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In the published version of this decision, some information has been omitted, pursuant to articles 24 and 25 of Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […].	PUBLIC VERSION This document is made available for information purposes only.

Subject: State aid n° SA.41503 (2015/N) – Greece
Resolution of Panellinia Bank through a transfer order to Piraeus Bank

Sir,

1. PROCEDURE

(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"[1]) designed to ensure the stability of the Greek financial

1 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

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system. The Greek Banks Support Scheme allows for aid to be granted under its three constituent measures, i.e. a recapitalisation measure, a guarantee measure and a government bond loan measure[2].

(2) In July 2009, Panellinia Bank S.A. ("the Bank") was recapitalised by Greece under the recapitalisation measure of the Greek Banks Support Scheme.

(3) On 1 October 2010, the Greek authorities submitted information on the restructuring plan of the Bank. The Commission registered that plan, its subsequent updates submitted in 2010, 2011 and 2014 as well as additional information submitted by the Greek authorities as Case SA.31712 (PN 229/2010).

(4) The Bank has also benefited from the government bond loan measure under the Greek Banks Support Scheme and from State-guaranteed emergency liquidity assistance ("State-guaranteed ELA").

(5) In March 2015, the Bank of Greece decided to initiate the procedure for resolving the Bank. On 23 March 2015, the Bank of Greece submitted to the Commission a note describing the procedure for the resolution of the Bank.

(6) On 27 March 2015, the Bank of Greece started taking the necessary steps to resolve the Bank through a Purchase & Assumption procedure[3].

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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, 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", (OJ C 280, 22.8.2014, p. 18). On 26 June 2014, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 31 December 2014 (See Commission decision of 26 June 2014 in State aid case SA.38857 (2014/N) - "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece", OJ C 348, 3.10.2014, p. 27). On 14 January 2015, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 30 June 2015 (See Commission Decision of 14 January 2015 in State aid SA.40030 (2014/N) - "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece", (OJ C 79, 6.3.2015, p.13).

[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 registered under the number SA.26678 (N 560/2008). That scheme was subsequently prolonged and amended.

[3] A Purchase & Assumption is a resolution tool which consists of identifying in a bank under resolution the assets and liabilities of high quality and auctioning them in order to transfer them to a large viable bank which will integrate them, while the remaining part of the bank is liquidated under normal liquidation procedures.

(7) On 10 April 2015, the Greek authorities notified to the Commission the forthcoming resolution of the Bank. The Commission registered that notification and subsequent information submitted by the Greek authorities as Case SA.41503 (2015/N).

(8) Greece exceptionally accepts that the decision be adopted in the English language for reasons of urgency.

2. DESCRIPTION

2.1. The Bank and its difficulties

2.1.1. General context of the Greek banking sector

(9) Greece's real gross domestic product ("GDP") fell by 30% from 2008 to 2014, as shown in Table 1. As a result, Greek banks faced a rapidly increasing default rate on loans to Greek households and companies[4]. Those developments have adversely affected the performance of the assets of Greek banks and generated large loan losses. More recently, domestic deposits in the banks in Greece decreased by 16% in total between the end of December 2014 and March 2015 because of political uncertainty[5].

Table 1 – Real GDP Growth in Greece, 2008-2014

Greece	2008	2009	2010	2011	2012	2013	2014
Real GDP growth, %	-0,4	-4,4	-5,4	-8,9	-6,6	-3,9	0.8

Source: Eurostat[6]

(10) Since the Greek banks faced substantial capital shortfalls as a result of the private sector bond exchange known as Private Sector Involvement (PSI) programme and the continuing recession, the Bank of Greece conducted a capital needs assessment in the first months of 2012. The capital needs were 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[7].

(11) 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.

4 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.

5 Source : http://www.bankofgreece.gr/BogEkdoseis/sdos201501-02.pdf.

6 http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115 &plugin=1

7 See the Report on the Recapitalisation and Restructuring of the Greek Banking Sector, Bank of Greece, December 2012, p. 6, available online at:

http://www.bankofgreece.gr/BogEkdoseis/Report_on_the_recapitalisation_and_restructuring.pdf.

(12) Based on the advisor's assessment of the CLPs, in autumn 2013 the Bank of Greece launched a new stress test exercise ("the stress test of 2013") to assess the robustness of the Greek banks' capital position under both a baseline and an adverse scenario[8]. The Bank of Greece conducted the capital needs assessment with the technical support of a second advisor. Table 2 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.

Table 2 – Stress test of 2013: Capital needs of the main Greek banks (EUR million)

Banks	Reference Core Tier 1 capital (June 2013)	Loan loss reserves (June 2013)	CPLs For Greek risk	CPLs for foreign risk	Internal capital generation	Stress Test Core Tier 1 capital (Dec. 2016)	Capital needs
Alpha	7 380	10 416	-14 720	-2 936	4 047	4 450	**262**
Eurobank	2 228	7 000	-9 519	-1 628	2 106	3 133	**2 945**
NBG	4 821	8 134	-8 745	-3 100	1 451	4 743	**2 183**
Piraeus	8 294	12 362	-16 132	-2 342	2 658	5 265	**425**
Attica	225	403	-888	0	106	243	**397**
Panellinia	61	66	-237	0	-26	31	**169**
Total	**23 009**	**38 380**	**-50 241**	**-10 005**	**10 341**	**17 866**	**6 382**

Source: Bank of Greece, Stress Test of the Greek Banking Sector March 2014, p. 11.

(13) 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. The four systemic banks (Piraeus Bank, Eurobank, National Bank of Greece and Alpha Bank) covered their capital shortfalls by successfully attracting private investors during the spring of 2014.

(14) From December 2014, the banking sector suffered from a deteriorated environment due to economic and political uncertainty. Levels of non-performing loans ("NPL") increased in the first quarter of 2015 and banks faced large deposit outflows (-14,8% or EUR 25,4 billion in the first quarter of 2015[9]).

2.1.2. The beneficiary

(15) The Bank was established in 2001 to promote the development and the operation of lending in medium-sized enterprises. The Bank was also created to support the cooperative credit sector in Greece. Therefore, all Greek cooperative banks became shareholders of the Bank. The Bank operates as the central counterparty for the Greek cooperative banks which it supports by providing them with daily banking services (foreign exchange trades, commercial

8 See Bank of Greece, Stress Test of the Greek Banking Sector, March 2014, available online at http://www.bankofgreece.gr/BoGAttachments/2013%20Stress%20test%20of%20the%20Greek%20banking%20sector.pdf.

9 Notification submitted by Greece on 10 April 2015.

transactions etc.) and the operation of IT systems (ATM operation, credit and debit cards, core IT systems, Centre of Electronic Payments). Currently, 10 cooperative banks rely on the Bank's intermediation in order to conduct their daily banking operations. As of today, the Bank has 26 branches all over Greece, 27 ATMs and employs 164 people. The Bank has a market share of 0,3% in terms of total banking assets in Greece.

(16) The share capital of the Bank is solely Core Tier 1 and consists of:

a. 17,05 million ordinary shares owned by 25 domestic cooperative financial institutions (16 cooperative banks and 9 credit cooperatives) and DZ BANK AG (the Central Bank of the German cooperative financial system); and

Table 3 – Shareholders of the Bank, as of 31 December 2014

Shareholders	**Participation**
Pancretan Cooperative Bank	[40-50]%
6 cooperative banks	[20-30]%
Cooperative Bank of Chania	[10-20]%
8 cooperative banks (with 0.6% - 3.4%)	[10-20]%
DZ BANK AG	[5-10]%
9 credit cooperatives (with up to 0.5%)	[0-5]%
Total	**[90-100]%**

b. 4,72 million preference shares owned by the Hellenic Republic. In July 2009, the Bank issued preference shares with a nominal value of EUR 28,3 million under the recapitalisation measure part of the Greek Banks Support Scheme.

(17) The Bank does not have any subordinated debt.

(18) In 2014 the Bank's NPL increased dramatically [140-150] % (from [20-30]% to [50-60]% of the total loan portfolio). As a result the NPL coverage (i.e. provisions divided by NPL) decreased to only [20-30]%. That under-provisioning reduced the size of the accounting loss for 2014 and thereby maintained the Core Tier 1 ratio artificially high at [5.5-7.5]% at the end of 2014. [5.5-7.5]% is nevertheless below the regulatory requirements of 8%.

(19) Moreover, the Bank faced large deposits outflows in the months preceding its resolution (the Bank lost EUR [55-60]million or around [5-15]% of its deposits between 10 December 2014 and 1 April 2015) and had to resort to ELA.

(20) The balance sheets and profits and loss accounts of the Bank in 2014 (unaudited data) and 28 February 2015 are presented in Table 4.

Table 4 – Balance Sheets of the Bank in 2014 (unaudited data) and 28 February 2015

[…]

2.1.3. Resolution of the Bank

(21) Following the stress test of 2012, the Bank needed additional capital amounting to EUR 78 million[10]. […].

(22) On 6 March 2014, when the Bank of Greece disclosed the results of the stress test of 2013, the Bank needed additional capital amounting to EUR 169 million in the baseline scenario and EUR 186 million in the adverse scenario.

(23) The Bank had to cover those capital needs by 3 October 2014. However, the Bank did not manage to raise private funds by that date. The Bank of Greece extended that deadline twice, to 16 February 2015 and finally to 31 March 2015.

(24) Because the Bank was approaching the 31 March 2015 deadline and it was becoming highly unlikely that the capital increase would be successfully completed, the Bank of Greece decided to initiate the procedure for resolving the Bank.

(25) The Bank of Greece considered that taking resolution measures was more appropriate than putting the bank into liquidation. The main reasons for using the resolution measures are related to the severe pressure on the Greek banking system in the past months, as described in recital (143), and the effect of the Bank's situation on the cooperative banks. The use of a resolution measure is crucial in maintaining the depositors' confidence in the Greek banking system and thus to preserve financial stability. The Bank of Greece estimated that on 31 December 2014 the total amount of customer deposits in the Bank amounted to approximately EUR 573,6 million, of which EUR 426 million were guaranteed by the deposit guarantee scheme of the Hellenic Deposit and Investment Guarantee Fund ("HDIGF").

(26) For financial stability considerations, the Bank of Greece proceeded with the auction of selected assets and liabilities of the Bank, including deposits ("the carve out" or "transferred activities"). The Bank of Greece submitted that the Greek Resolution Fund[11] would cover the so-called "funding gap", which is the difference between the value of the assets and the value of the liabilities transferred from the resolved bank to an acquiring bank. The funding gap would be transferred to the acquiring bank. The Bank of Greece made an initial estimation of the funding gap at EUR 273,2 million, i.e. the value of the transferred liabilities would exceed the value of the transferred assets by that amount.

(27) The acquiring bank would have to cover its additional capital needs coming from the increase in its risk weighted assets ("RWA") which stems from the

[10] See the Report on the Recapitalisation and Restructuring of the Greek Banking Sector, Bank of Greece, December 2012, p. 8, available online at: http://www.bankofgreece.gr/BogEkdoseis/Report_on_the_recapitalisation_and_restructuring.pdf.

[11] The Greek Resolution Fund is the fund set up under the resolution branch of the HDIGF. That resolution branch was created in the HDIGF when the resolution framework was adopted in Greece in 2011.

acquisition of loans from the resolved bank. The acquiring bank will have to finance from its own resources the payment of the purchase price.

(28) The assets and liabilities to be included in the carve out auctioned is presented in Table 5. The carve out also include all infrastructures, such as branch network, information systems, cooperation contracts and services to cooperative banks, as well as all contracts with third parties. If the potential buyer wants to cease the service-providing activity, it should however provide that service for a reasonable time during which each cooperative should find and implement an alternative.

Table 5 – Perimeter of transferred activities

Assets	**To transfer**
Cash and cash balances at the Central Bank	Note 1
Receivables from banks	100%
Derivatives	100%
Loans and advances to customers	Note 2
Securities Portfolio	Note 3
Investments in Subsidiaries and Affiliates	Note 3
Tangible and Intangible Assets	100%
Other assets	Note 4

Liabilities	**To transfer**
Customer deposits	100%
Deposits at the Central Bank	100%
Due to Banks	100%
Due to Eurosystem / ELA	100%
Derivatives	100%
Other liabilities	Note 5

Note 1: Predetermined amount of cash remains at liquidation in order to cover liquidation expenses and staff compensation costs.

Note 2: Loans in permanent delay and in delay over three years remain at liquidation.

Note 3: Panellinia's participations in cooperative banks under special liquidation Lamia and Lesvos-Limnos, are not transferable. Noted that all banks' participations are registered under "the securities portfolio".

Note 4: 100% of other assets excluding tax claims (such as deferred tax and tax advances).

Note 5: 100% of other liabilities excluding tax liabilities and obligations arising from employee benefits and social security debts.

(29) On 27 March 2015, the Bank of Greece invited the four largest banks in Greece to submit non-binding offers for the carve out. On 31 March 2015, the Bank of Greece also invited Attica to submit a non-binding offer.

(30) On […] April 2015, three banks submitted binding offers.

(31) On […] April 2015, the Bank of Greece decided that Piraeus Bank will be the acquiring bank at the date of resolution ("the Buyer").

(32) The Buyer offered a EUR 17,1 million purchase consideration in cash for the acquisition of the Bank's transferred activities. According to the integration plan submitted by the Buyer, it anticipates that the acquisition of the Bank's transferred activities will (i) reinforce its liquidity profile, (ii) support its position as the leading domestic franchise in SME lending, and (iii) result in synergies amounting to EUR 8 million annually.

(33) The Buyer provides universal banking services mainly in Greece and in South-Eastern Europe. It offers a full range of banking and financial products and services to households and businesses. On 30 December 2014, the Buyer had a network of 1 175 branches (803 in Greece and 372 abroad) and employed 21 243 people (15 539 in Greece and 5 705 abroad)[12]. At the end of December 2014, total assets of the Buyer amounted to EUR 89 090 million, gross loans (before adjustments) to EUR 72 983 million (net loans to approximately EUR 55 billion) and customer deposits to EUR 54 831 million.

(34) By decision of 23 July 2014, the European Commission approved the restructuring plan of the Buyer, including the integration of several Greek banks, as being in line with State aid rules.[13] The measures provided in the restructuring plan were assessed by the Commission in that decision as enabling the Buyer to fully restore its long-term viability, while limiting the distortions of competition created by the large amount of State aid granted. The compliance of the acquisition of the Bank's transferred activities with the approved restructuring plan will be assessed in section 4.6.

(35) The transfer of assets and liabilities of the Bank to the Buyer will take place after the adoption of the present Decision and the resolution decision of the Bank of Greece.

2.2. Support measures

(36) Since 2009, the Bank has benefited from several support measures. Table 6 provides an overview of those measures.

[12] "Piraeus Bank Group-Full Years Results", Press Release of 19 March 2015 http://www.piraeusbankgroup.com/~/media/Com/2015/Files/Investor-Relations/Financial-Data/Financial-Results/19-03-2015/PB_Press_Release_12M2014_Results_ENG_Final.pdf

[13] See Commission Decision 2015/455 of 23 July 2014 on the State aid SA.34826 (2012/C), SA.36005 (2013/NN) implemented by Greece for Piraeus Bank Group relating to the recapitalisation and restructuring of Piraeus Bank SA, OJ L 80, 25.3.2015, p. 49.

Table 6 - Overview of the support measures provided to the Bank

Measure	Description	Entity which granted the aid	Date	State aid amount (in EUR million)
Recapitalisation measure	Preference shares granted under the Greek Banks Support Scheme	State	July 2009	**28,3**
Government bond loan measure	Lending of Greek government bonds under the Greek Banks Support Scheme	State	From July 2009 to December 2011	**41**
State-guaranteed ELA	Funding and Guarantee	State and Bank of Greece	June 2012 (maximum amount)	**244,3** (maximum amount)
Resolution measure	Financing of the funding gap for assets transferred from the Bank to the Buyer	Greek Resolution Fund	Envisaged in April 2015	**327,84** (maximum amount)

2.2.1. *State recapitalisation measure received by the Bank*

(37) In July 2009, Greece injected EUR 28.3 million into the Bank, equivalent to around 5% 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.

2.2.2. *State liquidity support received by the Bank through the government bond loan measure*

(38) The Bank has also benefited from liquidity support under the government bond loan measure, which is part of the Greek Banks Support Scheme. In July 2009, the Bank received Greek government securities amounting to EUR 41 million, which matured in December 2011.

2.2.3. *State-guaranteed ELA*

(39) 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 marginal lending facility rate.

(40) 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[14]. 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

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

claims against the credit institutions. The banks benefiting from ELA have to pay a guarantee fee to the State amounting to […] bps.

(41) The amount of ELA granted to the Bank varied since 2011 with a peak of EUR 244,3 million in 2012. That measure is still on-going.

2.2.4. *Resolution measure*

(42) The Bank of Greece made an initial estimation of the funding gap for the resolution of the Bank at EUR 273,2 million. The final funding gap will be reassessed by an auditor, which will review and value the loans and other items transferred, within six months following the execution of the resolution.

(43) Consequently, the Bank of Greece will validate the final funding gap several months after the resolution of the Bank. If the final funding gap – and hence the resolution support provided by the Greek Resolution Fund – exceeds by more than 20% the initial estimation of EUR 273.2 million, i.e. EUR 327,84 million, the Greek authorities committed to notify the resolution aid exceeding that cap.

(44) That range is necessary as the total amount of transferred loans could be lower than the initial estimate of the Bank of Greece due to several factors. The initial estimate of the Bank of Greece is based on supervisory reports, while the actual amount will come from the data of the Bank. […].

3. POSITION OF THE GREEK AUTHORITIES

(45) The Greek authorities accept that the resolution measure constitutes State aid and request the Commission to verify if it is compatible with the internal market on the basis of Article 107(3)(b) of the Treaty on the Functioning of the European Union ("the TFEU"), as it is necessary in order to remedy a serious disturbance in the Greek economy.

(46) In the information note of the Bank of Greece sent to the Commission on 10 April 2015 the Bank of Greece justified its decision to use resolution measures rather than proceeding to the Bank's liquidation based on the following reasons:

a. In the last three months, the Greek banking system has been experiencing severe liquidity pressures. The current sensitive and uncertain economic conditions have hampered depositor confidence as proved by the outflows of deposits during that period, while in the same period the Greek banks have no access to market funding. Despite the Bank's small size, the resolution unit of the Bank of Greece, in close cooperation with the supervision department concluded, that in view of the current fragile political and financial environment in Greece, any possible liquidation of any credit institution and the subsequent loss of uncovered deposits, would pose a significant threat to financial stability, staggering further the already dented market and depositors' confidence.

b. A liquidation of the Bank would have a decisive negative impact on the cooperative sector, which relies heavily on the Bank's services for its smooth daily operations, leading to unprecedented "domino" effects to the group of cooperative banks and exacerbating even more the disarray among market participants and depositors.

4. ASSESSMENT UNDER STATE AID RULES

4.1. Existence of State aid

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

4.1.1. *Existence of aid in the measures granted under the Greek Banks Support Scheme*

(48) The EUR 28,3 million capital injection by Greece into the Bank in July 2009 (recapitalisation measure) and the Greek government securities amounting to EUR 41 million (government bond loan measure) were granted under the Greek Banks Support Scheme[15]. In the decision approving that scheme, the Commission concluded that measures granted under that scheme constitute State aid within the meaning of Article 107(1) TFEU.

4.1.2. *Existence of aid in the State-guaranteed ELA*

(49) The Commission clarified in point 51 of the 2008 Banking Communication[16], which was in force when the State-guaranteed ELA was granted, that the provision of central banks' funds to financial institutions does not constitute State aid if four cumulative conditions are met. However, 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.

(50) The State-guaranteed ELA moreover meets the conditions laid down in Article 107(1) TFEU. First, because that measure includes a State guarantee in favour of the Bank of Greece, any risk associated with the guarantee is borne by the State. The measure therefore involves State resources. Such risk-carrying by the State should normally be remunerated by a premium in line with market rates[17], which is not the case for the State-guaranteed ELA. The State-guaranteed ELA also 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 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.

(51) Based on the above, the Commission considers that the State-guaranteed ELA constitutes State aid within the meaning of Article 107(1) TFEU. The amount of State-guaranteed ELA has varied over time with a peak amount of EUR 244,3 million in June 2012.

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[15] See footnotes 1 and 2.

[16] 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.

[17] See Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees (OJ C155, 20.6.2008, p. 10).

4.1.3. *Existence of aid in the resolution measure*

(52) The Commission considers the contribution by the Greek Resolution Fund to be State aid within the meaning of Article 107(1). This is not contested by the Greek authorities.

(53) In line with established case-law,[18] the Commission considers that the intervention of the Greek Resolution Fund – even if financed through private contributions – involves State resources. The Resolution Fund was established by the Greek State by virtue of Law 3746/2009 as amended by Law 4021/2011. Moreover, its initial capital was covered by the Bank of Greece and the contributions to the Scheme by the banks are compulsory. The management and use of its resources is decided in accordance with the law with the aim to provide financial assistance to the application of resolution measures adopted by the resolution authority. In the present case, the use of the Resolution Fund resources has been triggered by the resolution measure adopted by the Bank of Greece. The Commission therefore considers that the measure is financed through State resources and is imputable to the State.

(54) The Commission also notes that the resolution measure is selective in nature, since it ensures the effective application by the resolution authority of the resolution tools and powers with regard to the resolution of the Bank.

(55) Moreover, the Commission considers that the resolution measure provides the Bank's activities with a clear advantage by keeping them alive. The transfer order in that case is a sale "en bloc". While the equity will not be transferred, the key productive banking assets will be transferred (branches, infrastructure, deposits and performing loans). The resolution measure 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 the Bank's assets en bloc. Without the coverage of the funding gap by the Resolution Fund, the transferred activities would not be an attractive proposal and would therefore not find a buyer.

(56) That selective advantage distorts competition by keeping the banking activity of the Bank alive, allowing it to continue competing on the market[19]. It also affects trade between Member States as some subsidiaries of foreign banking groups are present on the Greek banking market or potentially interested to enter the Greek banking market.

(57) The Commission therefore considers that the contribution by the Resolution Fund to be State aid. As committed by the Greek authorities, the Resolution Fund contribution subject to the present decision will not exceed EUR 327,84 million. Any additional amount would have to be notified separately.

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[18] See Case C-345/02 *Pearle and others* ECLI:EU:C:2004:448, paragraphs 37 and 38. That approach was applied in Commission decision in the State aid case NN 61/2009 – "Rescue and restructuring of Caja Castilla-La Mancha", Spain, 29.06.2010, C(2010)4453 corr., recitals 96-118.

[19] See Commission decision of 25.01.2010 in the State aid case NN 19/2009 – Restructuring aid to Dunfermline Building Society, recital 51; Commission decision of 25.10.2010 in State aid case N 560/2009 – Aid for the liquidation of Fionia bank, recital 56; Commission decision of 8.11.2010 in State aid case N 392/2010 – Restructuring of CajaSur, recital 52.

Beneficiary of the aid measures

(58) The Commission notes that the measures granted under the Greek Banks Support Scheme and the State-guaranteed ELA have contributed to the stabilisation and the continuance of the economic activities of the Bank, which will be transferred to the Buyer. Therefore the Commission considers that they have benefited the economic activities of the Bank to be transferred to the Buyer.

(59) The Commission considers the Bank's activities as the beneficiary of the resolution measure, as the aid allowed the continuation of those economic activities within the Buyer. Without the support of the Resolution Fund, those activities would immediately stop.

(60) As to whether the sale of the Bank's activities entails State aid to the Buyer, in line with points 79, 80 and 81 of the 2013 Banking Communication[20] and point 20 of the Restructuring Communication, the Commission needs to assess whether certain requirements are met. It needs to examine in particular whether (i) the sale process was open, unconditional and non-discriminatory; (ii) the sale took place on market terms; and (iii) the credit institution or the government maximised the sale price for the assets and liabilities involved.

(61) Subject to the Commission's approval, the Buyer will acquire the package of the assets and liabilities of the 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 and Attica bank, of which only three submitted non-binding offers. The Bank of Greece selected the Buyer because its offer entailed lower resolution costs, was not of lower quality than the other bidders and ensured business continuity both for the Bank's banking transactions, and consequently those of the cooperative banks[21].

(62) The Commission observes that the Bank of Greece only contacted five banks. However, the limited set of buyers contacted cannot exclude that the tender was open. The five banks contacted represent in fact the totality of the Greek banking sector excluding the cooperative banks, who are shareholders of the Bank. Moreover, foreign credit and financial institutions show limited interest in engaging in banking activities in Greece. That lack of interest is clearly highlighted by the sale by foreign credit and financial institutions of their local subsidiaries in the past years. 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, non-discriminatory and unconditional.

(63) The relatively low price paid by the Buyer (EUR 17,1 million) for the assets and liabilities of the Bank in comparison with the funding gap covered by the Resolution Fund (up to EUR 327,84 million) does not preclude that the sale price reflects the market value of the business[22]. The Commission has no reason

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20 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

21 Letter of the Bank of Greece to the Commission dated 8 April 2015.

22 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 C 75, 14.3.2013, p. 3).

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 points 79, 80 and 81 of the 2013 Banking Communication and point 20 of the Restructuring Communication, the Commission concludes that State aid to the Buyer can be excluded.

4.1.4. *Conclusion on the existence and total amount of aid received*

(64) On the basis of recitals (47), (50) and (56), the Commission considers that the measures fulfil the conditions laid down in Article 107(1) TFEU and constitute State aid.

(65) Therefore, the Commission concludes that the activities of the Bank have received State aid in the form of preference shares of EUR 28,3 million, lending of government bonds under the Greek Banks support scheme for EUR 41 million, funding through State-guaranteed ELA for an amount of up to EUR 244,3 million and financing of the funding gap for a total amount not exceeding EUR 327,84 million (see support measures summarized in Table 6).

4.2. *Legal basis of the compatibility assessment*

(66) Article 107(3)(b) TFEU 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". 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 are apt to remedy that disturbance. That assessment has been confirmed in the Recapitalisation Communication[23] and the Restructuring Communication[24]. The Commission still considers that the conditions for State aid to be approved pursuant to Article 107(3)(b) TFEU are present. The Commission confirmed that view by adopting the 2013 Banking Communication[25].

(67) The Commission does not dispute the position of the Greek authorities, which is also confirmed by the Bank of Greece, that the shortage of liquidity and the high level of loan losses remain a burden for Greek banks, in their effort to support and contribute in the restructuring of the economy, constraining the supply of credit in the short and medium term. Therefore, the Commission continues to base its assessment of State aid measures in the banking sector on Article 107(3)(b) TFEU.

(68) In order for an aid to be compatible under Article 107(3)(b) TFEU, it must comply with the general principles for compatibility under Article 107(3) TFEU, viewed in the light of the general objectives of the Treaty. Therefore, according

[23] Commission Communication - Recapitalisation of financial institutions in the current financial crisis: limitation of the aid to the minimum necessary and safeguards against undue distortions of competition, OJ C 10, 15.1.2009, p. 2.

[24] Commission Communication on the return to viability and the assessment of the restructuring measures in the financial sector in the current crisis under the State aid rules, OJ C 195, 19.8.2009, p. 9.

[25] See points 4 to 6.

to the Commission's decisional practice[26] any aid or scheme must comply with the following conditions: (i) appropriateness, (ii) necessity and (iii) proportionality.

(69) The 2013 Banking Communication and the Restructuring Communication formulate assessment criteria which reflect those general principles and their requirements in light of the specific policy context.

4.3. *Compliance of the recapitalisation measure and of the government bond loan measure with the 2008 Banking Communication*

(70) The recapitalisation and the government bond loan measures were granted under the Greek Banks Support Scheme. The measures under that scheme have already been deemed compatible with the internal market in the Commission's Decision of 19 November 2008.

4.4. *Compliance of State-guaranteed ELA with the 2008 Banking Communication, the 2011 Prolongation Communication and the 2013 Banking Communication*

(71) The compatibility of the State-guaranteed ELA should be first assessed on the basis of the 2008 Banking Communication and the 2011 Prolongation Communication, whose Annex defines some floors for the pricing of liquidity support. Any State-guaranteed ELA granted after 1 August 2013 falls under the 2013 Banking Communication.

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

(73) Because Greek banks were shut out from wholesale markets and became entirely dependent on central bank financing, and since the Bank could not borrow a sufficient amount of funds through the regular refinancing operations, the Bank needed State-guaranteed ELA to obtain sufficient liquidity thereby preventing it from defaulting. The Commission considers State-guaranteed ELA to be an appropriate mechanism to remedy a serious disturbance, which the default of the Bank could have caused.

(74) 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 100 bps higher than the marginal lending facility rate. In addition, the Bank had to pay a guarantee fee of 25 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 European Central Bank ("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, the Bank of Greece and the ECB review it regularly based on the actual needs of the Bank. They closely monitor its use and ensure it is limited to the minimum necessary. Therefore State-guaranteed ELA does not

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[26] See Commission decision of 6.9.2013 in State Aid Case SA.37314 "Rescue aid in favour of Probanka", OJ C 314, 29.10.2013, p. 1 and Commission decision of 6.9.2013 in State Aid Case SA.37315 "Rescue aid in favour to Factor Banka", OJ C 314, 29.10.2013, p. 2.

provide the Bank with excess liquidity which could be used to finance activities distorting competition. It is limited to the minimum amount necessary.

(75) 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 this liquidity is proportional and does not lead to undue distortion of competition.

(76) The State-guaranteed ELA 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, State-guaranteed ELA also complies with the 2013 Banking Communication.

4.5. *Compliance of the resolution measure with the Restructuring Communication and the 2013 Banking Communication.*

(77) The compatibility of the resolution measure should be assessed on the basis of the 2013 Banking Communication.

(78) The Commission has explained in point 70 of the 2013 Banking Communication that it will assess the compatibility of resolution aid measures on the same lines *mutatis mutandis* as set out in Sections 2, 3 and 4 of the Restructuring Communication.

(79) In line with Sections 2, 3 and 4 of the Restructuring Communication, in order for an aid to be compatible under Article 107(3)(b) TFEU it must comply with the following criteria, which apply for the aid with regard to the resolution of a credit institution by analogy:

(a) *Restoring long-term viability:* in line with point 17 of the Restructuring Communication, the sale of an ailing bank to another financial institution can contribute to the restoration of long-term viability, if the purchaser is viable and capable of absorbing the transfer of the ailing bank, and may help to restore market confidence. An orderly winding-up or the auctioning off of a failed bank should always be considered where a bank cannot credibly return to long-term viability. Governments should 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 via a competitive and unconditional tender.

(b) *Own contribution (Burden-sharing):* In order to limit distortions of competition and address moral hazard, aid should be limited to the minimum necessary and an appropriate own contribution to liquidation costs should be provided by the aid beneficiary.

(c) *Limitation of competition distortion*: The aid should not result in longer-term damage to the level playing field and competitive markets. In that context, measures to limit distortions of competition due to State aid have to be taken. The distortions of competition can be limited through the implementation of effective and proportionate measures, through the setting of an adequate remuneration of the State aid as well as through the commitment of the banks benefiting from State aid to proceed with structural measures.

4.5.1. *Long-term viability of the Bank's activities through sale*

(80) Point 21 of the Restructuring Communication and point 65 of the 2013 Banking Communication provide 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.

(81) However, the Bank was not viable on a standalone basis and was put into liquidation, part of the activity being transferred to the Buyer. 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*".

(82) As stated in recital (34), the Commission approved in its decision of 23 July 2014 the restructuring plan of the Buyer, which can therefore be considered as a viable entity. The transferred activities, which are the beneficiary of the resolution measure, are very small compared to the size of the Buyer (at the end of December 2014, total assets of the Bank amounted to less than 1% of the Buyer's total assets). They can therefore not endanger the restoration of the viability of the latter. Moreover, according to the integration plan of the Buyer, see recital (32) the Bank's transferred activities will be largely restructured and cease to operate as a stand-alone bank. Therefore, the transfer of the activities of the Bank to the Buyer allows the restoration of the former's long-term viability. Moreover, such a transfer is in line with the Buyer's restructuring plan approved by the Commission with Decision of 23 July 2014, as further detailed in Section 4.6.

4.5.2. *Own contribution and burden-sharing*

(83) As regards the amount of the intervention, the Bank of Greece stated in the information note sent on 10 April 2015 that a transfer order of selected assets and liabilities was the preferred solution as it minimized the resolution cost. The amount of the resolution measure will be definitively determined by the Bank of Greece, taking into account a report by independent auditors. The contribution will exactly cover the difference between the fair value of the transferred assets and the value of the liabilities. In addition, the integration of the transferred activities of the Bank into a larger entity and the concomitant realisation of synergies, through the rationalisation of the Buyer's branch network, the consolidation of the IT infrastructure and the reduction of funding costs, will help to limit the costs to the minimum compared to a scenario in which the State sought to restore the Bank's viability on a standalone basis.

(84) The equity and preference shares are not transferred to the Buyer but remain in the Bank, the entity in liquidation. Moreover, the Bank does not have any subordinated debt holders. Hence, the Commission considers that sufficient burden-sharing was achieved since the shareholders are entitled to proceeds from the liquidation only if the proceeds are sufficient to repay first the Resolution Fund, which has a large priority claim over other creditors. Therefore, given the scarcity of the residual assets in the Bank after the purchase and assumption, the shareholders are unlikely to get their investment back.

4.5.3. *Measures to limit distortions of competition*

(85) 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."

(86) The total aid received in form of preference shares amounts to EUR 28.3 million (recapitalisation measure), in addition to Greek government securities of EUR 41 million (government bond loan measure) and the State-guaranteed ELA of EUR 244,3 million. The resolution measure, the financing of the funding gap from the Bank to the Buyer, corresponded to around 43% of the total assets of the Bank as of 28 February 2015 (for the initial funding gap only). Such amounts of aid in combination with the absence of remuneration call for a significant reduction in the market presence of the beneficiary.

(87) Regarding the market on which the Bank operated, the Commission notes that the Bank was very small (less than 0,3% share of Greek banks' total assets) and consequently the assets and liabilities of the Bank which will be transferred into the Buyer are negligible when compared with the size of the Greek banking system.

(88) Moreover, the activities of the Bank were offered to competitors through an open auction. Following its sale, the Bank will cease to exist as a stand-alone competitor as the transferred activities will be fully integrated within the Buyer.

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

4.5.4. *Conclusion on the compliance with the Restructuring Communication and the 2013 Banking Communication*

(90) On the basis of the analysis above, the Commission concludes that the sale of transferred activities and their integration into the Buyer ensure that those 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 and the 2013 Banking Communication.

4.6. *Compliance of the acquisition of the Bank's transferred activities with the Commission decision approving the restructuring plan of the Buyer*

(91) As stated in recital (34), by decision of 23 July 2014 the Commission approved the restructuring plan of the Buyer. According to recital 143 of that decision, Greece has given a commitment that the Buyer will comply with some behavioural limitations, including an acquisition ban.

(92) However, as explained in Chapter III section C of the Annex to the decision of 23 July 2014 and in line with point 41 of the Restructuring Communication, the Buyer may, after obtaining the Commission's approval, and, where appropriate, acquire businesses and undertakings if it is in exceptional circumstances necessary to restore financial stability or to ensure effective competition.

(93) The Commission will therefore assess if the acquisition of the Bank by the Buyer does not endanger the finding that the restructuring aid to the Buyer complies with the requirements of the Restructuring Communication.

(94) The Commission notes positively that the notification of the aid to the Bank does not contain any request, that, following the acquisition of the Bank, the commitments taken by Greece in respect of the restructuring of the Buyer

should be adjusted upwards (e.g. commitments in respect of the number of employees or branches in Greece).

4.6.1. *Effect of the acquisition of the Bank's transferred activities on the long-term viability of the Buyer*

(95) In terms of operating profitability, the acquisition of the Bank's transferred activities will enhance the Buyer's return to long-term viability as merging banking activities in the same geographical market gives the opportunity to realise synergies. In particular, at the time of the acquisition, the Buyer anticipates achieving annual synergies of EUR 8 million by rationalising the branch network, aligning product offering and pricing.

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

(97) In terms of liquidity position, the acquisition has a positive effect on the Buyer since it acquired more deposits than net loans. The acquisition is expected to reduce Eurosystem reliance by EUR 0,2 billion.

(98) In terms of capital position, the increase in RWA and the payment of the purchase prices are of very limited effect on the Buyer's capital ratio.

(99) The Commission therefore considers that the acquisition of the Bank's transferred activities does not endanger the restoration of the long-term viability of the Buyer.

4.6.2. *Effect of the acquisitions on the aid amount needed by the Bank*

(100) 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 Buyer. In this case, the acquisition is not essential for the Buyer's viability within the meaning of point 23 of the Restructuring Communication.

(101) However, regarding future potential capital needs created by the losses on the acquired loans, it is observed that the assets will be acquired at fair value, which limits the risk of future additional losses.

(102) Moreover, regarding the increase in RWA and the payment of the purchase price, their effect on capital are very small and represent only a small fraction of the private capital raised by the Buyer in 2014.

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

4.6.3. *Distortive effect of the acquisitions on competition*

(104) 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.

(105) 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.

(106) The Bank was not a viable bank on a stand-alone basis. As stated in recital (46), 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.

(107) No non-aided bidder submitted any valid bid to acquire the Bank, and the sale process was open and non-discriminatory. There was therefore no crowding-out of any non-aided bidder by the Bank.

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

(109) Moreover, as mentioned in recital (15), the Bank had a limited market share (0,3% of the banking sector's total assets) and Greece has taken several commitments to ensure that this acquisition will not have any impact on the short term on the activities of the cooperative banks. Therefore, the potential impact of the acquisition on competition is very limited.

4.6.4. *Conclusion on the compliance of the acquisition of the Bank's transferred activities with the Commission decision approving the restructuring plan of the Buyer*

(110) The Commission concludes that, in the light of the specificities of the acquisition of the Bank's transferred activities, that acquisition is in line with the requirements laid down in the Restructuring Communication. The Commission considers that acquisition as necessary to restore financial stability. It qualifies therefore for an exception to the acquisition ban committed by the Greek authorities in respect of the Buyer's restructuring plan approved by the Commission on 23 July 2014[27].

5. COMPLIANCE OF THE RESOLUTION OF THE BANK WITH THE PROVISIONS OF DIRECTIVE 2014/59/EU ON BANK RECOVERY AND RESOLUTION[28]

(111) In addition, the Commission notes that although Greece has not yet transposed Directive 2014/59 into national law and the respective provisions on bail in, the resolution measure does not violate directly applicable intrinsically linked provisions of Directive 2014/59, which in this specific case relate to Article 100(5) and Article 34(1).

(112) The Commission notes that the resolution measure corresponds to the "sale of business tool" provided in Articles 38 and 39 of Directive 2014/59. The Purchase & Assumption tool to be used for the forthcoming resolution of the Bank consists of identifying in a bank under resolution the assets and liabilities

[27] See Commission Decision 2015/455 of 23 July 2014 on the State aid SA.34826 (2012/C), SA.36005 (2013/NN) implemented by Greece for Piraeus Bank Group relating to the recapitalisation and restructuring of Piraeus Bank SA, OJ L 80, 25.3.2015, p. 49.

[28] Directive 2014/59/EU of the European Parliament and of the Council of 15 may 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC. 2002/47/EC, 2004/25/EC, 2005/56/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and EU No 648/2012, of the European Parliament and of the Council, OJ L 173, 12.6.2014, p. 190.

of high quality and auctioning them in order to transfer them to a large viable bank which will integrate them, while the remaining part of the bank is liquidated under normal liquidation procedures. Although Greece has not yet adopted the legislation transposing Directive 2014/59, a Resolution Fund has been set up under the Resolution Branch of the HDIGF since 2011. As Greece has submitted, the Greek Resolution Fund will cover the funding gap[29] related to the transfer of assets and liabilities from the Bank to the Buyer. Therefore, the funding of the aid measure complies with Article 100(5) of Directive 2014/59 on the requirement to establish resolution financing arrangements.

(113) Moreover, the provisions of the resolution measure are in line with Article 34(1) of Directive 2014/59. Firstly, the Bank has not issued any subordinated debt instruments that are outstanding. Secondly, the equity of the Bank, which consists only of ordinary shares and of preference shares owned by the Hellenic Republic[30], will not be transferred, but will be left in the liquidated entity. Therefore, the shareholders are fully wiped out and suffer 100% losses.

(114) Therefore, at the present stage, the Commission concludes that the resolution measure does not violate intrinsically linked provisions of Directive 2014/59in the context of the State aid rules.

6. CONCLUSION

(115) The Commission concludes that (i) the State-guaranteed emergency liquidity assistance provided to Panellinia Bank and (ii) the resolution measure covering the funding gap related to the transfer of activities of Panellinia Bank to Piraeus Bank for an amount of up to EUR 327,84 million, constitute State aid within the meaning of Article 107(1) TFEU.

(116) The Commission finds that those measures fulfil the requirements of Article 107(3)(b) TFEU and are compatible with the internal market for reasons of financial stability.

(117) The Commission notes that Greece accepts that the adoption of the Decision be in the English language.

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http://ec.europa.eu/competition/elojade/isef/index.cfm.

29 "Funding gap" is the difference between the value of the assets and the value of the liabilities transferred from the resolved bank to the acquiring bank.

30 Those preference shares are recognised as Core Equity Tier 1.

Your request should be sent electronically to the following address:

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State Aid Greffe
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Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission

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