EUROPEAN COMMISSION

Brussels, 29.4.2016
C(2016) 2656 final

COMMISSION DECISION

of 29.04.2016

ON THE STATE AID
SA.39543 (2015/N), SA.41134 (2015/N),
SA.41925 (2015/N), SA.43547 (2015/N)
implemented by Italy
Amendment to the resolution of Banca Marche,
Banca Etruria, Carife and Carichieti

(Only the English version is authentic)

Onorevole Paolo Gentiloni
Ministro degli Affari esteri e della Cooperazione Internazionale
P.le della Farnesina 1
I - 00194 Roma

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

COMMISSION DECISION

of 29.04.2016

ON THE STATE AID
SA.39543 (2015/N), SA.41134 (2015/N),
SA.41925 (2015/N), SA.43547 (2015/N)
implemented by Italy
Amendment to the resolution of Banca Marche,
Banca Etruria, Carife and Carichieti

(Only the English version is authentic)

In the published version of this decision, some information has been omitted, pursuant to articles 30 and 31 of Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […]		PUBLIC VERSION This document is made available for information purposes only.

Subject: **State Aid SA.39543 (2015/N), SA.41134 (2015/N), SA.41925 (2015/N), SA.43547 (2015/N) – Italy**
Amendment to the Resolution of Banca delle Marche S.p.A., Banca Popolare dell'Etruria e del Lazio Soc. Coop., Cassa di Risparmio di Ferrara S.p.A. and Cassa di Risparmio della Provincia di Chieti S.p.A.

Sir,

1. PROCEDURE:

(1) By four decisions taken on 22 November 2015[1], one for each individual bank, (the "2015 Decisions") the Commission approved the resolution of Banca delle Marche S.p.A. ("Marche"), Banca Popolare dell'Etruria e del Lazio Soc. Coop. ("Etruria"), Cassa di Risparmio di Ferrara S.p.A ("Carife") and Cassa di Risparmio della Provincia di Chieti S.p.A. ("Carichieti") (together "the banks"). The resolution led to the immediate creation and capitalisation of four temporary

[1] State Aid SA. 39543 (2015/N) – Resolution of Banca delle Marche S.p.A., SA.41134 (2015/N) – Resolution of Banca Popolare dell'Etruria e del Lazio Soc. Coop, SA.41925 (2015/N) – Resolution of Cassa di Risparmio di Ferrara S.p.A and SA.43547 (2015/N) – Resolution of Cassa di Risparmio della Provincia di Chieti S.p.A.

credit institutions, i.e. four bridge banks, subsequently named Nuova Banca delle Marche ("Nuova Marche"), Nuova Banca Etruria ("Nuova Etruria"), Nuova Cassa di Risparmio di Ferrara ("Nuova Carife") and Nuova Cassa di Risparmio della Provincia di Chieti ("Nuova Carichieti") (together "the bridge banks") fully capitalised and owned by the Italian Resolution Fund[2] ("the Resolution Fund").

(2) The 2015 Decisions were based on a number of commitments[3] provided by Italy, including the sale of the bridge banks, followed by a stop of new business and entering a wind-down phase if the bridge banks were not sold within five months of the date of the 2015 Decisions, and finally their liquidation under ordinary insolvency procedures within two years from the adoption date of the 2015 Decisions.

(3) On 19 January 2016, Italy launched the sale process of the bridge banks by publishing a call for expression of interest[4].

(4) On 13 February 2016 Italy informed the Commission of the implementation of the sale process. The presented timeline suggested that although significant progress had been made, the sale deadline might not be met. Several information exchanges between the Italian authorities and the Commission also took place during teleconferences between February and April 2016.

(5) On 21 April 2016, Italy submitted an amendment to the commitments annexed to the 2015 Decisions.

(6) By letter of 21 April 2016, Italy agreed to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union ("TFEU") in conjunction with Article 3 of Regulation 1/1958[5] and to have the present decision adopted and notified in English.

2. DESCRIPTION

2.1. Description of the banks

Banca delle Marche S.p.A.

(7) On 15 October 2013, Marche was placed under special administration following serious irregularities found in its administration. According to the latest published financial statements at the end of 2012, Marche had total assets of EUR 22.7 billion and was holding a 0.52% market share of deposits at national level.

(8) Since the first half of 2014, the special administrator has sought investors available to intervene with the aim of finding a solution for Marche's crisis. By November 2015 all possible intervention measures involving private funds were unsuccessful and the net equity of Marche had been reduced to EUR 13 million, insufficient to fulfil the prudential requirements. Additionally, the liquidity buffer

---

2 The Resolution Fund was established by virtue of legislative decree of 16 November 2015 - Decreto legislativo (Dlgs) 180/2015.

3 See Annex I to the four 2015 Decisions.

4 https://www.bancaditalia.it/media/notizie/2016/Call-for-expression-of-interest.pdf?language_id=1

5 Council Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

halved and provided insufficiently adequate safety margins to deal with the day-to-day operation of the system of payments.

Banca Popolare dell'Etruria e del Lazio Soc. Coop.

(9) In February 2015, the Commission became aware that Etruria had been put under special administration following supervisory inspections by the Bank of Italy that revealed serious capital losses due to write-downs in portfolio. According to the latest published figures at 30 September 2014, Etruria had total assets of EUR 12.3 billion and a market share of 0.30% of deposits at national level.

(10) By November 2015, the efforts of the special administration to find a solution involving private funds were unsuccessful. Etruria's balance sheet has been reduced to EUR 22.5 million (insufficient to fulfil the prudential own funds requirements) and deposits started to leave Etruria contributing to the deterioration of the funding situation.

Cassa di Risparmio di Ferrara S.p.A

(11) On 27 May 2013, Carife had been placed under special administration following an inspection of the Bank of Italy. According to the latest published figures at the end of 2012, Carife had total assets of EUR 6.9 billion and a market share of 0.26% of deposits at national level.

(12) By November 2015, all possible intervention measures involving private funds were unsuccessful and the net equity of Carife had already fallen below zero to around EUR -24 million. In addition, the liquidity buffer amounts deteriorated.

Cassa di Risparmio della Provincia di Chieti S.p.A.

(13) On 5 September 2014, Carichieti has been placed under special administration due to serious administrative irregularities and law violations caused by unfit governance. According to the latest published figures at the end of 2013, the bank had total assets of EUR 4.7 billion, and a market share of 0.15% of the national deposit base.

By November 2015, all possible intervention measures involving private funds were unsuccessful and the net equity of Carichieti had been substantially reduced to a level deemed insufficient to fulfil the prudential requirements.

2.2. The 2015 Decisions

(14) On 20 November 2015, Italy notified to the Commission State aid contained in the resolution plans in favour of the banks. Those measures included the immediate creation and capitalisation of four bridge banks and the transfer of non-performing loans from the bridge banks to a single Asset Management Vehicle. Italy provided commitments with the notification.

(15) According to the commitments, the sale of the bridge banks had to be completed by 30 April 2016 at the latest, through an open, non-discriminatory and competitive selling process that would take place on market terms and seek to maximize the sales price for the assets and liabilities involved.

(16) If the sale processes were not completed by 30 April 2016, the bridge banks would have to stop new business and enter a wind-down phase ("the wind-down phase") before being put into ordinary insolvency proceedings with the loss of the banking licenses, no later than 22 November 2017.

(17) On 22 November 2015, the Commission adopted four State aid decisions individually approving the State aid contained in the resolution plans in favour of the four banks.

2.3. Events between the 2015 Decisions and the present amendment

(18) In accordance with the commitments annexed to the 2015 Decisions, the Bank of Italy in its role as Resolution Authority launched the sale process of the bridge banks with a public call for expression of interest for the acquisition of one or more bridge banks or one or more of the non-core entities[6].

(19) Since then, the sale process has advanced but, according to Italy, has also encountered some unexpected delays, in particular because of the closing of the 2015 accounts necessary to launch the due diligence phase, which led to a delay of roughly two months compared to the original planning.

(20) On 19 April 2016, Italy distributed the information memorandum to investors, one month later than originally planned.

(21) Contrary to its commitments annexed to the 2015 Decisions, Italy has not yet appointed a monitoring trustee for the four banks.

(22) As set out in the Annex to each of the 2015 Decisions, Italy committed to inform the Commission of the results of the final valuation of the banks under resolution, conducted by the Bank of Italy. The Commission has not yet received the final valuation.

3. THE AMENDMENT SUBMITTED BY ITALY

(23) Italy considers that the deadline for the sale process of the bridge banks can no longer be met, for the reasons outlined in section 4.1. It has therefore proposed the following amendment to the commitments annexed to the 2015 Decisions, which concern the existence period of the bridge banks[7]:

(a) Postponement of the deadline by which the sale of the bridge banks has to be implemented ("the sale deadline") from 30 April 2016, as provided for by the original commitments, to 30 September 2016.

(b) If that sale process is not concluded by that deadline, anticipation of the deadline for the wind-down phase ("the wind-down deadline"), by which date the bridge banks must have been put into ordinary insolvency proceedings,

---

6 See footnote 4.

7 As defined in the commitments in Annex I to each of the 2015 Decisions, the Existence Period starts with the setup of the Bridge Bank. The Existence Period ends when the Bridge Bank is sold. If the Bridge Bank is not sold, the Existence Period ends when the Bridge Bank is wound-up entirely, or its banking licence is revoked or it stops any banking activity, whichever occurs earlier.

from 22 November 2017, as provided for by the original commitments, to 30 April 2017.

(24) To show why postponement of the sale deadline is necessary, Italy provided a schedule for how the sale process will be successfully terminated by 30 September 2016.

(25) To show that it is feasible to bring forward the wind-down deadline to 30 April 2017, Italy submitted a more detailed outline for the wind-down phase if the bridge banks are not sold by 30 September 2016. That outline does not indicate a lack of faith on the part of Italy as to the success of the ongoing sale process but is rather intended to demonstrate that the wind-down phase can successfully lead to the return of the banking license without additional State aid being necessary when ordinary insolvency is entered. Subject to legal requirements connected to resolution and liquidation procedures laid down in Italian law, the sale of lots of assets and liabilities out of the bridge banks during the wind down phase will be in compliance with the following principles:

(a) Assets and liabilities will be sorted into lots to be marketed for sale;

(b) The size of the lots will be around 5% of the bridge bank's assets;

(c) Each lot will be marketed independently;

(d) No buyer will be allocated cumulative lots representing a significant part of the assets of the bridge bank (in principle not totalling more than 20% of the assets of the bridge bank);

(e) Bids implying a negative price for the sum of lots bought by a single bidder will not be accepted.

(26) Finally, in order to give comfort to the Commission and avoid questions of further State aid during the wind-down phase as well as during the ordinary insolvency procedure, Italy has provided the following additional commitments, as detailed in Annex I to this Decision, which amend the commitments annexed to the 2015 Decisions:

(a) If required, Italy will implement the wind-down according to the principles provided and detailed in the Commitments and paraphrased in recital (25).

(b) Italy will not provide any further State aid in the form of either capital or liquidity support during either the wind-down phase or ordinary insolvency.

(27) The commitments provided by Italy will enter into force on the date of adoption of this Decision and will end on 30 April 2017 unless stated otherwise.

4. POSITION OF ITALY

4.1. Need for a deadline extension

(28) Italy submits that the sale process is advancing in a positive way and Italy is convinced of its success.

(29) However, according to Italy, the prolongation of the deadline for the sale of the four bridge banks by five months, i.e. from 30 April 2016 to 30 September 2016, has become necessary for reasons unforeseen in the original planning stemming from the complexity of the resolution, namely:

(a) Legal issues arising from the bail-in of retail bond holders and the accounting tax treatment linked to the Resolution Fund as a newly created entity.

(b) Increasingly challenging coordination of the external auditors and independent evaluators.

(30) In addition to the delays due to the complexity of the resolution, Italy considers that more time is needed to conduct the sale process in a way that minimises the cost of the resolution for the Resolution Authority by maximising the sales value. Italy envisages a block sale (all four bridge banks to one buyer) in parallel with a fragmented sale (bridge banks sold to several buyers).

(31) Italy considers that the sale could not be completed by the deadline that it had notified with the original commitments, and argues that an extension of the deadline would avoid systemic repercussions.

4.2. Existence of aid, its necessity and compatibility

(32) Italy submits that the amendment proposal does not entail any new aid. It does also not change the conditions under which the Commission assessed that the aid measures approved in the 2015 Decisions were compatible with the internal market. The anticipation of the liquidation deadline and the additional commitments of Italy compensate the additional distortions of competition produced by the extension of the sale deadline, if any.

(33) Italy submitted a document outlining the possible wind-down phase in case the ongoing sale process of the bridge banks fails. Italy points out that that document is presented for a hypothetical situation from the current perspective, and not necessitated by the progress or situation of the ongoing sale process.

5. ASSESSMENT OF THE MEASURE

5.1. Existence of aid

(34) Pursuant to Article 107(1) TFEU, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.

(35) The existence of aid in the measures approved by the 2015 Decisions is assessed by the Commission in section 5.1 of those Decisions.

(36) The change of the sale deadline coupled with the advance of the wind-down deadline contained in the amendment submitted by Italy and described in section 3 of the present decision does not in itself entail new aid within the meaning of Article 107(1) TFEU. Italy commits that neither during the sale process, nor in

the wind-down phase, nor during liquidation under ordinary insolvency proceedings would additional State resources be used.

(37) Italy also has submitted in its commitments the principles of the wind-down to be implemented in case such a wind-down were to become necessary. From that perspective, it is irrelevant that Italy has stated that the wind-down outline is currently merely a hypothetical possibility and is of a high-level nature.

5.2. No new aid

(38) The Commission has to ensure that there is no additional State aid, if an eventual wind-down were to be implemented according to the principles applicable in the wind-down phase. In particular, according to the commitments provided by Italy:

(a) The business of the banks will be parcelled into lots of roughly 5% of total assets mainly based on geography.

(b) Those lots will be sold in independent auctions which may be staggered in time.

(c) No single buyer will be allowed to buy more than 20% of total assets of each bank.

(d) No negative prices will be accepted from any given buyer.

While the wind-down principles are illustrated in the submission only for the example of Nuova Marche, Italy submits that those principles will remain the same for Nuova Etruria, Nuova Carife and Nuova Carichieti.

(39) In order to avoid additional aid, it is important to ensure that no negative price is accepted for the sale of the bridge banks in their entirety.

(40) While a negative price for specific lots is not excluded under the wind-down principles, the Commission points to the fact that every single buyer has to pay a positive price. As the sum of the prices paid by each single buyer will be positive, the Commission considers that that commitment will prevent the sale process generating a negative price which would be at the charge of the current owner, the Resolution Fund.

(41) However, given the significant amount of cash and cash-like securities available in the bridge banks, it cannot be excluded that the sale process will lead to a remaining entity after the sale of all sellable lots with a significant funding gap. Such an entity would in principle have to go into orderly insolvency where, under Italian law, further aid could be provided to shield the remaining creditors from taking the necessary losses.

(42) In that context, the Commission recalls that it has found an intervention by the mandatory Deposit Guarantee Scheme in support of economic activity in the insolvency procedure for banks under Italian law to constitute State aid.[8] In

[8] Commission decision C(2015)4599 of 02.07.2015 in case SA.41924 (2015/N) – Italy, Resolution (via liquidation) of Banca Romagna Cooperativa – Credito Cooperativo Romagna Centro e Macerone - Società Cooperativa,,OJ C 369 of 06.11.2015.

another recent decision, with references to further decisions, the Commission has laid down in great detail why an intervention by the mandatory Deposit Guarantee Scheme in Italy other than the reimbursement of depositors is imputable to the State.[9]

(43) Therefore, the Commission takes great comfort from the commitment that Italy will not provide any further capital support, neither in the wind-down phase nor in the orderly liquidation phase. If new aid was granted or expected to be granted during the sale process, the wind-down phase or the liquidation phase, the Commission strongly doubts that it could provide approval on the measures in the form as currently proposed by Italy.

(44) Taken together with the commitment not to provide any further State aid, the Commission notes positively that according to the example provided for the wind-down of Nuova Marche, Italy expects a positive value resulting from the wind-down overall and expects that the assets of the four bridge banks could be sold at a positive value and all the liabilities repaid. Also for Nuova Banca Etruria, Nuova CariChieti and Nuova Carife, Italy expects positive value resulting from the wind-down overall.

(45) Finally, the Commission recalls that Italy also commits that any liquidity necessary during the wind-down phase will be provided at market terms. Given the significant amount of cash and cash-like securities available for collateralised borrowing, the Commission considers that the necessary liquidity can indeed be sourced through the market.

(46) The Commission takes comfort in that respect also from the commitment by Italy to subject the entire process and commitments to the scrutiny of an independent monitoring trustee. The Commission underlines the importance of that commitment and takes note of the fact that Italy has not yet fulfilled the monitoring commitment provided in the 2015 Decisions.

(47) In sum, the Commission comes to the conclusion that the combination of commitments provided by Italy serves to ensure that no further aid is provided, whether during the wind-down phase or during the orderly insolvency phase.

5.3. The beneficiary of the aid

(48) The Commission has already determined the beneficiaries of the aid contained in the 2015 resolution plans in the 2015 Decisions.

(49) With respect to the currently ongoing sale process, the Commission has so far no indications which might suggest that the process would not be fair, transparent and competitive. Again, the Commission has to recall in that respect the importance of the monitoring commitment which Italy has still not implemented.

(50) However, the Commission has to note that the parcelling of the business of the banks into lots includes both assets and liabilities and is based around branches in

[9] Commission Decision C(2015)9526 of 23.12.2015 in case SA.39451 (2015/C) on the State aid implemented by Italy for Banca Tercas, available at http://ec.europa.eu/competition/state_aid/cases/257219/257219_1730462_184_2.pdf

a given geography. The Commission considers that lots based on the branch network sold with assets and liabilities are ongoing businesses. Italy does not dispute that fact. Those businesses are aided businesses.

(51) Therefore, the Commission will have to ensure even during the wind-down phase as proposed by Italy that the sale processes for individual lots are implemented in a fair, transparent and competitive manner in order to avoid aid to the buyers. In that respect, the Commission takes comfort from the Italian commitment that auctions on single lots will be independent of one another, thereby simplifying the process significantly and increasing transparency.

5.4. Impact on the compatibility conditions of the aid measures approved by the 2015 Decisions

(52) The legal basis for the compatibility assessment of the aid measures approved in the 2015 Decisions is specified in section 6.1 of the 2015 Decisions.

(53) The amendment to the commitments submitted by Italy and described in section 3 entails a modification of the sales deadline and of the wind-down deadline.

(54) In the 2015 Decisions the Commission concluded that distortions of competition stemming from the market presence of the bridge banks during their existence period are limited, essentially for two reasons:

(a) the bridge banks have been established for a limited period of time, and if not sold by 30 April 2016 they would be orderly wound down according to Commitment 4 of Annex I to the 2015 Decisions;

(b) no later than 22 November 2017 they would be subject to ordinary insolvency proceedings and their banking licence would be revoked.

(55) This is the only part of the assessment of the compatibility of the aid measures approved by the 2015 Decisions where the two deadlines are relevant. Hence, the Commission must assess the possible distortions of competition stemming from the market presence of the bridge banks under the amended commitments. All the other elements of the compatibility assessment developed in the 2015 Decisions are still valid, as they are unaffected by the amendments of the commitments.

(56) The extension of the sales deadline by five months requested by Italy should, according to Italy, give sufficient comfort for a successful completion of the sale. The Commission notes that Italy has included a buffer in that period. Italy expects that the prolonged sales period will generate sufficient market intelligence. Therefore if, contrary to what Italy expects, the sale process is unsuccessful, a shortened wind-down phase should be sufficient to create the conditions for returning the banking licence.

(57) The overall existence period of the bridge banks is shortened by almost seven months compared to the original commitments catalogue, and that reduction clearly limits further the competition distortions created by their existence.

(58) More specifically, the commitments define the existence period of the bridge banks as starting with their set up and ending either with their sale or, if they are not sold, when they are wound up or the banking licence is revoked.[10] The commitments relating to the bridge banks during the sale process are less constraining on the bridge banks' behaviour than those relating to the wind-down phase if the bridge banks have not been sold by the deadline. This is in line with point 80(c) of the 2013 Banking Communication.

(59) The Commission acknowledges that, in view of the unexpected difficulties at the start of the sale process, an extension of the sales deadline at this stage is bound to increase the likelihood of a successful sale and of a durable return to viability of those entities in the hands of a new owner. In turn, the Commission welcomes Italy's commitment that, should a sale not materialise in that extended sales period, the wind-down until the revocation of the banking licence will be accelerated and any sale of business of a bank will be in lots, with a volume limitation per buyer. Taken together, the Commission takes the view that as regards the existence period of the bridge banks, the balance of the original decisions is preserved.

(60) The Commission has to ensure further that the reduction in time available to create the conditions for returning the banking license is plausible. In this respect, Italy has provided additional information.

(61) The Commission notes that what has been provided is a set of wind-down principles and examples rather than a detailed wind-down plan. Therefore, the Commission is not in a position to judge the assumptions behind that outline. However, the outline is predicated on the assumption that through the proposed sale of the lots the conditions are created for returning the banking licence without need for further State aid, including in liquidation. The principle of no further State aid is not only an assumption of the outline, but also a concrete commitment provided by Italy. Therefore, the Commission considers that Italy's commitment not to provide any further State aid provides comfort that the outline is based on realistic assumptions.

(62) In light of the above, the Commission concludes that distortions of competition stemming from the extended market presence of the bridge banks during the sale process and the subsequent wind-down phase remain limited under the amended commitments.

(63) Italy remains committed to notify to the Commission the sale of the bridge banks if a buyer is found. Hence, the Commission will establish in a separate decision whether the transferred economic activity is viable in the long term, taking into account among others the restructuring actions planned by the buyer.

(64) Should no sale materialise, Italy committed for the wind-down period to sell the bridge bank in individual lots of branches with a limit of total assets per buyer. As the Commission has outlined in section 5.3, such a sale might lead to aided businesses continuing to exist in the market. Therefore, the Commission will perform a viability assessment where necessary, in which it will take into due

[10] See Annex I to the 2015 point 4) of the commitments related to the bridge bank.

consideration the size and strength of the buyer relative to the size and strength of the business acquired.

(65) Hence the Commission considers that the amended resolution plans do not put into question the assessment of the Commission in the 2015 Decisions and are therefore compatible with the internal market pursuant to Article 107(3)(b) TFEU.

6. COMPLIANCE OF THE MEASURES AND THE AMENDED COMMITMENT CATALOGUE WITH THE PROVISIONS OF DIRECTIVE 2014/59/EU[11] ON BANK RECOVERY AND RESOLUTION

(66) Although Italy has already transposed Directive 2014/59/EU into national law[12], the Commission needs to assess whether the measure violates indissolubly linked provisions of Directive 2014/59/EU.

(67) That obligation is in line with the jurisprudence of the Union Courts, which have consistently held[13] "that those aspects of aid which contravene specific provisions TFEU other than [Articles 107 and 108 TFEU] may be so indissolubly linked to the object of the aid that it is impossible to evaluate them separately to that their effect on the compatibility or incompatibility of the aid viewed as a whole must therefore of necessity be determined in the light of the procedure prescribed in [Article 108 TFEU]".[14]

(68) The Commission has already assessed the compliance with indissolubly linked provisions of Directive 2014/59/EU in the 2015 Decisions. The amendments proposed by Italy to the commitments annexed to the 2015 Decisions are not of such a nature as to change the Commission's assessment.

(69) Therefore, at the present stage, the Commission maintains its initial assessment that the measures do not violate intrinsically linked provisions of the Directive in the context of the State aid rules.

(70) This is without prejudice to the prerogative of the Commission to initiate infringement procedures against a Member State for breach of Union law, including breach of the provisions of Directive 2014/59/EU.

---

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

[12] "DECRETO LEGISLATIVO 16 novembre 2015, n. 180" and "DECRETO LEGISLATIVO 16 novembre 2015, n. 181".

[13] See *inter alia* Joined Cases C-134/91 and C-135/91 *Kerafina-Keramische* v *Greece* EU:C:1992:434, paragraph 20; Case T-184/97 *BP Chemicals* v *Commission* EU:T:2000:217, paragraph 55; and Case T-289/03 *BUPA and others* v *Commission* EU:T:2005:78, paragraphs 313 and 314.

[14] Case 74/76 *Ianelli* v *Meroni* EU:C:1977:51 paragraph 14.

7. CONCLUSION

The Commission has accordingly decided to consider the extension of the sale deadline the bridge banks from 30 April 2016 to 30 September 2016 and the anticipation of the wind down deadline from 22 November 2017 to 30 April 2017 to be compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union, and not to raise objections.

The Commission notes that Italian authorities exceptionally accept that the adoption of the Decision be 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/competition/elojade/isef/index.cfm.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission

CERTIFIED COPY
For the Secretary-General,

Jordi AYET PUIGARNAU
Director of the Registry
EUROPEAN COMMISSION

COMMITMENTS OF THE REPUBLIC OF ITALY TO THE EUROPEAN COMMISSION

which are integral part of resolution measures applied individually to:

SA 39453 – Resolution of Banca delle Marche S.p.A

SA 41134 – Resolution of Banca Popolare dell'Etruria e del Lazio Soc.Coop.

SA 41925 – Resolution of Cassa di Risparmio di Ferrara S.p.A.

SA 43547 – Resolution of Cassa di Risparmio della Provincia di Chieti S.p.A.

Italy hereby provides the following Commitments (the "Commitments") which are integral part of the resolution measures being applied respectively to Banca delle Marche S.p.A, Banca Popolare dell'Etruria e del Lazio Soc. Coop., Cassa di Risparmio di Ferrara S.p.A., Cassa di Risparmio della Provincia di Chieti S.p.A. (each one, indivdually, the "Bank"). The Commitments apply to the overall resolution measures applied to the Bank according to the resolution schemes (the "Resolution Schemes") decided by Bank of Italy and approved by the Minister of Economy and Finance and the Commission's decision (the "Decision").

DEFINITIONS

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

(1) Bank: Banca delle Marche S.p.A, Banca Popolare dell'Etruria e del Lazio Soc. Coop., Cassa di Risparmio di Ferrara S.p.A, Cassa di Risparmio della Provincia di Chieti S.p.A., each one individually.

(2) Bridge Bank: the legal entity to which selected assets and liabilities are transferred on the basis of the Resolution Schemes.

(3) Residual Entity: the legal entity resulting after the banking license of the Bank is revoked and where the remaining assets and liabilities of the Bank remain.

(4) Decision: the decision of the European Commission authorizing the State aid measures.

(5) Effective Date: the date of adoption of the Decision.

(6) Existence Period: the Existence Period starts with the setup of the Bridge Bank. The Existence Period ends when the Bridge Bank is sold. If the Bridge bank is not

sold, the Existence Period ends when the Bridge Bank is wound up entirely, or its banking license is revoked or it stops any banking activity, whichever occurs earlier.

(7) Winding-down Period of the residual entity: the Winding-down Period starts with the setup of the Bridge Bank and it ends when the Residual Entity is wound up entirely, or its banking license is revoked or it stops any banking activity, whichever occurs earlier.

For the purpose of the Commitments, the singular of those terms shall include the plural (and vice versa), unless the Commitments provide otherwise.
The Commitments shall take effect upon the date of adoption of the Decision.

With respect to the Bridge Bank, the Commitments apply throughout the Existence Period. With respect to the Residual Entity, the Commitments apply throughout the Winding-down Period.

1. COMMITMENTS RELATED TO THE BRIDGE BANK

1) The Bridge Bank will be managed in a prudent manner with the objective of being divested.
2) In order to sell the Bridge Bank an open, transparent, non discriminatory and competitive selling process will be conducted, that take place on market terms and with the aim to maximize the sale price. The name Banca delle Marche will not be transferred to the buyer.
3) The Resolution Fund will launch the sale procedure mentioned in point 2) no later than on 30 January 2016.
4) If not sold by 30 September 2016, the Bridge Bank will be orderly wound down; the following commitments apply:
    a. the Bridge Bank will not carry out activities other than those that are consistent with managing the work-out of the loan book existing at 30 September2016 (including loan sales where appropriate to maximize recovery values and minimise capital losses);
    b. the Bridge Bank will not develop any new activity or business, will not enter new markets and will not acquire new clients;

c. subject to legal requirements connected to resolution and liquidation procedures laid down in the Italian law, it’s allowed the sale of lots of assets and liabilities of the Bridge Bank, in compliance with the following principles:

  - assets and liabilities will be sorted into lots to be marketed for sale;
  - in principle , lots will be individually grouped in the region of 5% of the Bridge Bank’s assets;
  - each lot would be marketed independently;
  - no buyer will be allocated lots representing a significant part of the assets of the bank (in principle not totalling more than 20% of the assets of the Bridge Bank);
  - bids will not be accepted if they imply a negative price for the sum of lots bought by a single bidder.

d. The Bridge Bank will conserve its banking license only as long as necessary for the work-out of the loan portfolio. No later than 30 April 2017, the Bridge Bank will become subject to ordinary insolvency proceedings and its banking license will be revoked.

5) Italy commits to notify to the Commission the result of the sale procedure in advance of implementation to allow its assessment under the European Union State aid framework.

6) Italy will not provide any additional capital or liquidity support to the Bank, the Residual Entity or the Bridge Bank throughout the Existence Period and the ordinary insolvency proceedings. In addition, the Bridge Bank will not provide any additional capital and/or liquidity to the Residual Entity, except for a limited amount of resources (e.g. personnel) necessary for the liquidation procedures of the residual entity

7) No future claim of shareholders and holders of subordinated debt or any hybrid instruments of the Bank or the Residual Entity may be transferred to the Bridge Bank.

8) Granting loans by Bridge Bank to enable borrowers to purchase shares or hybrid instruments of the Bridge Bank shall be prohibited, whoever those borrowers are.

9) The Bridge Bank will not pay any coupons on hybrid capital instruments (or any other instruments for which the coupon payment is discretionary) or dividends on own funds instruments and subordinated debt instruments other than where there is

a legal obligation to do so and other than on those held by the Resolution Fund or by shareholders or subordinated debt holders which entered into the Bridge Bank after its set up. In case of doubt as to whether, for the purpose of the present Commitment, a legal obligation exists, the Bridge Bank shall submit the proposed coupon or dividend payment to the Commission for approval.

10) The Bridge Bank shall monitor credit risk through a well-developed set of alerts and reports, which enable the Risk Management Department to: (i) identify early signals of loan impairment and default events; (ii) assess recoverability of the loan portfolio (including but not limited to alternative repayment sources such as co-debtors and guarantors as well as collateral pledged or available but not pledged); (iii) assess the overall exposure of the Bridge Bank on an individual customer or on a portfolio basis; and (iv) propose corrective and improvement actions to the Board of Directors as necessary. The Monitoring Trustee shall be given access to that information.

11) The Bridge Bank has to continue the further improvement of its risk management activities and to conduct a commercial policy that is prudent, sound and oriented towards sustainability.

12) The Bridge Bank can only purchase investment grade securities or euro area sovereign securities.

13) The Bridge Bank will not price deposits above market average in a reasonable short period of time and will not grant credit or other loan business below market average.

14) The Bridge Banks will apply strict executive remuneration policies. The Bridge Bank will not pay to any employee, director or manager a total annual remuneration (wage, pension contribution, bonus) higher than 15 times the national average salary in Italy or 10 times the average salary of employees of the bank.

15) Without prejudice of the powers of the resolution authority to transfer further assets from the Residual Entity to the Bridge Bank, the Bridge Banks shall not acquire any stake in any undertaking, be it an asset or share transfer. That ban on acquisitions covers both undertakings which have the legal form of a company and any package of assets which forms a business.

16) The acquisition ban shall not apply to acquisitions that take place in the ordinary course of the banking business in the management of existing claims towards ailing firms, including the conversion of existing debt into equity instruments. and where the purchase price paid by the Bridge Bank for any acquisition is less than 0,01%

of the balance sheet size of the Bridge Bank at the Effective Date of the Commitments, and where the cumulative purchase prices paid by the Bridge Bank for all such acquisitions starting with the Effective Date of the Commitments until the end of the restructuring period, is less than 0,025% of the balance sheet size of the Bridge Bank at the Effective Date of the Commitments.

17) Notwithstanding the acquisition ban, the Bridge Bank may, after obtaining the Commission's approval, and, where appropriate, on a proposal of the Bank of Italy, acquire businesses and undertakings if it is in exceptional circumstances necessary to restore financial stability or to ensure effective competition. The acquisition ban doesn't apply to the mergers and acquisition of entities within the banking group.

18) The Bridge Bank shall manage the assets it receives with the objective of being divested, in a way that maximizes the net present value of these assets, including, if convenient, the sale to subsidiaries to third parties.

19) In order to facilitate the sale of the Bridge Bank any initiative useful to maximize the value of the subsidiaries shall be carried out including, if convenient, the sale to third parties.

20) The Bridge Bank will refrain from advertising referring to Resolution Fund support and from employing any aggressive commercial strategies which would not take place without the Resolution Fund support.

21) Bad loans of the Bridge Bank shall be transferred to an asset management company for an amount up to € […](*) million.

22) Italy commits to provide the Commission with the definitive valuation carried out pursuant Article 36, par. 10, BRRD.

2. COMMITMENTS RELATED TO THE RESIDUAL ENTITY

23) The request for the withdrawal of the banking license of the Bank will be submitted not later than 20 December 2015 and the Residual Entity will enter into liquidation proceedings no later than 30 June 2016.

3. MONITORING TRUSTEE

(*) Covered by the obligation of professional secrecy

24) Full and proper implementation of all commitments will be monitored by a Monitoring Trustee independent from the Bank or the Bridge Bank, proposed by Italy, approved by the Commission and appointed and paid by the Bridge Bank; the Monitoring Trustee will have the duty to monitor the full compliance with the Commitments until the end of the Existence Period or the Winding-down Period, whichever occurs last.