

# State aid: Commission approves aid for Piraeus Bank on the basis of an amended restructuring plan

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In the context of the third economic adjustment programme for Greece, the European Commission has approved additional state aid of €2.72 billion to Greek Piraeus Bank under EU state aid rules, on the basis of an amended restructuring plan.

The Commission concluded that the measures already implemented as part of the bank's existing restructuring plan of July 2014, in addition to those envisaged in the amended plan, will enable Piraeus Bank to ensure lending to the Greek economy in line with EU state aid rules, in particular the 2013 Banking Communication, and the Bank Recovery and Resolution Directive.

Piraeus Bank is the largest lender to Greek companies and households. EU Commissioner in charge of competition policy, Margrethe Vestager, said: *"I welcome that Piraeus Bank has covered a significant part of its capital needs from private investors. This is a sign of market confidence. The additional public support and further implementation of its restructuring plan should enable the bank to return to long-term viability and continue supporting the recovery of the Greek economy."*

As part of the third economic adjustment programme, on 31 October 2015, the comprehensive assessment carried out by the European Central Bank's Single Supervisory Mechanism (SSM) to ensure that the four systemic Greek banks are adequately capitalised identified a capital shortfall of €4.93 billion for Piraeus Bank.

Piraeus Bank has succeeded in covering in total €1.94 billion of this large capital needs by private means (existing creditors, through voluntary exchange of their notes for new shares, and new investors through share capital increase). The SSM also approved additional capital actions of €271 million. This means that Piraeus Bank has raised sufficient capital from private investors to cover its asset quality review and baseline scenario capital needs under the SSM's comprehensive assessment. The level of private capital is a sign of market confidence in the restoration of the long-term viability of this bank. It also shows that contributions by junior and senior bondholders can significantly reduce the need for injections of taxpayer money to support banks, whilst preserving financial stability.

The remaining balance of the capital needs amounting to €2.72 billion (as identified in the SSM's comprehensive assessment's so-called stressed scenario) will be covered by additional state aid injected by the Hellenic Financial Stability Fund (HFSF). This will take the form of a combination of share capital and contingent convertible capital instruments. The funding will be provided by the European Stability Mechanism (ESM) in the framework of the economic adjustment programme agreed with Greece with €10 billion funding made available to cover potential capital needs of the banking sector.

On this basis, the Greek authorities proposed changes to Piraeus Bank's restructuring plan approved in July 2014 in addition to the extensive restructuring already implemented. These changes include a deepening of the bank's operational restructuring and some amendments of deadlines in response to the changes in the bank's macroeconomic situation, as well as a commitment to further dispose of non-core assets outside of Greece. The Commission took into account the fact that most of Piraeus Bank's difficulties did not come from excessive risk taking but from the uncertainty and the events that led to the agreement of the third economic adjustment programme for Greece in August. Therefore, it found the measures proposed in the revised restructuring plan are sufficient to limit distortions of competition as a result of the state aid and, in particular, requested no downsizing in the bank's core lending activities in Greece.

As part of its state aid decision, the Commission has also verified that the capital injection by the HFSF can be granted as a precautionary recapitalisation within the meaning of the Bank Resolution and Recovery Directive (BRRD). It concluded that all the conditions of the BRRD to grant the aid without having to put the bank into resolution were met.

## Background

The Commission approved a restructuring plan for Piraeus Bank in July 2014. Despite positive signs over the course of 2014, the events that led to the agreement of a [European Stability Mechanism \(ESM\) support programme](#) for Greece in August 2015 significantly changed the situation on the ground and projections on the basis of which the restructuring plan was approved. In October 2015, the European Central Bank's Single Supervisory Mechanism (SSM) carried out a comprehensive assessment of the four systemic Greek banks to ensure they are adequately capitalised.

On 24 November 2015, [the Eurogroup issued a Statement](#) noting that the policy conditions have been met for the transfer from the ESM to the HFSF of the funds needed for bank recapitalisation purposes. The funds will be transferred on a case by case basis, depending on the individual needs of the respective banks. On 26 November 2015, the Commission approved [amended restructuring plans for Alpha Bank and Eurobank](#).

Under EU state aid rules, additional capital requirements should in the first place be covered from the market and/or other private sources. If this is not sufficient and a bank needs state aid in the form of a capital injection, such support has to be approved under EU state aid rules before it is granted, and on the basis of a restructuring plan.

Furthermore, under the Bank Resolution and Recovery Directive, a bank in need of state aid has to be put in resolution. Only in narrowly defined exceptional conditions can state aid be provided to a bank outside resolution. Such exception defined in Article 32(4)(d)(iii) BRRD is referred to as "precautionary recapitalisation".

Please also see the Commission's [Policy Brief "State aid to European banks: returning to viability"](#) on the application of EU state aid rules in the banking sector.

The non-confidential version of this decision will be made available under the case number SA.43364 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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