



Brussels, 4 .12.2015
C(2015) 8930 final

<p>In the published version of this decision, some information has been omitted, pursuant to articles 30 and 31 of Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus [...]</p>		<p style="text-align: center;">PUBLIC VERSION</p> <p>This document is made available for information purposes only.</p>
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**Subject: State Aid SA.43365 (2015/N) – Greece
Amendment of the restructuring plan approved in 2014 and granting
of new aid to National Bank of Greece**

Sir,

1. PROCEDURE

- (1) By decision of 23 July 2014¹ the Commission approved the recapitalisation and restructuring of National Bank of Greece (the "Bank"²). In the framework of the procedure leading to that decision ("the 2014 Restructuring Decision") the Greek authorities and the Bank undertook a number of Commitments ("the 2014 Commitments") and submitted a restructuring plan ("the 2014 restructuring plan").
- (2) On 19 August 2015 the Commission signed a Memorandum of Understanding (MoU) with Greece for a new stability support programme, after which the Commission, the Greek authorities and the Bank had numerous meetings, teleconferences and electronic mail exchanges.

¹ Commission Decision of 23 July 2014 in State aid SA.34824 (2012/C), "Recapitalisation and restructuring of National Bank of Greece" (OJ L 183, 10.7.2015, p. 29).

² "The Bank" refers to the National Bank of Greece Group.

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- (3) On 30 November 2015 the Greek authorities notified the backstop by the Hellenic Financial Stability Fund ("HFSF")³ of a capital increase to cover the capital shortfall determined by the comprehensive assessment made by the competent prudential authority – the Single Supervisory Mechanism ("SSM"). They provided in that regard the letter of 30 October 2015 from the SSM, the capital plan submitted by the Bank to the SSM on 6 November 2015 ("the capital plan"), the SSM approval of the plan, dated 13 November 2015, the request by the Bank for the backstop by the HFSF of a capital increase, its approval by the HFSF, and the terms of the Contingent Convertible Bonds ("CoCos") to be subscribed by the HFSF. On 4 December 2015, the Greek authorities notified to the Commission the amount of aid to be paid out to the Bank through a capital injection by the HFSF. The notification included a final restructuring plan for the Bank ("the 2015 restructuring plan") and the final Commitments amending the 2014 Commitments ("the 2015 Commitments").
- (4) Greece accepts that exceptionally the present decision is adopted in the English language only.

2. DESCRIPTION

2.1. The Bank and its difficulties

2.1.1. General context of the Greek banking sector

- (5) The Greek banking sector has gone through a series of reforms since May 2010, including restructuring and significant consolidation. In the framework of the two Economic Adjustment Programmes for Greece, the banks in that Member State were recapitalised twice, in 2013 and in 2014 respectively. In that context they were also subject to three Asset Quality Reviews ("AQRs") and stress tests. The results of the European Central Bank ("ECB") Comprehensive Assessment performed in 2014 and released in October 2014 ("the 2014 CA") confirmed that the four systemic Greek banks, i.e. Alpha Bank, Eurobank, Piraeus Bank and the Bank, would not require additional capital under the dynamic balance sheet assumption, based on their restructuring plans approved by the Commission earlier in 2014. At the end of 2014, the banking sector had Core Equity Tier 1 ("CET1") ratios of 13,8% at consolidated level and 16% at solo level, while the coverage of non-performing loans ("NPLs") (excluding restructured loans) by provisions amounted to 55,8% (from 49,3% at end-2013)⁴.
- (6) However, from December 2014 onwards Greece experienced severe political uncertainty. Large deposit outflows from the Greek banks followed, as well as the loss of access to the wholesale funding market which they had regained in 2013-2014 (e.g. international counterparts did not roll over repurchase

³ The HFSF was established following the signature of the Memorandum of Understanding on Specific Economic Policy Conditionality between the Greek Government, the European Union, the International Monetary Fund and the European Central Bank on 3 May 2010. According to the HFSF Law, the objective of the HFSF is to safeguard the stability of the Greek banking system. The HFSF Law has been amended several times.

⁴ European Commission – Directorate-General Economic and Financial Affairs: "Greece - Assessment of the Commission, in liaison with the ECB, of the request for stability support in the form of an ESM loan, in compliance with Art 13 of ESM Treaty", 10 July 2015, p.2-3, available online at: http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm.

agreement collateralised with European Financial Stability Facility ("EFSF") notes). In addition, the Greek banks had to increase their participation in State T-bill issuances (as foreign investors retreated) and they had to cope with State deposit withdrawals as the liquidity of the State also began tightening. Hence the liquidity conditions of the Greek banks tightened considerably. Moreover, the ECB did not prolong the waiver⁵ on the minimum credit criteria for eligible collateral (based on the fact that it was not possible at that time to assume a successful conclusion of the programme review), so that the Greek banks lost access to normal ECB refinancing operations. As a consequence, the Greek banks once again became largely dependent on Emergency Liquidity Assistance ("ELA") from the Central Bank of Greece. To create part of the collateral needed to obtain ELA, the banks sought State guarantees on self-issued debt instruments, which were then pledged as collateral to the Central Bank of Greece.

- (7) The liquidity crisis experienced in the first half of 2015 led to the application of a bank holiday on 29 June⁶ and the maintenance of capital controls after banks reopened on 20 July. From the beginning of the political crisis on 9 December 2014 to the enforcement of the bank holiday on 29 June 2015, the banking system suffered a deposit outflow of EUR 47,6 billion – equivalent to a decrease of 27,5% of the deposit base. During the period of the bank holiday a further EUR 2,8 billion of household and corporate deposits were withdrawn. During the same period the banks' reliance on ELA skyrocketed from nearly zero to a peak of EUR 88,3 billion at the end of July 2015. Reliance on ELA significantly increased their funding costs in H1 2015.
- (8) Apart from that direct adverse effect on the liquidity position of the Greek banks, the solvency situation of the banks has also been affected. Uncertainty related to the reform programme and deteriorating liquidity conditions have undermined household and business confidence and investment. The capital controls also hurt economic activity in Greece. Instead of the economic recovery forecast previously, it is now expected that the Greek economy would again be in recession in 2015 and 2016. As a consequence, the ability of the households and businesses to repay their loans will be significantly impaired, which will result in higher loan losses for the banks (increase in the stock of NPLs and lower recovery from the existing NPLs).
- (9) The deterioration in the political and economic environment from December 2014 and the introduction of capital controls were not envisaged in any of the adverse macroeconomic scenarios used in the national 2014 AQR and stress test, the 2014 CA, and in the 2014 Restructuring Decision.
- (10) A third economic adjustment programme ("the Programme"), with a budget of EUR 86 billion over the years 2015-2018 was signed by the Greek authorities on 19 August 2015. A buffer of up to EUR 25 billion is envisaged under the Programme to address potential bank recapitalisation needs of viable banks and

⁵ European Central Bank, Press Release: "Eligibility of Greek bonds used as collateral in Eurosystem monetary policy operations", 4 February 2015, available online at: <https://www.ecb.europa.eu/press/pr/date/2015/html/pr150204.en.html>.

⁶ Legislative Act 65/28.06.2015 imposed a bank holiday on all credit institutions operating in Greece, under any form, from the 28th of June 2015 until the 6th of July 2015. By virtue of the Legislative Act 84/18.07.2015, the bank holiday, which was extended, by decision of the Minister of Finance, until the 19th of July 2015, ended on 20 July 2015.

resolution costs of non-viable banks, in full compliance with EU competition and State aid rules⁷.

- (11) The economic forecasts of the Programme project return to growth only in 2017 after two years of recession⁸.

Table 1: real GDP forecasts of the Programme over the restructuring period

	2015	2016	2017	2018
EUR billion	182,3	179,9	184,8	190,5
Growth %	-2,3	-1,3	2,7	3,1

Source: European Commission – Directorate-General Economic and Financial Affairs-The European Stability Mechanism Programme for Greece: Questions and Answers

- (12) In the framework of the Programme, the SSM was requested to provide a forward-looking view of the capital needs of the four Greek systemic banks and performed a new Comprehensive Assessment exercise ("the 2015 CA"). While the perimeter of the AQR was limited to the Greek banking activities, the stress test, both in its baseline and adverse scenarios, include also all the subsidiaries of the Greek banks. The results of the 2015 CA were published on 31 October 2015. The 2015 CA revealed a total capital shortfall of EUR 4,4 billion under the baseline scenario, and of EUR 14,4 billion under the adverse scenario for the four significant Greek banks (including EUR 9,2 billion in AQR adjustments)⁹. While the 2015 CA baseline scenario is derived from a macroeconomic scenario close to the one on which the Programme is based, the 2015 CA adverse scenario is based on a significantly deeper recession in 2015-2016 than the one expected under the Programme.

Table 2: Stress Test of 2015

Bank	AQR impact June 2015			Baseline scenario (including AQR impact)		Adverse scenario (including AQR impact)		Difference between the adverse and the baseline scenario In EUR mil.
	Pre-AQR CET1%	Post AQR CET1 %	Shortfall vs. 9.5% post-AQR In EUR mil.	CET1% post-baseline In %	Shortfall vs. 9.5% post-ST In EUR mil.	CET1% post-adverse In %	Shortfall vs. 8% post-ST In EUR mil.	
Alpha Bank	12,7%	9,6%	0	9,0%	263	2,1%	2 743	2 480
Eurobank	13,7%	8,6%	339	8,6%	339	1,3%	2 122	1 783
NBG	11,6%	8,1%	831	6,8%	1 576	-0,2%	4 602	3 026
Piraeus Bank	10,8%	5,5%	2 188	5,2%	2 213	-2,4%	4 933	2 720
Total	12,1%	7,9%	3 358	7,6%	4 391	0,1%	14 401	10 010

⁷ European Commission – Directorate-General Economic and Financial Affairs, "Memorandum of Understanding between the European Commission, acting on behalf of the European Stability Mechanism and the Hellenic Republic and the Bank of Greece", 19 August 2015, p.18, available online at: http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm.

⁸ Updated economic assumptions are provided by the European Commission – Directorate-General Economic and Financial Affairs for Autumn 2015, with growth rate for 2015 being -1,4% and the other figures remaining the same, available at http://ec.europa.eu/economy_finance/eu/forecasts/2015_autumn/el_en.pdf.

⁹ European Central Bank, Press Release: "ECB finds total capital shortfall of €14.4 billion for four significant Greek banks", 31 October 2015, p.1, available online at: <https://www.bankingsupervision.europa.eu/press/pr/date/2015/html/sr151031.en.html>.

- (13) On 31 October 2015, the Greek Parliament approved the amended HFSF law¹⁰, followed by Cabinet Act No. 36 of 2 November 2015¹¹. Those legislative changes allow the four systemic banks to receive support from the HFSF in the form of both ordinary shares and CoCos in a precautionary recapitalisation¹² as well as in the scenario of resolution (where the HFSF would act as a vehicle implementing the government financial stabilisation tool). In the case of a precautionary recapitalisation, the HFSF's recapitalisation will take the form of shares – for 25% of the recapitalisation amount - and CoCos - for 75% of the recapitalisation amount. In the case of a resolution, for the part of the capital needs stemming from the AQR and the baseline scenario of the stress test, the recapitalisation of the HFSF can only take the form of ordinary shares, while the split between shares and CoCos for the recapitalisation addressing the capital needs under the adverse scenario is the same as that used for the precautionary recapitalisation (i.e. 25%-75% respectively).

2.1.2. *The economic activities of the Bank*

- (14) The Bank provides universal banking services mainly in Greece, Turkey and other countries of Central, Eastern and South-Eastern Europe (Romania, Bulgaria, Serbia, Albania, Cyprus and the Former Yugoslav Republic of Macedonia). 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, treasury and investment banking. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Bank employs in total 34 524 people¹³ of whom [...] * in Greece¹⁴. As of 30 June 2015, the Bank held a market share in Greece of 22%¹⁵ for loans, with gross loans of EUR [...] billion¹⁶, and 29,1% for deposits, which amounted to EUR [...] billion¹⁷.

* Confidential information.

¹⁰ On 1 November 2015, Law 4340/01.11.2015 (GG I 134) "Για το πλαίσιο ανακεφαλαιοποίησης των πιστωτικών ιδρυμάτων και άλλες διατάξεις του Υπουργείου Οικονομικών", on the framework for the recapitalization of credit institutions and other provisions of the Ministry of Finance, amended Law 3864/21.07.2010 (GG I 119) on the establishment of the Hellenic Financial Stability Fund. Further amendments to the law were adopted on 19 November 2015.

¹¹ Cabinet Act 36/02.11.2015 (GG I 135), regulating matters in implementation of paragraphs 2 and 5(c) of Article 7 of the Law 3864/2010 (GG I 119), as replaced by Article 1 of the Law 4340/2015 (GG I 134).

¹² In order to qualify for a precautionary recapitalisation and thus avoid resolution, State aid can cover only the capital shortfall stemming from the adverse scenario of the stress test, while capital needs stemming from the AQR and baseline scenario have to be covered by private means.

¹³ NBG press release regarding 30.06.2015 results at: [https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/20151031%20Press Release 2Q15 EN%20VF.pdf](https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/20151031%20Press%20Release%20Q15%20EN%20VF.pdf).

¹⁴ 2015 restructuring plan, p. 10.

¹⁵ Annex 1 to the 2015 restructuring plan, p. 3.

¹⁶ Annex 1 to the 2015 restructuring plan, p. 5.

¹⁷ Annex 1 to the 2015 restructuring plan, p. 7.

- (15) As for the financial position of the Bank, its net loan-to-deposit ratio at end June 2015 stood at 108% for the group and 98% in Greece¹⁸, despite significant deposit withdrawals in Greece. Pre-tax results at the end of June 2015 amounted to a loss of EUR 2 269 million, while post-tax results from continuing operations attributable to shareholders amounted to a loss of EUR 1 758 million¹⁹.
- (16) At the end of the first half of 2015, the amount of ELA granted to the Bank stood at EUR [...] billion. The amount of Greek Government Guaranteed Bonds ("GGGBs") held by the Bank was EUR [...] million²⁰.
- (17) As indicated in Table 2, the 2015 CA results indicate a capital shortfall for the Bank (before any mitigating actions) of a maximum of EUR 1 576 million under the "baseline" scenario and EUR 4 602 million under the "adverse" scenario.

2.2. Aid measures

2.2.1. Aid measure granted to the Bank through the HFSF – the 2015 underwriting (measure A)

- (18) By letter of 2 November 2015, the Bank sought authorisation from the HFSF to convoke the Bank's Extraordinary General Meeting ("EGM") of shareholders to approve the capital increase to cover the capital shortfall determined by the 2015 CA in line with the HFSF law. The Bank sought the consent of the HFSF on the basis that the HFSF would act as a backstop (measure A), provided that the Bank respects the conditions and the process set up in the HFSF law²¹.
- (19) On 3 November 2015, the HFSF gave its consent to that request. Measure A is therefore equivalent to the underwriting by the HFSF of the capital increase, namely the commitment to provide that amount of capital in case it is not provided by private investors in the framework of the capital increase. The HFSF law and related decrees describe how the HFSF is allowed to provide such support (see description of measures B and C). The form of the capital support was therefore already known at that time.
- (20) On 6 November 2015, the Bank invited its shareholders to the EGM²². According to the press release published on 12 November 2015²³, the objective of that EGM was to approve a capital increase ("the 2015 capital increase") via the issue of new ordinary shares for private investors, comprising a book-building process for investors outside Greece ("the International Offering") and

¹⁸ NBG Financial Statements of the Group and the Bank for the period ended 30.06.2015, at: <https://www.nbg.gr/english/the-group/investor-relations/financial-information/annual-interim-financial-statements/Documents/Annual%20and%20interim%20financial%20statements/Financial%20Report%2030%2006%202015%20EN%20%20FINAL.pdf>.

¹⁹ NBG Summary financial data and information for the period 01.01-30.06.2015 at: https://www.nbg.gr/english/the-group/investor-relations/financial-information/summary-financial-information/Documents/Summary%20financial%20information/Summary%20financial%20data%2030%2006%202015_EN.pdf.

²⁰ Annex 1 to the 2015 restructuring plan, p. 6.

²¹ See footnote 10.

²² https://www.nbg.gr/english/the-group/investor-relations/general-assemblies/Documents/EN_INVITATION_17-11-2015.pdf.

²³ https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/Bookbuild_Launch_Press_Release_EN.pdf.

a public offering for investors in Greece (the “Greek Offering”). The press release also clarified that:

- the International Offering would be carried out in the context of the overall implementation by the Bank of the capital plan meant to address the capital shortfall revealed by the 2015 CA,
- the actions of the capital plan included inter alia the 2015 capital raise and the Liability Management Exercise (“2015 LME”) launched by the Bank on 2 November 2015 and completed on 11 November 2015 (“the Private Capital Raising Measures”) and
- the part of the adverse scenario shortfall that would remain uncovered by the Private Capital Raising Measures and the intended sale of Finansbank A.S. would be covered through the issuance of CoCos and new shares to the HFSF (provided that the Bank had raised sufficient capital to address the baseline scenario shortfall from the Private Capital Raising Measures and from any burden-sharing measures taken in light of EU State aid rules prior to the granting of State aid).

That press release therefore made measure A publicly known.

- (21) In the presentation of the 2015 CA Results and envisaged capital plan published on 3 November 2015 on the Bank's website²⁴, a capital injection by the HFSF is also explicitly mentioned in relation to covering the capital shortfall arising from the adverse scenario of the 2015 CA. The Bank explains that “to the extent the full capital needs cannot be addressed with private capital (but having covered at least the baseline needs), Greek banks can seek capital support from the HFSF, with such capital support coming in the form of common equity (25%) and Contingent Convertible Securities (“CoCos”) (75%)”.

2.2.2. *Aid measure granted to the Bank through the HFSF – the 2015 recapitalisation through ordinary shares (measure B) and CoCos (measure C)*

- (22) On 11 November 2015, the Bank announced the preliminary results of the 2015 LME²⁵. The LME generated EUR 717 million of capital, as confirmed by the Bank in its 2015 restructuring plan.
- (23) On 12 November 2015, the Bank opened its book for a total amount of EUR 1 600 million sufficient to cover the baseline scenario of the 2015 CA.
- (24) On 16 November 2015, the Bank announced that the SSM had approved all the capital actions included in the Bank’s proposed capital plan which had been submitted to it on 6 November 2015²⁶. The positive impact of the 2015 third quarter results of EUR 120 million was also taken into account, thereby reducing the capital shortfall from EUR 1 576 million to EUR 1 456 million in the baseline scenario and from EUR 4 602 million to EUR 4 482 million in the adverse scenario. As a consequence of the SSM decision the Bank reduced the size of the International Offering to EUR 1 456 million at the end of the same

²⁴ <https://www.nbg.gr/english/the-group/investor-relations/financial-information/presentations/Documents/Presentations/2015-11-03%20Investor%20Presentation.pdf>.

²⁵ See press release of NBG, 11 November 2015: https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/EN_Conditional_Results_Announcement_11112015.pdf.

²⁶ See press release of NBG, 16 November 2015: https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/press%20release%20approval%20of%20capital%20plan_ENG.pdf.

day (16 November 2015), and also announced that reduction through a press release on 17 November 2015²⁷. On 17 November 2015, the EGM approved the 2015 capital increase for a total amount of EUR 4 482 million.²⁸

- (25) The book for the International Offering closed on 19 November 2015. [...], it was [...] covered at a price of EUR 0,02 per share ("the Offer Price") pre-reverse split, or EUR 0,3 per share post reverse split²⁹, for an amount of EUR 457 million, representing 31% of the amount of the offering.
- (26) On 19 November 2015, based on the opinion of an independent financial advisor that the book building process complies with international best practice in the particular circumstances, the HFSF approved the book building process and the issue price of the new shares in line with the HFSF law³⁰.
- (27) On 19 November 2015, the Bank communicated publicly that the results of the International Offering together with the outcomes of the 2015 LME amounted to a total of approximately EUR 1 166 million and that it planned to launch the Greek Offering, at the Offer Price, for an amount of EUR 300 million³¹.
- (28) The Greek Offering was launched on 30 November 2015 and closed on 2 December 2015, and resulted in the raising of an amount of EUR 300 million.
- (29) On 3 December 2015, the Bank submitted a request to the HFSF for a capital injection of EUR 2 706³² million, of which EUR 676 million in ordinary shares and EUR 2 029 million in CoCos. On 3 December 2015, in line with measure A, the HFSF approved its participation in the capital raising process for an amount of EUR 2 706 million. This was the amount necessary to cover the remaining capital shortfall determined by the 2015 CA (EUR 4 602 million), after the mitigating measures approved in the capital plan (EUR 120 million), the participation of private investors through the International Offering (EUR 457 million), the Greek Offering (EUR 300 million) and the 2015 LME (EUR 717 million), and the application of burden sharing measures (expected to generate EUR 302 million of capital). The HFSF approved the participation in the capital raising process conditional on the Ministry of Finance issuing the Cabinet Act on burden sharing, the State aid approval, the European Stability Mechanism's approval of disbursement for the HFSF and any required regulatory approvals.
- (30) As described in recital (13), in line with the HFSF law and Cabinet Act No. 36³³, the participation of the HFSF takes the form of ordinary shares and CoCos in a 25%/75% mix, that is to say respectively EUR 676 million (measure B) and EUR 2 029 million (measure C).

²⁷ <https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/Post%20EGM%20PR%20ENG.pdf>.

²⁸ https://www.nbg.gr/english/the-group/investor-relations/general-assemblies/Documents/EN_RESOLUTIONS_17-11-2015.pdf.

²⁹ As detailed in the EGM resolution of the Bank, published on 17 November 2015 at <https://www.nbg.gr/en/the-group/press-office/press-releases/resolutions-of-shareholders-nbg>, the capital increase operations included a reverse split, at a ratio of 15 old common shares of the Bank to 1 new common share of the Bank.

³⁰ See footnote 10.

³¹ See press release of NBG, 19 November 2015: https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/Press%20release%2019_11_2015.pdf.

³² The exact amount of the capital injection is EUR 2 705 660 748.

³³ See footnote 11.

2.2.2.1. Terms of reference of the CoCos

- (31) CoCos issued by the Bank and held by the HFSF are eligible as CET1.
- (32) The payment of coupon is annual, fully discretionary, and can be made in cash or in shares. The coupon amounts to 8% of the nominal of the CoCos. No dividend can be paid on the Bank's common stock if the Bank has decided not to pay the previous coupon in full.
- (33) CoCos will automatically convert if a second annual coupon is missed (not necessarily consecutive).
- (34) Conversion is also automatic if at any time the CET1 ratio of the Bank, calculated on a solo or a consolidated basis falls below 7%.
- (35) Finally, the holder of the CoCos has the right to ask its conversion on the 7th anniversary of the issuance.
- (36) In the event of conversion following a trigger event, the holder receives an amount of shares equal to 116% of the initial principal amount divided by the issuance price of ordinary shares in the framework of the 2015 capital increase.
- (37) The Bank has the right – but no obligation - to repay the CoCos.
- (38) CoCos can be transferred by the HFSF to another holder with the consent of the Bank and the regulator, as is laid down in the HFSF law.

2.3. The 2015 restructuring plan

2.3.1. Domestic operations

- (39) In line with the 2014 restructuring plan, the Bank pursued its efforts to bring its Greek banking operations back to profitability and viability and implemented additional restructuring measures.
- (40) Since January 2014, despite the Bank having already complied with the branch reduction target laid down in the 2014 Commitment, it closed 12 additional branches or around 2% of the total network, reducing the total number of branches to 528³⁴. The Bank has also achieved a further reduction of its workforce between January 2014 and June 2015 by around 2 100 FTE³⁵.
- (41) The Bank also managed to reduce its cost base in Greece by around [...] % between 2013, when it stood at EUR 1 449 million, and H1 2015, when it reached EUR [...] million (on a yearly basis)³⁶.
- (42) The restructuring plan puts the focus of the Bank on its core banking activities in Greece. Similar to the 2014 restructuring plan, the insurance activities of the Bank (life and non-life) in Greece [...] [...] ³⁷.
- (43) The 2015 restructuring plan includes ambitious additional restructuring measures in Greece compared to the 2014 restructuring plan.

³⁴ NBG 2014 annual reports at: <https://www.nbg.gr/english/the-group/investor-relations/financial-information/annual-interim-financial-statements/Documents/Annual%20and%20interim%20financial%20statements/FS%2031-12-2014%20EN.pdf>, p. 5.

³⁵ Annex 1 to the 2015 restructuring plan, p. 3.

³⁶ Annex 1 to the 2015 restructuring plan, p. 3.

³⁷ 2015 restructuring plan, p. 38.

- (44) For the same deadline, i.e. the end of 2017, the Bank now commits to decrease, in Greece, its headcount to below³⁸[...] (from [...] at the end of Q2 2015), while the 2014 commitment was to decrease it to below [...]. Moreover the Bank intends to further reduce its FTE in Greece to [...] by [...].³⁹ [...]
- (45) The Bank also commits for the end of 2017 to have a branch network in Greece no larger than [...] branches⁴⁰, while the 2014 commitment was to keep it below [...] branches.
- (46) The increased efficiency in terms of branches and personnel will help bringing down the total cost of the Bank's Greek activities. For the accounting year 2017, the Bank now commits to keep the total costs of its Greek activities below EUR [...] million while the corresponding figure was EUR [...] million in the 2014 commitment⁴¹, and the actual level of costs was EUR 1 103 million in 2014⁴².
- (47) Funding costs will be also further reduced due to decreasing remuneration on deposits.
- (48) Similarly, the Bank's reliance on ELA and wider Eurosystem funding, after a sharp increase in H1 2015 due to deposit outflows and adverse economic conditions, will decrease progressively in Greece from more than [...] % of its total assets in H1 2015 to close to [...] % in 2017⁴³.
- (49) In the 2015 restructuring plan, the Bank anticipates that it will also maintain a healthy balance sheet structure. Its net loan-to-deposit ratio in Greece, even though it had deteriorated due to deposits outflows in H1 2015, still stood below 100% at the end of Q2 2015⁴⁴, and is projected not to exceed [...] throughout the restructuring period.
- (50) Another priority of the Bank is the management of NPLs, for which dedicated centralised units have been established, namely: the Retail Collections Unit (RCU), created in 2010, which manages loans from the individuals and sole proprietor micro enterprises, mortgages, consumer loans and credit cards segments, and the Special Assets Unit (SAU), launched in 2014, managing troubled assets for large corporate, small medium enterprises and small business lending legal entities. The two units have a fully developed structure with important staff numbers and already sizeable portfolios under management: the RCU has [...] FTEs managing [...] clients with a total loan exposure of EUR [...] billion, while the SAU has [...] FTEs managing a EUR [...] billion portfolio including [...] clients⁴⁵.
- (51) In parallel, the Bank will continue enhancing its credit processes regarding the origination of loans (better collateral coverage and reduced limits).

³⁸ 2015 restructuring plan, p. 10.

³⁹ 2015 restructuring plan, p. 10.

⁴⁰ 2015 restructuring plan, p. 10.

⁴¹ Contributions to TEKE are not included in the 2015 commitment due to high volatility. Costs related to voluntary exit schemes necessary to comply with the new cap on FTE are also excluded from the 2015 commitment.

⁴² Annex 1 of the 2015 restructuring plan, p. 3.

⁴³ Based on Annex 1 of the 2015 restructuring plan, pp. 3 and 7.

⁴⁴ Annex 1 to the 2015 restructuring plan, p. 3.

⁴⁵ 2015 restructuring plan, pp. 11-15.

- (52) The peak of NPL formation for the Bank is expected to be in [...], while the peak of the NPL ratio is projected for year-end [...] ([...] % from 32% as at year-end 2014), with a gradual decrease of NPLs thereafter ([...] % at year-end 2018)⁴⁶.
- (53) The improvement of operational efficiency, the increase of the net interest margin and the decreasing cost of risk will enable the Bank to be profitable in Greece from [...] onwards. The Bank anticipates its profits will exceed EUR [...] in 2018 for the domestic activities⁴⁷.

2.3.2. *International activities*

- (54) In the 2014 restructuring plan, the Bank had envisaged to complete by 30 June 2018 a disposal of [...] foreign businesses and by [...] a [...] sale of Finansbank.
- (55) Foreign assets amounted to EUR [...] billion at the end of H1 2015⁴⁸, out of which Finansbank, represents around 75%.
- (56) According to the 2015 restructuring plan, the Bank still intends to divest [...] foreign assets by 30 June 2018⁴⁹. Also, as publicly announced on 3 November 2015⁵⁰ it will complete the sale of its entire stake in Finansbank in [...], by [...].
- (57) The 2015 restructuring plan also foresees the sale of [...] in [...] to be completed by 30 June 2017.

2.3.3. *Private capital raising and contribution by existing shareholders and subordinated creditors*

- (58) In the past, the Bank had already raised significant amounts of private capital on the market, in the framework of the previous recapitalisations in 2013 and May 2014⁵¹. It thereby reduced the State aid which it needed at that point in time. In addition, the Bank generated capital by implementing several LME⁵².
- (59) The funds raised in May 2014 were used to cover the Bank's additional capital needs. Following the May 2014 recapitalisation, private ownership in the Bank increased, thereby diluting HFHS' participation in the Bank's capital from 84,39%⁵³ to 57,6%⁵⁴. No dividend has been paid in cash since 2009.
- (60) To address the capital needs identified by the SSM in the 2015 CA, the Bank was able again to raise private capital on the market.
- (61) First, Q3 2015 the Bank's pre-provision income exceeded the projections of the 2015 CA. That positive difference has been accepted by the SSM as an appropriate capital measure to cover the identified capital shortfall, allowing a

⁴⁶ 2015 restructuring plan, pp. 28-29.

⁴⁷ Annex 1, 2015 restructuring plan, p. 3.

⁴⁸ Based on Annex 1 of the 2015 restructuring plan, pp. 2 and 3.

⁴⁹ [...].

⁵⁰ See press release of NBG, 3 November 2015: https://www.nbg.gr/english/the-group/press-office/press-releases/Documents/FB%20sale_English%20docx.pdf.

⁵¹ As described in recitals (147) and (148) of the 2014 Restructuring Decision.

⁵² As described in recitals (149) and (150) of the 2014 Restructuring Decision.

⁵³ As described in recital (112) of the 2014 Restructuring Decision.

⁵⁴ https://www.nbg.gr/english/the-group/corporate-governance/shareholder-structure/Documents/NBG_EN_Shareholders_Structure_30.06.2014.pdf.

EUR 120 million reduction of the capital amount needed to be raised by the Bank, in both the baseline and the adverse scenario.

- (62) Second, on 2 December 2015, the Bank completed the International and the Greek Offering processes raising a total amount of EUR 757 million of capital from the market:
- the International Offering took place between 12 and 19 November 2015 and managed to raise EUR 457 million of capital, and;
 - the Greek Offering for investors in Greece, between 30 November 2015 and 2 December 2015, for which the uptake reached EUR 300 million.
- The new shares were issued at EUR 0,02 per share pre reverse split (EUR 0,3 post reverse split).
- (63) Third, on 2 November 2015 the Bank launched the 2015 LME⁵⁵, completed on 11 November 2015⁵⁶, offering the holders of still outstanding subordinated and senior, unsecured bonds and hybrid securities to convert their instruments into newly issued ordinary shares, based on different proportions of their nominal amounts depending on the instruments' seniority, at the Offer Price. The participation rate in the LME was respectively of [...]%, [...]%, and [...]%, for senior bonds, junior bonds and hybrid securities, generating EUR 717 million of capital⁵⁷.
- (64) Finally, the remaining junior and senior bonds and hybrid securities, that did not accept the LME⁵⁸, as well as the US preference shares which were not targeted by the LME (for which the Bank's liabilities amount to EUR 197 million), will be converted into ordinary shares in line with the HFSF law. The preference shares that the Bank received in 2009 and 2011 amounting to EUR 1 350 million or 2,1%⁵⁹ of the Bank's RWA at the time the preference shares were injected into the Bank will be also converted into ordinary shares. The conversion of the preference shares will not generate new capital for the Bank as they already qualify as CET1. The terms of the conversion will be set up through a Cabinet Act upon the recommendation of the Bank of Greece on the basis of a valuation made by an independent expert. Greece will issue and implement the Cabinet Act before the HFSF injects any capital into the Bank (measures B and C). The bail-in measure is expected to generate an additional EUR 302 million of capital⁶⁰.
- (65) The total amount of the private capital generated through the International and Greek Offerings, the 2015 LME and the conversion of various instruments into common shares therefore amounts to EUR 1 776 million⁶¹, sufficient to cover the revised⁶² capital shortfall of EUR 1 456 million stemming from the baseline scenario (including AQR) of the 2015 CA, thereby reducing the

⁵⁵ According to the Bank's presentation of the 2015 CA results and the envisaged capital plan published on 3 November 2015 on the Bank's website, the Bank targeted EUR 701 million of senior 2019 notes, EUR 18 million of hybrid (Tier 2) 2020 notes and EUR 84 million preferred securities. Source: <https://www.nbg.gr/english/the-group/investor-relations/financial-information/presentations/Documents/Presentations/2015-11-03%20Investor%20Presentation.pdf>, p. 19.

⁵⁶ See recital (22).

⁵⁷ 2015 restructuring plan, p. 8.

⁵⁸ An amount of EUR 105 million. Source: the Bank's request for State aid dated 3 December 2015.

⁵⁹ Recital (295) of the 2014 Restructuring Decision.

⁶⁰ 2015 restructuring plan, p. 8.

⁶¹ 2015 restructuring plan, p. 8.

⁶² See footnote 26.

required State aid amount to the difference between the capital shortfalls in the baseline scenario (including AQR) and the adverse scenario.

- (66) The 2015 restructuring plan also foresees the full sale of Finansbank as a capital raising action, designed to minimize the need for State aid. The Bank estimates that the sale of Finansbank will reduce NBG's capital needs by between [...] and [...] ⁶³. Any potential capital surplus deriving from the sale will be used to repay the CoCos held by the HFSF or the Hellenic Republic, subject to regulatory approval.

2.4. Commitments of the Greek authorities

- (67) On 25 June 2014 Greece gave a commitment that the Bank and its affiliates will implement the 2014 restructuring plan submitted on the same day and gave further commitments ("the 2014 Commitments"), regarding the implementation of the restructuring plan.
- (68) The 2014 Commitments have been respected by the Greek authorities and the Bank apart from the commitment requiring Finansbank to issue new shares representing at least 20% of the total shareholding by 30 June 2015.
- (69) On 4 December 2015, the Greek authorities submitted an amended list of commitments ("the 2015 Commitments") in line with the 2015 restructuring plan. Amendments were necessary to take into account the additional aid measures received by the Bank (measures A, B and C) and to adapt the 2014 restructuring plan after the extraordinary adverse macro-economic conditions faced by the Bank since December 2014.
- (70) First, the Bank has set-up new and more ambitious restructuring targets for its commercial operations in Greece for the maximum number of branches and employees at 31 December 2017 as well as a maximum amount of total costs over the year 2017⁶⁴.
- (71) Regarding the Bank's foreign subsidiaries outside Turkey, the Bank will continue implementing the 2014 Commitment to [...] deleverage its foreign assets (banking and non-banking) by 30 June 2018⁶⁵. Moreover, Greece has committed that the Bank will sell its entire shareholding in Finansbank. The 100% sale of Finansbank will be signed by [...] and closed by [...]. Subject to regulatory approval, the Bank will use any surplus of capital coming from the sale of Finansbank to repay the CoCos held by the HFSF or the Hellenic Republic. The repayment of CoCos will be carried out within a period of [...] from the closing of the sale of Finansbank.
- (72) The deadline [...] of the Bank's life and non-life insurance activities in Greece [...] by [...]. [...].
- (73) The remuneration of the Bank's employees and managers will be limited for a further year, i.e. until the restructuring period, and it has to comply with point 38 of the 2013 Banking Communication⁶⁶.
- (74) Greece has also given a commitment that the Bank will reinforce its processes and capacities regarding the resolution of NPLs⁶⁷.

⁶³ 2015 restructuring plan, p. 7.

⁶⁴ See Commitments in the Annex, chapter II.

⁶⁵ See Annex, chapter II.

⁶⁶ See Annex, chapter II.

- (75) Given the new situation of the Bank, the coupon, repurchase, call and buy back ban have been discontinued and the dividend ban has been amended. Greece has committed that the Bank will not pay a dividend on ordinary shares until the earlier of (i) [...] or (ii) [...]
- (76) Due to extraordinary deposits outflows in the first half of 2015 and distressed market conditions, Greece requested to delay the commitment that the Bank will comply with a maximum ratio of net loans-to-deposits of [...] % by one year, that is to say on 31 December 2018⁶⁸ and the divestment of listed securities by [...].
- (77) As with the 2014 Commitments, the 2015 Commitments will be monitored until 31 December 2018 by a Monitoring Trustee. The Greek authorities commit that the monitoring of the Monitoring Trustee will be enhanced, i.e. the Monitoring Trustee will participate as an observer in the meetings of the Board of Directors, including the Risk Management Committee and the Strategic Planning Committee, and the Group Executive Committee. That amendment will have immediate effect as from the date of adoption of the Commission decision.
- (78) The Greek authorities commit to allocate the residual amount of the capital shortfall of a credit institution to the holders of its capital instruments and other subordinated liabilities, as may be necessary, prior to any injection of capital by the HFSF, in line with points 41 and 44 of the 2013 Banking Communication.

3. ASSESSMENT OF AID GRANTED TO THE BANK

3.1. Existence and the amount of aid

- (79) The Commission has to establish the existence of State aid within the meaning of Article 107(1) of the Treaty. As stated in Article 107(1) TFEU 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 or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.
- (80) The qualification of a measure as State aid therefore presupposes that the following conditions are met: it must be imputable to the State and financed by a Member State or through State resources, it must grant a selective advantage susceptible to favour certain undertakings or the production of certain goods and it must distort or threaten to distort competition and have the potential to affect trade between Member States.

3.1.1. Existence of aid in the 2015 underwriting (measure A)

Imputability and State resources

- (81) By measure A, the HFSF consented to the Bank calling an EGM of shareholders in November 2015 to approve the capital raising measures to cover the capital shortfall determined by the 2015 CA. That consent given to

⁶⁷ See Annex, chapter III, section A.

⁶⁸ See Commitment in the Annex, chapter II.

the Bank by the HFSF was based on both parties' understanding – which was presented as such to the private investors – that the HFSF would act as a backstop for the capital increase. The HFSF gave its consent to that request provided that the Bank complies with the conditions and the process set up in the HFSF law. The Bank could not have proceeded with the 2015 capital increase without both the consent and the backstop of the HFSF.

- (82) The Commission notes that the backstop provided by the HFSF and acknowledged by the private investors as such has the same effects as an underwriting commitment. Although the backstop provided by the HFSF did not take the form of a formal commitment letter, the documents exchanged between the Bank and the HFSF, as well as the references to the HFSF law provided in those documents, allow the Commission to conclude that they are legally and economically equivalent to an underwriting by the HFSF.
- (83) The Commission concluded in regard to similar measures, in the 2014 Restructuring Decisions regarding the Bank⁶⁹, Eurobank⁷⁰, Alpha Bank⁷¹ and Piraeus Bank⁷², that such an upfront commitment to participate in the share capital increase of the Bank involves the use of State resources. The HFSF receives its resources from the State. The Commission therefore concludes that the underwriting provided by the HFSF in the context of the 2015 capital increase commits State resources. The circumstances in which the HFSF can grant support to financial institutions are precisely defined and limited by law. Accordingly, the use of those State resources is imputable to the State.

Presence of an advantage

- (84) The 2015 underwriting granted an advantage to the Bank because it reassured depositors that the Bank would be able to raise the entire amount of capital it had to raise, i.e., the HFSF would provide the capital should the Bank fail to raise it on the market. That commitment also facilitates the raising of private capital from the market, since investors are reassured that, if the Bank cannot find part of the capital from the market, the HFSF will provide it.
- (85) Measure A thus constitutes an advantage to the Bank since it ensures that the Bank will find the capital it needs, which will reassure depositors and facilitate it in raising capital from private investors.
- (86) If private investors do not cover the capital shortfall identified by the 2015 CA, the HFSF has to actually inject capital into the Bank, as provided in the HFSF law. Such a capital injection, compared to the HFSF underwriting, would constitute a larger advantage in favour of the Bank. Unlike a mere public underwriting, the actual injection of capital increases the capital adequacy of the Bank.
- (87) Based on each of the following considerations independently, the Commission concludes that the 2015 underwriting is not in line with the market economy operator principle (MEOP).

⁶⁹ See footnote 1.

⁷⁰ Commission Decision of 29 April 2014 in SA.34825 (2012/C), "HFSF Recapitalisation commitment to EFG Eurobank" (OJ L 357, 12.12.2014, p. 112).

⁷¹ Commission Decision of 9 July 2014 in State aid SA.34823 (2012/C), "HFSF Recapitalisation commitment to Alpha Bank and additional recapitalisation" (OJ L 80, 25.3.2015, p. 1).

⁷² Commission Decision of 23 July 2014 in State aid SA.34826 (2012/C), "HFSF Recapitalisation commitment to Piraeus Bank and additional recapitalisation" (OJ L 80, 25.3.2015, p. 49).

- (88) First, the HFSF has committed to subscribe the entire capital shortfall under the adverse scenario if needed, before any private investor has formally committed to buy shares. The underwriting by the HFSF is not related to a specific price but will be determined by the book building process. No private investor would have accepted to commit before the terms of the recapitalisation were known and independently of the price.
- (89) Second, the 2015 underwriting is not remunerated by a fee. The HFSF decided not to seek an underwriting fee from the Bank. The HFSF is therefore not acting as a normal investor would, who accepts certain types of underwriting in exchange for a significant fee, in particular in view of the high risk in this case.
- (90) Third, the HFSF will participate only if there is insufficient demand from private investors. As such, the HFSF will provide capital which the Bank cannot find on the market. Consequently, the HFSF agrees in advance to provide if needs be capital for an amount which the market is not ready to provide.
- (91) Fourth, the terms of the participation of the HFSF in the share capital increase are different from those of the private investors who will subscribe to new shares. Indeed, while private investors will subscribe exclusively ordinary shares, the HFSF commits to provide 75% of the needed capital support in the form of CoCos. Those CoCos bear a high risk and have a limited remuneration. There is no indication that they would be subscribed at par (i.e. at nominal value) by private investors. In that respect, the Commission notes that the Bank did not even try to sell them in the market. CoCos have been introduced to maximize private participation in the capital raising process by creating incentives for the private sector, inter alia by limiting the dilution of the new potential private investors. In conclusion, the HFSF commits to provide support in a form which would not have been acceptable for private investors.
- (92) Fifth, a private investor which was the majority shareholder of the Bank – as the HFSF is - would not have provided such an underwriting commitment. The size of the capital which the HFSF commits to provide is much higher than the stock market value of the HFSF shareholding before the 2015 capital increase. The additional money put at risk via the 2015 underwriting commitment is therefore disproportionately large compared to the value of the existing stake.
- (93) In any event, the Commission observes that the HFSF is the main shareholder of the Bank, holding 57%⁷³ of the Bank's shares, not as a consequence of a market-oriented investment but as a consequence of a recent State aid support - the spring 2013 recapitalisation - aimed at preserving financial stability. In addition, the Bank's restructuring associated with that recapitalisation is still on-going and the Bank has not returned to its envisaged level of profitability. In those circumstances, where the existing shareholding is closely related to the intervention of the State as a "public authority", an intention to preserve the value of the existing shareholding cannot be taken into account when applying the MEOP test.
- (94) Sixth, apart from the State shareholding, the Bank is still relying heavily on liquidity aid provided by the State, in particular State guarantees on its bonds

⁷³ https://www.nbg.gr/english/the-group/corporate-governance/shareholder-structure/Documents/NBG_EN_Shareholders_Structure_30.06.2015.pdf.

(which are used as collateral for obtaining ELA). It does not appear possible, when applying the MEOP test, to assess the 2015 underwriting separately from that very large liquidity support to the Bank. If the aggregated exposure of the State liquidity and capital were to be considered, it is obvious that no private investor would have been in the position to build up such an exposure towards a Bank of a comparable size and nature, and would be even less likely to commit to increase it further via an underwriting.

- (95) Finally, the Commission observes that, during the previous recapitalisations of 2013 and 2014, no large private investor invested more than a limited amount in the capital of the Bank. In other words, each investor tried to limit its exposure to the Bank. That conduct is probably due to the high risk of such investments. As reflected in the deep drop in the price of the Bank's shares in the past year, that risk has certainly not decreased since the Bank's previous recapitalisation was implemented in 2014. In comparison with those large private investors who took part in the 2013 and 2014 recapitalisations, the Greek State (i.e. HFSF) would be investing a much larger amount. Its conduct hence would not be comparable to the investment decisions by any single private investor, even the large international private equity groups.

Selectivity

- (96) Because it was only granted to the Bank, measure A is selective.

Distortion of competition

- (97) As concluded, the backstop of the HFSF facilitated the capital raising and reassured deposits. The position of the Bank was therefore strengthened and provided an advantage which distorts competition.

Effect on trade

- (98) Since the Bank is active in other European banking markets and since financial institutions from other Member States operate in Greece, measure A is also likely to affect trade between Member States.
- (99) Measure A therefore constitutes aid and was notified as State aid by the Greek authorities.

3.1.2. Existence of aid in the measures granted through the HFSF – 2015 recapitalisation in ordinary shares (measure B) and contingent convertible bonds (measure C)

- (100) The Commission already concluded that measure A constitutes State aid. Since measures B and C are the mere implementation of the underwriting commitment granted under measure A, the Commission concludes that measures B and C are also State aid.
- (101) However, as a subsidiary reasoning, the Commission nevertheless shows that, even if taken separately, measures B and C would constitute State aid. Measures B and C were notified as aid by the Greek authorities.

Imputability and State resources

- (102) Measure B and C will be implemented with HFSF resources based on the HFSF law. The HFSF receives its resources from the State and the use of those resources is determined by the HFSF law. The Commission therefore concludes that the use of those State resources is imputable to the State.

Presence of an advantage

- (103) In order to assess if measures B and C comply with the MEOP, the Commission notes that the HFSF is recapitalising the Bank in circumstances and under terms that no private investor would accept.
- (104) The Commission already highlights in recital (91) that the terms of the participation of the HFSF in the share capital increase are different from those of the private investors. In summary, the HFSF will subscribe ordinary shares like the private investors, but it will also take up CoCos which were not offered on the market because private investors would not have found them acceptable as an investment.
- (105) In addition, as the Commission acknowledges in recital (92), the State, via the HFSF, is currently the main shareholder of the Bank following a recent State aid support. Therefore, it is highly unlikely that the argument of preserving the value of the HFSF's existing shareholding can be taken into account when applying the MEOP test.
- (106) Furthermore, as the Commission points out in recital (94), the Bank still relies heavily on liquidity aid provided by the State. If the aggregated exposure of the State liquidity and capital - were to be considered, it is obvious that no private investor would have further increased its exposure towards a Bank of a comparable size and nature.
- (107) Finally, the Commission notes in recital (95) that, during the previous recapitalisations of 2013 and 2014 private investors tried to limit their exposure to the Bank, most probably because of the high risk of that investment. That risk has not decreased and now the Greek State (i.e. HFSF) would be investing a much larger amount, which hence would not be comparable to the amount invested by any single private investor.
- (108) Therefore, the Commission concludes that the HFSF recapitalisation under measures B and C gives an advantage to the Bank as no private investor was ready to invest such an important amount and at terms similar to the ones that HFSF invested. Given the market circumstances and the investment risk, a prudent private market operator would not have proceeded with an investment similar to the HFSF recapitalisation.

Selectivity

- (109) Because they were only granted to the Bank, measures B and C are selective.

Distortion of competition

- (110) The position of the Bank is strengthened since measures B and C will increase the capital of the Bank. It therefore provides an advantage which distorts competition.

Effect on trade

- (111) Since the Bank is active in other European banking markets and since financial institutions from other Member States operate in Greece, measures B and C are also likely to affect trade between Member States.
- (112) Measures B and C therefore constitute aid and were notified as State aid by the Greek authorities.

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

- (113) Measures A, B and C constitute State aid within the meaning of Article 107(1) of the Treaty.

Table 3- Overview of the total capital aid injections received by the Bank since 2009

Ref.	Measure	Type of measure	Amount of aid	Aid/RWA
	2014 Restructuring Decision ⁷⁴ - Total capital aid granted to the Bank, excluding aid repaid within 6 months	Capital support	EUR 10 027 million	15,6%
B	Recapitalisation through ordinary shares	Capital support	EUR 676 million	1,1%
C	Recapitalisation through CoCos	Capital support	EUR 2 029 million	3,4%
Total capital paid out to the Bank in 2015			EUR 2 706 million	4,6%⁷⁵
Total amount of capital paid out to the Bank since 2009			EUR 12 733 million	20,2%

3.2. Legal basis for the compatibility assessment

- (114) 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. This has been successively detailed and developed in the seven Crisis Communications⁷⁶. The 2013 Banking Communication applies to State aid measures notified from 1 August 2013 onwards.
- (115) The Commission's various approvals of the measures undertaken by the Greek authorities to combat the financial crisis⁷⁷ confirm the presence of a serious disturbance in the Greek economy. Moreover, the need for a third sizeable macroeconomic adjustment programme for Greece confirms further continued

⁷⁴ See Recital (295) of the 2014 Restructuring Decision.

⁷⁵ The RWA used as a reference for the calculation of the aid paid out to the Bank in 2015 represents the amount as of end December 2014, i.e. EUR 59 429 million. See 2015 restructuring plan, Annex 1 p. 2.

⁷⁶ Communication on the application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis ("2008 Banking Communication"), OJ C 270, 25.10.2008, p. 8; Communication on the recapitalisation of financial institutions in the current financial crisis: limitation of aid to the minimum necessary and safeguards against undue distortions of competition ("Recapitalisation Communication"), OJ C 10, 15.1.2009, p. 2; the Impaired Assets Communication; the Restructuring Communication; Communication from the Commission on the application, from 1 January 2011, of State aid rules to support measures in favour of financial institutions in the context of the financial crisis ("2010 Prolongation Communication"), OJ C 329, 7.12.2010, p. 7, 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 and 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 ("2013 Banking Communication") OJ C216, 30.7.2013, p. 1.

⁷⁷ See Commission Decision of 9 July 2014 in State aid SA.34823 (2012/C), "HFSF Recapitalisation commitment to Alpha Bank" (OJ L 80, 25.3.2015, p. 1). Commission Decision of 23 July 2014 and Corrigendum decision adopted on 27 October 2014 in State aid SA.34824 (2012/C), "HFSF Recapitalisation commitment to National Bank of Greece" (OJ L 183, 10.7.2015, p. 29). Commission Decision of 29 April 2014 in SA.34825 (2012/C), "HFSF Recapitalisation commitment to EFG Eurobank" (OJ L 357, 12.12.2014, p. 112). Commission Decision of 23 July 2014 in State aid SA.34826 (2012/C), "HFSF Recapitalisation commitment to Piraeus Bank and additional recapitalisation" (OJ L 80, 25.3.2015, p. 49).

existence of the serious disturbance in the Greek economy. Therefore, the legal basis for the compatibility assessment of measures A, B and C is Article 107(3)(b) TFEU.

- (116) Measures A, B and C constitute restructuring aid to the Bank. The Commission assesses that aid on the basis of the Crisis Communications.

3.3. Compliance of measures A, B and C with the Crisis Communications

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

- (117) After years of economic crisis when the Greek GDP contracted by one-quarter since 2009, the 2014 restructuring plan paved the way for the Bank to return to profitability and viability. As described in recital (5), the 2014 CA confirmed that the Bank would not require additional capital under the dynamic balance sheet assumption based on the 2014 restructuring plan.
- (118) However, since December 2014, the Bank, like the other Greek banks, experienced extreme macro-economic conditions due to political uncertainty, which were not anticipated even under the adverse scenario of the 2014 restructuring plan. The political crisis led to massive deposit outflows until the introduction of capital controls on 29 June 2015. Those deposits outflows increased the cost of funding for the Bank and damaged its profitability. Moreover, NPL formation began to rise again after one year of steady decrease, due to the inability of households and businesses to repay their loans and a further deterioration in the payment culture. As described in section 2.1.1, the recession in Greece is now expected to last until 2016. Due to that deteriorating economic environment, the Bank made an exceptionally large loan loss provision in its H1 2015 accounts, which caused it to be deeply loss making. The results of the 2015 CA made by the SSM reflect those adverse macro-economic conditions. The adverse scenario of the 2015 CA assumes a deep recession in 2015-2016.

3.3.2. Restoration of long-term viability

- (119) The 2014 restructuring plan ensured that the Bank would be in a position to restore its long-term viability by 2018 in line with section 2 of the Restructuring Communication. The appropriate nature of the 2014 restructuring plan to achieve that goal was confirmed by the results of the 2014 CA.
- (120) However, due to the extreme adverse macro-economic conditions faced by the Bank since December 2014, the Bank submitted the 2015 restructuring plan including additional measures to restore its viability and its profitability in a changed macroeconomic environment.

3.3.2.1. Greek banking activities

- (121) As regards liquidity, the Bank expects over the next [...] years to progressively re-collect the deposits lost between December 2014 and July 2015. It also expects to progressively regain access to wholesale funding market. As a consequence, the Bank's reliance on Eurosystem funding and in particular on State-guaranteed ELA should progressively decrease.

- (122) The updated loan-to-deposit ratio commitment mentioned in recital (76) ensures that the Bank's balance sheet structure will remain sustainable at the end of the restructuring period, i.e. 31 December 2018.
- (123) The pre-provisioning profitability of the Bank, in particular its net interest margin, is already satisfactory. The source of the net losses in H1 2015 and in previous years is due to the exceptionally high loan loss related to the exceptionally deep recession. Nevertheless, the Bank envisages taking further measures to reinforce and increase its pre-provisioning profitability.
- (124) Interest rates paid on customer deposits, which the Bank already been able to decrease significantly over the last years, will be further reduced, thus decreasing the Bank's funding costs.
- (125) Regarding operational costs, the Bank will continue the rationalization of its commercial network in Greece, mainly through a reduction in the number of employees⁷⁸ and through cost optimisations. The Bank already complies with the envisaged target in terms of number of branches, but regarding employees Greece has committed that the Bank will reduce its headcount to below [...] on 31 December 2017 and [...] at the maximum on 31 December 2018, with maximum total costs in Greece of EUR[...] million in 2017⁷⁹. The expected cost-to-income ratio is expected to be less than [...] % at the end of the restructuring period⁸⁰. The Commission considers that the 2015 restructuring plan will reinforce the efficiency of the Bank.
- (126) One other key area is the handling of NPLs. As described in recital (50), the Bank has devoted considerable resources to build and operate its internal NPL management units. The resources of those units will be further reinforced during the restructuring plan period. Besides depending on its own efforts, the ability of the Bank to recover money for its large stock of NPLs depends on macroeconomic developments and on whether the legal framework is improved. Without a supportive legal framework, particularly for insolvency, the Bank will face difficulties recovering the expected amount from its stock of NPLs. That risk factor is expected to be addressed by the changes to the legislative and administrative framework in Greece as foreseen by the MoU⁸¹.

3.3.2.2. *International activities*

- (127) The Bank's international activities have contributed to increase the Bank's capital and liquidity needs in the past. In the 2015 CA, Finansbank contributed to increase the capital needs of the Bank.
- (128) The 2015 restructuring plan anticipates that the Bank will continue to re-focus on its domestic market and sell [...] foreign activities. The efforts taken by the Bank to rationalize the other subsidiaries will be pursued and will facilitate the divestment process.

⁷⁸ See recital (40).

⁷⁹ Excluding voluntary exit scheme costs and contributions to a deposit guarantee fund or resolution fund.

⁸⁰ Annex 1 of the 2015 restructuring plan, p. 3.

⁸¹ See Section 3 of the Memorandum of Understanding signed on 19 August 2015:

http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/01_mou_20150811_en.pdf.

- (129) The largest subsidiary of the Bank, Finansbank, will be subject to [...] sale process. The Bank expects to complete the transaction by [...] and to obtain a capital surplus from the sale, which will be used to repay the CoCos held by the HFSF or the Hellenic Republic. Moreover, the Bank will [...] its insurance activities (life and non-life) [...] by [...].

3.3.2.3. *Conclusion on viability*

- (130) The base case scenario as described in section 2.3 shows that at the end of the restructuring period set down in the 2015 restructuring plan the Bank will be able to realise a return which allows it to cover all its costs and provide an appropriate return on equity taking into account its risk profile. At the same time, the Bank's capital position is projected to remain at a satisfactory level.
- (131) Finally, the Commission takes note of the adverse scenario described in the 2015 restructuring plan of the Bank as submitted by the Greek authorities. The 2015 restructuring plan shows that the Bank is able to withstand a reasonable amount of stress as, in the adverse scenario, the Bank remains profitable and well-capitalised at the end of the restructuring period.
- (132) It is therefore concluded that the combination of the already implemented restructuring and the additional proposed restructurings are sufficient to restore the Bank's long-term viability.
- (133) In September 2014 Greece adopted legislation that put State guarantees in place on banks' deferred tax assets ("DTA"). The Commission has started a preliminary administrative procedure to collect more information about that measure to investigate whether it could raise any issue under State aid rules. That measure is not covered by the present decision. The MoU states that "The law relating to government guarantees on DTA will be amended to minimise programme funding and limit the link between the banks and the state". At the end of October 2015 the large Greek banks published their H1 2015 accounts and Q3 2015 accounts, in which they created additional amounts of DTA eligible to be covered by State guarantees. Those State guaranteed DTA created in the accounts published at the end of October 2015 require a deeper scrutiny. Nevertheless, the Commission observes that the Bank would be viable even if there were no additional State guarantees on DTA created after 31 December 2014. The SSM did not take into account the DTA created after 31 December 2014 when it conducted the 2015 CA. Hence, even if the State guarantees on the DTA created after 31 December 2014 were to be removed, the Bank would not have higher regulatory capital needs. The Commission can therefore finalise its assessment of the viability of the Bank without having reached a preliminary assessment of the State guarantees on the DTA created after 31 December 2014. For the same reasons, the Commission can also finalise its assessment of whether the aid to the Bank is limited to the minimum necessary without having concluded its preliminary assessment of that measure.

3.3.3. *Own contribution and burden-sharing*

- (134) The Restructuring Communication supplemented by the 2013 Banking Communication⁸² indicates that an appropriate contribution by the beneficiary

⁸² See footnote 56.

is necessary to limit the aid to a minimum and to address distortions of competition and moral hazard. To that end, it provides (i) that both the restructuring costs and the amount of aid should be limited and (ii) that there should be a maximum burden-sharing by existing shareholders and subordinated creditors.

3.3.3.1. *Own contribution of the Bank by raising private capital*

- (135) The Commission observes that, as in 2013 and 2014, the Bank has been able in 2015 to attract private capital to cover part of the capital needs. Thereby, it reduced the amount of State aid needed. The HFSF has monitored the book building process to ensure that the amount of private capital raised was maximised.

3.3.3.2. *Burden-sharing by existing shareholders and subordinated debt holders*

- (136) Adequate burden-sharing will normally entail, after losses are first absorbed by equity, contributions by hybrid capital holders and subordinated debt holders. Hybrid capital and subordinated debt holders must contribute to reducing the capital shortfall to the maximum extent. Such contributions can take the form of either a conversion into CET1⁸³ or a write-down of the principal of the instruments. In any case, cash outflows from the beneficiary to the holders of such securities must be prevented to the extent legally possible.
- (137) Regarding the burden-sharing of shareholders, point 41 of the 2013 Banking Communication sets out that losses should first be absorbed by equity. However it can be recalled, first, that a majority of the shares of the Bank are owned by the HFSF and the new investors who injected money in the framework of the capital increases of 2013 and 2014. The historical shareholders dating from before the 2013 recapitalisation have been nearly fully diluted by the 2013 and 2014 recapitalisations⁸⁴. Second, it can be recalled that the stock market price of the Bank's shares dropped dramatically since the last quarter of 2014. In consequence, the issue price of new shares in the framework of the 2015 capital increase, EUR 0,02 before the reverse split or EUR 0,3 post reverse split, is a very small fraction of the price at which the HFSF and the private investors subscribed shares in 2013 and 2014, i.e. EUR 4,29 and EUR 2,20 per share respectively. As a consequence, the investors who invested in 2013 and 2014 and who – with the HFSF - are the current shareholders of the Bank will be deeply diluted by the 2015 capital increase. The shares issued in December 2015 will represent the vast majority of the total shares of the Bank. Due to the combination of the factors described above, the Commission considers that the burden-sharing by shareholders is sufficient. In particular, the objective of the requirement of the 2011 Prolongation Communication to ensure that the State subscribes new shares at a price which is sufficiently low, allowing for dilution and burden-sharing by existing shareholders (and sufficient remuneration on the shares subscribed), is achieved.

⁸³ As defined by Article 26 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, OJ L 176, 27.6.2013, p. 1.

⁸⁴ As described in recitals (147) and (398) of the 2014 Restructuring Decision.

- (138) The contribution of both the hybrid capital and subordinated debt holders, and that of the senior unsecured debt holders, was already partially achieved with the 2015 LME. The results of 2015 LME ended with participation rates of respectively [...] %, [...] % and [...] % for senior bonds, junior bonds and hybrid securities, generating EUR 717 million of capital. With regard to the contribution obtained from the senior creditors, the 2015 LME exceeded the minimum level burden-sharing sought for State aid purposes, which does not require contributions of senior unsecured debt holders.
- (139) As a further measure regarding burden-sharing by subordinated debt holders, as described in recital (78), Greece committed that before any new State aid is granted to the Bank the latter will convert in CET1 the entire amount of the outstanding hybrid capital and subordinated debt instruments in line with the 2013 Banking Communication. This is expected to generate an additional EUR 302 million of capital. That commitment ensures that all existing hybrid capital and subordinated debt holders will fully contribute to cover the restructuring costs of the Bank before the HFSF steps in.
- (140) The Commission observes that, as a consequence of the conversion described in recitals (138) and (139), the Bank will have no outstanding hybrid capital and subordinated debt instruments held by private investors. In that context, it accepts the termination of the 2014 commitment not to pay coupon and not to repurchase such instruments. Those commitments are no longer necessary to ensure burden-sharing by historical subordinated debt instruments, since such instruments no longer exist.

3.3.3.3. Remuneration of the State aid instruments

- (141) In the 2008 Recapitalisation Communication and in the 2011 Prolongation Communication, the Commission has explained how State aid instruments should be remunerated. Point 24 of the Restructuring Communication provides that an adequate remuneration of State capital is also a means of achieving burden-sharing.
- (142) With regards to subscription of ordinary shares by the HFSF (measure B), the issue price will be the same for the HFSF as for the private investors. The Commission therefore considers that the expected return on the new shares subscribed by the HFSF is sufficiently high. As described in recital (137), the Commission also considers that the issue price is sufficiently low, as requested by the 2011 Prolongation Communication.
- (143) In relation to the subscription of CoCos (measure C), point 27 of the Recapitalisation Communication provides that the coupon on subordinated and hybrid capital instruments subscribed by the State should be in a corridor between 7% and 9.3%, depending on how junior the capital is. The CoCos qualify as CET1 because they are loss absorbing, there is no obligation for the Bank to repay them, and the payment of the annual coupon is discretionary. It is therefore a very junior type of hybrid instrument, close to equity. The required remuneration under the Recapitalisation Communication should therefore be 9,3%. However, the annual coupon is only 8%. In addition, point 13 of the 2011 Prolongation Communication requires that if a bank is unable to pay the coupon on a hybrid capital instrument in cash, it has to pay it in shares. The Commission observes that, under the terms of the CoCos, if the Bank does not pay one coupon, there is no obligation to pay it in shares. There is therefore a deviation from the requirements of the 2011 Prolongation Communication.

At the second missed coupon, the instrument will automatically convert into shares, based on a virtual principal amount to 116% of the principal of the CoCos. There is therefore remuneration for the second missed coupon.

- (144) In summary, the CoCos to be subscribed by the HFSF slightly deviate from the normal applicable remuneration requirement, by offering a slightly lower coupon and by having no alternative coupon satisfaction mechanism for the first missed coupon. Due to the specificities of the Greek banks (such as capital needs primarily due to an exceptionally protracted and deep recession rather than due to own risk-taking by the banks, the fact that historical shareholders have been fully diluted through the successive recapitalisations, and the programme objective of attracting private investors in order to avoid nationalisation of the entire banking sector which in turn is the primary means to limit additional State aid), the Commission accepts that limited deviation compared to standard remuneration requirements.

3.3.3.4. *Own contribution of the Bank by internal measures*

- (145) As regards covering the restructuring costs stemming from the 2015 restructuring plan through internal measures, the Bank will carry out cost-cutting measures resulting in a decrease of operating costs in Greece from around EUR 1,1 billion in 2014 to below EUR [...] billion in 2017⁸⁵. In addition, as described in recital (73) the Bank commits to comply with the limitation of the executive pay in line with what is sought in point 38 of 2013 Banking Communication.
- (146) The 2015 restructuring plan provides that the Bank will divest a number of listed securities by [...]. That deadline constitutes a six-month extension compared to the 2014 restructuring plan, which is appropriate given the distressed market conditions in Greece.
- (147) In addition, as described in recitals (54) and (56), the Bank will divest [...] foreign assets [...] by [...], and will fully divest its largest subsidiary, Finansbank, in [...], by [...]. The envisaged divestments, in particular the sale of Finansbank, will substantially reduce the RWA of the Bank. That sale is therefore expected to substantially increase the capital ratio of the Bank and will in such case allow the repayment of aid granted to the Bank, in particular the CoCos granted to the Bank⁸⁶.
- (148) The sale of the Bank's [...] ⁸⁷ will also generate resources which can be used to support the Greek banking activities or repay the Cocos.
- (149) Moreover, still regarding own contribution, the Bank's has realised pre-provision profits for Q3 2015, which exceeds the figure projected in the baseline scenario of the 2015 CA by EUR 120 million. That positive difference has been accepted by the SSM as an appropriate capital measure to cover the identified capital shortfall and will therefore decrease the amount of State aid required.

⁸⁵ See recital (46).

⁸⁶ See recital (66).

⁸⁷ NBG 2014 annual reports at: <https://www.nbg.gr/english/the-group/investor-relations/financial-information/annual-interim-financial-statements/Documents/Annual%20and%20interim%20financial%20statements/FS%2031-12-2014%20EN.pdf>, p. 118.

- (150) The Commission accepts the termination of the commitment not to pay coupon on hybrid instruments (see recital (75)). As all the existing hybrid instruments will be converted into ordinary shares, that commitment would, if prolonged, have only applied to instruments issued in the future. The ending of the commitment should allow the Bank, if needed in the future, to raise hybrid capital on the market in line with point 26 of the Restructuring Communication.

3.3.3.5. Conclusion on own contribution and burden-sharing

- (151) The burden-sharing by shareholders, hybrid and subordinated debt-holders, the cost reductions, the divestments and the adequate remuneration for the aid represent a sufficient burden-sharing and own contribution by the Bank to the costs of its restructuring. Moreover, going beyond the minimal requirements set out in the Commission's guidance for State aid to banks to be declared compatible with the internal market, a contribution from senior unsecured bondholders has also been achieved, which reduced the amount of State aid needed.
- (152) For those reasons, the Commission concludes that the 2015 restructuring plan provides for an appropriate own contribution and burden-sharing.

3.3.4. Measures to limit distortions of competition

- (153) The 2014 restructuring plan offered sufficient measures limiting distortions of competition and ensuring a competitive banking sector in line with the Restructuring Communication. It also addressed moral hazard issues and ensured that State aid is not used to fund anti-competitive behaviour.
- (154) However, the Commission should assess the need to take additional measures given the additional restructuring aid granted to the Bank (measures A, B and C).
- (155) 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.
- (156) The nominal amount of measure A is considerable, but the aid granted to the Bank does not have the same distortive impact on competition as a capital injection would have had. Measure A is a short-term commitment granted to facilitate the book building process to maximize private participation and thus to finally reduce the final amount of State aid paid out.
- (157) However, the State aid actually paid out, that is to say measures B and C, represent an additional aid of 4,6% of RWA. In addition, at the end of H1 2015, the GGGBs held by the Bank amounted to EUR [...] million⁸⁸.
- (158) Additionally, as described in recital (14), the Bank holds a large market share in Greece, of around 22% for loans and 29% for deposits⁸⁹.

⁸⁸ See recital (16).

⁸⁹ 2015 restructuring plan, Annex I.

- (159) Some additional measures to limit potential distortions of competition are therefore necessary in view of measures A, B and C.
- (160) The Commission recalls that the need for additional State aid resulted to a large extent from the economic effects of political instability prevailing in H1 2015 as described in section 2.1.1. The need to address moral hazard issues is therefore reduced. 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.
- (161) The Commission also observes that all the four large banks in Greece, which account for more than 95% of the market, are under restructuring following the receipt of aid. It would have adverse macro-economic effects to accept commitments from the Member State concerned regarding each of them to reduce their lending to the Greek economy.
- (162) For those reasons, the Commission can exceptionally accept that, in spite of the additional restructuring aid and the total amount of aid paid out to the Bank in the past years, representing 20,2% of RWA (see Table 3), the 2015 restructuring plan does not envisage any downsizing of the loans to households and businesses in Greece.
- (163) The Commission notes that the Bank will [...] deleverage [...] foreign assets by 30 June 2018⁹⁰, which include [...] EU activities. The aid will therefore not be used to distort competition within the banking markets of EU Member States.
- (164) Other measures to limit competition distortions included in the 2014 restructuring plan and assessed in the 2014 Restructuring Decision continue to apply over the restructuring period. In particular, the Bank will exit the [...].
- (165) Taking into account the measures provided for in the 2015 restructuring plan, the Commission considers there are sufficient safeguards to limit distortions of competition.

3.4. Monitoring

- (166) 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. The 2014 Commitments already provide that a Monitoring Trustee, which has been appointed by the Bank with the approval of the Commission, will monitor the commitments given 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 2015 Commitments do not change those Commitments, but provide an enhanced monitoring role for the Monitoring Trustee. More specifically, the mandate of the Monitoring Trustee shall be amended in order to ensure that the Monitoring Trustee participates as an observer in the meetings of the Board of Directors, including the Risk Management Committee and the Strategic Planning Committee, and the Group Executive Committee. The 2015 Commitments provide that that amendment shall have immediate effect as from the Effective Date of the Commitments. The Commission therefore finds that proper monitoring of the implementation of the 2015 restructuring plan is ensured.

⁹⁰ See Annex, chapter II.

4. COMPLIANCE OF THE AID MEASURES WITH THE INTRINSICALLY LINKED PROVISIONS OF DIRECTIVE 2014/59/EU ON BANK RECOVERY AND RESOLUTION⁹¹

- (167) The Commission cannot deem a State aid measure compatible if the measure or the method of its financing, breaches intrinsically linked provisions of Union legislation⁹². In the case at hand, the Commission needs to verify whether any intrinsically linked provisions of Directive 2014/59/EU on bank recovery and resolution ("BRRD") have been breached. In order to do so, first the Commission needs to establish whether the aid measure can be granted outside resolution by virtue of Article 32(4)(d) BRRD ("precautionary recapitalisation"), or only after a resolution action has been triggered.
- (168) The Commission notes that the BRRD was transposed into Greek law on 23 July 2015 and came into force by virtue of Law 4335/2015.
- (169) According to Article 32(4)(d) BRRD, an institution is deemed to be failing or likely to fail in case extraordinary public financial support is required. However, the exemption laid down in Article 32(4)(d)(iii) allows for an injection of own funds or purchase of capital instruments which does not result in that institution being considered to be "failing or likely to fail" provided the following conditions are met:
- i. The aid is required *"in order to remedy a serious disturbance in the economy of a Member State and preserve financial stability"*;
 - ii. The aid is granted *"at prices and on terms that do not confer an advantage upon the institution"*;
 - iii. The aid *"shall be confined to solvent institutions"*;
 - iv. The aid *"shall be conditional on final approval under State aid framework"*;
 - v. The aid *"shall be of a precautionary and temporary nature"*;
 - vi. The aid *"shall be proportionate to remedy a serious disturbance in the economy of the Member State"*;
 - vii. The aid *"shall not be used to offset losses that the institution has incurred or is likely to incur in the near future"*;
 - viii. The aid is *"limited to injections necessary to address capital shortfall established in the national, Union or SSM-wide stress tests, asset quality reviews or equivalent exercises conducted by the European Central Bank, EBA or national authorities"*;
 - ix. The circumstances referred to in point (a), (b) or (c) of Article 32(4)(d) BRRD and the circumstances referred to in Article 59(3) BRRD are not met.

⁹¹ 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.

⁹² See recital (25) of the Commission Decision in State aid SA.40029 (2014/N) "Reintroduction of the winding-up scheme, compensation scheme, Model I and Model II – H1 2015", OJ C 136, 24.4.2015, p.4. See recital (29) of Commission Decision in State aid SA.42215 (2015/N) "Prolongation of the Greek financial support measures (art. 2 law 3723/2008)", OJ C 277, 21.8.2015, p.11.

- (170) The Greek authorities submit that the aid measures envisaged for the Bank fall under the exemption provided in Article 32(4)(d)(iii) BRRD.
- (171) The Commission notes that measures A, B and C constitute State aid and therefore qualify as extraordinary public financial support within the meaning of the BRRD.
- (172) The Commission considers that the conditions provided in Article 32(4)(d)(iii) BRRD are met. The assessment of the measures' compatibility with the internal market under Article 107(3)(b) of the Treaty has already shown that the measures are granted to remedy a serious disturbance in the Greek economy and to preserve financial stability in the Greek banking sector.
- (173) The Commission notes that the aid measures do not confer an undue advantage to the Bank, i.e. an advantage incompatible with the internal market under State aid rules. That outcome is ensured by the compliance with the compatibility conditions for restructuring aid as explained in section 3.3 of this Decision, in particular the level of remuneration for the aid which is in line with the requirements under State aid rules, and the depth of the restructuring as reflected in the revised 2015 restructuring plan.
- (174) The aid is confined to a solvent institution as the Bank complied with the capital requirements when the aid measures are granted, following in particular the private capital increase and the 2015 LMEs, and as assessed by the competent supervisory authority.
- (175) The Commission notes that the HFSF will recapitalise the Bank only after the State aid decision is adopted and no funds will have been injected into the Bank before the State aid decision.
- (176) By the present State aid Decision the Commission finds that the 2015 restructuring plan is apt to restore the long-term viability of the Bank on a stand-alone basis, and that the aid measure is compatible.
- (177) The aid injected into the Bank is of a precautionary and temporary nature as covering the capital shortfall identified by the ECB by raising capital will result in the creation of prudential buffers in the Bank. They will improve the resilience of its balance sheet and capacity to withstand potential adverse macroeconomic shocks. The temporary nature of the aid is ensured by the fact that a high proportion of the aid (75%) is granted in the form of a repayable capital instrument, i.e. CoCos, as well as by the overall objective of the Greek State to exit the capital of the Bank through privatisation and other means as set out in the Memorandum of Understanding⁹³, referring also to the part of the aid provided in the form of share capital. Moreover, the remuneration of CoCos can be considered to be in line with State aid rules. Finally, the commitment to complete the sale of Finansbank by [...] and the commitment to use the likely resulting capital surplus to repay the aid further increase the likelihood that the Bank will repay the aid. Therefore, the precautionary recapitalisation is of a temporary nature.

⁹³ The Eurogroup statement of 14 August 2015 and the Memorandum of Understanding signed on 19 August 2015 provide that the task of the newly independent fund established in Greece will be to quickly identify, transfer over the lifetime of the programme, and manage valuable Greek assets through privatisation and other means. This will also include the shares in the Greek banks after their recapitalisation.

- (178) The Commission has already concluded in the present Decision that the aid is proportionate to remedy the consequences of the serious disturbance in the Greek economy.
- (179) The aid is not used to offset losses that the Bank has incurred or is likely to incur in the near future.
- (180) The aid measures for the Bank are limited to the injections necessary to cover the capital shortfall arising under the adverse scenario of the stress test, as identified by the ECB and disclosed on 31 October 2015, after the capital shortfall arising under the AQR and the baseline scenario of the stress test has been covered by private means (i.e. capital raising from private investors, the 2015 LME and the conversion into common equity of instruments not included in the 2015 LME).
- (181) Finally, based on the available information, the Commission considers that the circumstances referred to in point (a), (b) or (c) of Article 32(4)(d) BRRD are not met. The supervisory authority, the ECB, approved the capital raising of the Bank and the Bank managed to raise an important part of the capital shortfall from private investors. As described in recital (173), the aid measures for the Bank are limited to the injections necessary to cover the capital shortfall arising under the adverse scenario of the stress test, after the capital shortfall arising under the AQR and the baseline scenario of the stress test has been covered by private means. The ECB noted in the report of the 2015 CA that covering the shortfalls by raising capital would then result in the creation of prudential buffers in the four Greek banks, keeping thus an adequate level of solvency⁹⁴. Therefore, based on the available information, the Commission does not have objective elements to indicate that any of the circumstances referred to in point (a), (b) or (c) of Article 32(4)(d) BRRD are met. As regards the circumstances referred to in Article 59(3) BRRD, the Commission notes that all additional Tier 1 and Tier 2 instruments held by the Bank are subject to conversion into ordinary shares and will fully contribute to covering capital needs of the Bank before State aid is injected.
- (182) The Commission concludes that the conditions under which the aid measures are granted are in line with the exemption provided for in Article 32(4)(d)(iii) BRRD. Therefore, the aid measures do not trigger the "*failing or likely to fail*" criterion under the BRRD in relation to the Bank and can be implemented outside resolution.

5. CONCLUSION

- (183) The Commission concludes that (i) the underwriting provided by the HFSF, (ii) the HFSF contribution in shares to the capital increase and (iii) the HFSF subscription of Contingent Convertible Bonds constitute State aid within the meaning of Article 107(1) TFEU.
- (184) 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.

⁹⁴ ECB – Banking Supervision, "Aggregate report on the Greek Comprehensive Assessment 2015", 31 October 2015, p. 1, <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/aggregatereportonthecomprehensiveassessment201510.en.pdf>.

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

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State Aid Greffe
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Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission





**HELLENIC REPUBLIC
MINISTRY OF FINANCE**

Athens, 04 December 2015

National Bank of Greece – Commitments by the Hellenic Republic

The Hellenic Republic shall ensure that **the Bank** is implementing the restructuring plan submitted on 4 December 2015. The restructuring plan is based on macro-economic assumptions as provided by the European Commission (the "Commission") in Appendix I and the Hellenic Financial Stability Fund (HFSF) 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 [...]:** a bid which results in an increase in the regulatory capital ratio of the Bank. Any bid above the book value of the [...] 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 Equivalent (the "FTEs") in Greece (Greek banking and non-banking activities, [...]) shall amount to [...] at the maximum on 31 December 2017 and to [...] at the maximum on 31 December 2018.

[...]

- (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

The Bank's costs stemming from the consolidation of non-financial companies acquired by the Bank in the framework of restructuring of its exposure towards firms in difficulty (e.g. debt to equity swaps) and clearly earmarked for future sale shall not be taken into account for the monitoring of the compliance with the cap on total costs in Greece. [...]

- (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 [...] % on 31 December 2018. [...]
- (6) **Support to operations in Turkey:** Until 30 June 2018, the Bank shall not provide additional [...]².

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

- (7) **Sale of Finansbank:** The Bank shall proceed with the sale of 100% of its shareholding in Finansbank. The sale shall be signed by [...] and closed by [...].

Subject to regulatory approval, the Bank shall use any surplus of capital coming from the sale of Finansbank to repay the Contingent Convertible bonds (CoCos) held by the HFSF or the Hellenic Republic. The repayment of CoCos shall be carried out within a period of [...] from the closing of the sale of Finansbank.

- (8) **Disposal of [...] foreign businesses by 30 June 2018:** The Bank shall sell (signing) by 30 June 2018 its foreign subsidiaries in [...]³ and its branch network operating in [...] to reduce its international activities.

(8.1) [...]⁴

(8.2) [...]⁵

(8.3) [...]

- (9) **Sale of [...]:** [...]

- (10) **Sale of [...]:** [...]

- (11) **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,

¹ The total costs in Greece shall exclude any contribution of the Bank to a deposit guarantee fund or resolution fund.

² [...]

³ [...]

⁴ [...]

⁵ [...]

as well as all investments in subordinated bonds and hybrid bonds, excluding [...].

- (12) **Disposal of private equity subsidiary:** The Bank shall divest NBG Private Equity Funds by [...].
- (13) 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 Bank⁶;
 - 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.
- (14) **Investment policy:** Until 30 June 2017, the Bank shall not purchase non-investment grade securities.

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

- i. [...]
 - ii. [...]
 - iii. [...]
 - iv. [...]
 - v. [...]
 - vi. [...]
- (15) **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, point 38 and shall be prolonged until the end of the restructuring period. [...]

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

⁶ 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.

- (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 loans⁷ to enable borrowers to purchase shares or hybrid instruments of the Bank and other banks⁸ shall be prohibited, whoever are those borrowers⁹. 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

⁷ 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.

⁸ For clarification, "other banks" refer to any bank – financial institution in the world.

⁹ For clarification, all borrowers, including the Bank's private banking clients are covered by that Commitment.

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.

Resolution of NPLs

- (16) The Bank shall take all measures to tackle the NPLs, in line with the NPL strategy included in the restructuring plan and consistent with any relevant regulatory requirements. The Monitoring Trustee shall report on the implementation of this Commitment and on the Bank's progress on the NPLs resolution in a specific chapter of the Monitoring Trustee report. 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 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 loans¹⁰ to connected borrowers (annual % of Y-1 stock¹¹) 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 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

¹⁰ For clarification, the new production of loans covers also the rolling over of loans and the restructuring of existing loans.

¹¹ 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.

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) The Bank shall not pay dividend on ordinary shares until the earlier of (i) [...] or (ii) [...].
- (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 business¹².
- 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 size¹³ of the Bank at the Effective Date of the Commitments¹⁴; 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

¹² 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.

¹³ For clarification, for the purpose of that Commitment, the size of the balance sheet is equal to the Bank's total assets.

¹⁴ 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.

commercial strategies which would not take place without the support of the Hellenic Republic.

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. The mandate of the Monitoring Trustee shall be amended in order to ensure that the Monitoring Trustee participates as an observer in the meetings of the Board of Directors (BoD), including the Risk Management Committee and the Strategic Planning Committee, and the Group Executive Committee. This amendment shall have immediate effect as from the Effective Date of the Commitments.
- (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 Minister

Euclid Tsakalotos

Appendix I: Macro-economic projections for Greek domestic operations

(baseline scenario)

	2014	2015	2016	2017	2018
Nominal GDP	179.1	173.4	172.2	178.1	185.4
Growth rate	-1.8%	-3.2%	-0.7%	3.4%	4.1%
Real GDP	186.5	182.3	179.9	184.8	190.5
Growth rate	0.8%	-2.3%	-1.3%	2.7%	3.1%
Unemployment rate	26.5	26.9	27.1	25.7	24.2
HICP	119.9	119.4	121.2	122.2	123.5
HICP inflation	-1.4%	-0.4%	1.5%	0.9%	1.0%
<u>Market indicators</u>					
FX rate (YTD average)					
EUR/CHF	-	1.08	1.11	1.13	1.17
EUR/USD	-	1.08	1.05	1.10	1.16
EUR/TKL	-	3.30	3.30	3.30	3.30
Eurosystem funding costs					
ELA	-	1.55%	1.65%	1.75%	1.85%
ECB	-	0.05%	0.15%	0.25%	0.35%
Euribor					
1M	-	(0.07%)	(0.15%)	(0.08%)	0.05%
3M	-	(0.01%)	(0.05%)	0.05%	0.26%
1Y	-	0.19%	0.23%	0.38%	0.64%