

Commission Decision (EU) 2015/1092 of 23 July 2014 on the State aid SA.34824 (2012/C), SA.36007 (2013/NN) SA.36658 (2014/NN), SA.37156 (2014/NN), SA.34534 (2012/NN) implemented by Greece for National Bank of Greece Group related to: Recapitalisation and restructuring of National Bank of Greece S.A., Resolution of First Business Bank S.A. through a transfer order to National Bank of Greece S.A., Resolution of Probank S.A. through a transfer order to National Bank of Greece S.A., Resolution of Cooperative Bank of Lesvos-Limnos, Cooperative Bank of Achaia, and Cooperative Bank of Lamia (notified under document C(2014) 5201) (Only the English text is authentic) (Text with EEA relevance)

## ANNEX

**HELLENIC REPUBLIC****MINISTRY OF FINANCE****OFFICE SECRETARY GENERAL**

Athens, June 2014

**National Bank of Greece — Commitments by the Hellenic Republic**

The Hellenic Republic shall ensure that **the Bank** is implementing the restructuring plan submitted on 24 June 2014. The restructuring plan is based on macroeconomic assumptions as provided by the European Commission (the 'Commission') in Appendix I as well as regulatory assumptions.

The Hellenic Republic hereby provides the following Commitments (the '**Commitments**') which are integral part of the restructuring plan. The Commitments include the commitments regarding to the implementation of the restructuring plan (the '**Restructuring Commitments**') and the **Commitments on Corporate Governance and Commercial Operations**.

The Commitments shall take effect upon the date of adoption of the Commission's decision approving the restructuring plan (the 'Decision').

The restructuring period shall end on 31 December 2018. The Commitments apply throughout the restructuring period unless the individual Commitment states otherwise.

This text shall be interpreted in the light of the Decision in the general framework of Union law, and by reference to Council Regulation (EC) No 659/99<sup>(1)</sup>.

## CHAPTER I.

**DEFINITIONS**

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

- (1) **Bank** : National Bank of Greece S.A. and all its subsidiaries. Therefore, it includes the entire National Bank of Greece Group with all its Greek and non-Greek subsidiaries and branches, both banking and non-banking.
- (2) **Capital accretive bid in the banking sector** : a bid which results in an increase in the regulatory capital ratio of the Bank, taking into account all relevant elements, in particular the profit/loss booked on the transaction and the reduction of RWA resulting from the sale (if necessary corrected for the increase of RWA resulting from remaining financing links).
- (3) **Capital accretive bid in the [...]** : a bid which results in an increase in the regulatory capital ratio of the Bank. Any bid above the book value of [...] in the account of the Bank is automatically assumed to be capital accretive.

- (4) **Closing** : the date of transfer of the legal title of the Divestment Business to the Purchaser.
- (5) **Divestment Business** : all the businesses and assets that the Bank commits to sell.
- (6) **Effective Date** : the date of adoption of the Decision.
- (7) **End of restructuring period** : 31 December 2018.
- (8) **Foreign assets or non-Greek assets** : assets related to the activities of customers outside Greece, independently of the country where the assets are booked. For instance, assets booked in Luxembourg but related to the activities of customers in Greece are not included in the scope of this definition. Conversely, assets booked in Luxembourg or Greece but related to the activities of customers in other SEE countries are considered as foreign assets and are included in the scope of this definition.
- (9) **Foreign businesses** : foreign banking and non-banking subsidiaries and branches of the Bank.
- (10) **Foreign subsidiaries** : all banking and non-banking subsidiaries of the Bank outside Greece.
- (11) **Greek banking activities** : the Bank's Greek banking activities independently from where the assets are booked.
- (12) **Greek non-banking activities** : the Bank's Greek non-banking activities independently from where the assets are booked.
- (13) **Greek subsidiaries** : all Greek banking and non-banking subsidiaries of the Bank.
- (14) **Monitoring Trustee** : one or more natural or legal person(s), independent from the Bank, approved by the Commission and appointed by the Bank; the Monitoring Trustee has the duty to monitor the Bank's compliance with the Commitments.
- (15) **Purchaser** : one or more natural or legal person(s) to acquire, in whole or in part, the Divestment Business.
- (16) **Sale** : the sale of 100 % of the shareholding held by the Bank, unless the individual Commitment states otherwise.

For the purpose of the Commitments, the singular of those terms shall include the plural (and vice versa), unless the Commitments provide otherwise.

## CHAPTER II.

### RESTRUCTURING COMMITMENTS

- (1) **Number of branches in Greece:** The number of branches in Greece shall amount to [...] at the maximum on 31 December 2017.
- (2) **Number of employees in Greece:** The number of Full Time Equivalent (the 'FTEs') in Greece (Greek banking and non-banking activities) shall amount to [...] at the maximum on 31 December 2017.
- (3) **Total costs in Greece:** The total costs in Greece (Greek banking and non-banking activities) shall amount to EUR [...] million at the maximum on 31 December 2017<sup>(2)</sup>.
- (4) **Costs of deposits in Greece:** In order to restore its pre-provisioning profitability on the Greek market, the Bank shall decrease the cost of funding through the decrease of

cost of deposits collected in Greece (including savings, sight and term deposits, and other similar products offered to customers and which costs are borne by the Bank) [...].

- (5) **Ratio net loans to deposits in Greece:** For the Greek banking activities, the ratio net loans to deposits shall amount at the maximum to 115 % on 31 December 2017. [...]
- (6) **Support to operations in Turkey:** Until 30 June 2018, the Bank shall not provide additional [...].

The Bank shall not indirectly support Finansbank by any transfer of loans or any other assets to another entity of the Bank.

- (7) **Disposal of [...] of [...] foreign businesses and [...] of Finansbank by 30 June 2018:** The Bank shall sell (signing) by 30 June 2018 its foreign subsidiaries in [...] and its branch operating in [...] to reduce its international activities.
- (7.1) [...]
- (7.2) [...]
- (7.3) [...]
- (8) **Sale of [...]:** [...]
- (9) **Sale of securities:** The portfolio of listed securities, defined as follows, shall be divested by [...] while the portfolio of unlisted securities shall be divested by [...]; these portfolios include all equity investments larger than EUR [...] million, as well as all investments in subordinated bonds and hybrid bonds, excluding [...].
- (10) **Disposal of private equity subsidiary:** The Bank shall divest NBG Private Equity Funds by [...]. [...]
- (11) For any sale under these commitments, the Hellenic Republic commits that:
- a. The Purchaser shall be independent of and unconnected to the Bank;
  - b. For the purpose of acquiring the Divestment Business, the Purchaser shall not be financed directly or indirectly by the Bank<sup>(3)</sup>;
  - c. The Bank shall, for a period of 5 years after the closing of the sale, not acquire direct or indirect influence over the whole or part of the Divestment Business without a pre-approval from the Commission.
- (12) **Investment policy:** Until 30 June 2017, the Bank shall not purchase non-investment grade securities.

This Commitment shall not apply to the following securities (the Exempted Securities):

- i. [...]
- ii. [...]
- iii. [...]
- iv. [...]
- v. [...]

- (13) **Salary cap:** Until [...], the Bank will not pay to any employee or manager a total annual remuneration (wage, pension contribution, bonus) higher than [...]. In case of a capital injection from HFSF, the remuneration cap will be re-evaluated according to the European Banking Communication of 1 August 2013. [...]

## CHAPTER III.

### COMMITMENTS ON CORPORATE GOVERNANCE AND COMMERCIAL OPERATIONS– PROLONGATION AND AMENDMENTS

- (1) The Bank shall continue to implement the Commitments on Corporate Governance and Commercial Operations, as submitted by the Hellenic Republic on 20 November 2012, with the subsequent amendments provided in Chapter III of the Commitments, until 30 June 2018. [...]
- (2) In case an individual Commitment does not apply at the Bank's level, the Bank shall not use the subsidiaries or activities not covered by that individual Commitment to circumvent the Commitment.

### Section A.

#### Setting up an efficient and adequate internal organisation

- (3) The Bank, excluding its foreign subsidiaries, shall abide at all times 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. The powers of the shareholders' meeting shall be restricted to the tasks of a general meeting in line with company law, in particular as regards rights related to information. More extensive powers, which would allow improper influence on management, shall be rescinded. Responsibility for day-to-day operational management shall clearly rest with the executive Directors of the Bank.
- (4) The Bank, excluding its foreign subsidiaries, shall comply at all times with the Hellenic Financial Stability Fund (the 'HFSF') Relationship Framework.
- (5) The Bank shall abide by the provisions of Governor's Act 2577/9.3.2006, as in force, in order to maintain, on an individual and a group basis, an effective organisational structure and an adequate Internal Control System including the three key pillars, namely the Internal Audit, Risk Management and Compliance functions and best international corporate governance practices.
- (6) The Bank shall have an efficient organisational structure, so as to ensure that the Internal Audit and the Risk Management departments are fully independent from commercial networks and report directly to the Board of Directors. An Audit Committee and a Risk Committee– created within the Board of Directors– shall assess all issues raised by those respective departments. An adequate Internal Audit Charter and Risk Management Charter shall specify the roles, responsibilities and resources of those departments. Those charters shall comply with international standards and secure a full independence to the departments. A Credit Policy shall provide guidance

and instructions regarding the granting of loans, including the pricing of loans and the restructuring of loans.

- (7) The Bank shall make public to the competent authorities the list of shareholders holding at least 1 % of ordinary shares.

## **Section B.**

### **Commercial practices and risk monitoring**

#### *General principles*

- (8) The Credit Policy shall specify that all customers shall be treated fairly through non-discriminatory procedures other than those related to credit risk and ability to pay. The Credit Policy defines the thresholds above which the granting of loans must be approved by higher levels of management. Similar thresholds shall be defined regarding the restructuring of loans and the handling of claims and litigations. The Credit Policy shall centralise in selected centres the decision-making process at national level, and provide clear safeguards to ensure a consistent implementation of its instructions within all the Greek banking activities.
- (9) For all the Greek banking activities, the Bank shall fully incorporate the Credit Policy rules in their loan origination and loan refinancing workflow and disbursement systems.

#### *Specific provisions*

- (10) The specific provisions listed in paragraphs (8) to (18) of Chapter III of the Commitments shall apply to the Greek banking activities, unless explicitly stated otherwise
- (11) The Credit Policy shall require that the pricing of loans and mortgages to comply with strict guidelines. Those guidelines shall include the obligation to respect strictly the credit policy's standard tables of interest rate bands (ranges) depending on the maturity of the loan, the credit risk assessment of the customer, the expected recoverability of pledged collateral (including the time frame to a potential liquidation), the overall relationship with the Bank (e.g. level and stability of deposits, fee structure and other cross-sales activities) and the funding cost of the Bank. Specific loan asset classes are generated (e.g. commercial loan, mortgage, secured/unsecured, etc.) and their pricing framework is tabulated to an appropriate Credit Policy table that shall be updated on a regular basis by the Credit Committee. Any exception must be duly authorised by the Credit Committee, or at lower level of authority when allowed by the Credit Policy. Tailor-made transactions such as syndicated loans or project finance shall respect the same principles, with due account being taken of the fact that they may not fit in standardised credit policy tables. Infringements of that pricing policy shall be reported to the Monitoring Trustee.
- (12) The Risk Management Department shall be responsible for the assessment of credit risk and the valuation of collateral. When assessing the loan quality, the Risk Management Department shall act independently, providing its written opinion so as to ensure that criteria used in the assessment are applied consistently over time and among customers and in respect of the Bank's credit policy.
- (13) Regarding loans to individuals and legal entities, for all the Greek banking activities, on the basis of the best international practices, the Bank shall apply strict individual and aggregated limits governing the maximum loan amount that can be granted to a

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single credit risk (if at all allowed under Greek and EU law). Those limits shall take into account the maturity of the loan and the quality of any collateral/security provided and shall be set against key benchmarks including against capital.

- (14) Granting loans<sup>(4)</sup> to enable borrowers to purchase shares or hybrid instruments of the Bank and other banks<sup>(5)</sup> shall be prohibited, whoever are those borrowers<sup>(6)</sup>. This provision shall apply and shall be monitored at the Bank's level.
- (15) All loan requests by non-connected borrowers greater than [...] % of the Bank's RWA] or any loan which keeps the exposure to one group (defined as a group of connected borrowers that represent a single credit risk) higher than [...] % of the Bank's RWA] shall be reported to the Monitoring Trustee, which may, if the conditions do not appear to be set at arm's-length or if no sufficient information has been provided to the Monitoring Trustee, postpone the granting of the credit line or the loan by [...] working days. In emergency cases, that period may be reduced to [...] working days provided sufficient information has been provided to the Monitoring Trustee. That period will enable the Monitoring Trustee to report the case to the Commission and the HFSF before any definitive decision is taken by the Bank.
- (16) The Credit Policy shall give clear instructions on the restructuring of loans. It clearly defines which loans are eligible, under which circumstances, and indicates the terms and conditions that can be proposed to eligible customers. For all the Greek banking activities, the Bank shall ensure that all restructurings aim at enhancing the future recoveries by the Bank, thus safeguarding the interest of the Bank. In no case the restructuring policy will jeopardise the future profitability of the Bank. For that purpose, the Bank's Risk Management Department shall be responsible for developing and deploying adequate restructuring effectiveness reporting mechanisms, for performing in-depth analyses of internal and/or external best practices, reporting its findings at least on a quarterly basis to the Credit Committee and the Board Risk Committee, suggesting actionable improvements to the processes and policies involved and oversee and reporting on their implementation to the Credit Committee and the Board Risk Committee.
- (17) For all the Greek banking activities, the Bank shall enact a claim and litigation policy aiming at maximising recovery and preventing any discrimination or preferential treatment in the management of litigations. The Bank shall ensure that all necessary actions are taken to maximise the recoveries for the Bank and protect its financial position in the long-term. Any breach in the implementation of that policy shall be reported to the Monitoring Trustee.
- (18) The 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 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.

*Provisions applying to connected borrowers*

- (19) All the provisions applying on connected borrowers shall apply at the Bank's level.
- (20) Within the Credit Policy, a specific section shall be devoted to the rules governing relations with connected borrowers. Connected borrowers include employees, shareholders, directors, managers, as well as their spouses, children and siblings and

any legal entity directly or indirectly controlled by key-employees (i.e. employees involved in the decision-making process of the Credit Policy), shareholders, directors or managers or their spouses, children and siblings. By extension, any public institution or government-controlled organisation, any public company or government agency shall be considered as a connected borrower. Political parties shall also be treated as connected borrowers in the Credit Policy. Particular focus shall be on decisions regarding any restructuring and write downs of loans to current or former employees, directors, shareholders, managers and their relatives as well as policies followed in the appropriateness, valuation, registration of liens and foreclosure of loan collateral. The definition of connected borrowers has been further specified in a separate document.

- (21) The Risk Management Department shall be responsible for the mapping of all connected groups of borrowers that represent a single credit risk with a view to properly monitoring credit risk concentration.
- (22) Regarding loans to individuals and legal entities, the Bank, on the basis of the best international practices, applies strict individual and aggregated limits governing the maximum loan amount that can be granted to a single credit risk which relates to connected borrowers (if at all allowed under Greek and EU law).
- (23) The Bank shall monitor separately its exposure to connected borrowers including the public sector entities and political parties. The new production of loans<sup>(7)</sup> to connected borrowers (annual % of Y – 1 stock<sup>(8)</sup>) shall be no higher than the new production of the total loan portfolio in Greece (annual % of Y – 1 stock). That Commitment shall be complied with separately for each type of connected borrower (employees, shareholder, managers, public entities, political party). The credit assessment of the connected borrowers, as well as the pricing conditions and possible restructuring offered to them, shall not be more advantageous compared to conditions offered to similar but unconnected borrowers, in order to secure a level-playing field in the Greek economy. That obligation does not apply to existing general schemes benefiting employees, offering them subsidised loans. The Bank shall report every month about the evolution of that exposure, the amount of the new production and the recent requests greater than [[...]] % of the Bank's RWA] to be addressed at the Credit committee.
- (24) The credit criteria applied to employees/managers/shareholders shall be no less strict than those applied to other, non-connected borrowers. If the total credit exposure to a single employee/manager/shareholder exceeds an amount equal to a [[...]] fixed salary for secured loans and an amount equal to a [[...]] fixed salary for unsecured loans, the exposure shall be reported promptly to the Monitoring Trustee who may intervene and postpone the granting of the loan pursuant to the procedure described in paragraph (25) of Chapter III of the Commitments.
- (25) All loan requests by connected borrowers greater than [[...]] % of the Bank's RWA] or any loan which keeps the exposure to one group (defined as a group of connected borrowers that represent a single credit risk) higher than [[...]] % of the Bank's RWA] shall be reported to the Monitoring Trustee, which may, if the conditions do not appear to be set at arm's-length or if no sufficient information has been provided to the Monitoring Trustee, postpone the granting of the credit line or the loan by [...] working days. In emergency cases, that period may be reduced to [...] working days provided sufficient information has been provided to the Monitoring Trustee. That period will enable the Monitoring Trustee to report the case to the Commission and the HFSF before any definitive decision is taken by the Bank.



- (26) The restructuring of loans involving connected borrowers shall comply with the same requirements as for non-connected borrowers. Furthermore, established frameworks and policies to deal with troubled assets shall be assessed and improved, if necessary. However, it is expected that restructured loans of connected borrowers shall be reported separately, at least per loan asset class and connected borrower type.

### Section C:

#### Other restrictions

- (27) **Dividend, Coupon, Repurchase, Call and Buy Back ban** : Unless the Commission otherwise agrees to an exemption, the Hellenic Republic commits that:
- (a) The Bank shall 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. [...] The Bank shall not release reserves to put itself in such a position. In case of doubt as to whether, for the purpose of the present Commitment, a legal obligation exists, the Bank shall submit the proposed coupon or dividend payment to the Commission for approval;
- (b) The Bank shall not repurchase any of its own shares or exercise a call option in respect of those own funds instruments and subordinated debt instruments;
- (c) The Bank shall not buy back hybrid capital instruments.
- (28) **Acquisition ban** : The Hellenic Republic commits that the Bank 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<sup>(9)</sup>.
- (i) **Exemption requiring Commission's prior approval** : Notwithstanding that prohibition, the Bank may, after obtaining the Commission's approval, and, where appropriate, on a proposal of the HFSF, acquire businesses and undertakings if it is in exceptional circumstances necessary to restore financial stability or to ensure effective competition.
- (ii) **Exemption not requiring Commission's prior approval** : The Bank may acquire stakes in undertakings provided that:
- (a) The purchase price paid by the Bank for any acquisition is less than [...] % of the balance sheet size<sup>(10)</sup> of the Bank at the Effective Date of the Commitments<sup>(11)</sup>; and
- (b) The cumulative purchase prices paid by the Bank for all such acquisitions starting with the Effective Date of the Commitments until the end of the restructuring period, is less than [...] % of the balance sheet size

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- of the Bank at the Effective Date of the Commitments.
- (iii) **Activities not falling under the acquisition ban** : The acquisition ban shall not cover acquisitions that take place in the ordinary course of the banking business in the management of existing claims towards ailing firms.
- (29) **Advertising ban** : The Hellenic Republic commits that the Bank shall refrain from advertising referring to state support and from employing any aggressive commercial strategies which would not take place without the support of the Hellenic Republic.

#### CHAPTER IV.

##### MONITORING TRUSTEE

- (1) The Hellenic Republic commits that the Bank shall amend and extend the mandate of the Monitoring Trustee approved by the Commission and appointed by the Bank on 16 January 2013 until the end of the restructuring period. The Bank shall also broaden the scope of that mandate to incorporate the monitoring of (i) the restructuring plan and (ii) all Commitments set out in this catalogue.
- (2) Four weeks after the Effective Date of the Commitments, the Hellenic Republic shall submit to the Commission the full terms of the amended mandate, which shall include all provisions necessary to enable the Monitoring Trustee to fulfil its duties under those Commitments.
- (3) Additional provisions on the Monitoring Trustee are specified in a separate document.

*The Secretary-General*

Christina PAPAKONSTANTINOY

- (1) Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union (OJ L 83, 27.3.1999, p. 1).
- (2) This amount does not include any TEKE/Skelos Exygiansis (bank resolution scheme) costs.
- (3) This does not apply to the sale of real estate, in which case the Bank can provide financing to the Purchaser, if this new lending is performed in line with prudent lending practice. For the purpose of verifying the compliance with the commitment on deleveraging of non-Greek assets, any new lending falling in the defining of non-Greek assets will be taken into account.
- (4) For the purpose of that Commitment, the term ‘loans’ shall be interpreted *largo sensu*, as any kind of financing, e.g. credit facility, guarantee, etc.
- (5) For clarification, ‘other banks’ refer to any bank — financial institution in the world.
- (6) For clarification, all borrowers, including the Bank's private banking clients are covered by that Commitment.
- (7) For clarification, the new production of loans covers also the rolling over of loans and the restructuring of existing loans.
- (8) For clarification, ‘annual % of Y-1 stock’ refers to the new production as a percentage of the stock at the end of the previous year. The amount of RWA is the one at the end of the year.
- (9) For clarification, for the purpose of that Commitment, the Bank's Private Equity/Venture Capital business shall be excluded from the scope of that Commitment. In that respect, the Bank shall make a formal request to the Commission, which shall include a business plan for that entity.
- (10) For clarification, for the purpose of that Commitment, the size of the balance sheet is equal to the Bank's total assets.
- (11) For clarification, in case the Commission's approval to lift the acquisition ban is obtained according to point i., paragraph (28), Chapter III of the Commitments, the balance sheet of the Bank at the Effective Date of the Commitments shall be calculated to include also the assets of the acquired entities or the acquired assets at the date of acquisition.