EUROPEAN COMMISSION

Brussels, 23.05.2011
C(2011) 3589 final

Subject: State aid N429/2010 – Greece
Agricultural Bank of Greece (ATE)

Sir,

1 PROCEDURE

(1) On 19 November 2008, the Commission approved, as a scheme, a package of support measures for credit institutions in Greece[1]. On that basis, on 21 May 2009 Agricultural Bank of Greece (hereinafter "ATE") was recapitalised by the State by an amount of EUR 675 million in the form of Tier 1 preference shares.

(2) On 1 October 2010, the Greek authorities notified a restructuring plan for ATE to the Commission.

(3) Additional information was submitted in a number of e-mails, letters and meetings in 2010 and 2011, including various amended versions of the restructuring plan.

(4) On 31 August 2010, the Hellenic Republic mandated a group of advisors to perform a strategic review in relation to the State's stakes in Greek banks. The study concluded in October that ATE was facing serious difficulties and had to undergo in-depth restructuring.

[1] Commission Decision of 19 November 2008 in State Aid Case N 560/2008 "Support Measures for the Credit Institutions in Greece", OJ C 125, 5.6.2009, p. 6.

• •••• •••••••

Grèce - 10671 • ••••

Commission européenne, B-1049 Bruxelles – Belgique
Europese Commissie, B-1049 Brussel – België
: 00-32-(0)2-299.11.11.

(5) In December 2010, ATE mandated an independent loan due diligence advisor, PricewaterhouseCoopers (PwC), in order to perform an independent review of the loan portfolio of ATE and in particular to review the level of provisions that ATE projected in the restructuring plan submitted on 10 November 2010. On 1 February 2011, the due diligence report was submitted by the Greek authorities, indicating that ATE needed to increase by EUR 185 million the total amount of provisions (compared with ATE's projections) for the period 2010-2014.

(6) By letter of 8 March 2011, the Greek regulator, the Bank of Greece, indicated that the capital needs of ATE were EUR 585 million and that therefore a capital increase by at least that amount was required.

(7) On 28 April 2011, the final restructuring plan, together with the commitments (hereinafter "the commitments"), was formally notified and included the notification of a capital injection essentially subscribed by the State. The plan includes the project of an increase of the capital by EUR 1,259.5 million.

(8) On 11 May 2011, the Greek authorities exceptionally accepted that the Commission decision be adopted in the English language.

2 DESCRIPTION

2.1 The beneficiary

(9) ATE is the fifth-largest banking group in Greece. Its assets total EUR 31.2 billion on 31 December 2010. ATE has a market share in Greece of approximately 6.1% of total assets of banks in Greece and the second-largest distribution network in Greece with 483 branches and 947 ATMs.

(10) ATE was initially founded in 1929 as a non-profit organisation by the Greek State with the objective of covering the financing needs of the agricultural sector with government-subsidized interest rates. However, over time, the group significantly expanded its activities beyond the agricultural sector:

a) In banking: ATE (i) increased its exposure to the retail (in particular mortgage and consumer lending) and small- and medium-sized enterprises (SME) segments, (ii) built a significant portfolio of securities (e.g. bonds and equities) and developed trading activities, (iii) further developed its public sector lending activities, (iv) acquired large participations in banking entities in Greece (39.09% of First Business Bank as at 31 December 2010) and abroad (mostly with its 74.13% stake in ATE Bank Romania and its 20.34% stake in AIK Banka, Serbia, as at 31 December 2010);

b) In financial services: ATE mostly developed (i) insurance activities, (ii) leasing activities, (iii) brokerage services, and (iv) asset management activities. Such activities have, however, remained marginal.

c) In non-financial sectors: ATE has acquired major participations (i) in the sugar production industry (82.33% of Hellenic Sugar Company as at 31 December 2010), (ii) in the dairy production sector (67.77% of Dodoni as at 31 December 2010), (iii) in the cigarette production sector (45.72% of Sekap as at 31 December 2010), (iv) in the feedstuff production sector (99.98% of Elviz as at 31 December 2010), (v) in the advertising sector (65.14% of ATE Advertising as at 31 December 2010) and (vi) in educational services (100% of ATExcelixi as at 31 December 2010). Such activities are generally not performing well or even loss-making. In addition, they consume a considerable amount of regulatory capital.

(11) The main group companies as at 31 December 2010 and some selected information on these are presented below.

Table 1: Activity, total assets, gross operating result, net income, ATE's participation and number of employees of ATE's main group companies

	Activity	**Total assets**	**Gross operating result**	**Net income**	**Participation**	**Number of employees**
		In EUR million	*In EUR million*	*In EUR million*		
Agricultural Bank of Greece	Bank	30431	707,2	-417,4	100%	6147
ATE Insurance	Insurance	729	59,2	-4,4	100%	288
ATE Leasing	Leasing	466	2,6	-10,9	100%	42
ATE Cards	Credit cards management	9	3,9	-0,2	100%	81
ATE Securities	Brokerage	19	2,2	-0,2	100%	48
ATE Aedak	Mutual funds	7	2,5	0,4	100%	22
ATE Techniki-Pliroforiki***	Real estate	10	5,4	-1	93,07%	96
ATEbank Romania	Bank	442	21,1	-3,2	74,13%	322
ATE Finance International	Finance	251	0,7	0,5	100%	0
ATE Rent****	Leasing	0	0,4	0,4	100%	6
Other non financial subsidiaries		428	11,5	-24,7		1863
Group		**31221**	**806,5**	**-440,6****		**8915**
First Business Bank*		1849	12,5	-11,1	39,09%	
AIKBanka (Serbia)*		1331	16,9	12,2	20,34%	

** Consolidated under equity method*
*** After-tax*
**** Board of Directors decided in January 2011 to take steps for the liquidation of the company in 2011*
**** Under liquidation since 31 October 2010*

(12) The main non-financial subsidiaries of the group as at 31 December 2010 and some selected information on them are presented below.

Table 2: Activity, total assets, gross operating result, net income, ATE's participation and number of employees of ATE's main non-financial subsidiaries

	Activity	Total assets *In EUR million*	Gross operating result *In EUR million*	Net income *In EUR million*	Participation	Number of employees
Hellenic Sugar Company	Sugar production	319	-1,1	-20,6	82,33%	1249
Dodoni Group	Dairy production	87	7	2,5	67,77%	469
Insurance Romania	Insurance	7	0,7	0,2	100%	17
Elviz	Feedstuff production	13	0,6	-5,8	99,98%	104
ATE Advertising*	Advertising	0	1,7	-1	65,14%	0
ATE Excelixi	Educational services	2	2,6	0	100%	24

** Under liquidation since 19 October 2010*

(13) Over the period 2005-2009, ATE significantly increased its loan portfolio, by 63.0%, albeit at a lower level than Greek banks overall, which increased their loan portfolio on average by 95.1% over the same period.

Table 3: Evolution of total loans (gross of impairments) for ATE and Greek banks

In EUR million	2005	2006	2007	2008	2009	Total growth	Average growth rate per annum
ATE Group	14.267	14.915	17.764	21.655	23.258	63,0%	13,0%
Greek banks	137.222	169.940	212.313	262.223	267.710	95,1%	18,2%

(14) However, that same period ATE's market share in loans and in deposits decreased. Only ATE's market share in housing loans and in consumer loans increased, respectively from 6% and 3.6% to 8.5% and 5.4%.

Table 4: Evolution of estimated ATE's market share in different segments

	31/12/2004	31/12/2007	31/12/2009	31/12/2010
Total loans	11,0%	8,0%	9,0%	8,3%
Housing loans	6,0%	7,3%	8,4%	8,5%
Consumer loans	3,6%	3,3%	5,5%	5,4%
Business loans*	9,2%	5,8%	6,7%	6,2%
Total deposits	10,8%	8,3%	8,1%	8,0%

* Including large corporate, SME, public sector and agricultural sector loans

(15) In July 2010, while ATE passed the CEBS stress testing exercise both under the baseline scenario and under the adverse scenario without a sovereign shock, ATE failed the stress test under the adverse scenario with a sovereign shock.

(16) As at 31 December 2010, ATE was 77.3% owned by the Greek State.

2.2 Description of events leading to ATE's difficulties

(17) A combination of factors has led to ATE's difficulties and to the intervention of the Greek authorities. In a first stage, before the sovereign crisis, the difficulties of ATE arose mainly from poor asset quality (weighing on profitability and on solvency) and from a traditionally low pre-impairment profitability[2]. In a second stage, the more recent fiscal problem of Greece has affected all Greek banks, including ATE, in (mainly) two ways: (i) the loss of access of Greece to international debt markets and the generally widespread loss of confidence towards the country has severely affected the liquidity position of Greek banks, as they cannot access wholesale funding (ii) asset quality is deteriorating, increasing impairments and, in turn, weighing on profitability and on solvency.

(18) Regarding asset quality, ATE’s traditionally high non-performing loan (NPL) ratio owes to the fact that in the past, loans, mainly to farmers and agricultural cooperatives, were often given on non-banking criteria and ATE’s monitoring and collection processes were inadequate. Despite its steady decelerating trends before the crisis[3], the level of NPLs remained one of the major weaknesses of ATE and the more recent sovereign crisis in Greece further put pressure on NPLs. The deteriorating asset quality also put pressure on the solvency of ATE. More particularly, in 2009, due to very high loan provisions and impairments of EUR 825 million, mainly taken to compensate the under-provision policy of the past, ATE required additional capital from the State.

(19) Regarding pre-impairment profitability, it has traditionally been low, compared with peers, for several reasons, a.o. (i) lower margins on loans, (ii) limited non-lending income (and cross-selling), (iii) an inefficient organizational structure, (iv) high inelastic costs, with personal expenses representing a very large share of total costs, and (v) poorly performing non-banking subsidiaries[4]. More recently, ATE also suffered some trading losses mainly related to the decrease in market value of its bonds and securities portfolio held in the trading book.

(20) Regarding liquidity, ATE traditionally relied almost exclusively on deposits to finance its assets, which placed it in a relatively good situation in comparison with peers. However, as from 2008, ATE continued to increase its balance sheet size by buying Greek government bonds and increasing its loan portfolio, while at the same time starting to face deposit outflows. Such a situation was faced by most Greek banks and led to a significant increase in central bank funding. In addition, given that ATE (like other Greek banks) did

2 The strategic review confirmed the following elements as at 30 June 2010: (i) the extremely low capital position of ATE compared with peers in Greece; (ii) the above-average exposure of ATE to the sovereign, directly, through a portfolio of Greek government bonds, and indirectly, through public sector loans; (iii) low efficiency and (iv) low profitability.

3 The NPL ratio amounted to 5.6% in 2008 as opposed to 25.7% in 2000.

4 ATE historically played an important role as a "venture capital" vehicle of the Greek agricultural industry.

not have enough eligible collateral for central bank funding, ATE had recourse to the State Guarantee Scheme and to the Bond Loan Scheme[5].

2.3 The measures

(21) Three types of State aid measures were granted to ATE in the context of the Greek support package for credit institutions[6], as subsequently amended and prolonged[7]:

a) Capital injections: The Greek State injected capital in the form of preference shares (considered as Tier 1 for regulatory purposes) into ATE for a total amount of EUR 675 million in May 2009, in the framework of the Recapitalisation Scheme. The preference shares bear a non-cumulative preferred dividend of 10%, which has never been paid by ATE given the lack of distributable profits.

b) State guarantees: The guarantee of the Greek State was granted on notes issued by ATE (under the Greek State Guarantee Scheme) for a total amount of EUR 4,696.8 million as at 18 April 2011. ATE paid a remuneration of up to 80 bp until June 2011 and since then 145 basis points per annum (on the nominal amount of the notes). The State-guaranteed notes were retained by ATE and pledged in favour of the Central Bank in order to obtain liquidity.

c) Participation in the Bond Loan Scheme: Under the Bond Loan Scheme, ATE acquired zero coupon notes issued by the State for a total amount of EUR 1,407 million as at 18 April 2011, of which (i) EUR 807 million were received in 2009 and mature in December 2011; and (ii) EUR 600 million were received in June 2010 and mature in 2013. ATE pays a remuneration of 80 basis points per annum (on the nominal amount of the notes).

(22) Altogether, the total aid under the Guarantee and the Bond Loan Schemes currently amounts to EUR 6,103.8 million and represents 22.2% of the group's total liabilities as of 31 December 2008 (EUR 27,543 million).

(23) In addition to the above-mentioned measures, a fourth measure will be granted. On 29 April 2011, the General Assembly of ATE approved a proposed ordinary share capital increase of ATE for an amount of EUR 1,259.5 million, of which up to EUR 1,144.5 million would be subscribed by the Greek State and at least EUR 115 million would be subscribed by market investors and is fully underwritten by a syndicate of banks. The gross proceeds of the capital increase will be used (i) to repurchase the EUR 675 million

---

5 See next section.

6 Commission Decision of 19 November 2008 in State Aid Case N 560/2008 "Support Measures for The Credit Institutions in Greece", OJ C 125, 5.6.2009, p. 6.

7 Commission Decision of 18 September 2009 in State Aid Case N 504/2009 "Prolongation and amendment of the Support Measures for the Credit Institutions in Greece", OJ C 264, 6.11.2009, p. 5. Commission Decision of 25 January 2010 in State Aid Case N 690/2009 "Prolongation of the Support Measures for the Credit Institutions in Greece", OJ C 57, 9.3.2010, p. 6. Commission Decision of 12 May 2010 in State Aid Case N 163/2010 "Amendment to the Support Measures for the Credit Institutions in Greece", OJ C 166, 25.06.2010, p. 2. Commission Decision of 30 June 2010 in State Aid Case N 260/2010 "Extension and amendment to the Support Measures for the Credit Institutions in Greece", OJ C 238, 3.9.2010, p. 3. Commission Decision of 21 December 2010 in State Aid Case SA.31998 (2010/N), “Fourth extension of the Support Measures for the Credit Institutions in Greece”, OJ C 5, 19.02.2011.

of Tier 1 preference shares and (ii) to strengthen the capital position of the bank. The net capital increase amounts therefore to EUR 584.5 million, of which up to EUR 469.5 million would be subscribed by the State and at least EUR 115 million would be subscribed by market investors. The capital increase is expected to be closed before 30 June 2011.

(24) The final amount of the EUR 584.5 million net capital increase integrates all the findings from the July 2010 CEBS stress test (resulting in an additional capital need of around EUR 243 million),[8] the detailed loan due diligence performed by PwC (which increased the additional capital need from EUR 243 million to EUR 400 million) and newly revised pillar 2 requirements of the Bank of Greece.

(25) The latter reflects the minimum level of capital adequacy ratio for pillar 1 (of 8%) and supervisory capital buffers for pillar 2. That ratio was revised for ATE by the Bank of Greece in the first quarter 2011 from 8.89% to 12.05%. It resulted in additional capital needs of ATE of EUR 584.5 million.

2.4 Main features of the restructuring plan and the commitments

2.4.1 Main elements of the restructuring plan

(26) On 1 October 2010 the Greek authorities submitted a first restructuring plan for ATE to the Commission. The plan was amended several times in order to integrate the findings of the strategic review and the due diligence analysis of ATE's loan portfolio prepared by selected advisors, the pillar 2 capital requirements of the Bank of Greece and certain other concerns expressed by the Commission services. The restructuring plan was updated and resubmitted by the Greek authorities on 28 April 2011.

(27) According to the restructuring plan, ATE will strengthen its solvency, liquidity and profitability in order to radically tackle its structural deficiencies. ATE intends to convert itself into a “smaller – more adaptive” organization. The restructuring plan aims at a restructuring period until the end of 2013 when ATE will ensure its return to viability.

(28) The main measures foreseen in the restructuring plan are the following:

a) A net capital increase of EUR 584.5 million;

b) The sale, before 31 December 2012, of (i) most of ATE's non-financial sector subsidiaries, (ii) large participations in banks abroad and in Greece, and (iii) small participations in several listed companies;

c) A balance sheet size reduction from 31 December 2009 to 31 December 2013 of at least 25.7%, achieved through (i) the natural amortization of its securities portfolio (mainly

---

[8] In July 2010, ATE successfully passed the CEBS stress testing exercise both under the baseline scenario and under the adverse scenario without a sovereign shock, but failed the stress test under the adverse scenario with a sovereign shock. The then identified capital shortfall amount was EUR 242.6 million.

Greek Government bonds), (ii) a reduction in the outstanding volume of loans in general and in public sector loans in particular;

d) A 25% cost reduction programme from 2009 to 2013, achieved through (i) a 10% salary cut for ATE's staff, (ii) the freeze of new hires, (iii) the natural retirement of employees, (iv) a cut in overheads, and (v) an improvement of the organizational structure of ATE (merger of subsidiaries, centralization of some operations, organization of central divisions and branch network, etc);

e) A revenue-enhancement programme, through (i) a gradual re-pricing of loans, (ii) the cross-selling of non-interest related products (e.g. insurance, mutual funds);

f) An improved focus on risk management, through (i) stricter loan origination criteria, (ii) a better pricing of the credit risk for new loans, and (iii) a better management of non-performing loans.

2.4.2 Projected financial results

(29) Base case and stress case projections are made in the restructuring plan of ATE and are consistent with macro economic assumptions of the Economic Adjustment Programme for Greece[9].

2.4.2.1 Projected income statement items

(30) Following a loss of EUR 441 million in 2010, ATE plans, in a base case, to […][*]. In a stress case, ATE plans to […]. The difference between the two scenarios is mainly because of higher projected impairments (in 2011) and lower income (in 2012 and in 2013).

---

9 The Economic Adjustment Programme for Greece Third Review-Winter 2011, p.6-16 available at http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp77_en.pdf

* Information indicated in squared brackets is confidential information covered by the privilege of professional secrecy.

Table 5: Selected income statement items, in base case and stress case

Base case *In EUR million*	**2007**	**2008**	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Total income	965	820	973	808	[…]	[…]	[…]
Total expenses	-568	-600	-631	-598	[…]	[…]	[…]
Gross operating income	397	220	342	210	[…]	[…]	[…]
Impairments / provisions	-80	-204	-825	-604	[…]	[…]	[…]
Net income	246	30	-455	-441	[…]	[…]	[…]

Stress case *In EUR million*	**2007**	**2008**	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Total income	965	820	973	808	[…]	[…]	[…]
Total expenses	-568	-600	-631	-598	[…]	[…]	[…]
Gross operating income	397	220	342	210	[…]	[…]	[…]
Impairments / provisions	-80	-204	-825	-604	[…]	[…]	[…]
Net income	246	30	-455	-441	[…]	[…]	[…]

2.4.2.2 Projected balance sheet size

(31) As can be seen in the table below, ATE's total balance sheet size will be reduced by 25.7%, as a result of the reduction of the loan portfolio by 13.3%, the bond portfolio by 52.4% and the equities portfolio by 96.7%.

Table 6: Projected balance sheet, in stress case

Assets *In EUR million*	**2007**	**2008**	**2009**	**2010**	**2011F**	**2012F**	**2013F**	**% change** *2009-2013*	**CAGR** *2009-2013*
Loans (net)	16.744	20.854	21.943	21.203	[…]	[…]	[…]	[…]	[…]
Bond portfolio	2.272	2.440	4.447	5.149	[…]	[…]	[…]	[…]	[…]
Equities portfolio	977	417	451	451	[…]	[…]	[…]	[…]	[…]
Other	4.280	4.762	5.948	4.418	[…]	[…]	[…]	[…]	[…]
Total assets	24.273	28.474	32.788	31.221	[…]	[…]	[…]	[…]	[…]
Total risk-weighted assets	12.584	13.709	15.100	12.638	[…]	[…]	[…]	[…]	[…]

Liabilities & Equity *In EUR million*	**2007**	**2008**	**2009**	**2010**	**2011F**	**2012F**	**2013F**	**% change** *2009-2013*	**CAGR** *2009-2013*
Deposits	20.630	20.965	22.596	19.683	[…]	[…]	[…]	[…]	[…]
Wholesale funding	851	4.972	6.479	9.247	[…]	[…]	[…]	[…]	[…]
o/w central bank funding	704	4.400	4.500	8.300	[…]	[…]	[…]	[…]	[…]
Other	1.077	1.162	2.153	1.292	[…]	[…]	[…]	[…]	[…]
Tier 1 & Tier 2 instruments	1.716	1.375	1.561	999	[…]	[…]	[…]	[…]	[…]
Total	24.273	28.474	32.788	31.221	[…]	[…]	[…]	[…]	[…]

(32) In particular, looking at the main components of ATE's loan portfolio in the table below, ATE's total loan portfolio reduction of 13.3% will be achieved through a reduction of the public sector loan portfolio by 28.6%, a reduction of the housing loans by […]%, a reduction of consumer loans by […]%, and a reduction of SME and agricultural loans by […]%. Loans to large corporate clients are expected to increase by […]%, though that growth would only take place in 2013[10].

Table 7: Projected ATE's loan portfolio split by segments

In EUR million	**2007**	**2008**	**2009**	**2010**	**2011F**	**2012F**	**2013F**	**% change** *2009-2013*	**CAGR** *2009-2013*
Housing loans	5.068	6.122	6.721	6.726	[…]	[…]	[…]	[…]	[…]
Consumer / credit cards loans	1.022	1.570	1.822	1.679	[…]	[…]	[…]	[…]	[…]
Public sector loans	5.683	6.789	5.871	5.543	[…]	[…]	[…]	[…]	[…]
Large corporate loans	2.921	3.383	3.394	3.428	[…]	[…]	[…]	[…]	[…]
SME & agricultural	2.047	2.990	4.135	3.827	[…]	[…]	[…]	[…]	[…]
Total loans (net)	16.742	20.854	21.943	21.203	[…]	[…]	[…]	[…]	[…]

2.4.2.3 Projected capital ratios

(33) ATE projects a significant improvement in its capital ratios. First, from 2010 to 2011, the core Tier 1 ratio increases to […]% in a base case and to […]% in a stress case. That improvement is mainly the result of the net capital increase of EUR 584.5 million, combined with the substitution of EUR 675 million of Tier 1 preference shares by EUR 675 million of (core Tier 1) ordinary shares. Core Tier 1 ratio then gradually increases to […]% in 2013 in a base case and to […]% in 2013 in a stress case, as a result of the divestment programme and the improvement in profitability.

(34) Tier 1 and total capital adequacy ratios are expected to increase with the same trend (and for the same reasons) as Core tier 1 ratios. In particular, ATE expects a total capital adequacy ratio exceeding 12% (including the newly revised pillar 2 requirements) over the whole restructuring period.

Table 8: ATE base case capital ratios projections and comparison with (latest) Basel III minimum levels

End of year	**2010**	**2011**	**2012**	**2013**
Tier 1 Ratio	6.27%	[…]%	[…]%	[…]%
Tier 1 Ratio (Basel III)	*N.A*	*N.A*	*4.5%*	*5.5%*
Core Tier 1 Ratio	1.81%	[…]%	[…]%	[…]%
Core Tier 1 Ratio (Basel III)	*N.A*	*N.A*	*3.5%*	*4.0%*
Total capital ratio	7.35%	[…]%	[…]%	[…]%

10 For commitments in that respect see below at 2.4.4.

Total capital ratio (Basel III)	*N.A*	*N.A*	*8.0%*	*8.0%*

Table 9: ATE stress case capital ratios projections and comparison with (latest) Basel III minimum levels

End of year	**2010**	**2011**	**2012**	**2013**
Tier 1 Ratio	6.27%	[…]%	[…]%	[…]%
Tier 1 Ratio (Basel III)	*N.A*	*N.A*	*4.5%*	*5.5%*
Core Tier 1 Ratio	1.81%	[…]%	[…]%	[…]%
Core Tier 1 Ratio (Basel III)	*N.A*	*N.A*	*3.5%*	*4.0%*
Total capital ratio	7.35%	[…]%	[…]%	[…]%
Total capital ratio (Basel III)	*N.A*	*N.A*	*8.0%*	*8.0%*

2.4.2.4 Projected Liquidity

(35) ATE projects a significant improvement in its liquidity situation in the base case and the stress case (the latter mainly differs from the former insofar as no new issuance of covered bond is projected), as reflected in the following projections:

Table 10: Selected liquidity indicators of ATE, under the stress case

In EUR million	**2007**	**2008**	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Central bank funding (In EUR million)	704	4.400	4.500	8.300	[…]	[…]	[…]
Central bank funding (In % total assets)	2,9%	15,5%	13,7%	26,6%	[…]	[…]	[…]
Wholesale funding (In EUR million)	851	4.972	6.479	9.247	[…]	[…]	[…]
Wholesale funding (In % total assets)	3,5%	17,5%	19,8%	29,6%	[…]	[…]	[…]
Retail funding (In EUR million)	20.630	20.965	22.596	19.683	[…]	[…]	[…]
Retail funding (In % total assets)	85,0%	73,6%	68,9%	63,0%	[…]	[…]	[…]
Loan / deposits ratio (In %)	81,2%	99,5%	97,1%	107,7%	[…]	[…]	[…]
Average duration of liabilities	2,1	1,6	1,7	1,2	[…]	[…]	[…]
Leverage ratio (Total assets / Tier 1capital)	22,7	24,2	23,7	39,4	[…]	[…]	[…]
Leverage ratio (latest Basel III definition)				[…]	[…]	[…]	[…]
Stable funding ratio (latest Basel III definition)				[…]	[…]	[…]	[…]
Liquidity coverage ratio (latest Basel III definition)				[…]	[…]	[…]	[…]

(36) It should be noted that a major assumption in the restructuring plan is that ATE will continue to benefit from the Guarantee Scheme and to roll over the State guarantees so as to have access to central bank funding as indicated above.

2.4.3 Divestments

(37) ATE will sell all its shares in certain non-financial and financial companies, as well as its main stock holdings.

(38) Regarding the sale of its shares in non-financial and financial companies, ATE intends to book a loss estimated at around EUR […] million under a base case scenario and at around EUR […] million under a stress case scenario, as can be seen in the table below.

Table 11: Estimated profit from the sale of non-financial and financial companies

[…]

(39) Regarding the sale of the stock holdings of ATE, the market value of such stock holdings as at 31 March 2011 was EUR 252.7 million, while their book value in ATE's balance sheet was EUR 225.3 million.

(40) ATE estimated that, despite the total expected losses, its divestment programme would increase its capital adequacy ratio by 127 bp, because capital for several participations of ATE has to be deducted from ATE's regulatory capital for the purpose of calculating capital ratios.

2.4.4 Main commitments

(41) The Greek authorities have undertaken a number of commitments. They are attached to the present decision in their entirety in Annex I. For the purposes of the decision, the Commission has provided a non-exhaustive summary below.

(42) The commitments consist of the following measures:

a) *Divestitures:* The Hellenic Republic commits that ATE shall divest, or procure the divestiture of, all the shares held by ATE in (i) non-financial companies (Hellenic Sugar Company SA, Hellenic Feedstuff SA, SECAP SA and Dodoni SA), (ii) banking companies (AIKBanca Serbia, ATEbank Romania and First Business Bank), as well as stock holdings held by ATE in the Available-for-Sale (AFS) book and in the trading book (Hellenic Petroleum, Hellenic Exchanges, Hellenic Telecommunications (OTE), Follie Follie, Piraeus Bank, Hellenic Water Company and Hellenic Duty Free Shops (KAE)). The divestment of the abovementioned businesses shall be completed by 30 June 2012, in an open, transparent and non-discriminatory procedure. In case of failure to comply fully or partly with that commitment, ATE shall grant the Divestiture Trustee an exclusive mandate on 1 July 2012 to sell the remaining Businesses that have not been divested, according to specific terms. That grant of a mandate shall be delayed by six months if ATE can demonstrate that it was not able to achieve the stress value of the divestments.

b) *Balance sheet reduction:* By 31 December 2013, ATE shall have reduced its balance sheet size by at least 25.7% compared to ATE's balance sheet size as of 31 December

2009 (EUR 32,788 million), based on the restructuring plan submitted by ATE to the Commission. Annual balance sheet size targets for 2011, 2012 and 2013 shall be met.

c) *Loans:* By 31 December 2013, ATE shall have reduced its total loan portfolio (net of provisions) by at least 13%, compared to ATE's total loan portfolio (net of provisions) as of 31 December 2009 (EUR 21,943 million), based on the restructuring plan submitted by ATE to the Commission. Additionally, by 31 December 2013, ATE shall have reduced its public sector loan portfolio (net of provisions) by at least 28.6%, compared to ATE's public sector loan portfolio (net of provisions) as of 31 December 2009 (EUR 5,871 million), based on the restructuring plan submitted by ATE to the Commission.

d) *Credit selection and pricing at market terms:* The Hellenic Republic commits that for all new loans, credit selection standards and terms and conditions should be comparable with requirements of private credit institutions. In the case of new (excluding renewal of existing revolving loans) public sector and corporate loans that represent a total loan amount of EUR 50 million or higher, ATE should only participate in syndicated transactions together with private credit institutions. In all other cases lending shall take place at an average minimum margin (above interbank rates) corresponding to at least 85% of the level mentioned by ATE in its restructuring plan for each loan category.

e) *Deposits:* By December 2013, ATE shall have reduced the volume of its outstanding deposits by at least 21% compared to its amount on 31 December 2009 (EUR 22,596 million), which corresponds to the level projected in its restructuring plan.

f) *Run-off of bond portfolio:* The Hellenic Republic commits that ATE will put in run-off its portfolio of bonds and will not purchase new bonds, with the exception of Treasury bills issued by the Hellenic Republic for a maximum amount of EUR 300 million.

g) *Reduction in costs:* By December 2013, ATE shall have gradually reduced its operating costs by at least 25% compared to its operating costs on 31 December 2009 (EUR 631 million).

h) *Trading:* The Hellenic Republic commits that ATE shall refrain from carrying out proprietary trading activities. ATE shall only carry out such trading activities as are necessary for the acceptance, transmission or execution of purchase and sell orders of its clients.

i) *Dividend, Coupon and Call ban:* The Hellenic Republic commits that ATE will not pay any coupon or dividend on own funds instruments by using the capital or reserves of ATE for two years except where there is a legal obligation to do so. Furthermore, ATE shall not exercise a call option in respect of those own fund instruments.

j) *Acquisition ban:* the Hellenic Republic commits that, in the three years following the date of the adoption of the present decision, ATE will refrain from acquisitions of stakes in any other undertaking of more than 5%.

k) *Corporate Governance:* in line with law 3016/2002, ATE commits to install corporate governance measures redefining the functions of all bodies. The powers of the shareholders' meeting will be restricted to the tasks which are typical of an annual general meeting under company law. The supervisory and monitoring function of the

Board of Directors shall be entrusted exclusively to the Supervisory Board. This commitment shall be monitored every year by the Bank of Greece and the Monitoring Trustee.

l) *Advertising ban:* The Hellenic Republic commits that ATE will not use the granting of the aid measures or any competitive advantages arising in any way from the aid for advertising purposes.

m) *Cap on participation in State Guarantee Scheme and Bond Loan Schemes:* ATE may not obtain more State liquidity guarantees than foreseen and allocated under the Greek Guarantee and Bond Loan Scheme.

n) *Growth Sustainability:* The Hellenic Republic commits that ATE shall grow its balance sheet in 2013 and in 2014 only on the basis of sustainable funding sources, in particular not on the basis of central bank funding beyond what is described in the restructuring plan.

o) *Continuance of asset quality reinforcement policy:* ATE shall maintain a coverage ratio of more than 50% until the end of the restructuring period as stipulated in the restructuring plan.

p) *Monitoring Trustee:* A Monitoring Trustee shall be appointed by ATE and approved by the Commission in order to monitor for the Commission the compliance of the Hellenic Republic with all above commitments as well as the implementation of the restructuring plan of ATE.

3 ASSESSMENT

3.1 Existence of State aid

(43) Article 107(1) of the Treaty on the Functioning of the European Union (hereinafter "TFEU") provides that 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, insofar as it affects trade between Member States, be incompatible with the internal market.

Emergency measures

(44) With regard to the aid measures granted to ATE in the context of its participation in the Greek support package for credit institutions (including the Recapitalisation Scheme, the Guarantee Scheme and the Bond Loan Scheme), the Commission has already concluded that measures granted under those schemes constitute State aid[11]. Such measures have been qualified as selective and given the bank's presence in other Member States they distort competition and affect the trade conditions among Member States.

[11] Commission Decision of 19 November 2008 in State Aid Case N 560/2008 "Support Measures for The Credit Institutions in Greece", OJ C 125, 5.6.2009, p. 6.

(45) The total aid currently received by ATE under the Guarantee Scheme and the Bond Loan Schemes amounts to up to EUR 6,103.8 million and represents 22.2% of the group's total liabilities as of 31 December 2008 (EUR 27,543 million).

(46) Furthermore, ATE received under the Recapitalisation Scheme EUR 675 million in preference shares.

State participation in the capital increase

(47) The Hellenic Republic has indicated its commitment to increase the capital of ATE further and to participate in the upcoming capital increase of EUR 1,259.5 million with an amount of up to EUR 1,144.5 million (8.3% of the group's RWA as of 31 December 2008 (EUR 13,709 million)); the remaining amount being subscribed by market investors.

(48) It must be noted that the measure does not respect the "concomitance" test[12], since the capital injected neither accompanies a comparable participation by a private shareholder[13] nor is the capital injected proportionate to the number of shares held by the State. In fact, the participation of Greek authorities of up to EUR 1,144.5 million corresponds to up to 90.9% of the total capital increase (to be compared with the current shareholdership of the State in ATE of 77.3%), while the other shareholders are expected to contribute to a lower extent than their current shareholdership (i.e. for 9.1%). In fact, in the current market circumstances, without the significant State participation the raising of capital on the market would not be possible. In any event, a market investor test is not feasible in case of consecutive recapitalisations during an on-going restructuring period where the first capitalisation has been qualified as aid and where subsequent State support cannot be dissociated from that initial intervention[14].

(49) The State's involvement does not bring new capital to the bank as regards part of the capital increase, i.e. for EUR 675 million, but only changes the form of its participation for that amount. The amount of EUR 675 million has already been considered in full as State aid for ATE granted within the Recapitalisation Scheme in May 2009 in the form of preference shares. The repayment of the EUR 675 million preference shares followed by an ordinary share capital increase by EUR 675 million does not as such bring new State resources into the bank. Moreover, the repurchasing was already foreseen in the authorising decree for the preference shares, which allowed for repurchasing the latest after five years for an amount that is equivalent to the amount originally invested in the

12 A capital contribution from public funds must be regarded as satisfying the market economy investor test and not constituting State aid if, inter alia, it was made at the same time as a significant capital contribution on the part of a private investor made in comparable circumstances. See for instance Case T-296/97 *Alitalia* v *Commission* [2000] ECR II-3871, para. 81; case T-358/94 *Air France* v *Commission* [1996] ECR II-2109, paras. 148-149.

13 Cf. Case T-358/94 *Air France* v *Commission* [1996] ECR II-2109.

14 A capital injection cannot be regarded in isolation from an ongoing restructuring. Where some restructuring aid has already been provided to a company in difficulty, other financial support may according the Union Courts not be apt to pass the market economy investor test, cf. Case T-11/95 *BP Chemicals* v *Commission* [1998] ECR II-3235, paragraphs 170 and 179.

financial institution.[15] Finally, the repurchasing should not have an effect on the income the State receives from its participation as the renunciation of preferential rights to dividends will directly benefit the State as an equity holder.

(50) The additional aid element thus amounts to up to EUR 469.5 million. As the capital injection involves State resources and gives an advantage to ATE which distorts competition and affects the trade conditions among Member States, the measure constitutes State aid pursuant to Article 107(1) TFEU. Moreover, that capital increase is the second of two consecutive recapitalisations during an ongoing restructuring period.[16]

3.2 Compatibility of the aid

3.2.1 Legal basis for the compatibility assessment

(51) Article 107(3)(b) TFEU enables the Commission to find aid compatible with the internal market if it is "to remedy a serious disturbance in the economy of a Member State.” The Commission observes that market conditions have been difficult throughout the world including Greece since the last quarter of 2008.

(52) The Commission has acknowledged that the global financial crisis may create a serious disturbance in the economy of a Member State which can be addressed through State measures supporting financial institutions. That approach has been successively detailed and developed in the Banking Communication[17], the Recapitalisation Communication[18] and the Restructuring Communication[19].

(53) The present aid can hence be examined under Article 107(3)(b) TFEU.

3.2.2 Compatibility under the Restructuring Communication

(54) The Restructuring Communication sets out the rules for the compatibility of the restructuring of financial institutions in the current crisis.

(55) The aid involved in the recapitalisation of ATE under the Recapitalisation Scheme (EUR 675 million) and the projected net additional capital increase of the State of up to EUR 469.5 million, should, according to the Restructuring Communication, be fully taken into account in determining whether in-depth restructuring is required[20]. The total aid amounts

[15] Commission Decision of 19 November 2008 in State Aid Case N 560/2008 "Support Measures for The Credit Institutions in Greece", OJ C 125, 5.6.2009, p. 6, para. 17.

[16] Case T-11/95 *BP Chemicals* [1998] ECR II-3235, paragraphs 170 and 179.

[17] 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, OJ C 270, 25.10.2008, p. 8.

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

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

[20] Chapter 1, point 4, fn 4.

to EUR 1,144.5 million and represents 8.3% of the group's RWA as of 31 December 2008 (EUR 13,709 million) and thus requires an in-depth restructuring, in line with point 4 of the Restructuring Communication in conjunction with the Annex to the Recapitalisation Communication.

(56) According to the Restructuring Communication, in order to be compatible with the internal market under Article 107(3)(b) TFEU, in-depth restructuring of a financial institution in the context of the current financial crisis has to (i) lead to a restoration of the viability of the bank, (ii), include sufficient own contribution by the beneficiary (burden-sharing) and (iii) contain sufficient measures limiting the distortion of competition.

3.2.3 Restoration of long-term viability

(57) In accordance with section 2 of the Restructuring Communication, the restructuring plan needs to demonstrate the restoration of long-term viability of the institution without continuous State aid as soon as possible.

(58) The difficulties of ATE arose from a below-average level of profitability, solvency, and asset quality, and a fragile (yet above average) level of liquidity. That diagnosis suggests therefore that the restructuring plan should at least: (i) restore the long-term profitability of activities, (ii) address the issues of poor solvency and asset quality, and (iii) strengthen the liquidity position of the group.

(59) In that respect, if the restructuring plan notified on 28 April 2011 is carried out in accordance with the commitments undertaken by the Hellenic Republic, it is capable of restoring the long-term viability of ATE.

(60) Indeed, the proposed restructuring measures lead to reasonably good levels of liquidity, acceptable levels of solvency, and to appropriate levels of profitability.

3.2.3.1 Liquidity

(61) First, as a consequence of the 25.7% reduction in balance sheet size, ATE will gradually and materially reduce its exposure to central bank funding, from EUR 8,300 million in 2010 to EUR 2,980 million in 2013, reducing central bank funding to a level that is closer to pre-crisis levels.

(62) It can also be positively noted that the decrease in central bank funding is not assumed to be substituted by an aggressive growth in deposits or by a reopening in wholesale funding for Greek banks. On the contrary, as can be seen from table 10, ATE assumes a negative growth in deposits from 2009 to 2012, which is a conservative assumption, given the recent evolution of deposit outflows observed in Greece by most banks. The outstanding amount of deposits in 2013 is indeed assumed to be […]% lower than the level of 2009. In addition, ATE assumes no issuance of senior unsecured bonds or covered bonds, and assumes therefore no reopening of wholesale markets.

(63) Second, the projected levels of certain liquidity ratios seem acceptable. For example, during the restructuring period, the proportion of wholesale funding sources would decrease from 19.8% and 29.6% in 2009 and 2010 to […]% in 2013, the proportion of retail funding will increase from 63% in 2010 to […]% in 2013, the loan-to-deposits ratio will not exceed […]% over the restructuring period, and the level of leverage expressed as total assets divided by Tier 1 capital, is expected to decrease from 39.4 in 2010 to […] in 2013. Those levels are satisfactory when compared with other banks in Greece and in other Member States.

(64) Third, considering the future Basel III liquidity ratios, for which the final definition has not been decided yet, the restructuring plan suggests that ATE should meet in 2013 the minimum level of 100% for the stable funding ratio and the liquidity coverage ratio, based on the latest available definitions of such ratios.

(65) Based on the above-mentioned considerations, the liquidity situation of ATE will be strengthened at the end of the restructuring period. The fact that ATE will continue to have access to central bank funding during the restructuring periods not considered as a specific weakness of ATE, as most Greek banks can be reasonably expected to continue to rely on central bank funding during this time period.

3.2.3.2 Solvency and asset quality

(66) The net capital increase of EUR 584.5 million, in combination with the contemplated divestment programme, will allow ATE to significantly reinforce its capital ratios.

(67) First, as indicated in tables 8 and 9 Tier 1 and a total capital adequacy ratios are projected at respectively […]% and […]% at the end of 2011 and continue to gradually improve. ATE will therefore be strongly capitalized and will continue to meet minimum capital requirements over the restructuring period. It will also meet the supervisory buffers identified by the regulator bank per bank and indicated as the so-called pillar 2 level. In case of ATE, pillar 1 and pillar 2 requirements total 12.05% (see point (25)).

(68) Second, the quality of capital will be fairly good and materially improved, not only thanks to the net capital increase of EUR 584.5 million, but also to the substitution of EUR 675 million Tier 1 preference shares by EUR 675 million of (core Tier 1) ordinary shares. Indeed, as indicated in table 8 core Tier 1 ratio is projected at […]% at the end of 2011 in a base case. In addition, ATE would comply with the minimum levels of regulatory capital ratios currently foreseen under Basel III rules, as can be seen from tables 8 and 9 both under the base and the stress case (ATE would have in 2013 in the stress case a core tier 1 ratio of […] % which is far above the 4% minimum requirement).

(69) Third, solvency projections also take into account the more conservative assumptions of loan provisions as determined in the loan due diligence made by PwC, as well as the conservative decision to take upfront such additional provisions in the context of 2010 financial results.

(70) Fourth, by reducing its public sector loan portfolio and its Greek government bond portfolio, ATE gradually reduces its sovereign overexposure (compared with peers), which was also stressed in the strategic review and was the main reason why it partially failed the July 2010 CEBS stress test[21]. Moreover, ATE commits to improve its loan origination criteria and to originate new loans only at market terms, which should gradually improve the asset quality of the loan portfolio.

3.2.3.3 Profitability

a) Review of Main Profitability Drivers

(71) In order to analyse the viability of ATE, ATE's main profitability drivers, i.e. (i) the average margin[22] on its assets, (ii) the average net fee income, (iii) other revenues, which include trading revenues, maturity transformation revenues and income from investments, (iv) the average cost of funding,[23] (v) operational costs or expenses, and (vi) impairments and provisions have been assessed. Such profitability drivers are expressed below in relative terms[24], i.e. in basis points.

Table 12: Main drivers of income statement (base case), in basis points

In basis point	**2008**	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Margin on assets	56	242	268	[…]	[…]	[…]
Fees	34	25	22	[…]	[…]	[…]
Other revenues	16	44	-26	[…]	[…]	[…]
Total revenues	106	311	265	[…]	[…]	[…]
Funding cost	-205	-7	12	[…]	[…]	[…]
Expenses	228	206	187	[…]	[…]	[…]
Impairments	77	269	189	[…]	[…]	[…]
Taxes	-5	-9	14	[…]	[…]	[…]
Total costs	95	459	402	[…]	[…]	[…]
Net income	11	-149	-138	[…]	[…]	[…]

21 The final results for ATE of the 2011 pan-European stress test coordinated by the European Banking Authority (EBA) are not available yet. The Bank of Greece and the Greek authorities indicated however to the Commission that on the basis of the projected capital increase and the projected reduction in balance sheet ATE should pass the EBA stress test.

22 It reflects the weighted average margin (above base rates) on both the stock of assets and on the new production.

23 It reflects the weighted average cost of funding (above base rates) on both the stock of debt and on the new debt.

24 For example, the 2010 net income is not expressed in EUR, but as the ratio of 2010 net income divided by the (average) total assets over the relevant period (the average of total 2009 and 2010 assets are considered), expressed in basis points (1 bp is equal to 0.01%).

Table 13: Main drivers of income statement (stress case), in basis points

In basis point	**2008**	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Margin on assets	56	242	268	[…]	[…]	[…]
Fees	34	25	22	[…]	[…]	[…]
Other revenues	16	44	-26	[…]	[…]	[…]
Total revenues	106	311	265	[…]	[…]	[…]
Funding cost	-205	-7	12	[…]	[…]	[…]
Expenses	228	206	187	[…]	[…]	[…]
Impairments	77	269	189	[…]	[…]	[…]
Taxes	-5	-9	14	[…]	[…]	[…]
Total costs	95	459	402	[…]	[…]	[…]
Net income	11	-149	-138	[…]	[…]	[…]

(72) Regarding the margin on assets (above interbank rates), since 2008 ATE already managed to increase the average margin on its assets, from 56 bp in 2008 to 268 bp in 2010, following a re-pricing exercise on the new production. ATE commits to continue such a re-pricing over the whole restructuring period, which is expected to have a continued positive effect on the average margin on its portfolio of assets, given the amortization and substitution of older and lower yielding assets by new and higher yielding assets. Indeed, for corporate and public sector loans, ATE will only participate in the form of syndicated loans for large-size loans, while for the other loan categories, ATE will lend at margin above interbank rates that are on average at least equal to 85% of the levels mentioned in the restructuring plan below. That behaviour will ensure that profitability of new loans is effectively restored.

Table 14: Target margin above interbank rates in ATE's restructuring plan

	2011	**2012**	**2013**
Mortgages	5,1%	5,0%	4,9%
Consumer/Personal	8,5%	8,4%	8,3%
Credit Cards	10,7%	10,7%	10,6%
Sovereign & PSE's	3,8%	3,8%	3,6%
Corporate	6,0%	5,8%	5,7%
SME's & Agricultural	6,3%	6,2%	6,1%

(73) The level of fees is assumed to remain constant over time, from 22-25 bp in 2009-2010, to […] bp in 2013, which is a relatively conservative assumption.

(74) Regarding the level of funding cost (above interbank rates), ATE has faced a continued increase in funding cost since 2008, from -205 bp in 2008 to +12 bp in 2010. That

increase is projected to continue until 2012, peaking at […] bp in 2012 (base case), and at […] bp in 2013 (stress case).

(75) Regarding the level of expenses or costs, it can be observed that, in relative terms, they remain relatively constant, from 184-206 bp in 2009-2010 to […] bp in 2013. However, the fact that expenses remain constant (when expressed in bp) hides the fact that, in absolute terms, ATE is planning to decrease its costs by 25% over the restructuring period (from EUR 631 million in 2009 to EUR 472 million in 2013). Given that ATE is planning to simultaneously decrease its balance sheet size by 25.7%, in relative terms, the cost reduction appears limited when expressed in bp, which confirms the necessity of decreasing costs at least by a level consistent with the level of deleveraging.

(76) Regarding the level of impairments, ATE expects to gradually decrease them during the restructuring period, reaching pre-crisis levels in 2013[25]. Having peaked at 269 bp in 2009, impairments are expected to decrease to reach […] bp in 2013, which is very close to the 2008 level of […] bp. It can also be noted that ATE revised its assumptions on impairments (compared with its first assumptions) in order to take into account the loan due diligence analysis of PwC.

b) Review of selected ratios and selected results

(77) Looking at selected profitability ratios, the following is observed: (i) the net interest margin is expected to improve over the restructuring period, from 277 bp in 2009 to 345 bp (345 bp) in 2013 in a base case (stress case); (ii) the cost-income ratio is expected to improve from 64.7% in 2009 and 74.1% in 2010 to 51.6% (56.7%) in 2013 in a base case (stress case); and (iii) the return on equity is expected to improve from -42.6% in 2009 and -44.9% in 2010 to 12.1% (8.4%) in 2013 in a base case (stress case).

Table 15: Selected profitability ratios

Base case	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Net interest margin (in bp)	277	281	[…]	[…]	345
Cost / income ratio	64,7%	74,1%	[…]	[…]	51,6%
Return on average equity	-42,6%	-44,9%	[…]	[…]	12,1%

Stress case	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Net interest margin (in bp)	277	281	[…]	[…]	308
Cost / income ratio	64,7%	74,1%	[…]	[…]	56,7%
Return on average equity	-42,6%	-44,9%	[…]	[…]	8,4%

[25] For commitments in this respect, please see paragraph 42 d), k), o).

c) Conclusion on profitability

(78) Profitability is globally expected to improve over the restructuring period, mainly through (i) an increase in net interest margins, (ii) a decrease in costs in absolute terms and (iii) a decrease in impairments. The profitability of ATE at the end of the restructuring period seems therefore appropriate.

3.2.4 Own contribution of the beneficiary (burden-sharing)

(79) As a corollary of the principle of the limitation of the aid to the minimum necessary, the requirement of burden-sharing plays an important role in ensuring that competition distortions are effectively limited and moral hazard is adequately addressed. As a consequence, an appropriate own contribution to restructuring costs needs to be provided by the aid beneficiary within the framework of the restructuring process (in line with paragraph 24 and 25 of the Restructuring Communication).

(80) As regards the limitation of the aid to the minimum necessary, the amount of capital received by ATE was identified as the necessary amount needed to restore its capital adequacy levels given the projected impairments and provisions and pillar 2 capital requirements set by the Bank of Greece. In order to limit the amount of additional capital ATE has committed to divest all the shares held by ATE in non-financial companies, banking companies as well as stock holdings held by ATE which improve ATE's capital ratio by 127 bp. The Commission also takes note that the measures will, if necessary, be implemented with the help of a divestiture trustee.

(81) As regards burden-sharing related to the restructuring process, the following positive elements can be noted. First, the measures, including the Guarantee and the Bond Loan Schemes are adequately remunerated in line with the approved schemes. Second, the current shareholders will be diluted in the context of the upcoming capital increase of EUR 1,259.5 million, as the State will possibly participate for a higher proportion than its current shareholdership in ATE. Third, burden-sharing is further enhanced by the commitment of the Hellenic Republic to a dividend, coupon and call ban.

(82) In light of the above, it is considered that aid is limited to the minimum necessary and that the restructuring plan provides for sufficient burden-sharing and own contribution.

3.2.5 Limitation of distortions of competitions

(83) As aid measures create distortions of competition, the restructuring plan accompanying those measures needs to contain effective and proportionate measures limiting those distortions, as prescribed by the Restructuring Communication (in line with paragraph 30). The restructuring plan needs to contain sufficient measures to ensure that the State aid is not used to the detriment of competitors which did not receive similar public support. A level playing field needs to be maintained between banks which received public support

and those which did not or to a lower extent. It also needs to be avoided that the State aid weakens incentives for non-beneficiaries to compete, invest and innovate and that entry barriers are created which could undermine incentives for cross-border activity.

(84) In assessing the need for and the extent of those measures, the Commission, as laid down in the Restructuring Communication, takes as a starting point for its assessment the size, scale and scope of the activities of the bank subject to restructuring. It also takes into account both the amount of the aid and the conditions and circumstances of its granting and the characteristics of the market(s) on which the beneficiary will operate.

(85) In that regard, most Greek banks have received State aid, but ATE received the largest amount of aid in relative terms (8.3% of its RWA). In addition, the aid elements involved in the State guarantees and the bank's participation in the Bond Loan Scheme have normally also to be taken into account when assessing measures mitigating distortions of competition of the restructuring plan. However, given that the guarantees are adequately remunerated and the closing of the inter-banking market is clearly related to the sovereign crisis and thus occurred with all major banks operating in Greece, the mere fact of requiring adequately remunerated liquidity support (not capital) should in this case, line with previous decisions[26] not require further significant mitigation efforts.

(86) First, the restructuring plan submitted to the Commission includes significant structural measures leading to a downsizing of the balance sheet total by 25.7%. In view of the fact that ATE is mainly a retail bank that has no large bond portfolios to reduce but a medium-sized balance sheet consisting mainly of loans, the present downsizing is significant. Moreover, the downsizing comprises several shares in other controlled banking companies in Greece (First Business Bank) and abroad (AIKBanca Serbia, ATEbank Romania) and thus provides room for competition in the banking market.

(87) In addition to those structural measures ATE is committing on several behavioural safeguards. First, for corporate and public sector loans, ATE will only participate in the form of syndicated loans for large-size loans, while for the other loan categories, ATE will lend at margins above interbank rates that are on average, at least equal to 85% of the levels mentioned in the restructuring plan below. Those safeguards will guard against excessively aggressive behaviour.

Table 16: Target margin above interbank rates in ATE's restructuring plan

	2011	**2012**	**2013**
Mortgages	5,1%	5,0%	4,9%
Consumer/Personal	8,5%	8,4%	8,3%
Credit Cards	10,7%	10,7%	10,6%
Sovereign & PSE's	3,8%	3,8%	3,6%
Corporate	6,0%	5,8%	5,7%
SME's & Agricultural	6,3%	6,2%	6,1%

[26] Commission Decision of 15.7.2010, Restructuring of Bank of Ireland under case N 546/2009, OJ C40, 09.1.2011; Commission Decision of 22.12.2008, Refinancing guarantee for IKB, OJ C 63, 18.3.2009.

(88) Second, ATE commits not to raise more deposits than it foresees in its restructuring plan. That commitment prevents ATE from aggressively gathering deposits from competition. Considering that ATE has the second-largest branch network in Greece, which suggests that ATE could leverage its franchise and become more aggressive based on the State aid it received, such restrictions seem to be appropriate.

(89) Third, given that ATE has so far the largest deleveraging targets in Greece, it is highly likely that its market share in several segments will continue to drop in the coming years.

(90) Fourth, the Commission also notes that ATE commits to an acquisition ban and to an advertising ban, which offer additional safeguards to avoid distortions of competition.

(91) In light of the significant burden-sharing measures and a combination of substantial structural measures and effective behavioural safeguards, it is considered that the restructuring plan is adequate to avoid undue distortions of competition stemming from the significant State aid provided.

3.2.6 Monitoring

(92) Pursuant to section 5 of the Restructuring Communication, regular reports are required to allow the Commission to verify that the restructuring plan is being implemented properly. Greece committed to appoint a monitoring trustee who will provide semi-annual monitoring reports. The Commission, therefore, finds that proper monitoring of the implementation of the restructuring plan is also ensured.

4 CONCLUSION

(93) To conclude, the above analysed measures constitute State aid pursuant to Article 107(1) TFEU, but are granted in the context of a restructuring plan that fulfils the requirements of the Restructuring Communication in terms of viability, burden-sharing and measures to mitigate the distortions of competition.

(94) The restructuring aid is thus compatible with the internal market pursuant to Article 107(3)(b) TFEU subject to the implementation of the restructuring plan including the execution of the commitments set out in the Annex.

DECISION

The capital increase by the Hellenic Republic in ATE by up to EUR 1,144.5 million announced in April 2011 constitutes State aid pursuant to Article 107(1) TFEU (that includes the originally granted EUR 675 million under the Greek Recapitalisation Scheme).

That capital injection and the EUR 6,103.8 million of liquidity support measures as well as any rolling over of liquidity support in the framework of the approved schemes are considered compatible with the internal market as restructuring aid pursuant to Article 107(3)(b) TFEU. The Commission raises no objection thereto.

The Commission notes that Hellenic Republic has exceptionally accepted that the decision be adopted in the English language.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site:

http://ec.europa.eu/eu_law/state_aids/state_aids_texts_en.htm

Your request should be sent by registered letter or fax to:

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

For the Commission

Joaquín ALMUNIA
Vice-President

Annex 1: Commitments to the European Commission

Pursuant to Article 4(3) of Council Regulation (EC) No. 659/99 the Hellenic Republic hereby provides the following Commitments (the "***Commitments***") concerning ATE in order to enable the European Commission (the "***Commission***") to find the restructuring aid to Agricultural Bank of Greece ("***ATE***") compatible with the internal market and the EEA Agreement by its decision pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union (the "***Decision***").

The Commitments shall take effect upon the date of adoption of the Decision.

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

Section A. Definitions

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

Divestment Business: all the businesses that ATE commits to divest, as listed in Section B.

Divestiture Trustee: one or more natural or legal person(s), independent from ATE, approved by the Commission and appointed by ATE and who has received from ATE the exclusive mandate to sell the Non-Divested Business to a Purchaser. The Divestiture Trustee shall protect the legitimate financial interests of ATE, subject to ATE's unconditional obligation to divest at the best offered price

DG COMP: the services of the Directorate-General for Competition of the Commission.

Effective Date: the date of adoption of the Decision.

Monitoring Trustee: one or more natural or legal person(s), independent from ATE, approved by the Commission and appointed by ATE and who has the duty to monitor ATE's compliance with the conditions and obligations attached to the Decision.

Non-Divested Businesses: any business included in the Divestment Business for which ATE does not enter into a final binding sale and purchase agreement by 30 June 2012.

Divestment period: until 30 June 2012.

Purchaser: one or more natural or legal person(s) to acquire, in whole or in part, the Divestment Business in accordance with the criteria set out in Section D.

End of restructuring period: 31 December 2013.

Trustee(s): the Monitoring Trustee and the Divestiture Trustee.

ATE: Agricultural Bank of Greece S.A., incorporated under the laws of Greece, with its registered office at 23 Panepistimiou Street, Athens, Greece and registered with the Commercial/Company Register at Athens under number 24402/06/B/91/39.

Relevant accounting rules: relate to figures under International Financial Reporting Standards (IFRS), reported in euro.

Section B. The Divestment Business

Commitment to divest

1. The Hellenic Republic commits that ATE shall divest, or procure the divestiture of, the Divestment Business by 30 June 2012, in an open, transparent and non-discriminatory

procedure, to a Purchaser and on terms of sale in accordance with the procedure described in paragraph 10 and 11. To carry out the divestiture, the Hellenic Republic commits that ATE shall find a Purchaser and enter into a final binding sale and purchase agreement for the sale of the Divestment Business at the latest by 30 June 2012.

For any Non-Divested Businesses ATE shall grant the Divestiture Trustee an exclusive mandate on 1 July 2012 to sell those Non-Divested Businesses in accordance with the procedure described in paragraph 38 in order to endeavour to close the sale by the end of the restructuring period. The Divestiture Trustee shall receive all the authorisation and support from ATE necessary to start the sale immediately after the divestment period. If ATE has not entered into a sale and purchase agreement by 30 June 2012 for any of the Non-Divested Businesses mentioned in paragraphs 2 and 3 but can demonstrate to the Commission that failure to enter into such an agreement was due to not reaching the stress case value indicated in the restructuring plan, where ATE shows that it can however still enter into a sales agreement by 31 December 2012, ATE shall be granted a six-month extension of the divestment period to enter into a final binding sale and purchase agreement for the sale of the relevant Non-Divested Business. If ATE has not entered into such an agreement by 31 December 2012 for the relevant Non-Divested Businesses, ATE shall grant the Divestiture Trustee an exclusive mandate to sell those Non-Divested Businesses in accordance with the procedure described in paragraph 38.

<u>Material scope of the Divestment Business</u>

2. Divestment of all the shares held by ATE (as of the Effective Date) in the following non-financial companies :

    a) Hellenic Sugar Company SA;

    b) Hellenic Feedstuff SA (ELVIZ);

    c) SECAP SA (tobacco); and

    d) Dodoni SA.

3. Divestments of all the shares held by ATE (as of the Effective Date) in the following banking companies :

    a) AIKBanca Serbia;

    b) ATEbank Romania

    c) First Business Bank;

4. Divestments of all the stock holdings held by ATE (as of the Effective Date) in the following companies :

a) Hellenic Petroleum;

b) Hellenic Exchanges;

c) Hellenic Telecommunications (OTE);

d) Follie Follie;

e) Piraeus Bank;

f) Hellenic Water Company; and

g) Hellenic Duty Free Shops (KAE).

5. The Hellenic Republic shall be deemed to have complied with this commitment when ATE has entered into a final binding sale and purchase agreement and DG COMP approves the Purchaser and the terms in accordance with the procedure described in paragraphs 10 and 11.

   In order to maintain the structural effect of the Commitments, the Hellenic Republic commits that ATE shall, until the end of the restructuring period, not acquire direct or indirect influence over the whole or part of the Divestment Business. It is however noted that the International Finance Corporation (IFC) holds 15% (102,352,941 shares) of the share capital of ATEbank Romania, which, according to a Shareholders' Agreement between IFC and ATEbank, the IFC has the right to sell (put option) to ATEbank;[27] ATEbank might therefore be required to increase its shareholding before the sale.
   The present legal and functional structure of the Divestment Business as operated to date shall include:

   a) all tangible and intangible assets (including intellectual property rights), which contribute to the current operation or are necessary to ensure the viability and competitiveness of the Divestment Business;

   b) all licences, permits and authorisations issued by any governmental organisation for the benefit of the Divestment Business;

   c) all contracts, leases, commitments and customer orders of the Divestment Business; all customer, credit and other records of the Divestment Business (items referred to under (a)-(c) hereinafter collectively referred to as "Assets");

   d) the Personnel.

[27] The Put Period began on the third anniversary of the Conversion Date (30 April 2008) and ends on the date when IFC no longer holds any shares of ATE BANK ROMANIA. So the Put Period began on 30 April 2011. The Put Price is to be paid by the Sponsor (ATE) and is determined as three (3) times the book value of ATE BANK ROMANIA as recorded on the last day of the previous quarter based on the audited quarterly financial statements, and multiplied by the number of the Put Shares.

Section C. Related commitments

Preservation of Viability, Marketability and Competitiveness

6. From the Effective Date until the transfer of the legal title of the Divestment Business to the Purchaser, the Hellenic Republic commits that ATE shall preserve the economic viability, marketability and competitiveness of the Divestment Business listed under paragraph [3], in accordance with good business practice, and shall minimise as far as possible any risk of loss of competitive potential of the Divestment Business. In particular the Hellenic Republic commits that ATE will undertake:

    a) not to carry out any act upon its own authority that might have a significant adverse impact on the value, management or competitiveness of the Divestment Business or that might alter the nature and scope of activity, or the industrial or commercial strategy or the investment policy of the Divestment Business;

    b) to make available sufficient resources for the development of the Divestment Business, on the basis and continuation of the existing business plans;

    c) to take all reasonable steps, including appropriate incentive schemes (based on industry practice), to encourage all Key Personnel to remain with the Divestment Business.

Ring-fencing

7. The Hellenic Republic commits that ATE shall implement all necessary measures to ensure that it does not after the Effective Date obtain any business secrets, know-how, commercial information, or any other information of a confidential or proprietary nature relating to the Divestment Business listed under paragraph [3] In particular, the participation of the Divestment Business in a central information technology network shall be severed to the extent possible, without compromising the viability of the Divestment Business. ATE may obtain information relating to the Divestment Business which is reasonably necessary for the divestiture of the Divestment Business or whose disclosure to ATE is required by law.

Non-solicitation clause

8. The Hellenic Republic commits that ATE will undertake, subject to customary limitations, not to solicit, the Key Personnel transferred with the Divestment Business listed under paragraph [3] until the end of the restructuring period.

Due Diligence

9. In order to enable potential Purchasers to carry out a reasonable due diligence of the Divestment Business listed under paragraph [3], the Hellenic Republic commits that ATE shall, subject to customary confidentiality assurances and dependent on the stage of the divestiture process,:

a) provide to potential Purchasers sufficient information as regards the Divestment Business;

b) provide to potential Purchasers sufficient information relating to the Personnel and allow them reasonable access to the Personnel.

Section D. The Purchaser

10. In order to ensure the immediate restoration of effective competition, the Purchaser, in order to be approved by DG COMP, must:

    a) be independent of and unconnected to ATE. The notion of independence follows from the rationale of a compensatory measure, which requires a bank to dispose of an asset and not to sell it to a connected entity like a subsidiary or shareholder (independence is not hampered by a very small interconnection that does not give the other party a significant influence).

    b) have the financial resources, proven expertise and incentive to maintain and develop the Divestment Business listed under paragraph [3] as a viable and active competitive force in competition with ATE and other competitors;

    c) neither be likely to create, in the light of the information available to the Commission, prima facie competition concerns nor give rise to a risk that the implementation of the Commitments will be delayed, and must, in particular, reasonably be expected to obtain all necessary approvals from the relevant regulatory authorities for the acquisition of the Divestment Business.

11. The final binding sale and purchase agreement listed under Section B paragraph [3] shall be subject to the approval of DG COMP upon recommendation by the Monitoring Trustee. When ATE has reached an agreement with a Purchaser, the Hellenic Republic commits that ATE shall submit a fully documented and reasoned proposal, including a copy of the final agreement(s), to the Monitoring Trustee. The Hellenic Republic shall demonstrate that the Purchaser meets the requirements set out in paragraph [10] and that the Divestment Business is being sold in a manner consistent with the Commitments. Prior to the approval of DG COMP, the Monitoring Trustee shall verify that the Purchaser fulfils the requirements set out in paragraph [10] and that the Divestment Business is being sold in a manner consistent with the Commitments.

Section E. Other commitments

12. ***Dividend, Coupon and Call ban***: With regard to coupon payments, dividend payments and call options on own funds instruments (cf. Article 56 of Directive 2006/48/EC), unless DG COMP otherwise agrees to an exemption, the Hellenic Republic commits that:

    a) ATE will not pay any coupon or dividend on own funds instruments by using the capital or reserves of ATE for two years except where there is a legal obligation to do so. In case of doubt as to whether for the purpose of the present commitment a legal obligation exists, ATE shall submit the proposed coupon or dividend payment to DG COMP for approval;

b) ATE will not exercise a call option in respect of those own fund instruments if ATE's total regulatory capital would be reduced following such exercise. It is noted that ATE, will not be allowed to call the EUR 250 million Tier II capital instrument which has a step-up clause in 2013. ATE will however be allowed to undertake a liability management exercise whereby it would exchange, at market terms and after the approval from the Commission, the EUR 250 million Tier II capital into new capital instruments.

Own fund instruments issued by ATE after the Effective Date shall not be subject to the ban on dividend or coupon payments or call options laid down in subparagraph (a), unless those new own fund instruments are issued in exchange for existing own fund instruments and those new own fund instruments are not mandatorily convertible into ordinary shares in regulatory stress scenarios.

ATE certifies that the payment of dividends or coupons on such newly issued own fund instruments will not create a legal obligation to make any dividend or coupon payments on ATE's existing own fund instruments (including preference shares, B shares and upper and lower Tier-2 instruments) and therefore that the payment of dividends or coupons on any such newly issued own fund instruments will not reduce the effect of the commitment not to pay discretionary dividends or coupons on such existing own fund instruments.

13. ***Acquisition ban***: the Hellenic Republic commits that, in the three years following the Effective date, ATE will refrain from acquisitions of stakes in any other undertaking of more than 5%.

Notwithstanding the prohibition in the first subparagraph, ATE may take up capital increases in its current holdings pro rata to its current participation.

Notwithstanding the prohibition in the first subparagraph, ATE may, after obtaining the Commission’s approval, acquire businesses, in particular if such acquisitions are essential in order to safeguard financial stability or competition in the relevant markets.

14. ***Corporate governance commitments***: Within six months from the Effective Date, the Hellenic Republic commits that ATE:

a) abides at any time 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. It is understood that this commitment includes a separation the functions of bodies in particular between the shareholders' meeting and the Board of Directors in order to achieve a clear distribution of responsibilities and transparency. The powers of the shareholders' meeting will be restricted to the tasks which are typical of an annual general meeting under company law, in particular as regards rights relating to information and the taking of decisions on the use of profits. More extensive powers, which would allow improper influence on management, will be rescinded. Responsibility for day-to-day operational management will clearly rest with the Board of Directors, which reduces the possibilities of improper influence by the owners or their representatives;

b) improves corporate governance through the establishment of executive committee, enhancement of Board of Directors control committees, increase of independent members of the Board of Directors and upgrade of internal audit procedures.

The Compliance with this commitment will be monitored every year by the Monitoring Trustee together with the relevant Greek corporate governance regulatory authorities.

15. ***Balance sheet size reduction***: In accordance with the projections of the restructuring plan submitted by ATE to the Commission, ATE's total balance sheet by 31 December 2013, compared to its amount on 31 December 2009, will be reduced by at least 25.7%, based on the restructuring plan submitted by ATE to the Commission. In absolute values, the total balance sheet of ATE, which amounted to EUR 32,788 million at 31 December 2009 and to EUR 31,221 million at 31 December 2010, shall not exceed EUR 26,745 million at 31 December 2011, EUR 24,301 million at 31 December 2012, and EUR 24,353 million at 31 December 2013.

The balance sheet size amounts shall be corrected:

a) for the trend in the market value of the derivatives recorded in ATE's balance sheet if that trend differs from that described in ATE's restructuring plan provided that such a divergence does not result from a rise in the notional amount of derivatives;

b) for foreign exchange movements. In that respect, a restatement of all figures in the 2011, 2012 and 2013 balance sheet size by reference to the currency exchange rates observed at 31 December 2010;

c) for the amount of the short-term seasonal year-end bridge finance loan for the distribution of the agricultural subsidies (to OPEKEPE) if that differs from the projected EUR 1.8bn amount included in the restructuring plan at the end of each year.

The Monitoring Trustee should monitor that the annual projections as described in the restructuring plan, following the adjustments due to the needed corrections as mentioned in subparagraphs (a), (b) and (c), are met and suggest corrective actions if there is divergence.

16. ***Loans***

a) In accordance with the projections of the restructuring plan submitted by ATE to the Commission, the total loan portfolio (net of provisions) by 31 December 2013, compared to its amount on 31 December 2009, will be reduced by at least 13%. In absolute values, the total loan portfolio (net of provisions) of ATE, which amounted to EUR 21,943 million at 31 December 2009 and to 21,203 million at 31 December 2010, shall not exceed EUR 19,379 million at 31 December 2011, EUR 18,298 million at 31 December 2012, and EUR 19,050 million at 31 December 2013. The total loan portfolio (net of provisions) amounts shall be corrected by the bank in agreement with the Monitoring Trustee for the trend in provisions recorded by ATE if that trend differs from that described in ATE's restructuring plan. The total loan portfolio amounts will also include the face value of Greek governments bonds (or any other asset) that ATE received or will receive in exchange of some of those loans as stipulated in the restructuring plan. Finally the total loan portfolio (net of provisions) amounts shall be corrected for the amount of the short-term seasonal year-end bridge finance loan for the distribution of the agricultural subsidies (to OPEKEPE) if it differs from the projected EUR 1.8bn amount included in the restructuring plan at the end of each year.

b) In accordance with the projections of the restructuring plan submitted by ATE to the Commission, the public sector loan portfolio (net of provisions) by 31 December 2013, compared to its amount on 31 December 2009, will be reduced by at least 28.6%. In absolute values, the total loan portfolio (net of provisions) of ATE, which amounted to EUR 5,871 million at 31 December 2009 and to EUR 5,543 million at 31 December 2010, shall not exceed EUR 4,775 million at 31 December 2011, EUR 4,406 million at 31 December 2012, and EUR 4,250 million at 31 December 2013. The public sector loan portfolio (net of provisions) amounts shall be corrected by the bank in agreement with the Monitoring Trustee for the trend in provisions recorded by ATE if that trend differs from that described in ATE's restructuring plan. The public sector loan portfolio amounts will also include the face value of Greek governments bonds (or any other asset) that ATE received or will receive in exchange of some of these loans. Finally the public sector loan portfolio (net of provisions) amounts shall be corrected for the amount of the short-term seasonal year-end bridge finance loan for the distribution of the agricultural subsidies (to OPEKEPE) if it differs from the projected EUR 1.8bn amount included in the restructuring plan at the end of each year.

The Monitoring Trustee should monitor that the annual projections as described in the restructuring plan, following the necessary adjustments due to the needed corrections as mentioned in subparagraphs (a) and (b), are met, and suggest corrective actions if there is divergence.

17. ***Credit selection and pricing at market terms***: The Hellenic Republic commits that for all new loans, credit selection standards and terms and conditions should be comparable with

requirements of private credit institutions. In the case of new public sector and corporate loans that represent a total loan amount of EUR 50 million or higher, ATE should only participate in syndicated or bond loan transactions together with private credit institutions. For those purposes, "new public sector and corporate loans" exclude the renewal of existing revolving loans.

In all other cases lending shall take place «under market terms». «Under market terms» means that the loan carries an interest rate that reflects the risk and has a margin (per annum) over the relevant interbank rates that is in a range of a maximum divergence of minus 15% on the downside and no limit on the upside of the level mentioned in the restructuring plan as indicated below:

	2011	**2012**	**2013**
Mortgages	5,1%	5,0%	4,9%
Consumer/Personal	8,5%	8,4%	8,3%
Credit Cards	10,7%	10,7%	10,6%
Sovereign & PSE's	3,8%	3,8%	3,6%
Corporate	6,0%	5,8%	5,7%
SME's & Agricultural	6,3%	6,2%	6,1%

18. ***Deposits***: In accordance with the restructuring plan submitted by ATE to the Commission, the volume of outstanding deposits by 31 December 2013, compared to its amount on 31 December 2009, will be reduced by […]%. In absolute values, the total volume of outstanding deposits of ATE, which amounted to EUR 22,596 million at 31 December 2009 and to 19,683 million at 31 December 2010, shall not exceed […] million at 31 December 2011, […] million at 31 December 2012, and […] million at 31 December 2013. ATE, in its effort to reduce its reliance on the ECB for funding, may be allowed to gather higher deposit volumes than those mentioned above provided ATE shows that (a) the rate of ATE's deposit increase does not exceed that of the market and (b) the deposit cost is lower than the projected wholesale funding sources included in the restructuring plan (interbank, EMTN, etc). ATE shall provide such supporting elements to the Monitoring Trustee, which shall then verify whether they are acceptable.

19. ***Advertising ban***: The Hellenic Republic commits that ATE will not use the granting of the aid measures or any competitive advantages arising in any way from the aid for advertising purposes, as laid down in the provision of Article 2 the Law 3723/2008 regarding the advertising ban.

20. ***Run-off of bond portfolio***: The Hellenic Republic commits that ATE will put in run-off its portfolio of bonds. With the exception of Greek governments bonds ATE has received or will receive in exchange of some of its loans, ATE will not purchase any bond. That obligation does not apply to the purchase by ATE of Treasury bills issued by the Hellenic Republic. The

total amount of outstanding Treasury bills that ATE holds in its balance sheet will not exceed, at any reporting date, EUR 300 million.

21. ***Reduction in costs***: The Hellenic Republic commits that ATE will gradually decrease its operating costs by at least 25%, from EUR 631 million at 31 December 2009 to less than EUR 473 million at 31 December 2013.

22. ***Trading***: In order not to endanger the bank's viability and/or liquidity status, the Hellenic Republic commits that ATE shall refrain from carrying out proprietary trading activities. ATE shall only carry out such trading activities as are necessary for the acceptance, transmission or execution of purchase and sell orders of its clients.

    ATE shall not build up proprietary positions unless such positions result from the fact that ATE could not carry out certain client orders simultaneously. In order not to endanger the bank's viability and/or liquidity status, such positions, as well as any positions resulting from liquidity and risk management, are only acceptable within clearly defined limits. ATE shall therefore limit Value-at-Risk (1 day, 99% confidence level) of its trading book, every year, on average, to EUR [2.458] million, to be compared with the level of EUR 3.683 million over 2008 and EUR 2.395 million over 2009.

23. ***Cap on participation in State Guarantee Scheme and Bond Loan Scheme***: ATE may not obtain more State liquidity guarantees than foreseen and allocated under the Greek Guarantee and Bond Loan Schemes.

24. ***Growth sustainability***: The Hellenic Republic commits that ATE shall grow its balance sheet in 2013 and in 2014 only on the basis of sustainable funding sources, in particular not on the basis of central bank funding beyond what is described in the restructuring plan.

    In that respect, if the amount of central bank funding ATE shows at 31 December 2013 is higher than EUR […]million (which corresponds to the projected central bank funding amount in the restructuring plan at 31 December 2013 of EUR […]million, complemented by an additional margin of 5%), ATE may not grow its balance sheet in 2014 compared to the balance sheet size at 31 December 2013, and ATE shall take all the necessary measures to reduce central bank funding to a level of maximum EUR […]million at 31 December 2014.

    Furthermore, if the amount of central bank funding ATE shows at 31 December 2013 is higher than EUR […]million, ATE shall be subject to the acquisition ban in paragraph [13] until 31 December 2014.

25. ***Continuance of asset quality reinforcement policy***: ATE shall maintain a coverage ratio of more than 50% until the end of the restructuring period as stipulated in the restructuring plan.

Additionally, ATE will proceed with non-performing loan write-offs of at least 800 million until 31 December 2013.

26. ***Duration of commitments***: Unless explicitly specified, the commitments shall be in place until the End of the restructuring period.

Section F. Reporting

27. Within 30 days after the announcement of semi-annual and annual financial results, or as otherwise agreed with DG COMP, the Monitoring Trustee shall submit a draft written report in English to the Commission, ATE and the Hellenic Republic (Ministry of Finance), giving each the opportunity to submit comments within five working days. Within five working days of receipt of the comments, the Trustee shall prepare a final report and submit it to the Commission, incorporating the Commission's comments to the extent possible and, at his sole discretion, taking account of the comments submitted by ATE and the Hellenic Republic (Ministry of Finance). The Trustee will also send a copy of the final report to ATE and the Hellenic Republic. If the draft report or the final report contains any information that must not be disclosed to ATE, ATE shall only be provided with a non-confidential version of the draft report and the final report. The Monitoring Trustee may not submit any version of the report to the Hellenic Republic (Ministry of Finance) and/or ATE before submitting it to the Commission.

Section G. Trustee

<u>Appointment Procedure</u>

28. The Hellenic Republic commits that ATE will appoint a Monitoring Trustee to carry out the functions specified in the Commitments for a Monitoring Trustee.

29. If ATE has not entered into a binding sales and purchase agreement for the sale of the Divestment Business at the latest by 30 June 2012 or if DG COMP has rejected a Purchaser proposed by ATE at that time or thereafter, ATE shall appoint a Divestiture Trustee to carry out the functions specified in the Commitments for a Divestiture Trustee. The appointment of the Divestiture Trustee shall then take effect no later than three months from the divestment period.

30. The Trustee shall be independent of ATE and work on behalf and under instruction of DG COMP, possess the necessary qualifications to carry out its mandate (for example as an investment bank or consultant or auditor) and shall neither have nor become exposed to a conflict of interest. The Trustee shall be remunerated by ATE in a way that does not impede the independent and effective fulfilment of its mandate.

Proposal by ATE

31. The Hellenic Republic commits that no later than four weeks after the Effective Date, ATE will submit a list of two or more persons whom ATE proposes to appoint as the Monitoring Trustee to DG COMP for approval, with an indication which of those is ATE's preferred choice.

32. The Hellenic Republic commits that no later than one month before the end of the divestments dates laid down in paragraph, ATE shall submit a list of one or more persons whom ATE proposes to appoint as Divestiture Trustee to DG COMP for approval, with an indication which of those is ATE's preferred choice. The proposal for appointing the trustee shall contain sufficient information for the Commission to verify that the proposed Trustee fulfils the requirements set out in paragraph 29 and shall include:

    a) the full terms of the proposed mandate, which shall include all provisions necessary to enable the Trustee to fulfil its duties under these Commitments;

    b) the outline of a work plan which describes how the Trustee intends to carry out its assigned tasks.

Approval or rejection by DG COMP

33. DG COMP shall have the discretion to approve or reject the proposed Trustees and to approve the proposed mandate subject to any modifications it deems necessary for the Trustee to fulfil its obligations. If only one name is approved, ATE shall appoint or cause to be appointed the individual or institution concerned as Trustee, in accordance with the mandate approved by DG COMP. If more than one name is approved, ATE shall be free to choose the Trustee to be appointed from among the names approved. The Trustee shall be appointed within one week of the approval given by DG COMP, in accordance with the mandate approved by DG COMP.

New proposal by ATE

34. If all the proposed Trustees are rejected, the Hellenic Republic commits that ATE will submit the names of at least two more individuals or institutions within one week of being informed of the rejection, in accordance with the requirements and the procedure set out in paragraphs 27 and 32.

Trustee nominated by DG COMP

35. If all further proposed Trustees are rejected by DG COMP, DG COMP shall nominate a Trustee, whom ATE shall appoint, or cause to be appointed, in accordance with a trustee mandate approved by DG COMP.

Functions of the Trustee

36. The Trustee shall assume its specified duties in order to ensure compliance with the Commitments. DG COMP may, on its own initiative or at the request of the Trustee or ATE, give any orders or instructions to the Trustee in order to ensure compliance with the conditions and obligations attached to the Decision.

Duties and obligations of the Monitoring Trustee

37. The Monitoring Trustee shall:

    a) propose in its first report to the Commission a detailed work plan describing how it intends to monitor compliance with the obligations and conditions attached to the Decision.

    b) monitor compliance with all commitments attached to the Decision and monitor the implementation of the restructuring plan of ATE.

    c) propose to ATE such measures as the Monitoring Trustee considers necessary to ensure ATE's compliance with the commitments attached to the Decision and ATE's compliance with the restructuring plan.

    d) provide to the Commission, sending ATE a non-confidential copy at the same time, a written report within 45 days after the end of each semester and business year. The report shall cover the progress of the divestiture process as well as potential Purchasers. In addition to those reports, the Monitoring Trustee shall promptly report in writing to the Commission, sending ATE a non-confidential copy at the same time, if it concludes on reasonable grounds that ATE is failing to comply with these Commitments.

Duties and obligations of the Divestiture Trustee

38. The Divestiture Trustee shall sell at the best offered price the Divestment Business to a Purchaser, provided that the DG COMP has approved both the Purchaser and the final binding sale and purchase agreement in accordance with the procedure laid down in paragraph 11. The Divestiture Trustee shall include in the sale and purchase agreement such terms and conditions as it considers appropriate for an expedient sale before 30 June 2013 In particular, the Divestiture Trustee may include in the sale and purchase agreement such customary representations and warranties and indemnities as are reasonably required to effect the sale. The Divestiture Trustee shall protect the legitimate financial interests of ATE, subject to ATE's unconditional obligation to divest at the best offered price. If there is no offered price until 30 June 2013 for the Non-Divested Business, it will be liquidated.

Duties and obligations of ATE

39. The Hellenic Republic commits that ATE will provide and cause its advisors to provide the Trustee with all such cooperation, assistance and information as the Trustee may reasonably require to perform its tasks. The Trustee shall have full and complete access to any of ATE's or the Divestment Business' books, records, documents, management or other personnel, facilities, sites and technical information necessary for fulfilling its duties under the Commitments. ATE and the Divestment Business shall provide the Trustee upon request with copies of any document. ATE and the Divestment Business shall be available for meetings in order to provide the Trustee with all information necessary for the performance of its tasks.

40. The Hellenic Republic commits that ATE will provide the Monitoring Trustee with all managerial and administrative support that it may reasonably request on behalf of the management of the Divestment Business. All administrative support functions relating to the Divestment Business currently carried out at headquarters level shall be considered as managerial and administrative support that the Monitoring Trustee may reasonably request. ATE shall provide and shall cause its advisors to provide the Monitoring Trustee, on request, with the information submitted to potential Purchasers, in particular give the Monitoring Trustee access to the data room documentation and all other information granted to potential Purchasers in the due diligence procedure. ATE shall inform the Monitoring Trustee on possible Purchasers, submit a list of potential Purchasers, and keep the Monitoring Trustee informed of all developments in the divestiture process.

41. The Hellenic Republic commits that ATE will indemnify the Trustee and its employees and agents (each an "Indemnified Party") and hold each Indemnified Party harmless against, and hereby agrees that an Indemnified Party shall have no liability to, ATE for any liabilities arising out of the performance of the Trustee's duties under the Commitments, except to the extent that such liabilities result from the wilful default, recklessness, gross negligence or bad faith of the Trustee, its employees, agents or advisors.

42. At the expense of ATE, the Trustee may appoint advisors (in particular for corporate finance or legal advice), subject to ATE's approval if the Trustee considers the appointment of such advisors necessary or appropriate for the performance of its duties and obligations under the Mandate, provided that any fees and other expenses incurred by the Trustee are reasonable. ATE shall not unreasonably withhold or delay such approval for appointing advisors. Should ATE refuse to approve the advisors proposed by the Trustee, DG COMP may approve the appointment of such advisors, after having heard ATE. Only the Trustee shall be entitled to issue instructions to the advisors.

Replacement, discharge and reappointment of the Trustee

43. If the Trustee ceases to perform its functions under the Commitments or for any other good cause, including the exposure of the Trustee to a conflict of interest:

a) DG COMP may, after hearing the Trustee, require ATE to replace the Trustee; or

b) ATE, with the prior approval of DG COMP, may replace the Trustee.

44. If the Trustee is removed pursuant to paragraph 41, the Trustee may be required to continue in its function until a new Trustee is in place to whom the Trustee has effected a full hand over of all relevant information. The new Trustee shall be appointed in accordance with the procedure referred to in paragraphs 26-33.

45. Beside the removal according to paragraph 41, the Trustee shall cease to act as Trustee only after DG COMP has discharged it from its duties after all the Commitments with which the Trustee has been entrusted have been implemented. However, DG COMP may at any time until 31 December 2014 require the reappointment of the Monitoring Trustee if it subsequently appears that the relevant remedies, in particular the growth sustainability in paragraph 25 might not have been fully and properly implemented.