission to find that aid is compatible with the internal market if it is intended "to remedy a serious disturbance in the economy of a Member State".

(206) The Commission has acknowledged that the global financial crisis can create a serious disturbance in the economy of a Member State and that measures supporting banks may remedy that disturbance. This has been confirmed in the 2008 Banking Communication, the Recapitalisation Communication, and the Restructuring Communication. The Commission still considers that requirements for State aid to be approved pursuant to Article 107(3)(b) of the Treaty are fulfilled in view of the reappearance of stress in financial markets. The Commission confirmed that view by

adopting the 2011 Prolongation Communication[117] and the 2013 Banking Communication[118].

(207) With respect to the Greek economy, in its decisions approving and prolonging the Greek Banks Support Scheme as well as in its approvals of State aid measures granted by Greece to individual banks' the Commission has acknowledged that there is a threat of serious disturbance in the Greek economy and that State support of banks is suitable to remedy that disturbance. Therefore, the legal basis for the assessment of the aid measures should be Article 107(3)(b) of the Treaty.

(208) In line with point 15 of the 2008 Banking Communication, in order for an aid to be compatible under Article 107(3)(b) of the Treaty it must comply with the general criteria for compatibility:

(a) *Appropriateness*: The aid has to be well-targeted in order to be able to effectively achieve the objective of remedying a serious disturbance in the economy. It would not be the case if the measure were not appropriate to remedy the disturbance.

(b) *Necessity*: The aid measure must, in its amount and form, be necessary to achieve the objective. Therefore it must be of the minimum amount necessary to reach the objective, and take the form most appropriate to remedy the disturbance.

(c) *Proportionality*: The positive effects of the measure must be properly balanced against the distortions of competition, in order for the distortions to be limited to the minimum necessary to achieve the measure's objectives.

(209) During the financial crisis, the Commission has developed compatibility criteria for different types of aid measures. Principles for assessing aid measures were first laid down in the 2008 Banking Communication.

(210) The Recapitalisation Communication sets out further guidance on the level of remuneration required for State capital injections.

(211) Finally, the Commission has explained in the Restructuring Communication how it will assess restructuring plans. In its assessment of the restructuring plan of the Bank under the Restructuring Communication, the Commission will take into account all the measures listed in Table 10.

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117 Communication from the Commission on the application, from 1 January 2012, of State aid rules to support measures in favour of financial institutions in the context of the financial crisis ('2011 Prolongation Communication'), OJ C 356, 6.12.2011, p. 7.

118 Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis ("Banking Communication"), OJ C 216, 30.7.2013, p. 1.

6.2.3. Compliance of the aid measures with the 2008 Banking Communication and the Recapitalisation Communications

6.2.3.1. Compliance of measures FB1, FB2 and FB3 with the 2008 Banking Communication

(212) Measures FB1, FB2 and FB3 were granted under the Greek Banks Support Scheme. The measures included under that scheme have already been assessed as compatible with the internal market in the Commission's Decision of 19 November 2008.

6.2.3.2. Compliance of measures FB4 and FB5 with the 2008 Banking and Recapitalisation Communications

6.2.3.2.1. Appropriateness

(213) As regards the appropriateness of measures FB4 and FB5, the Commission considers that those measures are appropriate because they safeguarded the depositors of FB Bank and therefore safeguarded financial stability. Those activities would not have been able to continue without the aid from the HFSF, as FB Bank had a negative equity at the time of the resolution and in the then prevailing difficult market conditions no bank would have acquired a portfolio of assets and liabilities with negative value and which would have worsened its capital adequacy position. The measures thereby ensured that financial stability in Greece would be maintained. On that basis, the Commission finds that the measures are appropriate as rescue aid.

6.2.3.2.2. Necessity

(214) According to the 2008 Banking Communication, the aid measure must, in its amount and form, be necessary to achieve the objective of the measure. It implies that a capital injection must be of the minimum amount necessary to reach that objective.

(215) As the Bank of Greece stated in its letter of 8 May 2013, despite the small size of FB Bank, the withdrawal of its license without the application of resolution measures could have damaged depositors' confidence in the Greek banking system and thus an impact on financial stability. Moreover, the Bank of Greece added that among the different resolution options, it favoured the resolution of FB Bank through the application of the Purchase & Assumption procedure in line with the MEFP of December 2012. It considered that that procedure offered an immediate and definite solution to the problems faced by FB Bank. The Commission considers that those financial stability elements support the necessity of measures FB4 and FB5.

(216) As regards the amount of the intervention, the Bank of Greece in its decision 10/1/10.5.2013 stated that a transfer order of selected assets and liabilities was the preferred solution as it minimized the resolution cost. That decision was also in line with the MEFP of March 2012. Moreover, the Commission observes that the final amount of the funding gap was carefully assessed by the Greek authorities, which took into account the valuation report prepared by a statutory auditor. The contribution exactly covered the difference between the fair value of the transferred assets and the value of the liabilities. Moreover, the HFSF committed to cover the capital needs only up to 9% of the transferred assets, as estimated by the Bank of Greece. The fact that only the Bank, among the two bidders, agreed to revise its offer supports the conclusion that the contribution was not excessive.

(217) Furthermore, the equity of FB Bank was not transferred and was therefore left in the liquidated entity, that is to say FB Bank. Therefore, the shareholders will suffer a full loss and the contribution of the HFSF is not inflated by the cost of rescuing them.

(218) As regards the remuneration of the aid, as previously indicated in recital (195), the HFSF will most probably not fully recover the amount of money contributed[119]. It therefore clearly does not receive any remuneration and its contribution is similar to a grant. As indicated in point 44 of the Recapitalisation Communication, an insufficiently remunerated recapitalisation can only be accepted in the case of distressed banks which cannot pay any remuneration. The Commission considers that is the case for FB Bank. The absence of remuneration triggers the need for in-depth restructuring, in line with the Recapitalisation Communication.

(219) In conclusion, measures FB4 and FB5 are necessary as rescue aid in both its amount and form to achieve the objectives of limiting the disturbance in the Greek banking system and economy as a whole.

6.2.3.2.3. Proportionality

(220) The Commission notes that FB Bank no longer exists as it previously existed. The fact that the aid rescues the activities transferred from could in theory create distortions of competition. However, the Commission takes positive note of the small size of FB Bank and of the sale process in which competitors had the opportunity to bid for the selected assets and liabilities of FB Bank. Moreover, immediately after their transfer, the economic activities of FB Bank were fully integrated within the Bank and ceased to exist as a separate economic activity or competitor. The Commission therefore concludes that the aid does not create undue distortions of competition.

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119 Regarding measure FB4, the HFSF holds a claim of EUR 457 million towards the entity in liquidation. At 31 December 2013, the impairments booked on that claim amounted to EUR 377 million in the financial statements of the HFSF.

Conclusion on the compliance of measures FB4 and FB5

(221) It is concluded that measures FB4 and FB5 are appropriate and necessary and, in light of the small size of FB Bank and its disappearance as a standalone competitor through its full integration into the Bank, are proportionate to the intended objective, in line with the 2008 Banking Communication and the Recapitalisation Communication.

6.2.4. Compliance of the aid measures with the Restructuring Communication

(222) As regards the remuneration of measure FB4, the Commission noted in recital (218) that the HFSF will probably not fully recover the EUR 456,97 million injected for the resolution of FB Bank (measure FB4). The absence of remuneration triggers the need for in-depth restructuring, both in terms of viability measures and in terms of measures to limit distortions of competition.

6.2.4.1. Long-term viability of FB Bank's activities through sale

(223) Point 21 of the Restructuring Communication provides that where the credit institution in difficulty cannot credibly return to long term-viability, its orderly liquidation or its auctioning off should be considered. Member States may therefore encourage the exit of non-viable players while allowing for the exit process to take place within an appropriate time frame that preserves financial stability.

(224) However, FB Bank was not viable on a standalone basis and was put into liquidation. In that respect, point 17 of the Restructuring Communication clarifies that "*the sale of an ailing bank to another financial institution can contribute to restoring long-term viability, if the purchaser is viable and capable of absorbing the transfer of the ailing bank and may help restoring market confidence*".

(225) As stated in section 7.5.2, based on the Bank's restructuring plan, the Bank can be considered as a viable entity. Therefore, the fact that the activities of FB Bank have been transferred to the Bank allows their long-term viability to be restored. Moreover, the fact that FB Bank's activities were fully integrated[120] within the Bank and ceased to operate as a stand-alone competitor constitutes in-depth restructuring as required by the insufficient remuneration of the State aid.

6.2.4.2. Own contribution and burden-sharing

(226) As explained in recital (216), the selected way of resolving FB Bank ensures the limitation of the restructuring costs to the minimum. First, the funding gap was carefully assessed by the Greek authorities, taking into account a report by independent auditors. Moreover, the HFSF committed to cover the capital needs of the buyer stemming from the transferred activities only up to the minimum amount required by law. In addition, the integration of the economic activities of FB Bank into a larger entity and the concomitant realisation of synergies, through the rationalisation of FB Bank's branch network, the consolidation of the IT infrastructure and the reduction of funding costs, help limit the restructuring costs to the minimum compared to a scenario where the State would have tried to restore FB Bank's viability on a standalone basis.

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120 Restructuring Plan submitted on 25 June 2014, p. 17.

(227) The equity and the subordinated debt were not transferred to the Bank but remained in FB Bank, the entity in liquidation. Hence, the Commission considers that sufficient burden-sharing by shareholders was achieved since the latter are entitled to proceeds from the liquidation only if the proceeds are sufficient to repay first the HFSF, which has a priority claim over other creditors. Therefore, given the scarcity of the liquidated assets, the shareholders are unlikely to get their investments back.

6.2.4.3. Measures to limit distortions of competition

(228) Regarding measures to limit distortions of competition, point 30 of the Restructuring Communication provides that *"the Commission takes as a starting point for its assessment of the need for such measures, the size, scale and scope of the activities that the bank in question would have upon implementation of a credible restructuring plan [...]. The nature and form of such measures will depend on two criteria: first, the amount of the aid and the conditions and circumstances under which it was granted and, second, the characteristics of the market or markets on which the beneficiary bank will operate."*

(229) The total aid received in form of capital amounts to EUR 606,97 million (measures FB1, FB4 and FB5), in addition to Greek government securities of EUR 60 million (measure FB2) and State guarantees of EUR 50 million (measure FB3). Measure FB1 corresponded to 3,25% of the FB Bank's RWA as of 31 December 2008. Measure FB4, the financing of the funding gap from FB Bank to the Bank, corresponded to around 33,44% of the RWA of FB Bank as of 31 March 2013. Measure FB5, by definition, corresponded to 9% of the transferred RWA of FB Bank to the Bank. Such amounts of aid in combination with the absence of remuneration call for a significant reduction in the market presence of the beneficiary.

(230) Regarding the market on which FB Bank operated, the Commission notes that FB Bank was a very small bank (less than 0,5% share of Greek banks' total assets and a market share of less than 1% for loans and deposits in Greece) and consequently the assets and liabilities of FB Bank which were transferred into the Bank were small when compared with the size of the Greek banking system.

(231) Moreover, the activities of FB Bank were offered to competitors through an open auction. Following its sale, FB Bank ceased to exist as a stand-alone competitor as the transferred activities were fully integrated within the Bank.

(232) It is concluded that given the small size of the transferred activities, the open sales process, and the full integration of FB Bank's activities into the Bank, there are no undue distortions of competition, despite the very large amount of aid and the absence of remuneration.

6.2.4.4. Conclusion on the compliance with the Restructuring Communication

(233) On the basis of that analysis, it is concluded that the sale of selected assets and liabilities of FB Bank and their integration into the Bank ensure that FB Bank's activities return to long-term viability, that the aid is limited to the minimum necessary and that there are no undue distortions of competition, in line with the Restructuring Communication.

6.2.5. Conclusion on the compatibility of aid related to FB Bank with the internal market

(234) All the aid measures listed in Table 10 are thus compatible with the internal market.

6.3. Assessment of aid related to Probank

6.3.1. Existence and the amount of aid

(235) The Commission first has to assess whether the measures constitute State aid within the meaning of Article 107(1) of the Treaty.

6.3.1.1. Existence of aid in the measures granted in view of the resolution of Probank (measures PB1 and PB2)

(236) The HFSF is an entity set up and financed by Greece to support banks. Measures PB1 and PB2 therefore involve State resources. Measures PB1 and PB2 are also selective in nature, since they only benefit Probank's activities.

(237) Moreover measures PB1 and PB2 provide Probank's activities with a clear advantage by keeping them alive. The transfer order in that case is a sale "en bloc" as, while the equity will not be transferred, the key productive banking assets will be transferred (branches, deposits and loans).

(238) Measures PB1 and PB2 do not comply with the MEIP. In fact, the HFSF has no prospect of making a profit on its contribution: in exchange for its contribution, it did not receive any claim against the Bank but only a claim against the entity under liquidation, that is to say Probank[121]. Therefore, the HFSF will probably not fully recover the money contributed.

(239) That selective advantage which measures PB1 and PB2 provide distorts competition by keeping one banking activity alive, allowing it to operate on the market and to compete with other banks which are active in Greece or potentially interested in entering the Greek market. Hence, measures PB1 and PB2 have an effect on trade between Member States and potentially distort competition.

(240) It is therefore concluded that the coverage by the HFSF of the funding gap from Probank to the Bank, for an amount of EUR 562,73 million and the commitment of the HFSF to cover the capital needs related to the transferred assets, which may amount to EUR [180 to 280] million, constitute State aid within the meaning of Article 107(1) of the Treaty.

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[121] See Article 9(15) of Law 4051/2012 and Article 13A(4) of Law 3746/2009.

Beneficiary of measures PB1 and PB2

(241) Probank's activities are the beneficiary of measures PB1 and PB2, as the latter allowed the continuation of those activities within the Bank.

(242) As to whether the sale of Probank's activities constitutes State aid to the Bank, in line with point 49 of the 2008 Banking Communication the Commission needs to assess whether certain requirements are met. It needs to examine in particular whether (i) the sale process was open and non-discriminatory; (ii) the sale took place on market terms; and (iii) the financial institution or the government maximised the sale price for the assets and liabilities involved.

(243) The Bank acquired the assets and liabilities of Probank because it submitted the preferred offer in the framework of a non-discriminatory tender procedure open to other banks. The Bank of Greece decided to contact only the four largest banks operating in Greece, of which only the Bank and one other bank submitted offers. The Bank was the preferred bidder in terms of price and expected synergies.

(244) The Bank of Greece only contacted four banks. The limited set of buyers contacted cannot exclude that the tender was open given the lack of other banks operating in Greece with sufficient size to absorb the tendered activities and with adequate capital at the time of resolution. In addition, until the resolution of Probank, no foreign credit and financial institution had submitted a valid binding proposal to acquire Probank despite the repeated postponement of the deadline. At the time of the resolution, the interest shown by foreign credit and financial institutions in engaging in banking activities in Greece was very limited. Moreover, the Bank of Greece had determined in advance the portfolio of the assets and liabilities to be transferred and the timetable which the offers had to meet in order to be valid. Therefore, the Commission concludes that the sale process was open and non-discriminatory.

(245) The negative price (that is to say, taking into account the funding gap and the coverage of the aforementioned capital needs) for the assets and liabilities of Probank does not preclude that the sale price reflects the market value of the business[122]. The Commission has no reason to consider that the offer made and the price paid did not reflect the market price of the business. Indeed, the fair value of the assets had been estimated by the Bank of Greece and verified by external auditors. As a result, the Commission considers that the sale took place on market terms. On the basis of the above, in line with point 49 of the 2008 Banking Communication, point 20 of the Restructuring Communication and the Commission's decisional practise[123], it is concluded that State aid to the Bank can be excluded.

6.3.1.2. Conclusion on the existence and total amount of aid received

(246) On the basis of recitals (236) to (240), the Commission considers that measures PB1 and PB2 fulfil the conditions laid down in Article 107(1) of the Treaty and constitute State aid.

[122] See also recital (82) of Commission Decision of 28 November 2012 in State aid SA.34053 (2012/N) – Spain Recapitalisation and Restructuring of Banco de Valencia S.A. (OJ C75, 14.3.2013, p. 3).

[123] See footnote 109.

(247) Therefore, it is concluded that the activities of Probank have received State aid in the form of capital support of EUR [742,7 to 842,7] million (measures PB1 and PB2), as summarized in Table 11.

Table 11 - Overview of the total aid to Probank's activities

Aid beneficiary	**Measure**	**Nature of aid**	**Amount of aid (in EUR million)**
Probank's activities	**PB1**	Financing of funding gap from Probank to the Bank	*562,7*
	PB2	Commitment letter to cover the capital needs related to Probank's transferred assets to the Bank	*[180 to 280]*
Total capital aid granted			**[742,7 to 842,7]**
Total capital aid disbursed			**[742,7 to 842,7]**

6.3.2. Legal basis of the compatibility assessment

(248) Article 107(3)(b) of the Treaty empowers the Commission to find that aid is compatible with the internal market if it is intended "to remedy a serious disturbance in the economy of a Member State".

(249) As explained in recitals (206) and (207), the legal basis at present for the assessment of aid measures to Greek banks should be Article 107(3)(b) of the Treaty.

(250) As explained in recital (208), in line with point 15 of the 2008 Banking Communication, in order for an aid to be compatible under Article 107(3)(b) of the Treaty it must comply with the general criteria for compatibility: appropriateness, necessity and proportionality.

(251) The Recapitalisation Communication sets out further guidance on the level of remuneration required for State capital injections.

(252) Finally, the Commission has explained in the Restructuring Communication how it will assess restructuring plans. In its assessment of the restructuring plan under the Restructuring Communication, the Commission will take into account all measures listed in Table 11.

6.3.3. Compliance of the aid measures under the 2008 Banking Communication and the Recapitalisation Communication

6.3.3.1. Appropriateness

(253) As regards the appropriateness of measures PB1 and PB2, the Commission considers that the coverage of the funding gap and the commitment to cover the capital needs of the buyer related to the transferred assets are appropriate because they allowed a sale, safeguarded the depositors of Probank and thereby safeguarded financial stability. Those activities would not have been able to continue without the aid from the HFSF, as Probank had a negative equity at the time of the resolution. In the difficult market conditions which then prevailed, no bank would have acquired a portfolio of assets and liabilities with negative value that would have worsened its

capital adequacy position. On 10 May 2013, the Bank of Greece appointed a commissioner in Probank, whose task was also to ensure that any necessary measures would be taken for the completion of the share capital increase of Probank. The fact that no private investor submitted a final binding proposal for the acquisition of Probank until the time of the resolution, despite the efforts of the commissioner appointed in Probank and the repeated extension of the deadline for the share capital increase of Probank, supports the finding that those activities would not have been able to continue without the aid received from the HFSF. The measures thereby ensured that financial stability in Greece was maintained. On that basis, the Commission finds that the measures are appropriate as rescue aid.

6.3.3.2. Necessity

(254) According to the 2008 Banking Communication, the aid measure must, in its amount and form, be necessary to achieve the objective of the measure. It implies that a capital injection must be of the minimum amount necessary to reach that objective.

(255) The MEFP of May 2013 provided that for those non-core banks[124] which did not meet their capital requirement, the Bank of Greece, in coordination with the HFSF, would assess options to minimize the cost to taxpayers, including Purchase & Assumption procedures, while guaranteeing the security of depositors.

(256) As the Bank of Greece stated in its decision of 26 July 2013[125], the withdrawal of Probank's license without the application of resolution measures could have an impact on financial stability.

(257) The Commission considers that those financial stability elements support the necessity of measures PB1 and PB2.

(258) As regards the amount of the measure, the funding gap was carefully assessed by the Greek authorities, taking into account the valuation report prepared by a statutory auditor. The contribution exactly covered the difference between the fair value of the transferred assets and the value of the liabilities. The Bank of Greece in its decision 12/1/26.7.2013 stated that a transfer order of selected assets and liabilities was the preferred solution as it minimized the resolution cost. That decision is also in line with the Second Economic Adjustment Programme for Greece of July 2013. Moreover, the HFSF committed to cover the capital needs only up to 9% of the transferred assets, as they were estimated by the Bank of Greece.

(259) Furthermore, the equity was not transferred to the Bank and therefore will be left in the entity into liquidation. Therefore, the shareholders of Probank will suffer a full loss and the contribution of the HFSF is not inflated by the cost of rescuing them.

(260) As regards the remuneration of the aid, as indicated previously in recital (238), the HFSF will most probably not fully recover the money contributed. It therefore clearly does not receive any remuneration and its contribution is similar to a grant. As indicated in point 44 of the Recapitalisation Communication, an insufficiently

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124 In its viability assessment carried out in 2012 the Bank of Greece identified the four largest banks in Greece to be suitable candidates for recapitalisation by the HFSF, while the other banks, the "non-core" ones, were not deemed eligible for recapitalisation by the HFSF.

125 Decision 12/1/26.7.2013 of the Resolution Measures Committee of the Bank of Greece.

remunerated recapitalisation can only be accepted in the case of distressed banks which cannot pay any remuneration. The Commission considers that to be the case for Probank. The absence of remuneration triggers the need for in-depth restructuring, in line with the Recapitalisation Communication.

(261) In conclusion, the measures are necessary as rescue aid in both its amount and form to achieve the objectives of limiting the disturbance in the Greek banking system and theeconomy as a whole.

6.3.3.3. Proportionality

(262) Probank no longer exists as it previously existed. The fact that the aid rescues the activities transferred to the Bank could in theory create distortions of competition. However, the Commission notes the small size of Probank and the sale process, in which the competitors had the opportunity to bid for the selected assets and liabilities of Probank. Moreover, immediately after their transfer, the economic activities of Probank were fully integrated within the Bank and ceased to exist as a separate economic activity or competitor. The Commission therefore concludes that the aid does not create undue distortions of competition.

6.3.3.4. Conclusion on the compliance of measures PB1 and PB2 with the Banking Communication and the Recapitalisation Communication

(263) It is concluded that measures PB1 and PB2 are appropriate and necessary and, in the light of the deep restructuring foreseen for the Bank, into which the economic activities of Probank have been transferred, are proportionate to the intended objective, in line with the 2008 Banking Communication and the Recapitalisation Communication.

6.3.4. Compliance of the aid measures with the Restructuring Communication

(264) In recital (260) the Commission noted as regards the remuneration of measure PB1 that the HFSF will probably not fully recover the EUR 562,73 million injected for the resolution of Probank (measure PB1). The absence of remuneration triggers the need for in-depth restructuring, both in terms of viability measures and in terms of measures to limit distortions of competition.

6.3.4.1. Long-term viability of Probank's activities through sale

(265) Point 21 of the Restructuring Communication provides that where the credit institution in difficulty cannot credibly return to long term-viability, its orderly liquidation or its auctioning off should be considered. Member States may therefore encourage the exit of non-viable players while allowing for the exit process to take place within an appropriate timeframe that preserves financial stability.

(266) However, Probank was not viable on a standalone basis and was put into liquidation. In that respect, point 17 of the Restructuring Communication clarifies that "*the sale of an ailing bank to another financial institution can contribute to restoring long-term viability, if the purchaser is viable and capable of absorbing the transfer of the ailing bank and may help restoring market confidence*".

(267) As stated in section 7.5.2, based on the Bank's restructuring plan, the Bank can be considered as a viable entity. Therefore, the fact that the activities of Probank have been transferred to the Bank allows their long-term viability to be restored.

Moreover, the fact that Probank's activities were fully integrated[126] within the Bank and ceased to operate as an independent entity constitutes in-depth restructuring as required by the insufficient remuneration of the State aid.

6.3.4.2. Own contribution and burden-sharing

(268) As explained in recital (258), the selected way of resolving Probank ensures the limitation of the restructuring costs to the minimum. First, the funding gap was carefully assessed by the Greek authorities, taking into account a report by independent auditors. Moreover, the HFSF committed to cover the capital needs of the buyer stemming from the transferred assets only up to the minimum amount required by law. In addition, the integration of the economic activities of Probank into a larger entity and the concomitant realisation of synergies, in particular through the rationalisation of Probank's branch network, the consolidation of the IT infrastructure and the reduction of funding costs, contribute to the limitation of the restructuring costs to the minimum, compared to a scenario where the State would have tried to restore Probank's viability on a standalone basis.

(269) The equity and the subordinated debt were not transferred to the Bank but remained in the entity in liquidation. Hence, the Commission considers that sufficient burden-sharing by shareholders was achieved since the latter are entitled to proceeds from the liquidation only if the proceeds are sufficient to repay first the HFSF, which has a priority claim over other creditors. Therefore, given the scarcity of the liquidated assets, the shareholders are unlikely to get their investments back.

6.3.4.3. Measures to limit distortions of competition

(270) Regarding measures to limit distortions of competition, point 30 of the Restructuring Communication provides that *"the Commission takes as a starting point for its assessment of the need for such measures, the size, scale and scope of the activities that the bank in question would have upon implementation of a credible restructuring plan [...]. The nature and form of such measures will depend on two criteria: first, the amount of the aid and the conditions and circumstances under which it was granted and, second, the characteristics of the market or markets on which the beneficiary bank will operate."*

(271) Regarding the amount of aid received, the total aid received in the form of capital amounted to EUR [742,7 to 842,7] million (measures PB1 and PB2). Measure PB1 corresponded to around 21,15% of the RWA of Probank at 30 June 2013. Measure PB2, by definition, corresponded to […]% of the assets transferred from Probank. Such amounts of aid in combination with the absence of remuneration call for a significant reduction in the market presence of the beneficiary.

(272) Regarding the market on which Probank operated, the Commission notes that Probank was a very small bank (approximately 1% of Greek banks' total assets and a market share of about 1% for loans and less than 2% for deposits) and consequently the assets and liabilities of Probank which were transferred into the Bank were small compared with the size of the Greek banking system.

[126] Restructuring plan submitted on 25 June 2014, p. 15.

(273) Moreover, the activities of Probank were offered to competitors through an open auction. Following its sale, Probank ceased to exist as a stand-alone competitor as the transferred activities were fully integrated within the Bank.

(274) It is concluded that given the small size of the transferred activities, the open sales process, and the full integration of Probank's activities into the Bank, there are no undue distortions of competition, despite the very large amount of aid and the absence of remuneration.

6.3.4.4. Conclusion on the compliance with the Restructuring Communication

(275) On the basis of that analysis, the Commission concludes that the sale of the selected assets and liabilities of Probank and their integration into the Bank ensures Probank's activities return to long-term viability, that the aid is limited to the minimum necessary and that there are no undue distortions of competition, in line with the Restructuring Communication.

6.3.5. Conclusion on the compatibility of aid related to Probank with the internal market

(276) All the aid measures listed in Table 11 are thus compatible with the internal market.

7. ASSESSMENT OF AID GRANTED TO THE BANK

7.1. Existence and the amount of aid

(277) The Commission has to establish the existence of State aid within the meaning of Article 107(1) of the Treaty.

7.1.1. Existence of aid in the measures granted under the Greek Bank Support Scheme (measures L1 and A)

7.1.1.1. State liquidity support granted under the guarantee and the government bond loan measures (measure L1)

(278) The Commission has already established in the decisions approving and prolonging the Greek Banks Support Scheme[127] that liquidity support granted under the scheme constitutes aid. The outstanding amount of guarantees as of 15 April 2011 was EUR 12 873 million, and reached EUR 14 798 million as of 30 November 2013. At those dates, the outstanding loans of government bonds to the Bank amounted to EUR 787 million and EUR 847 million respectively. Future liquidity support granted under that scheme would also constitute aid.

7.1.1.2. State recapitalisation granted under the Recapitalisation Scheme (measure A)

(279) The Commission has already established in the Decision of 19 November 2008 on the Greek Banks Support Scheme that recapitalisations to be granted under the recapitalisation measure included under that scheme will constitute aid. The Bank has received EUR 1 350 million by means of preference shares, which represents 2,1% of the Bank's RWA[128].

[127] See footnotes 1 and 3.
[128] See NBG Opening decision, recital (38).

(280) In 2010, Greece introduced several changes to the technical parameters of those preference shares whereby, if the preference shares are not redeemed within five years, the coupon then increases by 2% each year. Given that the changes increase the remuneration of the State in the event that they would not be redeemed or converted after five years, the Commission concludes that the modifications of the technical parameters do not provide any advantage to the Bank and hence do not involve additional State aid.

7.1.2. Existence of aid in the State-guaranteed ELA (measure L2)

(281) The Commission clarified in point 51 of the 2008 Banking Communication that the provision of central banks' funds to financial institutions does not constitute aid if four cumulative conditions are met regarding the solvency of the financial institution, the collateralisation of the facility, the interest rate charged to the financial institution, and the absence of counter-guarantee from the State. Since the State-guaranteed ELA granted to the Bank does not comply with those four cumulative conditions, notably because it is State-guaranteed and it is granted in conjunction with other support measures, it cannot be concluded that the State-guaranteed ELA does not constitute State aid.

(282) The State-guaranteed ELA meets the conditions laid down in Article 107(1) of the Treaty. First, because that measure includes a State guarantee in favour of the Bank of Greece, any loss will be borne by the State. The measure therefore involves State resources. The State-guaranteed ELA enables banks to get funding at a time when they have no access to the wholesale funding market and to the standard Eurosystem refinancing operations. The State-guaranteed ELA therefore grants an advantage to the Bank. Since the State-guaranteed ELA is limited to the banking sector, the measure is selective. Because the State-guaranteed ELA allows the Bank to continue operating on the market and avoids it defaulting and having to exit the market, it distorts competition. Since the Bank is active in other Member States and since financial institutions from other Member States operate or would potentially be interested in operating in Greece, the advantage granted to the Bank affects trade between Member States.

(283) On the basis of the above, the Commission considers that the State-guaranteed ELA (measure L2) constitutes State aid. The amount of State-guaranteed ELA has varied over time. On 31 December 2012, it amounted to around EUR 30,9 billion.

7.1.3. Existence of aid in the measures granted through the HFSF (measures B1, B2 and B3)

7.1.3.1. First bridge recapitalisation (measure B1)

(284) In section 5.1 of the NBG Opening Decision, the Commission has already concluded that the first bridge recapitalisation constitutes State aid. The capital received amounted to EUR 7 430 million.

7.1.3.2. Second bridge recapitalisation (measure B2)

(285) Measure B2 was implemented with HFSF resources, which, as explained in recital (49) of the NBG Opening Decision, involved State resources.

(286) As regards the existence of an advantage, measure B2 increased the Bank's capital ratio to a level that allowed it to continue functioning on the market and accessing

Eurosystem funding. Furthermore, the remuneration of measure B2 consists of the accrued interests on EFSF notes and an additional 1% fee. Because that remuneration is manifestly lower than the remuneration of similar capital instruments in the market, the Bank would have certainly been unable to raise that capital on such terms in the market. Therefore, measure B2 granted an advantage to the Bank from State resources. As the measure was made available only to the Bank, it was selective in nature.

(287) The position of the Bank was strengthened as a result of measure B2 since the Bank was provided with the financial resources necessary to continue complying with the capital requirements, thus leading to distortions of competition. Since the Bank is active in banking markets in other Member States and since financial institutions from other Member States operate in Greece, notably in the insurance market, measure B2 also affects trade between Member States.

(288) The Commission considers that measure B2 constitutes State aid. It was notified as aid by the national authorities. The capital received amounted to EUR 2 326 million.

7.1.3.3. The HFSF's participation in the Spring 2013 recapitalisation (measure B3)

(289) The HFSF's participation in the Spring 2013 recapitalisation (measure B3) is the partial conversion of the first and second bridge recapitalisations (measures B1 and B2) into a permanent recapitalisation of EUR 8 677 million in ordinary shares. Since measure B3 is the conversion of aid already granted, it still involves State resources but it does not increase the nominal amount of aid. However, for a given nominal amount of aid, it increases the advantage to the Bank (and therefore the distortions of competition) since it is a permanent recapitalisation and not a temporary recapitalisation as in the case of measures B1 and B2.

(290) Such support was not granted to all banks operating in Greece. As regards distortions of competition and effect on trade, the Commission notes for instance that the aid enabled the Bank to pursue its operations in other Member States, such as Romania or Bulgaria. A liquidation of the Bank would have led to the termination of its activities abroad, through the liquidation of those activities or the sale of those businesses. In addition, the insurance activities of the Bank in Greece compete with the activities of subsidiaries of insurance companies from other Member States. Therefore, the measure distorts competition and affects trade between Member States. The Commission considers that measure B3 therefore constitutes State aid.

7.1.3.4. Conclusion on measures B1, B2, and B3

(291) Measures B1, B2, and B3 constitute State aid within the meaning of Article 107(1) of the Treaty. The amount of State aid included in measures B1, B2, and B3 is EUR 9 756 million. As indicated in section 7.1.3.3, only part of the first and second bridge recapitalisations (measures B1 and B2) was converted into a permanent recapitalisation of EUR 8 677 million (measure B3), while the balance was repaid to the HFSF six months after it was granted[129].

(292) Point 31 of the Restructuring Communication indicates that, besides the absolute amount of aid, the Commission has to take into account the aid "*in relation to the*

[129] HFSF, Annual Financial Report for the year ended 31 December 2013, June 2014, p. 6.

bank's risk-weighted assets". Measures B1, B2, and B3 were granted over the course of a one-year period, from April 2012[130] until May 2013. During that period, the RWA of the Bank changed. The question therefore arises as to which level of RWA should be used, and particularly whether the State aid should be assessed by reference to the RWA that existed at the beginning of the period or at the end of the period. Measures B1, B2, and B3 aim at covering a capital need identified by the Bank of Greece in March 2012 (the stress test of 2012). In other words, the capital needs that those State support measures aim to address already existed in March 2012. The Commission therefore considers that the aid amount included in measures B1, B2, and B3 should be compared to the RWA of the Bank at 31 March 2012. It is also recalled that, after March 2012 and until the Spring 2013 recapitalisation, the Bank of Greece did not take into account acquisitions made by Greek banks to adjust their capital needs upwards or downwards. That factor further demonstrates that measures B1, B2, and B3 were aid measures related to the perimeter of the Bank as it existed at 31 March 2012.

(293) The first and second bridge recapitalisations together amounted to EUR 9 756 million. That amount represents 15,3% of the RWA of the Bank at 31 March 2012.

(294) Since the Bank managed to attract private capital, the actual amount injected by the HFSF into the Bank amounted to only EUR 8 677 million, which represents 13,6% of the RWA of the Bank at 31 March 2012.

7.1.4. Conclusion on the existence and total amount of aid received by the Bank

(295) Measures A, B1, B2, B3, L1 and L2 constitute State aid within the meaning of Article 107(1) of the Treaty. Those measures are summarized in Table 12.

Table 12 - Overview of the total aid received by the Bank

Ref.	Measure	Type of measure	Amount of aid	Aid/RWA
A	Preference Shares	Capital support	EUR 1 350 million	2,1%
B1 B2	First bridge recapitalisation Second bridge recapitalisation	Capital support	EUR 7 430 million EUR 2 326 million	15,3%
Total capital aid granted to the Bank			**EUR 11 106 million**	**17,3%**
B3	Spring 2013 recapitalisation	Capital support	EUR 8 677 million	
Total capital aid granted to the Bank, excluding aid repaid within 6 months			**EUR 10 027 million**	**15,6%**
Ref.	**Measure**	**Type of measure**	**Nominal amount of aid**	

[130] See footnote 62.

L1	Liquidity support	Guarantee Bond loan	Guarantees: EUR 14,8 billion Bond loans: EUR 0,8 billion	*As of 30 November 2013*
L2	State-guaranteed ELA	Funding and Guarantee	EUR 30,9 billion	*As of 31 December 2012*
Total liquidity aid granted to the Bank			**EUR 46,5 billion**	

7.2. Legal basis for the compatibility assessment

(296) As concluded in recital (207), the legal basis for the assessment of the aid measures should be Article 107(3)(b) of the Treaty[131].

(297) During the financial crisis, the Commission has developed compatibility criteria for different types of aid measures. Principles for assessing aid measures were first laid down in the 2008 Banking Communication.

(298) Guidance for recapitalisation measures can be found in the Recapitalisation Communication and the 2011 Prolongation Communication.

(299) The Restructuring Communication defines the approach adopted by the Commission as regards the assessment of restructuring plans, in particular the need to return to viability, to ensure a proper contribution from the beneficiary and to limit distortions of competition.

(300) That framework was complemented by the 2013 Banking Communication, which applies to aid measures notified or granted without prior approval after 31 July 2013.

7.2.1. Legal basis for the assessment of the compatibility of the liquidity support to the Bank (measure L1)

(301) The liquidity support already received by the Bank has been definitively approved through the successive decisions authorizing the measures under the Greek Banks Support Scheme and the Scheme's amendments and prolongations[132]. Any future liquidity support for the Bank will have to be granted under a scheme duly approved by the Commission. The terms of such aid will have to be authorized by the Commission before it is granted and therefore do not have to be further assessed in this decision.

7.2.2. Legal basis for the assessment of the compatibility of the preference shares (measure A)

(302) The recapitalisation granted in 2009 in the form of preference shares (measure A), was granted under the recapitalisation measure of the Greek Banks Support Scheme, which was approved in 2008 under the 2008 Banking Communication. It therefore does not have to be reassessed under the 2008 Banking Communication and must be assessed under the Restructuring Communication only.

[131] It is also noted that Greece granted the aid to the Bank under the Greek Banks Support Scheme which has been authorised by the Commission on the basis of Article 107(3)(b) of the Treaty as well as through the HFSF whose creation has also been approved by Commission decision.

[132] See footnotes 2 and 3.

7.2.3. Legal basis for the assessment of the compatibility of the State-guaranteed ELA (measure L2)

(303) The compatibility of the State-guaranteed ELA (measure L2) should be first assessed on the basis of the 2008 Banking Communication and the 2011 Prolongation Communication. Any State-guaranteed ELA granted after 31 July 2013 falls under the 2013 Banking Communication.

7.2.4. Legal basis for the assessment of the compatibility of the HFSF recapitalisations (measures B1, B2 and B3)

(304) The compatibility of the HFSF recapitalisations (measures B1, B2 and B3), in particular as regards remuneration, should first be assessed on the basis of the 2008 Banking Communication, the Recapitalisation Communication and the 2011 Prolongation Communication. In the NBG Opening Decision the Commission expressed doubts as to the compatibility of measure B1 with those Communications. Since they were implemented before 1 August 2013, those measures do not fall under the 2013 Banking Communication. The compatibility of the HFSF recapitalisations (measures B1, B2 and B3) should also be assessed on the basis of the Restructuring Communication.

7.3. Compliance of measure L2 with the 2008 Banking Communication, the 2011 Prolongation Communication and the 2013 Banking Communication

(305) In order for an aid to be compatible under Article 107(3)(b) of the Treaty it must comply with the general criteria for compatibility: appropriateness, necessity and proportionality.

(306) Because Greek banks were shut out from wholesale markets and became entirely dependent on central bank financing, as indicated in recital (46), and since the Bank could not borrow a sufficient amount of funds through the standard refinancing operations, the Bank relied on State-guaranteed ELA to obtain sufficient liquidity thereby preventing it from defaulting. The Commission considers measure L2 to be an appropriate mechanism to remedy the serious disturbance which would have been caused by the default of the Bank.

(307) Since the State-guaranteed ELA entails a relatively high cost of funding for the Bank, the Bank has a sufficient incentive to avoid relying on that source of funding for developing its activities. The Bank had to pay an interest rate of […] bps higher than standard refinancing operations with the Eurosystem. In addition, the Bank had to pay a guarantee fee of […] bps to the State. As a result, the total cost of State-guaranteed ELA for the Bank is much higher than the normal costs of ECB refinancing. In particular, the difference between the former and the latter is higher than the level of the guarantee fee requested by the 2011 Prolongation Communication. As a result, the total remuneration charged by the State can be considered as sufficient. As regards the amount of the State-guaranteed ELA, it is regularly reviewed by the Bank of Greece and the ECB based on the actual needs of the Bank. They closely monitor its use and ensure it is limited to the minimum necessary. Therefore measure L2 does not provide the Bank with excess liquidity which could be used to finance activities distorting competition. It is limited to the minimum amount necessary.

(308) Such close scrutiny of the use of the State-guaranteed ELA and regular verification that its use is limited to the minimum also ensures that that liquidity is proportionate and does not lead to undue distortion of competition. The Commission also notes that Greece has given a commitment that the Bank will implement a restructuring plan reducing its reliance on central bank funding and that the Bank will comply with behavioural limitations, as analysed in section 7.6. This ensures that the reliance on liquidity support will end as soon as possible and that such aid is proportionate.

(309) Measure L2 therefore complies with the 2008 Banking Communication and the 2011 Prolongation Communication. As the 2013 Banking Communication has not introduced further requirements as regards guarantees, measure L2 also complies with the 2013 Banking Communication.

7.4. Compliance of measures B1, B2 and B3 with the 2008 Banking Communication, the Recapitalisation Communication and the 2011 Prolongation Communication

(310) As indicated in recital (305), in order for an aid to be compatible under Article 107(3)(b) of the Treaty it must comply with the general criteria for compatibility[133]: appropriateness, necessity and proportionality.

(311) The Recapitalisation Communication and the 2011 Prolongation Communication set out further guidance on the level of remuneration required for State capital injections.

7.4.1. Appropriateness of the measures

(312) The Commission considers the HFSF recapitalisations (measures B1, B2 and B3) to be appropriate because they prevent the bankruptcy of the Bank. Without them, its activities could not have continued as the Bank had a negative equity at the end of 2012[134].

(313) In that respect, the Commission noted in the NBG Opening Decision that the Bank is one of the largest banking institutions in Greece, both in terms of lending and collection of deposits. As such, the Bank is a systemically important bank for Greece. Consequently, a default of the Bank would have created a serious disturbance in the Greek economy. Under the then prevailing circumstances, financial institutions in Greece had difficulties in accessing funding. That lack of funding limited their ability to provide loans to the Greek economy. In that context, the disturbance to the economy would have been aggravated by the default of the Bank. Moreover, measures B1, B2 and B3 came about mainly because of the PSI programme, a highly extraordinary and unpredictable event, and not primarily as a result of mismanagement or excessive risk-taking by the Bank. The measures thereby deal principally with the results of the PSI programme and contribute to maintaining financial stability in Greece.

(314) In the NBG Opening Decision, the Commission expressed doubts as to whether all steps possible had been taken immediately to avoid the Bank needing aid again in the future. As indicated in recitals (156), (157), (158) of this Decision, Greece has given a commitment to implement a number of actions related to the corporate governance

133 See recital (41) of Commission Decision in Case NN 51/2008 Guarantee scheme for banks in Denmark, (OJ C 273, 28.10.2008, p. 2).

134 See 2013 financial statements, p. 42.

and commercial operations of the Bank. As described in section 2.4, the Bank has also started to restructure its activities, with cost reductions already implemented. Therefore the Commission's doubts have been allayed.

(315) In the NBG Opening Decision, the Commission also expressed doubts as to whether sufficient safeguards existed in the event that the Bank came under State control, or in the event that private shareholders retained control while the majority of the ownership would be held by the State. The commitments described in recitals (156), (157), (158) ensure the credit operations of the Bank will be run on a commercial basis and daily business will be protected from State interference. The relationship framework agreed between the HFSF and the Bank also ensures that the interests of the State as main shareholder are protected against excessive risk-taking by the management of the Bank.

(316) Measures B1, B2 and B3 thereby ensure that financial stability in Greece is maintained. Significant actions have been taken to minimize future losses and to ensure that the activities of the Bank are not jeopardized by inappropriate governance. On that basis, the Commission finds that measures B1, B2 and B3 are appropriate.

7.4.2. Necessity – limitation of the aid to the minimum

(317) According to the 2008 Banking Communication, the aid measure must, in its amount and form, be necessary to achieve the objective. It means that the capital injection must be of the minimum amount necessary to achieve the objective.

(318) The amount of capital support was calculated by the Bank of Greece in the framework of the stress test of 2012 so as to ensure that the Bank's Core Tier 1 ratio remained above a certain level over the period 2012-2014, as reflected in Table 3. Measures B1, B2 and B3 therefore do not provide the Bank with excess capital. As explained in recital (314), actions have been taken to reduce the risk that the Bank might need additional aid in the future.

(319) As regards the remuneration of the first and second bridge recapitalisations (measures B1 and B2), the Commission recalls that they were granted in May and December 2012, and paid in kind in the form of EFSF notes. The HFSF has received as remuneration, from the date of disbursement of those EFSF notes to the date of the Spring 2013 recapitalisation, the accrued interests on the EFSF notes plus a 1% fee[135]. As underlined in the NBG Opening Decision, that remuneration is lower than the 7% to 9% range defined in the Recapitalisation Communication. However, the period of low remuneration was limited to one year for measure B1 and five months for measure B2 (that is to say, until the conversion of the bridge recapitalisation into a standard recapitalisation in ordinary shares, namely measure B3). While the first and second bridge recapitalisations did not trigger the dilution of existing shareholders, the Spring 2013 recapitalisation, which was the partial conversion of the first and second bridge recapitalisations, heavily diluted the pre-existing shareholders, as their stake in the Bank's equity fell to 5,1%. The abnormal situation

[135] See recital (104): the accrued interests count as additional contribution by the HFSF and therefore increased the amount of the payment received by the HFSF following the Spring 2013 recapitalisation.

which prevailed from the date of the first bridge recapitalisation was then terminated. The doubts raised in the NBG Opening Decision have therefore been allayed.

(320) Furthermore, given the atypical source of the Bank's difficulties, where losses come mainly from a debt waiver in favour of the State (the PSI programme and the debt buy-back, which provide a significant advantage to the State, that is to say, a debt reduction) and from the consequences of a protracted recession in the domestic economy of the Bank, the Commission can accept such a temporary deviation from the standard remuneration requirements set in the Recapitalisation Communication[136].

(321) As regards measure B3, according to point 8 of the 2011 Prolongation Communication, capital injections should be subscribed at a sufficient discount to the share price adjusted for the dilution effect to give a reasonable assurance of an adequate remuneration for the State. While measure B3 did not provide for a significant discount to the share price as adjusted for the dilution effect, it was, in fact, impossible to achieve a significant discount to the theoretical ex-right price[137]. Prior to the Spring 2013 recapitalisation, the capital of the Bank was negative and its market capitalisation was only a small fraction of the amount of the capital increase to be completed. In such circumstances, the question arises whether the existing shareholders should have been fully wiped out. The Commission notes that the issue price was set at a 50% discount to the average market price over the fifty days preceding the determination of the issue price. The Commission also notes that the dilution of the pre-existing shareholders was huge since after that recapitalisation they held only 5,1% of the shareholding of the Bank. Therefore, applying a further discount on the market price would only have had a limited impact on the remuneration of the HFSF. In view of the specific situation of the Greek banks explained in recital (320), and given the fact that the need for aid stems from a waiver of debt in favour of the State, the Commission considers that the issue price of the shares subscribed by the State was sufficiently low.

(322) The HFSF also issued warrants and granted one warrant for each new share subscribed by a private investor participating in the Spring 2013 recapitalisation. The HFSF granted those warrants for no consideration. As explained in recital (112), each warrant incorporates the right to purchase 8,23 shares of the HFSF at specified intervals and strike prices. The exercise price is equal to the subscription price of the HFSF increased by an annual and cumulative margin (4% for year one, 5% for year two, 6% for year three, 7% for year four and then 8% annualized for the last six months). The remuneration received by the HFSF on the shares it owns is de facto capped at those levels. That remuneration is lower than the 7% to 9% range defined in the Recapitalisation Communication. However, because those warrants were a key factor in the success of the rights issue and private placement launched by the Bank before the Spring 2013 recapitalisation, the Commission considers that those warrants enabled the Bank to reduce the amount of aid by EUR 1 079 million. Indeed due to the low capital ratio of the Bank prior to the recapitalisation and the high

136 See also section 7.6.1.

137 The theoretical ex-right price ("TERP") is a generally accepted market methodology for quantifying the dilution effect of share capital increase.

uncertainty at that time, the simulations which were then available showed that without the warrants private investors would not have achieved a sufficient return and would not have participated. For the reasons explained in recitals (313) and (320), because the HFSF would receive a minimal positive remuneration if the warrants were exercised and because it was an objective of the MEFP to attract some private investors to keep some banks under private management, and avoid situations where the whole banking sector would be controlled by the HFSF, the Commission can accept such a deviation from the standard remuneration requirements set out in the Recapitalisation Communication. That acceptance is also based on the fact that the HFSF law, as amended in March 2014, does not provide for any adjustment of the warrants in the event of a non-pre-emptive share capital increase, and that in the event of a rights issue, only the warrant strike price may be adjusted and the adjustment may take place only ex post and only up to the amount of the proceeds realised from the sale of pre-emption rights of the HFSF. Moreover, the commitment given by Greece that it would seek the approval of the Commission prior to any buy-back of the warrants issued by the HFSF will allow the Commission to ensure that potential future buy-backs do not further reduce the remuneration of the HFSF and increase the remuneration of the warrant holders.

(323) As regards the fact that the HFSF shares are non-voting, the Commission recalls that the need for aid does not come mainly from excessive risk taking. In addition, it was an objective of the programme between the Greek government, the Union, the IMF and the ECB to keep some banks under private management. Moreover, the relationship framework and automatic reintroduction of voting rights in the event of non-implementation of the restructuring plan provide safeguards against future excessive risk taking by private managers. Finally, the PSI and the December 2012 buy-back are a kind of remuneration to the State, as the latter enjoyed a reduction of its debt towards the Bank by several billions euros. For all those reasons, the Commission can accept that the HFSF receives non-voting shares. The Commission therefore concludes that measure B3 was necessary.

(324) In conclusion, measures B1, B2 and B3 are necessary as rescue aid in both their amount and form.

7.4.3. Proportionality – measures limiting negative spill-over effects

(325) The Bank has received a very large amount of State aid. That situation may therefore lead to serious distortions of competition. However, Greece has given a commitment to implement a number of measures aiming at reducing negative spill-over effects. In particular, the commitments provide that the Bank's operations will continue to be run on a commercial basis, as explained in recitals (157) and (158). Greece has also committed to an acquisition ban, as well as to a number of divestments abroad and in non-banking activities in Greece, as set out in recital (159). Limits to distortions of competition will be further assessed in section 7.6.

(326) A monitoring trustee has been appointed in the Bank to monitor the correct implementation of commitments on corporate governance and commercial operations. That will avoid any detrimental change in the Bank's commercial practice and thereby reduce the potential negative spill-over effects.

(327) Finally, a new comprehensive restructuring plan was submitted on 25 June 2014 to the Commission. That restructuring plan will be assessed in section 7.6.

(328) To conclude, the doubts raised in the NBG Opening Decision have been allayed. Measures B1, B2 and B3 are proportionate in the light of point 15 of the 2008 Banking Communication.

7.4.4. Conclusion on the compliance of the HFSF recapitalisations with the 2008 Banking Communication, the Recapitalisation Communication and the 2011 Prolongation Communication

(329) It is thus concluded that the HFSF recapitalisations (measures B1, B2 and B3) are appropriate, necessary and proportionate, in the light of point 15 of the 2008 Banking Communication, of the Recapitalisation Communication and of the 2011 Prolongation Communication. Measures B1, B2 and B3 therefore comply with the 2008 Banking Communication, the Recapitalisation Communication and the 2011 Prolongation Communication.

7.5. Compliance of the acquisitions of three Cooperative Banks, FB Bank and Probank with the Restructuring Communication

(330) Point 23 of the Restructuring Communication explains that acquisitions of undertakings by aided banks cannot be financed through State aid unless this is essential for restoring an undertaking’s viability. Furthermore, points 40 and 41 of the Restructuring Communication state that banks must not use State aid for the acquisition of competing businesses, unless the acquisition is part of a consolidation process necessary to restore financial stability or to ensure effective competition. In addition, acquisitions may endanger or complicate the restoration of viability. The Commission must therefore assess whether the acquisitions made by the Bank can be reconciled with the Restructuring Communication.

7.5.1. Compliance of the acquisition of the selected liabilities of the three Cooperative Banks with the Restructuring Communication

7.5.1.1. Effect of the acquisition on the long-term viability of the Bank

(331) The acquisition of the selected assets and liabilities of the three Cooperative Banks enhances the long-term viability of the Bank.

(332) More precisely, at the time of the acquisition, the Greek banks had already observed significant deposit outflows between 2010 and mid-2012 and were excluded from the international funding markets. This is the reason why four of the five largest Greek banks submitted bids to acquire the deposits of the three Cooperative Banks. The integration of the deposits of the three Cooperative Banks into the Bank’s balance sheet was beneficial for its liquidity profile. If the Bank had not acquired the deposits of the three Cooperative Banks, the Bank's net loans-to-deposits ratio would have been higher.

(333) Furthermore, the Bank quickly integrated the acquired deposits without taking over any costly infrastructure or costly branch network. In addition, the Bank took over no loans; hence the acquisition did not increase its risks or its capital requirements.

7.5.1.2. Effect of the acquisition on the aid amount needed by the Bank

(334) In line with point 23 of the Restructuring Communication, restructuring aid should not be used for the acquisition of other companies but merely to cover restructuring costs which are necessary to restore the viability of the Bank. In this case, although

the acquisition has positive implications for the Bank's viability, it is not essential for its viability within the meaning of point 23 of the Restructuring Communication.

(335) However, the purchase price was very low. The consideration paid by the Bank for the acquisition of the transferred liabilities of all three Cooperative Banks was determined at […]% of the value of the transferred deposits and amounted to less than EUR […] million, equivalent to approximately [0 to 0,02]% of the total assets of the Bank as of December 2011. That consideration can therefore be considered as very low.

(336) It is concluded that the acquisition of the three Cooperative Banks did not undermine the limitation of the restructuring costs to the minimum necessary.

7.5.1.3. Distortive effect of the acquisition on competition

(337) In line with points 39 and 40 of the Restructuring Communication, State aid should not be used to the detriment of non-aided companies for the acquisition of competing businesses. Point 41 of the Restructuring Communication also states that acquisitions may be authorized if they are part of a consolidation process necessary to restore financial stability or to ensure effective competition, that the acquisition process should be fair and that the acquisition should ensure the conditions of effective competition in the relevant market.

(338) The Bank of Greece considered the three Cooperative Banks not to be viable and the adoption of the resolution measures to be necessary in order to maintain financial stability. The acquisition of the three Cooperative Banks can therefore be considered to be part of a consolidation process which is necessary to restore financial stability of the kind described in point 41 of the Restructuring Communication.

(339) In addition, the purchase price was very low. No non-aided bidder submitted any valid bid to acquire the assets and liabilities of the three Cooperative Banks, and the sale process was open and non-discriminatory. The acquisition of the selected assets and liabilities of Achaia Bank by the Bank was also authorized[138] by the Hellenic Competition Authority[139]. It can therefore be assumed that the outcome of the sale process does not endanger effective competition in Greece.

(340) The acquisition therefore falls under the exemption in point 41 of the Restructuring Communication.

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[138] Decision 542/VII/19.6.2012 of the Hellenic Competition Authority, published in the Greek Government Gazette (FEK B' 238/8.2.2013), available online at: http://www.epant.gr/img/x2/apofaseis/apofaseis696_1_1362562606.pdf.

[139] The acquisitions of the transferred assets and liabilities of Lamia Bank and Lesvos-Limnos Bank were not notified to the Hellenic Competition Commission since the turnover of the transferred part of each Cooperative Bank did not exceed the threshold of EUR 15 million set by Article 6(1) of law 3959/2011 in combination with Article 10(3)(a) of the same law.

7.5.1.4. Conclusion on the acquisition of the selected assets and liabilities of the three Cooperative Banks

(341) It is concluded that, in the light of the unique situation of Greek banks[140] and the specificities of the acquisition of the three Cooperative Banks, that acquisition is in line with the requirements laid down in the Restructuring Communication.

7.5.2. Compliance of the acquisition of FB Bank with the Restructuring Communication

7.5.2.1. Effect of the acquisition of FB Bank on the long-term viability of the Bank

(342) In terms of operating profitability, the acquisition of FB Bank will enhance the Bank's return to long-term viability as merging two banks in the same geographical market gives the opportunity to realise synergies. In particular, at the time of the acquisition, the Bank anticipated achieving synergies by rationalising the branch network, aligning product offering and credit policies, streamlining and consolidating the IT platform. In its final offer the Bank estimated that it would eliminate most of the operating expenses of FB Bank while it anticipated aligning the cost of transferred deposits with the Bank's interest rate policy, that is to say, by reducing the interest rate paid on FB Bank's deposits to the levels paid by the Bank on its deposits, while retaining the existing customers of FB Bank.

(343) In terms of future loan losses, the Bank acquires the FB Bank loans at fair value, and not at book value. That factor limits the risk of future impairments.

(344) In terms of liquidity position, the acquisition has a positive effect on the Bank since it acquired more deposits than net loans.

(345) In terms of capital requirements, it is recalled that the Bank's offer was conditional on the HFSF covering the capital needs created by the acquisition of FB Bank's assets. The Bank eventually did not use that possibility since it succeeded in raising enough private capital from the market in May 2014.

(346) The Commission therefore considers that the acquisition is positive for the restoration of the long-term viability of the Bank.

7.5.2.2. Effect of the acquisitions on the aid amount needed by the Bank

(347) In line with point 23 of the Restructuring Communication, restructuring aid should not be used for the acquisition of other companies but merely to cover restructuring costs which are necessary to restore the viability of the Bank. In this case, although the acquisition has positive implications for the Bank's viability, it is not essential for its viability within the meaning of point 23 of the Restructuring Communication.

(348) The Bank did not pay any consideration to purchase the selected assets and liabilities of FB Bank. Moreover, the Bank's offer was conditional on the HFSF covering the capital needs created by the acquisition of FB Bank's assets. Therefore the acquisition did not result in the acquirer needing further State aid. Regarding future potential capital needs created by the acquisition, it is observed that the assets were acquired at fair value, which limits the risk of future additional losses.

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[140] See also section 7.5.1.

(349) In conclusion, the Bank did not use aid to finance the acquisition of FB Bank and that acquisition does not contravene the principle that aid should be limited to the minimum necessary.

7.5.2.3. Distortive effect of the acquisitions on competition

(350) In line with points 39 and 40 of the Restructuring Communication, State aid should not be used to the detriment of non-aided companies for the acquisition of competing businesses. Point 41 of the Restructuring Communication also states that acquisitions may be authorized if they are part of a consolidation process necessary to restore financial stability or to ensure effective competition, that the acquisition process should be fair and that the acquisition should ensure the conditions of effective competition in the relevant market.

(351) As mentioned in recital (76), FB Bank was not a viable bank on a stand-alone basis. The MEFP of December 2012 provided for the resolution of the undercapitalised banks through a Purchase & Assumption procedure or, as a second-best option, through the creation of a bridge bank. As stated in recital (77), and in line with the MEFP, the Bank of Greece noted that the adoption of resolution measures was crucial to maintain depositors' confidence in the Greek banking system. The transaction can therefore be considered to be part of a consolidation process which is necessary to restore financial stability of the kind described in point 41 of the Restructuring Communication.

(352) No non-aided bidder submitted any valid bid to acquire FB Bank, and the sale process was open and non-discriminatory. There was therefore no crowding-out of any non-aided bidder by the Bank. The acquisition of FB Bank was authorized by the Hellenic Competition Authority[141]. It can therefore be assumed that the outcome of the sale process does not endanger effective competition in Greece.

(353) In view of those elements, it can be concluded that the acquisition of FB Bank falls under the exemption in point 41 of the Restructuring Communication.

7.5.2.4. Conclusion on the acquisition of FB Bank

(354) It is concluded that, in the light of the specificities of the acquisition of FB Bank, that acquisition is in line with the requirements laid down in the Restructuring Communication.

7.5.3. Compliance of the acquisition of Probank with the Restructuring Communication

7.5.3.1. Effect of the acquisition of Probank on the long-term viability of the Bank

(355) In terms of operating profitability, the acquisition of Probank will enhance the Bank's return to long-term viability as the Bank will achieve meaningful synergies. In particular, at the time of the acquisition the Bank anticipated its annual synergies reaching EUR […] million by the end of 2015[142]. The Bank expected to capture those synergies by rationalising the branch network and by reducing the personnel of

141 Decision 568/VII/15.7.2013 of the Hellenic Competition Authority as published in the Greek Government Gazette (FEK B' 2460/1.10.2013), available online at: http://www.epant.gr/img/x2/apofaseis/apofaseis707_1_1381133065.pdf

142 See the Bank's presentation "NBG-Probank, Creating Value" dated 24 April 2013, p. 8.

the combined entity, by merging the corporate functions, consolidating the IT systems and centralised operations. Moreover, the Bank anticipated achieving a significant part of the synergies by aligning the cost of the transferred deposits with the Bank's interest rate policy, that is to say, by reducing the interest rates paid on Probank's deposits to the levels paid on the Bank's deposits.

(356) Regarding the risk of future loan losses, the Bank acquired Probank's loans at fair value, and not at book value. This limits the risk of future impairments.

(357) In terms of liquidity position, the acquisition has a positive effect on the Bank since it acquired more deposits than net loans. The acquisition therefore contributes to improving the loan-to-deposit ratio of the Bank.

(358) In terms of capital requirements, it is recalled that the Bank's offer was conditional on the HFSF covering the capital needs created by the acquisition of Probank's assets. The Bank eventually did not use that possibility since it managed to raise enough private capital from the market in May 2014.

(359) The Commission therefore considers that the acquisition is positive for the restoration of the long-term viability of the Bank.

7.5.3.2. Effect of the acquisitions on the aid amount needed by the Bank

(360) In line with point 23 of the Restructuring Communication, restructuring aid should not be used for the acquisition of other companies but merely to cover restructuring costs which are necessary to restore the viability of the Bank. In this case, although the acquisition has positive implications for the viability of the Bank, it is not essential for its viability within the meaning of point 23 of the Restructuring Communication.

(361) The Bank did not pay any consideration to purchase the selected assets and liabilities of Probank. Moreover, the Bank's offer was conditional on the HFSF covering the capital needs created by the acquisition of Probank's assets. Therefore the acquisition did not result in the acquirer needing further State aid. Regarding future potential capital needs created by the acquisition, it is observed that the assets were acquired at fair value, which limits the risk of future additional losses.

(362) In conclusion, the Bank did not use aid to finance the acquisition of Probank and that acquisition does not contravene the principle that aid should be limited to the minimum necessary.

7.5.3.3. Distortive effect of the acquisition on competition

(363) In line with points 39 and 40 of the Restructuring Communication, State aid should not be used to the detriment of non-aided companies for the acquisition of competing businesses. Point 41 of the Restructuring Communication also states that acquisitions may be authorized if they are part of a consolidation process necessary to restore financial stability or to ensure effective competition, that the acquisition process should be fair and that the acquisition should ensure the conditions of effective competition in the relevant market.

(364) As mentioned in recital (86), Probank was not viable on a stand-alone basis. The MEFP of May 2013 provided for the resolution of the undercapitalised banks through a Purchase & Assumption procedure. As stated in recital (87), the Bank of

Greece noted that the adoption of resolution measures was crucial to maintain depositors' confidence in the Greek banking system. The acquisition can therefore be considered to be part of a consolidation process which is necessary to restore financial stability of the kind described in point 41 of the Restructuring Communication.

(365) No non-aided bidder submitted any valid bid to acquire Probank, and the sale process was open and non-discriminatory. There was therefore no crowding-out of any non-aided bidder by the Bank. The acquisition of Probank was also authorized by the Hellenic Competition Authority. It can therefore be assumed that the outcome of the sale process does not endanger effective competition in Greece.

(366) In view of those elements, it can be concluded that the acquisition of Probank falls under the exemption in point 41 of the Restructuring Communication.

7.5.3.4. Conclusion on the acquisition of Probank

(367) It is conluded that, in the light of the specificities of the acquisition of Probank, that acquisition is in line with the requirements laid down in the Restructuring Communication.

7.6. Compliance of measures A, B1, B2 and B3 with the Restructuring Communication

7.6.1. Sources of difficulties and consequences on the assessment under the Restructuring Communication

(368) As indicated in sections 2.1.1 and 2.1.2, the difficulties faced by the Bank mainly come from the Greek sovereign crisis and the deep recession in Greece and southern Europe. As regards the former factor, the Greek government lost access to financial markets and finally had to negotiate an agreement with its domestic and international creditors, the PSI programme, which resulted in a haircut of the claims held against the State by 53,3%. In addition, 31,5% of the claims was exchanged for new GGBs with lower interest rates and longer maturities. Those new GGBs were bought back by the State from the Greek banks in December 2012 at a price between 30,2% and 40,1% of their nominal value, thereby crystalizing a further loss for the Greek banks. Beside the impact of the PSI programme and the debt buy-back on its capital position, the Bank also observed significant deposit outflows between 2010 and mid-2012, due to the risk that Greece would exit the euro area as a consequence of an unsustainable public debt and the economic recession.

(369) Measures B1, B2 and B3 amount to EUR 9 756 million, which is less than the amount of the loss booked following the PSI programme (EUR 11 735 million). In such a case, and if the difficulties do not come primarily from excessive risk-taking behaviour, point 14 of the 2011 Prolongation Communication provides that the Commission will lighten its requirements.

(370) The Commission acknowledges that part of the capital needs stem from the standard exposure of a financial institution to the sovereign risk of its domestic country. That fact was also pointed out in recitals (60) and (71) of the NBG Opening Decision. As a consequence, there is less need for the Bank to address moral hazard issues in its restructuring plan than for other aided financial institutions which had accumulated excessive risks. As the aid measures are less distortive, the measures taken to limit

distortions of competition should therefore be proportionately softened. Since the PSI programme and the debt buy-back constitute a debt waiver in favour of the State, the remuneration of the State when recapitalising the Bank can be lower. The Commission, however, observes that the Bank's exposure to the Greek sovereign risk was larger than the exposure of some other large Greek banks. As a result, not all the losses on GGBs can be attributed to the standard exposure of a financial institution to the sovereign risk of its domestic country.

(371) The second source of losses for the Bank is the losses on its loans to Greek households and corporations. The Commission considers that those losses are mainly due to the exceptionally deep and protracted GDP contraction of approximately 25% over five years, and are not due to risky lending practices by the Bank. As a result, the aid granted to cover those losses does not create moral hazard, which is the case when the aid shelters a bank from the consequences of past risky behaviours. The aid is therefore less distortive[143].

(372) However, some of the capital needs and loan losses of the Bank come from some international subsidiaries. In 2012 for instance, activities in Romania and Bulgaria were loss-making. The foreign assets also constituted a drain on liquidity since the intra-group funding amounted to about EUR […] billion at 31 December 2012.

(373) In conclusion, a significant part of the losses and the need for aid fall under point 14 of the 2011 Prolongation Communication, which allows the Commission to lighten its requirements. Part of the need for aid stems from Greek loan losses due to the exceptionally deep and long recession and not from risky lending. Such aid does not create moral hazard and is therefore less distortive.

(374) Finally, a limited part of the need for aid comes from the Bank's own risk-taking.

(375) However, since the Greek economy has contracted by about 25% since 2008, the Bank has to adapt its organization, cost structure and its commercial network to that new environment, in order to restore sufficient profitability. Therefore notwithstanding the fact that most of the aid does not stem from excessive risk-taking, the Bank must restructure its operations in order to secure its long-term viability.

7.6.2. Viability

(376) A restructuring plan must ensure that the financial institution is able to restore its long-term viability by the end of the restructuring period (section 2 of the Restructuring Communication). In the case at hand, the restructuring period is defined as the period between the adoption date of this Decision and 31 December 2018.

(377) In line with points 9, 10 and 11 of the Restructuring Communication, Greece submitted a comprehensive and detailed restructuring plan which provides complete information on the Bank's business model. The plan also identifies the causes of the

143 See point (28) of the Restructuring Communication and see recital (320) of the Commission Decision of 5 April 2011 on the measures No C 11/2009 (ex NN 53b/2008, NN 2/2010 and N 19/2010) implemented by the Dutch State for ABN AMRO Group NV (created following the merger between Fortis Bank Nederland and ABN AMRO N) (OJ L 333, 15.12.2011, p. 1).

difficulties faced by the Bank, as well as the measures taken to tackle all viability issues which it faced. In particular, the restructuring plan describes the strategy chosen to preserve the Bank's operational efficiency and to tackle the high level of non-performing loans, its vulnerable liquidity and capital positions, and its foreign businesses, which relied on their parent company for their funding and capital.

7.6.2.1. Greek banking activities

(378) As regards liquidity and the Bank's reliance on Eurosystem funding, the restructuring plan foresees a limited growth of the balance sheet in Greece while the deposit base should grow again. The reliance on emergency liquidity assistance, which has already fallen, will continue to decrease[144] which will also help the Bank to reduce its cost of funding.

(379) The loan-to-deposit ratio commitment mentioned in recital (153) ensures that the Bank's balance sheet structure will remain sustainable at the end of the restructuring period. The sale of securities and of other non-core activities will also strengthen the liquidity position of the Bank. Due to the still fragile environment of the Greek banking sector, the Commission can accept the request of the Greek authorities to be authorized to provide liquidity to the Bank under the guarantee and government bond loan measures of the Greek Banks Support Scheme.

(380) To decrease its funding costs, Greece has also given a commitment that the Bank will continue reducing the interest rates it pays on deposits in Greece, as described in recital (153). Achieving such a decrease in the cost of deposits will be a key contribution to improving the pre-provisioning profitability of the Bank.

(381) Since the start of the crisis the Bank has started to rationalize its commercial network in Greece, through a reduction in the number of branches and employees. By 31 December 2017, the total costs of the Bank will have further decreased. To that end, Greece has given a commitment that the Bank will reduce its branches and employees in Greece to […] and […] respectively as of 31 December 2017, with maximum total costs in Greece amounting to EUR […] million. The expected cost-to-income ratio will be less than […]% at the end of the restructuring period. The Commission considers that the restructuring plan will ensure the efficiency of the Bank in the new market environment.

(382) One other key area is the handling of non-performing loans. The Bank plans to enhance its workout activity in order to minimize its losses. Under its new operating model, the Bank will manage non-performing loans through a dedicated unit, the priority of which will be to maximize the recoveries for the Bank and to reduce the non-performing loans through sustainable restructuring. Greece has also given a commitment that the Bank will comply with high standards as regards its credit

[144] The Commission also observes that part of the liquidity needs of the Bank stems from the atypical form of the HFSF's participation in the first and second bridge recapitalisations as well as in the Spring 2013 recapitalisation. Indeed, as consideration for its participation, the HFSF transferred to the Bank EFSF notes instead of cash. The Bank holds a large amount of medium- and long-term EFSF notes, which increase its funding needs compared to a situation where the recapitalisation would have been paid in cash. That part of the liquidity needs does not reflect an inappropriate business model or balance sheet structure. It will automatically disappear when the EFSF notes mature.

policy in order to maximise the value for the Bank at each stage of the credit process, as described in recital (157).

7.6.2.2. Corporate governance

(383) Another point of attention is the governance of the Bank given that the HFSF owns the majority of the Bank's shares following the 2014 share capital increase, but with restricted voting power. Additionally, some of the private shareholders also own warrants and thus would benefit from the full upside if the share price were to soar during the restructuring period. Because that situation could create moral hazard, a specific relationship framework has been agreed between the Bank and the HFSF since 2013. That agreement protects the day-to-day business of the Bank from any interference from its main shareholders, while ensuring the HFSF can monitor the implementation of the restructuring plan and prevent excessive risk-taking by the Bank's management through appropriate consultation procedures. The Bank has also given a commitment to monitor closely its exposure to connected borrowers. The Commission notes positively the fact that the HFSF will automatically regain full voting rights if the Bank stops implementing its restructuring plan.

7.6.2.3. International activities

(384) Some of the Bank's international activities have drained the Bank's capital, liquidity and profitability in the past, as explained in recital (372).

(385) The restructuring plan foresees a shift towards a greater focus on its domestic market and Turkey. The Bank has already started to rationalize the foreign subsidiaries, to strengthen the loan underwriting process and to reduce the subsidiaries' funding gaps. Greece has given a commitment that the Bank will divest its […] and its foreign subsidiaries in […].

(386) The total amount of assets outside Greece and Turkey will therefore shrink by […]% from 31 December 2012 to 31 December 2017.

(387) Greece has also given a commitment that the Bank will reduce its shareholding in its Turkish subsidiary Finansbank through […]. […] welcome since they will strengthen the capital position of the Bank. Regarding the fact that the Bank envisages retaining a majority shareholding in Finansbank, the Commission observes that Finansbank has been steadily profitable over recent years. The Commission also observes that the Bank envisages closely monitoring the costs of Finansbank and the risks taken by that subsidiary. The commitment that the Bank will not provide […] to Finansbank ensures that Finansbank […]. In view of those elements, the Commission considers that keeping a majority shareholding in Finansbank does not endanger the restoration of profitability.

(388) Therefore it is concluded that the Bank will sufficiently restructure its foreign operations and reduce its exposure to the less viable ones.

7.6.2.4. Conclusion on viability

(389) The restructuring plan shows that the Bank is able to withstand a reasonable amount of stress as, in the adverse scenario, the Bank remains profitable at the end of the restructuring period and keeps a sufficiently high Core Tier 1 ratio[145].

(390) The amount of additional capital which was raised in 2014, namely EUR 2 500 million, is sufficient to cope with the baseline scenario of the stress test of 2013. In the assessment of the capital needs under the baseline scenario, the Bank of Greece already introduced several adjustments which resulted in an increase of the estimated capital needs compared to the capital needs estimated by the Bank in its own baseline scenario. The baseline capital needs estimated by the Bank of Greece therefore assume a certain level of stress. To conclude that the Bank is viable, the Commission does not require that the Bank has enough capital upfront to cover the stressed scenario capital needs estimated by the Bank of Greece, as that estimated level represents a high level of stress.

(391) In addition, it is positive that the Bank will not make additional investments in non-investment grade paper, which will help to preserve its capital and liquidity position.

(392) The Commission can therefore conclude that the restructuring measures envisaged in the restructuring plan are sufficient to restore the viability of the Bank.

7.6.3. Own contribution and burden-sharing

(393) As stated in section 3 of the Restructuring Communication, banks and their stakeholders need to contribute to the restructuring as much as possible in order to ensure that aid is limited to the minimum necessary. Thus banks should use their own resources to finance the restructuring, for instance by selling assets, while the stakeholders should absorb the losses of the bank where possible. The commitments made by Greece should ensure that own resources are used and that original shareholders and private investors, holding hybrid capital of the Bank, contribute to the restructuring.

7.6.3.1. Own contribution by the Bank: divestments and cost-cutting

(394) The Bank has already divested some small businesses such as the insurance activities in Turkey and a majority stake in its real estate subsidiary.

(395) The restructuring plan foresees the sale of a minority stake in Finansbank, as described in recital (387), which will enable the Bank to generate capital internally. The Bank will also sell […] as well as its private equity subsidiary and other securities. Considering the deleveraging and the divestments already implemented and following the implementation of the commitments related to the deleveraging and divestments of foreign businesses, the Bank will have generated a significant amount of capital. The downsizing of the Bank's international assets will also significantly reduce the contingent risk that aid will be needed in the future. It therefore helps in reducing the amount of aid to the minimum.

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145 The financial projections reported in the restructuring plan differ from the outcome of the stress test of 2013 performed by the Bank of Greece, since the latter was not based on the same set of assumptions and factored in additional adjustments made by the Bank of Greece.

(396) In order to limit its capital needs, the Bank will not use […], as described in recital (154). In addition, the commitments made by Greece provide that the Bank will not make costly acquisitions.

(397) The Bank has also engaged in a far-reaching cost reduction programme, as indicated in section 2.4.2. Its costs will further decrease until 2017. Its workforce is being reduced and most of the salaries adjusted downwards.

7.6.3.2. Burden-sharing by historical shareholders and new capital raised on the market

(398) The existing shareholders of the Bank were successively diluted by the rights issues completed in 2009 and 2010[146] and then by the HFSF recapitalisation (measure B3). The stake held by the shareholders of the Bank was reduced from 100% prior to the Spring 2013 recapitalisation to only 5,1% afterwards. In addition, no dividend has been paid to ordinary shareholders since 2007 or to US preference shareholders since 2009. Besides that burden-sharing by historical shareholders, the Bank has raised a significant amount of capital since the crisis started in late 2008, that is to say EUR 1 247 million in 2009, EUR 1 815 million in 2010, EUR 1079 million in 2013 and EUR 2 500 million in 2014. That capital raised has contributed to reducing the amount of capital needs which had to be filled by State aid.

7.6.3.3. Burden-sharing by subordinated debt holders

(399) The Bank's subordinated debt holders have contributed to the restructuring costs of the Bank. The Bank has performed several liability management exercises in order to generate capital, as described in recitals (149) and (150).

(400) The still outstanding instruments are subject to the coupon ban mentioned in recital (159). Therefore, the Commission considers that an adequate burden-sharing from the bank's private hybrid investors is ensured and the requirements of the Restructuring Communication in that respect are met.

7.6.3.4. Conclusion on own contribution and burden-sharing

(401) The Commission observes that in comparison with the total State recapitalisation received, the own contribution and burden-sharing in the form of sale of assets and downsizing is much lower than what the Commission would usually consider sufficient. For instance, the restructuring plan envisages no downsizing of the Greek banking activities and the retention of a majority stake in Finansbank. However, in view of the elements developed in section 7.6.1, under which the Commission can accept a lower own contribution and burden-sharing, the restructuring plan can be considered as providing for sufficient own contribution and burden-sharing measures.

7.6.4. Measures to limit distortions of competition

(402) The Restructuring Communication requires a restructuring plan to propose measures limiting distortions of competition and ensuring a competitive banking sector. Moreover, those measures should also address moral hazard issues and ensure that State aid is not used to fund anti-competitive behaviour.

[146] See recital (147).

(403) Point 31 of the Restructuring Communication states that when assessing the amount of aid and the resulting competition distortions, the Commission has to take into account both the absolute and relative amount of the State aid received as well as the degree of burden-sharing and the position of the financial institution on the market after the restructuring. In that respect, the Commission recalls that the Bank has received capital from the State equivalent to 17,3% of its RWA[147]. In addition, the Bank has obtained liquidity guarantees amounting to EUR 12 900 million as of 15 April 2011 and to EUR 14 798 million as of 31 December 2013. The Bank had also received loans of government bonds for EUR 847 million at that date, as well as State-guaranteed ELA amounting to EUR 30,9 billion at 31 December 2012. The need to implement measures to limit potential distortions of competition is thus justified in view of that large amount of aid. Additionally, the market share of the Bank in Greece is large, with market shares of 22% for loans and 25% for deposits at 31 December 2013[148].

(404) The Commission recalls that the difficulties of the Bank come mainly from external shocks such as the Greek sovereign crisis and the protracted recession which has disrupted the Greek economy since 2008. This was also noted in recital (68) of the NBG Opening Decision. The need to address moral hazard issues is therefore reduced in consequence. As discussed in section 7.6.1, the distortive effect of the aid measures is lower in the light of those factors as is the need for measures to limit distortions of competition. For those reasons, the Commission can exceptionally accept that, in spite of the high aid amount, the restructuring plan does not envisage any downsizing of the balance sheet and loans in Greece.

(405) However, the Commission notes that the State recapitalisations enabled the Bank to continue its banking activities in foreign markets.

(406) In that respect, the Commission notes, in addition to the deleveraging and restructuring already implemented, the commitment to divest the foreign assets […] by 30 June 2018[149]. The aid will therefore not be used to distort competition on those foreign markets.

(407) Greece has also committed that the Bank will not make acquisitions, ensuring that the Bank will not use the State aid received to acquire any new business. That commitment contributes to ensuring that the aid is strictly used to support the restoration of the viability of the Greek banking activities, and not, for instance, to grow in foreign markets.

(408) The commitment to decrease the interest paid on Greek deposits from non-profitable high levels also ensures that the aid will not be used to finance deposit collection strategies which distort competition on the Greek market. Similarly, the commitment to implement strict guidelines as regards the pricing of new loans[150], based on a proper credit risk assessment, will prevent the Bank from distorting competition on the Greek market with inappropriate pricing strategies on the loans to customers.

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[147] When excluding the aid repaid within six months, the amount of aid is reduced to 15,6% of the RWA of the Bank.

[148] NBG Annual report for year ended 2013.

[149] See seventh commitment in Chapter II of the Commitment list provided in the Annex.

[150] See fourth commitment in Chapter II of the Commitment list provided in the Annex.

(409) The commitment to divest […] also ensures that the aid will not be used to grow on that market at the expense of non-aided competitors.

(410) Taking into account the specific situation described in section 7.6.1 and the measures provided for in the restructuring plan, the Commission considers there are sufficient safeguards to limit distortions of competition.

7.6.5. Monitoring

(411) In accordance with section 5 of the Restructuring Communication, regular reports are required to allow the Commission to verify that the restructuring plan is being implemented properly. As stated in the commitments[151], Greece will ensure that the Monitoring Trustee, which was appointed by the Bank with the approval of the Commission, will monitor the commitments undertaken by Greece on the restructuring of activities in Greece and abroad and on corporate governance and commercial operations until the end of the restructuring period, namely, 31 December 2018. The Commission therefore finds that proper monitoring of the implementation of the restructuring plan is ensured.

7.6.6. Conclusion on the compliance of measures A, B1, B2 and B3 with the Restructuring Communication

(412) The Commission finds that the restructuring plan when taken together with the commitments in the Annex to this Decision ensures the restoration of long-term viability of the Bank, is sufficient with respect to burden-sharing and own contribution, and contains sufficient measures to limit distortions of competition. The restructuring plan and commitments submitted fulfil the criteria of the Restructuring Communication.

[151] See eleventh commitment in Chapter III of the Commitment list provided in the Annex.

8. CONCLUSION

(413) The Commission regrets that Greece has unlawfully implemented aid measures B1, B2, B3, FB4, FB5, PB1, and PB2, in breach of Article 108(3) of the Treaty, since they were implemented before their formal notification. However, those measures, as well as the other measures analysed in this Decision, can be considered compatible with the internal market,

HAS ADOPTED THIS DECISION:

Article 1

1. The following measures implemented or planned by Greece constitute State aid within the meaning of Article 107(1) of the Treaty:

   (a) the emergency liquidity assistance provided to National Bank of Greece S.A. ("NBG") by the Bank of Greece and guaranteed by Greece (measure L2);

   (b) the second bridge recapitalisation of EUR 2 326 million granted by the Hellenic Financial Stability Fund ("HFSF") to NBG in December 2012 (measure B2);

   (c) the recapitalisation of EUR 8 677 million granted by the HFSF to NBG in spring 2013 (measure B3);

   (d) the financing of the total funding gap of EUR 456,97 million by the HFSF related to the activities transferred from First Business Bank S.A. ("FB Bank") to NBG in June and October 2013 (measure FB4);

   (e) the commitment to cover the capital need of NBG related to the acquisition of assets transferred from FB Bank to NBG, in May 2013, for an amount of EUR 100 million (measure FB5);

   (f) the financing of the total funding gap of EUR 562,73 million by the HFSF related to the activities transferred from Probank S.A. to NBG, in August and December 2013 (measure PB1); and

   (g) the commitment to cover the capital need of NBG related to the acquisition of assets transferred from Probank to NBG, in July 2013, for an amount of EUR [180 to 280] million (measure PB2).

2. The financing by the HFSF of the total funding gap of EUR 325,8 million, in the framework of the transfer to NBG of selected assets and liabilities of Cooperative Bank of Lesvos-Limnos, Cooperative Bank of Achaia and Cooperative Bank of Lamia in March 2013, does not constitute State aid within the meaning of Article 107(1) of the Treaty.

3. In the light of the restructuring plan relating to the NBG Group, which includes National Bank of Greece and all its subsidiaries (Greek and non-Greek subsidiaries and branches, both banking and non-banking activities), submitted on 25 June 2014 and the commitments given by Greece on the same date, the following State aid is compatible with the internal market:

(a) the capital injection of EUR 1 350 million granted by Greece to NBG in May 2009 and December 2011 in the form of preference shares under the Recapitalisation Scheme (measure A);

(b) the emergency liquidity assistance provided to NBG by the Bank of Greece and guaranteed by Greece since July 2011, for an amount of EUR 30,9 billion at 31 December 2012 (measure L2);

(c) the first bridge recapitalisation of EUR 7 430 million granted by the HFSF to NBG in May 2012 (measure B1);

(d) the second bridge recapitalisation of EUR 2 326 million granted by the HFSF to NBG in December 2012 (measure B2);

(e) the recapitalisation of EUR 8 677 million granted by the HFSF to NBG in spring 2013 (measure B3);

(f) the capital injection of EUR 50 million granted by Greece to FB Bank in July 2009 (measure FB1);

(g) the financing of the total funding gap of EUR 456,97 million by the HFSF related to the activities transferred from FB Bank to NBG, in June and October 2013 (measure FB4);

(h) the commitment to cover the capital needs of NBG related to the acquisition of assets transferred from FB Bank to NBG, in May 2013, for an amount of EUR 100 million (measure FB5);

(i) the financing of the total funding gap of EUR 562,7 million by the HFSF related to the activities transferred from Probank to NBG, in August and December 2013 (measure PB1); and

(j) the commitment to cover the capital need of NBG related to the acquisition of assets transferred from Probank to NBG, in July 2013, for an amount of EUR [180 to 280] million (measure PB2).

Article 2

This Decision is addressed to the Hellenic Republic.

For the Commission

Joaquín ALMUNIA

Vice-President

Notice

If the Decision contains confidential information which should not be published, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to publication of the full text of the Decision. Your request specifying the relevant information should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
COMP State Aid Greffe
B-1049 Brussels
Fax No: +32-2-296 12 42

ANNEX

HELLENIC REPUBLIC
MINISTRY OF FINANCE
OFFICE SECRETARY GENERAL

Athens,   June 2014

National Bank of Greece – Commitments by the Hellenic Republic

The Hellenic Republic shall ensure that **the Bank** is implementing the restructuring plan submitted on 24th June 2014. The restructuring plan is based on macro-economic assumptions as provided by the European Commission (the "Commission") in Appendix I as well as regulatory assumptions.

The Hellenic Republic hereby provides the following Commitments (the **"Commitments"**) which are integral part of the restructuring plan. The Commitments include the commitments regarding to the implementation of the restructuring plan (the "**Restructuring Commitments**") and the **Commitments on Corporate Governance and Commercial Operations.**

The Commitments shall take effect upon the date of adoption of the Commission's decision approving the restructuring plan (the "Decision").

The restructuring period shall end on 31 December 2018. The Commitments apply throughout the restructuring period unless the individual Commitment states otherwise.

This text shall be interpreted in the light of the Decision in the general framework of Union law, and by reference to Council Regulation (EC) No. 659/99.

Chapter I. Definitions

For the purpose of the Commitments, the following terms shall mean:

(1) **Bank**: National Bank of Greece S.A. and all its subsidiaries. Therefore, it includes the entire National Bank of Greece Group with all its Greek and non-Greek subsidiaries and branches, both banking and non-banking.

(2) **Capital accretive bid in the banking sector**: a bid which results in an increase in the regulatory capital ratio of the Bank, taking into account all relevant elements, in particular the profit/loss booked on the transaction and the reduction of RWA resulting from the sale (if necessary corrected for the increase of RWA resulting from remaining financing links).

(3) **Capital accretive bid in the […]**: a bid which results in an increase in the regulatory capital ratio of the Bank. Any bid above the book value of […] in the account of the Bank is automatically assumed to be capital accretive.

(4) **Closing**: the date of transfer of the legal title of the Divestment Business to the Purchaser.

(5) **Divestment Business**: all the businesses and assets that the Bank commits to sell.

(6) **Effective Date**: the date of adoption of the Decision.

(7) **End of restructuring period**: 31 December 2018.

(8) **Foreign assets or non-Greek assets**: assets related to the activities of customers outside Greece, independently of the country where the assets are booked. For instance, assets booked in Luxemburg but related to the activities of customers in Greece are not included in the scope of this definition. Conversely, assets booked in Luxembourg or Greece but related to the activities of customers in other SEE countries are considered as foreign assets and are included in the scope of this definition.

(9) **Foreign businesses**: foreign banking and non-banking subsidiaries and branches of the Bank.

(10) **Foreign subsidiaries**: all banking and non-banking subsidiaries of the Bank outside Greece.

(11) **Greek banking activities**: the Bank's Greek banking activities independently from where the assets are booked.

(12) **Greek non-banking activities**: the Bank's Greek non-banking activities independently from where the assets are booked.

(13) **Greek subsidiaries**: all Greek banking and non-banking subsidiaries of the Bank.

(14) **Monitoring Trustee**: one or more natural or legal person(s), independent from the Bank, approved by the Commission and appointed by the Bank; the Monitoring Trustee has the duty to monitor the Bank's compliance with the Commitments.

(15) **Purchaser**: one or more natural or legal person(s) to acquire, in whole or in part, the Divestment Business.

(16) **Sale**: the sale of 100% of the shareholding held by the Bank, unless the individual Commitment states otherwise.

For the purpose of the Commitments, the singular of those terms shall include the plural (and vice versa), unless the Commitments provide otherwise.

Chapter II. Restructuring Commitments

(1) **Number of branches in Greece**: The number of branches in Greece shall amount to […] at the maximum on 31 December 2017.

(2) **Number of employees in Greece**: The number of Full Time Equivalents (the "FTEs") in Greece (Greek banking and non-banking activities) shall amount to […] at the maximum on 31 December 2017.

(3) **Total costs in Greece:** The total costs in Greece (Greek banking and non-banking activities) shall amount to EUR […] million at the maximum on 31 December 2017.[1]

(4) **Costs of deposits in Greece:** In order to restore its pre-provisioning profitability on the Greek market, the Bank shall decrease the cost of funding through the decrease of cost of deposits collected in Greece (including savings, sight and term deposits, and other similar products offered to customers and which costs are borne by the Bank) […].

(5) **Ratio net loans to deposits in Greece:** For the Greek banking activities, the ratio net loans to deposits shall amount at the maximum to 115% on 31 December 2017. […]

(6) **Support to operations in Turkey:** Until 30 June 2018, the Bank shall not provide additional […].

The Bank shall not indirectly support Finansbank by any transfer of loans or any other assets to another entity of the Bank.

(7) **Disposal of […] of […] foreign businesses and […] of Finansbank by 30 June 2018**: The Bank shall sell (signing) by 30 June 2018 its foreign subsidiaries in […] and its branch operating in […] to reduce its international activities.

(7.1) […]

(7.2) […]

(7.3) […]

(8) **Sale of […]:** […]

(9) **Sale of securities**: The portfolio of listed securities, defined as follows, shall be divested by […] while the portfolio of unlisted securities shall be divested by […]: these portfolios include all equity investments larger than EUR […] million, as well as all investments in subordinated bonds and hybrid bonds, excluding […].

(10) **Disposal of private equity subsidiary**: The Bank shall divest NBG Private Equity Funds by […]. […]

(11) For any sale under these commitments, the Hellenic Republic commits that:

a. The Purchaser shall be independent of and unconnected to the Bank;

b. For the purpose of acquiring the Divestment Business, the Purchaser shall not be financed directly or indirectly by the Bank;[2]

c. The Bank shall, for a period of 5 years after the closing of the sale, not acquire direct or indirect influence over the whole or part of the Divestment Business without a pre-approval from the Commission.

(12) **Investment policy:** Until 30 June 2017, the Bank shall not purchase non-investment grade securities.

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1 This amount does not include any TEKE/Skelos Exygiansis (bank resolution scheme) costs.

2 This does not apply to the sale of real estate, in which case the Bank can provide financing to the Purchaser, if this new lending is performed in line with prudent lending practice. For the purpose of verifying the compliance with the commitment on deleveraging of non-Greek assets, any new lending falling in the defining of non-Greek assets will be taken into account.

This Commitment shall not apply to the following securities (the Exempted Securities):

i. […]
ii. […]
iii. […]
iv. […]
v. […]

(13) **Salary cap:** Until […], the Bank will not pay to any employee or manager a total annual remuneration (wage, pension contribution, bonus) higher than […]. In case of a capital injection from HFSF, the remuneration cap will be re-evaluated according to the European Banking Communication of 1st August 2013. […]

Chapter III. Commitments on Corporate Governance and Commercial Operations – Prolongation and amendments

(1) The Bank shall continue to implement the Commitments on Corporate Governance and Commercial Operations, as submitted by the Hellenic Republic on 20 November 2012, with the subsequent amendments provided in Chapter III of the Commitments, until 30 June 2018. […]

(2) In case an individual Commitment does not apply at the Bank's level, the Bank shall not use the subsidiaries or activities not covered by that individual Commitment to circumvent the Commitment.

Section A. Setting up an efficient and adequate internal organization

(3) The Bank, excluding its foreign subsidiaries, shall abide at all times with the totality of the provisions of law 3016/2002 on Corporate Governance and law 2190/1920 on the Sociétés Anonymes and especially the provisions in connection to the functions of corporate bodies such as the shareholders’ meeting and Board of Directors in order to secure a clear distribution of responsibilities and transparency. The powers of the shareholders’ meeting shall be restricted to the tasks of a general meeting in line with company law, in particular as regards rights related to information. More extensive powers, which would allow improper influence on management, shall be rescinded. Responsibility for day-to-day operational management shall clearly rest with the executive Directors of the Bank.

(4) The Bank, excluding its foreign subsidiaries, shall comply at all times with the Hellenic Financial Stability Fund (the "HFSF") Relationship Framework.

(5) The Bank shall abide by the provisions of Governor’s Act 2577/9.3.2006, as in force, in order to maintain, on an individual and a group basis, an effective organisational structure and an adequate Internal Control System including the three key pillars, namely the Internal Audit, Risk Management and Compliance functions and best international corporate governance practices.

(6) The Bank shall have an efficient organizational structure, so as to ensure that the Internal Audit and the Risk Management departments are fully independent from

commercial networks and report directly to the Board of Directors. An Audit Committee and a Risk Committee - created within the Board of Directors - shall assess all issues raised by those respective departments. An adequate Internal Audit Charter and Risk Management Charter shall specify the roles, responsibilities and resources of those departments. Those charters shall comply with international standards and secure a full independence to the departments. A Credit Policy shall provide guidance and instructions regarding the granting of loans, including the pricing of loans and the restructuring of loans.

(7) The Bank shall make public to the competent authorities the list of shareholders holding at least 1% of ordinary shares.

Section B. Commercial practices and risk monitoring

General principles

(8) The Credit Policy shall specify that all customers shall be treated fairly through non-discriminatory procedures other than those related to credit risk and ability to pay. The Credit Policy defines the thresholds above which the granting of loans must be approved by higher levels of management. Similar thresholds shall be defined regarding the restructuring of loans and the handling of claims and litigations. The Credit Policy shall centralize in selected centres the decision-making process at national level, and provide clear safeguards to ensure a consistent implementation of its instructions within all the Greek banking activities.

(9) For all the Greek banking activities, the Bank shall fully incorporate the Credit Policy rules in their loan origination and loan refinancing workflow and disbursement systems.

Specific provisions

(10) The specific provisions listed in paragraphs (8) to (18) of Chapter III of the Commitments shall apply to the Greek banking activities, unless explicitly stated otherwise

(11) The Credit Policy shall require that the pricing of loans and mortgages to comply with strict guidelines. Those guidelines shall include the obligation to respect strictly the credit policy's standard tables of interest rate bands (ranges) depending on the maturity of the loan, the credit risk assessment of the customer, the expected recoverability of pledged collateral (including the time frame to a potential liquidation), the overall relationship with the Bank (e.g. level and stability of deposits, fee structure and other cross-sales activities) and the funding cost of the Bank. Specific loan asset classes are generated (e.g. commercial loan, mortgage, secured/unsecured, etc.) and their pricing framework is tabulated to an appropriate Credit Policy table that shall be updated on a regular basis by the Credit Committee. Any exception must be duly authorized by the Credit Committee, or at lower level of authority when allowed by the Credit Policy. Tailor-made transactions such as syndicated loans or project finance shall respect the same principles, with due account being taken of the fact that they may not fit in standardized credit policy tables. Infringements of that pricing policy shall be reported to the Monitoring Trustee.

(12) The Risk Management Department shall be responsible for the assessment of credit risk and the valuation of collateral. When assessing the loan quality, the Risk Management Department shall act independently, providing its written opinion so as to ensure that criteria used in the assessment are applied consistently over time and among customers and in respect of the Bank's credit policy.

(13) Regarding loans to individuals and legal entities, for all the Greek banking activities, on the basis of the best international practices, the Bank shall apply strict individual and aggregated limits governing the maximum loan amount that can be granted to a single credit risk (if at all allowed under Greek and EU law). Those limits shall take into account the maturity of the loan and the quality of any collateral/security provided and shall be set against key benchmarks including against capital.

(14) Granting loans[3] to enable borrowers to purchase shares or hybrid instruments of the Bank and other banks[4] shall be prohibited, whoever are those borrowers[5]. This provision shall apply and shall be monitored at the Bank's level.

(15) All loan requests by non-connected borrowers greater than [[…]% of the Bank's RWA] or any loan which keeps the exposure to one group (defined as a group of connected borrowers that represent a single credit risk) higher than [[…]% of the Bank's RWA] shall be reported to the Monitoring Trustee, which may, if the conditions do not appear to be set at arm's-length or if no sufficient information has been provided to the Monitoring Trustee, postpone the granting of the credit line or the loan by […] working days. In emergency cases, that period may be reduced to […] working days provided sufficient information has been provided to the Monitoring Trustee. That period will enable the Monitoring Trustee to report the case to the Commission and the HFSF before any definitive decision is taken by the Bank.

(16) The Credit Policy shall give clear instructions on the restructuring of loans. It clearly defines which loans are eligible, under which circumstances, and indicates the terms and conditions that can be proposed to eligible customers. For all the Greek banking activities, the Bank shall ensure that all restructurings aim at enhancing the future recoveries by the Bank, thus safeguarding the interest of the Bank. In no case the restructuring policy will jeopardize the future profitability of the Bank. For that purpose, the Bank's Risk Management Department shall be responsible for developing and deploying adequate restructuring effectiveness reporting mechanisms, for performing in-depth analyses of internal and/or external best practices, reporting its findings at least on a quarterly basis to the Credit Committee and the Board Risk Committee, suggesting actionable improvements to the processes and policies involved and oversee and reporting on their implementation to the Credit Committee and the Board Risk Committee.

(17) For all the Greek banking activities, the Bank shall enact a claim and litigation policy aiming at maximizing recovery and preventing any discrimination or preferential treatment in the management of litigations. The Bank shall ensure that all necessary

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3 For the purpose of that Commitment, the term "loans" shall be interpreted *largo sensu*, as any kind of financing, e.g. credit facility, guarantee, etc.

4 For clarification, "other banks" refer to any bank – financial institution in the world.

5 For clarification, all borrowers, including the Bank's private banking clients are covered by that Commitment.

actions are taken to maximize the recoveries for the Bank and protect its financial position in the long-term. Any breach in the implementation of that policy shall be reported to the Monitoring Trustee.

(18) The Bank shall monitor credit risk through a well-developed set of alerts and reports, which enable the Risk Management Department to: (i) identify early signals of loan impairment and default events; (ii) assess recoverability of the loan portfolio (including but not limited to alternative repayment sources such as co-debtors and guarantors as well as collateral pledged or available but not pledged); (iii) assess the overall exposure of the Bank on an individual customer or on a portfolio basis; and (iv) propose corrective and improvement actions to the Board of Directors as necessary. The Monitoring Trustee shall be given access to that information.

Provisions applying to connected borrowers

(19) All the provisions applying on connected borrowers shall apply at the Bank's level.

(20) Within the Credit Policy, a specific section shall be devoted to the rules governing relations with connected borrowers. Connected borrowers include employees, shareholders, directors, managers, as well as their spouses, children and siblings and any legal entity directly or indirectly controlled by key-employees (i.e. employees involved in the decision-making process of the Credit Policy), shareholders, directors or managers or their spouses, children and siblings. By extension, any public institution or government-controlled organization, any public company or government agency shall be considered as a connected borrower. Political parties shall also be treated as connected borrowers in the Credit Policy. Particular focus shall be on decisions regarding any restructuring and write downs of loans to current or former employees, directors, shareholders, managers and their relatives as well as policies followed in the appropriateness, valuation, registration of liens and foreclosure of loan collateral. The definition of connected borrowers has been further specified in a separate document.

(21) The Risk Management Department shall be responsible for the mapping of all connected groups of borrowers that represent a single credit risk with a view to properly monitoring credit risk concentration.

(22) Regarding loans to individuals and legal entities, the Bank, on the basis of the best international practices, applies strict individual and aggregated limits governing the maximum loan amount that can be granted to a single credit risk which relates to connected borrowers (if at all allowed under Greek and EU law).

(23) The Bank shall monitor separately its exposure to connected borrowers including the public sector entities and political parties. The new production of loans[6] to connected borrowers (annual % of Y-1 stock[7]) shall be no higher than the new production of the total loan portfolio in Greece (annual % of Y-1 stock). That Commitment shall be complied with separately for each type of connected borrower (employees, shareholder, managers, public entities, political party). The credit assessment of the

[6] For clarification, the new production of loans covers also the rolling over of loans and the restructuring of existing loans.

[7] For clarification, "annual % of Y-1 stock" refers to the new production as a percentage of the stock at the end of the previous year. The amount of RWA is the one at the end of the year.

connected borrowers, as well as the pricing conditions and possible restructuring offered to them, shall not be more advantageous compared to conditions offered to similar but unconnected borrowers, in order to secure a level-playing field in the Greek economy. That obligation does not apply to existing general schemes benefiting employees, offering them subsidized loans. The Bank shall report every month about the evolution of that exposure, the amount of the new production and the recent requests greater than [[…]% of the Bank's RWA] to be addressed at the Credit committee.

(24) The credit criteria applied to employees/managers/shareholders shall be no less strict than those applied to other, non-connected borrowers. If the total credit exposure to a single employee/manager/shareholder exceeds an amount equal to a [[…]] fixed salary for secured loans and an amount equal to a [[…]] fixed salary for unsecured loans, the exposure shall be reported promptly to the Monitoring Trustee who may intervene and postpone the granting of the loan pursuant to the procedure described in paragraph (25) of Chapter III of the Commitments.

(25) All loan requests by connected borrowers greater than [[…]% of the Bank's RWA] or any loan which keeps the exposure to one group (defined as a group of connected borrowers that represent a single credit risk) higher than [[…]% of the Bank's RWA] shall be reported to the Monitoring Trustee, which may, if the conditions do not appear to be set at arm's-length or if no sufficient information has been provided to the Monitoring Trustee, postpone the granting of the credit line or the loan by […] working days. In emergency cases, that period may be reduced to […] working days provided sufficient information has been provided to the Monitoring Trustee. That period will enable the Monitoring Trustee to report the case to the Commission and the HFSF before any definitive decision is taken by the Bank.

(26) The restructuring of loans involving connected borrowers shall comply with the same requirements as for non-connected borrowers. Furthermore, established frameworks and policies to deal with troubled assets shall be assessed and improved, if necessary. However, it is expected that restructured loans of connected borrowers shall be reported separately, at least per loan asset class and connected borrower type.

Section C: Other restrictions

(27) **Dividend, Coupon, Repurchase, Call and Buy Back ban**: Unless the Commission otherwise agrees to an exemption, the Hellenic Republic commits that:

a. The Bank shall not pay any coupons on hybrid capital instruments (or any other instruments for which the coupon payment is discretionary) or dividends on own funds instruments and subordinated debt instruments other than where there is a legal obligation to do so. […] The Bank shall not release reserves to put itself in such a position. In case of doubt as to whether, for the purpose of the present Commitment, a legal obligation exists, the Bank shall submit the proposed coupon or dividend payment to the Commission for approval;

b. The Bank shall not repurchase any of its own shares or exercise a call option in respect of those own funds instruments and subordinated debt instruments;

c. The Bank shall not buy back hybrid capital instruments.

(28) **Acquisition ban**: The Hellenic Republic commits that the Bank shall not acquire any stake in any undertaking, be it an asset or share transfer. That ban on acquisitions covers both undertaking which have the legal form of a company and any package of assets which forms a business[8].

i. **Exemption requiring Commission's prior approval**: Notwithstanding that prohibition, the Bank may, after obtaining the Commission's approval, and, where appropriate, on a proposal of the HFSF, acquire businesses and undertakings if it is in exceptional circumstances necessary to restore financial stability or to ensure effective competition.

ii. **Exemption not requiring Commission's prior approval**: The Bank may acquire stakes in undertakings provided that:

a. The purchase price paid by the Bank for any acquisition is less than [[…]%] of the balance sheet size[9] of the Bank at the Effective Date of the Commitments[10]; and

b. The cumulative purchase prices paid by the Bank for all such acquisitions starting with the Effective Date of the Commitments until the end of the restructuring period, is less than [[…]%] of the balance sheet size of the Bank at the Effective Date of the Commitments.

iii. **Activities not falling under the acquisition ban**: The acquisition ban shall not cover acquisitions that take place in the ordinary course of the banking business in the management of existing claims towards ailing firms.

(29) **Advertising ban**: The Hellenic Republic commits that the Bank shall refrain from advertising referring to state support and from employing any aggressive commercial strategies which would not take place without the support of the Hellenic Republic.

8 For clarification, for the purpose of that Commitment, the Bank's Private Equity/Venture Capital business shall be excluded from the scope of that Commitment. In that respect, the Bank shall make a formal request to the Commission, which shall include a business plan for that entity.

9 For clarification, for the purpose of that Commitment, the size of the balance sheet is equal to the Bank's total assets.

10 For clarification, in case the Commission's approval to lift the acquisition ban is obtained according to point i., paragraph (28), Chapter III of the Commitments, the balance sheet of the Bank at the Effective Date of the Commitments shall be calculated to include also the assets of the acquired entities or the acquired assets at the date of acquisition.

Chapter IV. Monitoring Trustee

(1) The Hellenic Republic commits that the Bank shall amend and extend the mandate of the Monitoring Trustee approved by the Commission and appointed by the Bank on 16 January 2013 until the end of the restructuring period. The Bank shall also broaden the scope of that mandate to incorporate the monitoring of (i) the restructuring plan and (ii) all Commitments set out in this catalogue.

(2) Four weeks after the Effective Date of the Commitments, the Hellenic Republic shall submit to the Commission the full terms of the amended mandate, which shall include all provisions necessary to enable the Monitoring Trustee to fulfil its duties under those Commitments.

(3) Additional provisions on the Monitoring Trustee are specified in a separate document.

The Secretary General

Christina Papakonstantinou

Appendix I: Macro-economic projections for Greek domestic operations

% annual growth (unless otherwise stated)	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Cumulative growth rate 2013-2017**
Real GDP	-6,4	-4,2	0,6	2,9	3,7	3,5	6,4
Nominal loan growth Greece	-6,4	-4,2	0,6	2,9	3,7	3,5	6,4
GDP deflator	-0,8	-1,1	-0,4	0,4	1,1	1,3	1,3
Property prices	-11,7	-10	-5	0	2	3,5	
Nominal household disposable income	-8,8	-9,5	-0,3	-0,4	2,6	3,6	-4,5
Private Sector deposits	-7	1,3	1	3,4	5	5	16,6
Unemployment (%)	24,2	27	26	24	21	18,6	
ECB refinancing rate (%)	0,75	0,5	0,5	1	1,5	1,75	
NPL formation peak			2H2014				
Euribor 3 months (average, %)		0,24	0,43	0,75	1,25	1,80	
Access to capital markets – repos		YES-No Cap					
Access to capital market – covered/senior unsecured		YES – up to EUR 500 million each	YES - up to EUR 1 billion each	YES-No Cap			