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State aid: Commission approves restructuring aid for Greek Piraeus Bank

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Brussels, 23 July 2014

State aid: Commission approves restructuring aid for Greek Piraeus Bank

The European Commission has found the restructuring plan of Greek bank Piraeus, including the integration of several Greek banks, to be in line with EU state aid rules. The measures already implemented and those planned will enable Piraeus to fully restore its long term viability, while limiting the distortions of competition created by the large amount of state aid granted.

Commission Vice President in charge of competition policy Joaquín Almunia said: "The successful integration of several Greek banking activities has strengthened Piraeus' liquidity position. The enlarged group now needs to complete the significant rationalisation process started two years ago in order to restore its long term viability, allowing it to finance the Greek economy in a sustainable way."

Since 2008, Greece and the Hellenic Financial Stability Fund (HFSF) have granted repeated capital and liquidity support to Piraeus. The Commission opened an in-depth investigation in July 2012 (see [IP/12/860](#)). Greece has notified a restructuring plan for Piraeus in June 2014.

Since July 2012, Piraeus has acquired several Greek banking activities, which had been resolved (Agricultural Bank of Greece (ATE)) or put to sale by foreign banks (Millennium Bank Greece (MBG), Geniki and the branches of Cypriot banks in Greece). It has integrated these banks within a very short time, has started to rationalise their operations and has already achieved significant synergies. The restructuring plan continues this effort through a reduction of operating expenses, an increasing net interest income and a prudent risk management. The plan also provides for a significant downsizing of Piraeus' international operations, which are loss making. The implementation of these commitments will be monitored by an independent trustee.

The Commission assessed the plan under its state aid rules for the restructuring of banks during the crisis (see [IP/09/1180](#), [IP/10/1636](#) and [IP/11/1488](#)). In its assessment, the Commission acknowledged that most of Piraeus' difficulties do not come from excessive risk-taking but from the sovereign debt crisis and the exceptionally protracted and deep recession which started in 2008. In view of those exceptional circumstances, the aid is less distortive and creates less moral hazard than aid for financial institutions which accumulated excessive risks. The Commission therefore concluded that less extensive compensatory measures would be needed to mitigate the distortions of competition brought about by the large state aid, and in particular has not requested any downsizing of Piraeus' Greek banking activities. However, the bank will downsize its foreign activities to ensure (i) that the benefits of the aid are channelled towards the financing of the Greek economy, and (ii) that the aid does not distort competition in foreign markets where Piraeus competes with non-aided banks.

Piraeus received more aid than other large Greek banks, compared to its risk-weighted assets at 31 March 2012. However, Piraeus reduced the amount of aid needed through capital enhancing acquisitions, buy-backs of subordinated debt at significant discounts to par, and capital increases. Indeed, Piraeus regained access to capital markets and raised significant amounts of private money in 2013 and 2014, which allowed it to repay part of the aid received.

The Commission therefore concluded that the restructuring plan was in line with its rules on banking restructuring during the crisis.

Background

On 29 April and 9 July, the Commission already approved the restructuring plans of Eurobank and Alpha Bank (see [IP/14/495](#) and [IP/14/790](#)). The Commission has also approved today the restructuring plan of National Bank of Greece (see [IP/14/869](#)).

Piraeus provides universal banking services mainly in Central, Eastern and South-Eastern Europe, with a focus on Greece, where it is the largest bank. In 2009 and 2011, Greece subscribed to Piraeus preference shares for €750 million and in 2012 and 2013 the HFSF invested and committed €7.3 billion in Piraeus. In June 2013 Piraeus raised €1.4 billion of private capital which was used to partially repay the HFSF. In April 2014 Piraeus raised a further €1.75 billion on the market among other things to cover the capital shortfall determined by the 2013 stress test of the Bank of Greece and to repay the preference shares.

The common EU rules on state support for the restructuring of banks during the crisis aim at ensuring that aided banks become viable in the long term. That is to say, state funding that merely serves to keep unsustainable banks artificially alive without restructuring them is not allowed. Moreover, the rules ensure that the aid is limited to the minimum necessary to achieve this result without a waste of taxpayers' money and that the distortions of competition brought about by the subsidies, which give aided banks an advantage over their competitors, are mitigated.

The non-confidential version of this decision will be made available under the case number [SA.34826](#) in the [State Aid Register](#) on the [competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).


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