

## State aid: Commission approves restructuring plan of Agricultural Bank of Greece

***The European Commission has approved under EU State aid rules the restructuring plan of Agricultural Bank of Greece (ATE), judging it apt to restore the bank's long-term viability whilst ensuring it shares the burden of its restructuring and limits the distortions of competition. The plan involves a State recapitalisation of the bank of up to € 1,144.5 million as well as liquidity measures. The bank committed to reduce its overall assets by 25% during the restructuring period and to improve its efficiency.***

Commission Vice President in charge of competition policy Joaquín Almunia said: "ATE's restructuring plan contains adequate measures to tackle the bank's weaknesses and minimise distortions of competition. It demonstrates that the bank can improve its profitability by focusing on core activities, improving its efficiency and adapting to sound market practices. This is also a positive result of our participation in the international macro-financial assistance programme for Greece."

The Commission concluded that the restructuring plan submitted in April 2011 should allow ATE to return to long-term viability. It also contains sufficient measures to ensure that the bank's owners contribute adequately to the cost of restructuring and to limit the distortion of competition brought about by the state support. Therefore the plan fulfils the criteria of the Commission's Restructuring Communication for banks (see [IP/09/1180](#)). The plan was also assessed in the context of the international macro-financial assistance programme by the International Monetary Fund (IMF), the European Central Bank (ECB) and the EU, where Greece reaffirmed its commitment to fully implement the restructuring plan of ATE.

ATE received State capital of €675 million in 2009 under the support measures for credit institutions in Greece. It also benefitted from the Greek State guarantee and bond loan schemes. In April 2011, the bank announced a share capital increase of €1,259.5 million of which up to €1,144.5 million would be subscribed by the Greek State and at least €115 million would be subscribed by market investors and is fully underwritten by a syndicate of banks.

ATE's restructuring plan is based on the following main corner stones:

- (i) the improvement of the capital structure through the increase of €1,259.5 million in its capital, representing a net increase of €584.5 million;
- (ii) the gradual reduction of the Group's total assets reaching at least 25% in 2013 (as compared to the bank's assets in 2009);
- (iii) a gradual reduction in its operating costs totalling 25% by 2013 (as compared to the bank's operating costs in 2009)
- (iv) a change in the risk management and credit approval process of the bank by strictly adhering to sound market practices.

The reduction in the bank's assets will be reached mainly through sales, the run-off of certain securities portfolios and a reduction of total loan balances. The overall 25% of deleveraging is an important step for the bank in order to reduce its reliance on external funding and was also welcomed under the international macro-economic assistance. Moreover, the measure will significantly contribute to limiting distortions of competition in the Greek retail banking market.

ATE is the fifth largest banking group in Greece. With assets totalling around €30 billion at the end of 2010, ATE has a market share of approximately 6% of the total assets of banks in Greece. The difficulties of ATE arose mainly from a poor asset quality (weighing on profitability and on solvency) and from a traditionally low pre-impairment profitability.

The Commission in November 2008 had provisionally approved the first State capital injection of €675 million pending the submission of a restructuring plan (see [IP/08/1742](#)).

### **General background on restructuring of banks**

So far, the Commission has adopted 32 final restructuring decisions: in 23 cases the decision was positive upon restructuring of the bank; in 8 cases the Commission approved aid to liquidate the institution; and in one case the decision was negative, with recovery of aid.

In the last 15 months the Commission conditionally approved the restructuring plans of Dexia (see [IP/10/201](#) of 26 February 2010), insurer Ethias ([IP/10/592](#) of 20 May 2010), Parex ([IP/10/1127](#) of 15 September 2010) Sparkasse KölnBonn ([IP/10/1192](#) of 29 Sept 2010) Fionia ([IP/10/1374](#) of 25 October 2010) and Kommunalkredit ([IP/11/389](#) of 31 March 2011). These decisions require monitoring to ensure the commitments, which often extend over several years, are complied with.

The Commission is currently assessing another 29 restructuring plans (21 individual restructuring or liquidation decisions and 8 viability decisions).

The non-confidential version of the decision will be made available under the case number [SA 31154](#) in the [State Aid Register](#) on the [DG Competition](#) website once any confidentiality issues are resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).