Greece: Piraeus Bank Restructuring, 2015

Stella Schaefer-Brown
YPFS, Yale School of Management

Follow this and additional works at: https://elischolar.library.yale.edu/journal-of-financial-crises

Recommended Citation

This Case Study is brought to you for free and open access by the Journal of Financial Crises and EliScholar – A Digital Platform for Scholarly Publishing at Yale. For more information, please contact journalfinancialcrises@yale.edu.
READERS TAKE NOTICE:
As of April 2024, the YPFS Resource Library's site domain has changed to https://elischolar.library.yale.edu/ypfs-financial-crisis-resource-library/.

Please be aware that upon clicking any of the URL references to the former Resource Library domains, either https://ypfs.som.yale.edu or https://ypfsresourcelibrary.blob.core.windows.net/, in the "References/Key Program Documents" section of a case study, readers will encounter a "page not found" error.

Readers can still retrieve a given resource cited within this case study on the new site by searching here for the title cited.

This case study is available in Journal of Financial Crises: https://elischolar.library.yale.edu/journal-of-financial-crises/vol6/iss1/9
Greece: Piraeus Bank Restructuring, 2015

Stella Schaefer-Brown

Yale Program on Financial Stability Case Study
March 28, 2024

Abstract

In 2015, Greece began the open-bank recapitalization of Piraeus Bank (the Bank), which continued over an extended period. Concurrently, Greek authorities and Piraeus Bank formulated a restructuring plan. The restructuring and recapitalization of Piraeus Bank used funds that the European Stability Mechanism provided as part of the country’s third economic adjustment program since its sovereign debt crisis began in 2010. In October 2015, a supervisory asset quality review and stress test identified a capital shortfall of EUR 4.66 billion at Piraeus Bank due to Greek sovereign debt and other troubled credit exposures. The following month, the Bank raised EUR 1.94 billion from private investors to cover the capital needs under the baseline scenario of the stress test. About one-third of that capital came from the conversion of contingent convertible bonds into ordinary shares in what the Bank called a liability management exercise. By December 1, 2015, the European institutions—the European Commission, European Central Bank, and European Stability Mechanism—had all approved a Greek plan to further recapitalize and restructure Piraeus Bank, taking into account the capital Piraeus had raised privately. The Hellenic Financial Stability Fund (HFSF) then injected EUR 2.72 billion in capital to cover the Bank’s additional capital needs under the adverse scenario of the stress test, funded by a loan from the European Stability Mechanism. Additional restructuring included cleanup of nonperforming loans, integration of several other resolved Greek banks, reducing operating expenses, increasing net interest income, making risk management more efficient, and downsizing international operations through the sale of noncore assets outside Greece. At the end of 2022, the HFSF still owned 27% of Piraeus Bank, with a book value of EUR 1.8 billion. The Greek government still owed the ESM EUR 2.72 billion.

Keywords: bail-in, capital injection, Piraeus Bank, resolution, restructuring

---

1 This case study is part of a Yale Program on Financial Stability (YPFS) selection of New Bagehot Project modules considering bank resolutions and restructurings. A survey of all the cases in this series (McNamara et al. 2024) and the individual cases underlying it are available from the Journal of Financial Crises at https://elischolar.library.yale.edu/journal-of-financial-crises/vol6/iss1.

2 Research Associate, YPFS, Yale School of Management. The author thanks Loukas Kaskarelis from the European Stability Mechanism (ESM) for his helpful comments and suggestions.
Overview

This module describes Piraeus Bank’s (the Bank) restructuring in 2015.

As part of the third economic adjustment program (EAP) in Greece, in October 2015, a comprehensive assessment by the European Central Bank’s (ECB) Single Supervisory Mechanism (SSM) identified a capital shortfall of EUR 4.66 billion at Piraeus Bank (EC 2015a; EC 2015b). The assessment examined four significant Greek banks using data from June 2015. It included an asset quality review and stress test, examining a baseline and an adverse scenario (ECB 2015b). Following the assessment, the European Union (EU) required the banks to submit plans to cover their capital shortfalls (ECB 2015a).

In November 2015, the Bank raised EUR 1.94 billion from private investors to cover the capital needs under the baseline scenario in the SSM’s stress test (EC 2015b). Of this EUR 1.94 billion, EUR 602 million came from a liability management exercise (LME), in which Tier 1, Tier 2, and senior notes were converted into ordinary shares (EC 2015a).

By December 1, 2015, the European Commission (EC), ECB, and European Stability Mechanism (ESM) had all approved a Greek plan to further recapitalize and restructure Piraeus Bank while keeping it open (EC 2015a; EC 2015b).

The restructuring plan was a revised version of a plan the EC had approved in July 2014 and included efforts to integrate recently acquired Greek banking activities through a reduction in the ownership of Piraeus Bank's subsidiaries.
of operating expenses, increasing net income, and risk management (EC 2014; EC 2015b). The plan also provided for downsizing of the Bank’s international operations and was to be monitored by an independent trustee per Directorate-General for Competition rules regarding restructuring following the reception of state funding (EC 2014).

The recapitalization plan included a capital injection from the Hellenic Financial Stability Fund (HFSF), using ESM funds, to cover the remaining EUR 2.72 billion needed under the SSM’s adverse scenario (EC 2015b). The HFSF was established by the Greek government, the EU, the International Monetary Fund (IMF), and the ECB in 2010 as a private legal entity working to maintain the stability of the Greek banking system (HFSF n.d.a). The capital injection took place in December 2015. The HFSF funded the purchase with EUR 2.72 billion in ESM notes\(^5\) and received EUR 680 million in ordinary shares and EUR 2.04 billion in new contingent convertible capital instruments (CoCos) from the Bank (ESM n.d.; HFSF 2016a; Piraeus 2015h).

In 2018 and 2020, the Bank missed interest payments on the CoCos held by the HFSF, causing the CoCos to convert to equity and increasing the HFSF’s shareholding from 26.4% to 61.3% in 2020 (HFSF 2023; Piraeus 2018). The CoCos’ terms stipulated that they would convert if the Bank missed any two coupon payments during their lifetime (ESM n.d.; HFSF 2016a). The Bank missed the 2018 payment to save up capital (Piraeus 2018). The SSM and ECB did not authorize the Bank’s 2020 coupon payment because of the recommendation to European banks to “not distribute capital” during the COVID-19 crisis (Davies 2020). In 2021, the Bank increased its share capital through a public offering to investors, resulting in the HFSF’s participation in the Bank’s share capital declining to 27% (HFSF 2022). As of 2023, the HFSF owned 27% of Piraeus Bank (HFSF 2023). The book value of that stake was EUR 1.8 billion at the end of 2022. The Greek government still owed the ESM EUR 2.72 billion for the HFSF’s purchase of the stake in Piraeus Bank. Figure 1 shows a timeline of key events.

\(^5\) ESM notes are loans from the ESM made to an ESM member to provide financing (ESM n.d.). Greece is supposed to repay these loans from 2034 to 2060 (ESM n.d.).
Figure 1: Timeline of the Recapitalization and Restructuring of Piraeus Bank

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug. 19, 2015</td>
<td>The third economic adjustment program in Greece begins.</td>
</tr>
<tr>
<td>Oct. 15, 2015</td>
<td>The Bank launches the 2015 LME in an exchange offer to its noteholders.</td>
</tr>
<tr>
<td>Oct. 31, 2015</td>
<td>The SSM releases the results of its stress test, finding a capital shortfall of EUR 4.66 billion at the Bank.</td>
</tr>
<tr>
<td>Nov. 2015</td>
<td>Throughout November, the Bank privately raises EUR 1.34 billion through a share capital increase.</td>
</tr>
<tr>
<td>Nov. 4, 2015</td>
<td>Noteholders vote to make the LME exchange mandatory.</td>
</tr>
<tr>
<td>Nov. 6, 2015</td>
<td>The Bank announces the results of the noteholder vote.</td>
</tr>
<tr>
<td>Nov. 27, 2015</td>
<td>The Bank completed the LME.</td>
</tr>
<tr>
<td>Nov. 29, 2015</td>
<td>The EC approves the Greek recapitalization and restructuring plan.</td>
</tr>
<tr>
<td>Dec. 2015</td>
<td>The HFSF recapitalizes the Bank with EUR 2.72 billion, funded by an ESM loan.</td>
</tr>
</tbody>
</table>

Source: Author's analysis.

Summary Evaluation

In December 2015, after the recapitalization and restructuring, Standard & Poor’s Rating Services (S&P) raised the Bank’s long-term counterparty credit rating only marginally, from D (default) to SD (selective default). The rating agency projected the Bank would still be unable to completely fulfill its deposit obligations on time because of Greek government capital controls (Reyes 2015). In August 2016, the S&P upgraded its rating for Piraeus from SD to CCC+ after the Greek government proceeded with the relaxation of capital controls per a published roadmap (Badkar 2016).

The EC commended the Bank for successfully raising its baseline capital needs of EUR 1.94 billion through private means. The 2015 LME accounted for EUR 602 million of the private capital raised by the Bank (EC 2015a; EC 2015b).

A paper discussing the three Greek EAPs noted the four systemically important banks, including Piraeus, remained open after receiving state support through the HFSF. Fourteen other banks that were deemed nonviable were divided into “good” and “bad” banks or underwent a purchase and assumption where bridge banks were not used; in both cases, banks’ good parts were sold to the four systemically important banks. The costs associated with the resolution of “bad” banks through the HFSF was EUR 13.5 billion. An EC paper looking at the economic adjustment programs in Greece found that concentrating state support on the safeguarding of these four systemically important was sound. The same paper said hat depositors were protected and the “financial stability of the banking system was preserved” (Andruszkiewicz et al. 2020).
<table>
<thead>
<tr>
<th><strong>Context: Greece, Piraeus Bank, 2014–2015</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
</tr>
<tr>
<td>EUR 89.3 billion as of Dec. 31, 2014</td>
</tr>
<tr>
<td>EUR 87.5 billion as of Dec. 31, 2015</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
</tr>
<tr>
<td>EUR 82.1 billion as of Dec. 31, 2014</td>
</tr>
<tr>
<td>EUR 77.5 billion as of Dec. 31, 2015</td>
</tr>
<tr>
<td><strong>Deposits</strong></td>
</tr>
<tr>
<td>EUR 38.1 billion as of Dec. 31, 2014</td>
</tr>
<tr>
<td>EUR 39.0 billion as of Dec. 31, 2017</td>
</tr>
<tr>
<td><strong>Tier 1 Ratio</strong></td>
</tr>
<tr>
<td>12.4% as of Dec. 31, 2014</td>
</tr>
<tr>
<td>17.8% as of Mar. 31, 2017</td>
</tr>
<tr>
<td><strong>Nonperforming Loans</strong></td>
</tr>
<tr>
<td>Unavailable</td>
</tr>
<tr>
<td><strong>Market Share</strong></td>
</tr>
<tr>
<td>29% of lending market as of Dec. 31, 2014</td>
</tr>
<tr>
<td>30% of lending market as of Mar. 31, 2017</td>
</tr>
<tr>
<td><strong>Banking System, % of GDP</strong></td>
</tr>
<tr>
<td>Unavailable</td>
</tr>
</tbody>
</table>

*Source: Piraeus Bank.*
Key Design Decisions

1. Purpose: The goal of Piraeus Bank’s restructuring was to address the capital needs identified by the European Central Bank’s stress test.

Piraeus Bank’s liability restructuring was part of Greece’s third EAP, a loan package worked out with the European Union to address Greece’s ongoing sovereign debt crisis (Piraeus 2016b). A European Commission (EC) study characterized the Greek approach as safeguarding the four systemically important banks and concentrating state support on those banks. Since Piraeus Bank was one of the systemically important banks, measures including this restructuring were taken to preserve financial stability (Andruszkiewicz et al. 2020).

In October 2015, a comprehensive assessment from the European Central Bank’s Single Supervisory Mechanism examined the four systemically important banks in an asset quality review and stress test, against baseline and adverse macroeconomic scenarios developed with the European Banking Authority (EBA) (ECB 2015b). This assessment identified a capital shortfall of EUR 4.66 billion at Piraeus Bank, including EUR 1.94 billion under a baseline scenario and an additional EUR 2.72 billion under an adverse scenario (EC 2015a; EC 2015b). Following the assessment, the ECB required the Banks to submit plans on how they would cover their capital shortfalls by November 6, 2015 (ECB 2015a). Piraeus Bank submitted a recapitalization and restructuring plan. That plan included the 2015 liability management exercise (LME), which had been launched earlier, in October, before the release of the stress test results. In the LME, Tier 1, Tier 2, and senior noteholders could choose to convert their notes into new ordinary shares or opt for a small amount of cash. Other elements of the restructuring plan included issues such as nonperforming loans (NPLs), cost containment and profitability, and governance enhancements (EC 2015a).

In addition to restructuring its liabilities, the Bank had another restructuring plan that included integration of several other resolved Greek banks, reducing operating expenses, increasing net interest income, making risk management more efficient, and downsizing international operations through the sale of noncore assets outside Greece (EC 2014; EC 2015b). As part of this plan, the Bank closed 234 branches in 2014 and 61 branches in 2015 and decreased its workforce through voluntary exit schemes (EC 2015a). This restructuring plan was initially approved by the EC in July 2014, and was then revised and resubmitted in November 2015 along with the Bank’s recapitalization plan (EC 2014; EC 2015b).

The EC’s approval of the Bank’s recapitalization and restructuring plan was contingent on changes to the Bank. Changes included establishing an “efficient organizational structure” where the “Internal Audit and Risk Management departments are fully independent from commercial networks and report directly to the board of directors” (EC 2015a). Additionally, Audit and Risk Committees within the board of directors were responsible for assessing issues raised by the Audit and Risk Management departments. The EC also required the Bank to provide the list of shareholders holding 1% or more of ordinary shares to the “competent authorities” (EC 2015a). Additionally, a monitoring trustee had been established in the EC’s approval of the 2014 restructuring plan whose responsibilities were extended by the EC’s
approval of the 2015 recapitalization and restructuring plan (EC 2015a). The monitoring trustee was to be an observer of the Bank’s board of directors meeting (EC 2015a). Some aspects of the Bank’s restructuring were applicable regardless of whether the country was under the EAP, specifically regarding competition and State Aid rules. Elements focused on broader economic recovery and financial stability were tied to the EAP (EC 2015a).

2. Part of a Package: Piraeus Bank received a capital injection in tandem with the restructuring.

To cover the capital shortfall identified on October 31, 2015, by the SSM, the Bank raised capital privately and received a capital injection (see Schaefer-Brown [forthcoming]) from the HFSF. The private capital covered the capital needs identified for the baseline scenario, and the capital injection covered the additional needs for the adverse scenario (EC 2015b). In December 2015, the HFSF recapitalized the Bank by issuing EUR 2.72 billion in European Stability Mechanism notes and received EUR 680 million in ordinary shares and EUR 2.04 billion in new CoCos (ESM n.d.; HFSF 2016a). The European Stability Mechanism (ESM) disbursed these notes to the HFSF through the Greek government. The government used the notes to buy shares in the Bank; the Bank could then establish repurchase agreements for the notes with the ECB. The HFSF shares had special voting rights, designed to allow the HFSF some influence over the Bank’s governance, and other specifications safeguarded the bank’s autonomy. Figure 2 details the capital shortfall at the Bank and how the Bank covered this shortfall.

**Figure 2: Capital Shortfall Coverage**

<table>
<thead>
<tr>
<th>Shortfall</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Scenario</td>
<td>EUR 1.94 Billion Share Capital Increase EUR 1.34 Billion</td>
</tr>
<tr>
<td>Adverse Scenario</td>
<td>EUR 2.72 Billion Capital Injection by the HFSF EUR 2.72 Billion</td>
</tr>
<tr>
<td></td>
<td>Ordinary Shares EUR 0.68 Billion</td>
</tr>
<tr>
<td></td>
<td>CoCos EUR 2.04 Billion</td>
</tr>
<tr>
<td>Total</td>
<td>EUR 4.66 Billion Total EUR 4.66 Billion</td>
</tr>
</tbody>
</table>

*Sources: EC 2015a; EC 2015b.*

3. Legal Authority: Piraeus Bank’s liability restructuring ensured that the Bank met European Union burden-sharing requirements.

The SSM, responsible for the comprehensive assessment of the Bank, is part of the ECB and refers to the European system of banking supervision (EC 2015a; EC 2015b; ECB n.d.). The ECB has the authority to conduct supervisory reviews (ECB n.d.). The EC needed to approve
the Bank’s restructuring and recapitalization plan to ensure it complied with the European Union’s State Aid rules, which required that junior bondholders share the burden (EC 2015a). Burden sharing was approved by the HFSF, which also was the authority responsible for later approving and providing the capital injection (HFSF 2016b). The HFSF law outlined these specific mechanics. The Ministry of Finance for each member state is responsible for ensuring no State Aid is inappropriately granted.

4. **Administration:** Piraeus Bank conducted its liability restructuring through the 2015 liability management exercise with approval from the Hellenic Financial Stability Fund.

The Bank launched the 2015 LME in October 2015 (EC 2015a). The HFSF approved the LME prior to its launch (HFSF 2016b).

5. **Governance:** The Bank was monitored by the EC, the ECB, and the HFSF.

The 2015 LME was one of the first steps the Bank took to cover its capital shortfall; other actions included book building to raise additional private capital, recapitalization through the HFSF, and additional restructuring of the Bank’s operations (EC 2015b).

The HFSF was responsible for approving the 2015 LME, monitoring the book-building process for raising private capital, and providing the funding for the capital injection (EC 2015a). A selection panel selects the members of the Executive Board and the General Council of the HFSF. This panel is made up of a chairman and two additional members appointed by the EC, the ECB, and the ESM; two members appointed by the minister of finance; and one member appointed by the Bank of Greece (HFSF n.d.b). The EC, ECB, and ESM monitored the Bank because it had received state funding.

6. **Communication and Disclosure:** Piraeus Bank announced the LME preemptively to prepare noteholders for the need to burden-share in the event that the SSM’s stress test found a capital shortfall.

On October 15, 2015, the Bank announced the 2015 LME exchange offer to its noteholders (Piraeus 2015a; Piraeus 2015b). In the announcement, the Bank said that the exchange offer was in preparation for the results of the SSM’s stress test because if the EC were to require the Bank to cover any capital shortfall, the noteholders would be required to share the burden (Piraeus 2015b). A Reuters article from the next day characterized the LME as a preemptive move to prepare the Bank for the results of the SSM’s stress test in order to secure funding (Durand 2015). The Bank also made a later announcement, on November 6, 2015, following the noteholder vote. This announcement said that the requisite majority of noteholders had passed resolutions making the exchange offer mandatory for all noteholders (Piraeus 2015d).

On November 4, 2015, the Bank released a presentation containing information about its recapitalization plan to cover the capital shortfall identified by the SSM. Part of this plan was the 2015 LME. In the presentation, Piraeus stated that the LME had been launched on October 15 and estimated it could generate up to EUR 600 million (Piraeus 2015h). The Bank
also issued press releases throughout the month of November with information pertaining to the capital raising process including the 2015 LME (Piraeus 2015c; Piraeus 2015e).

The bank provided more information about the capital injection in its 2015 Annual Report. According to this report, the Bank received an injection of EUR 4.66 billion in December 2015; this value included capital raised through private means, including the 2015 LME, and capital provided by the HFSF. The report said that the “recapitalization created significant additional capital reserves” and that this improved the resilience of the bank’s balance sheet, with the Bank recording a slight deposit inflow in December 2015 (Piraeus 2016b).

7. Source and Size of Funding: The Bank funded its recapitalization through a Liability Management Exercise, a public share offering, and an official capital injection funded by the European Stability Mechanism.

The bank’s 2015 recapitalization and restructuring plan was funded by the 2015 LME, private capital raising, and the HFSF. The capital needs of the Bank were EUR 4.66 billion; of this, EUR 1.94 billion was needed to cover the baseline scenario and an additional EUR 2.72 billion was needed to cover the adverse scenario (EC 2015a; EC 2015b). As previously mentioned, the Bank was required to cover its capital needs for the baseline scenario through private means to receive additional funding from the HFSF. Part of this was the 2015 LME, in which Tier 1, Tier 2, and senior notes were converted to ordinary shares, raising EUR 602 million. In addition, the Bank raised EUR 1.34 billion from the market (EC 2015a).

Additional funding to cover the costs of the adverse scenario came from the HFSF in the form of ESM notes (EC 2015a).


The LME and recapitalization facilitated an open-bank restructuring of Piraeus Bank. To cover a part of its baseline capital needs, the Bank restructured its liabilities by engaging the debt-to-equity conversion feature of its senior, Tier 1, and Tier 2 notes in the 2015 LME (EC 2015a).

9. Treatment of Creditors and Equity Holders: Tier 1, Tier 2, and senior notes were all converted to equity, and additional shares were created in a successful public offering.

Senior notes, Tier 2 (subordinated), Tier 1 (hybrid), and equity were all impacted by the bank’s liability restructuring. This happened through two actions of the bank—first, the 2015 LME, and second, a share capital increase through a public offering (EC 2015a).

The 2015 LME, launched in October 2015, engaged the debt-to-equity conversion feature of the bank’s senior, Tier 1, and Tier 2 notes. Noteholders were given the option to choose between converting their notes to new ordinary shares from the capital increase or taking a small amount of cash. The new ordinary shares were worth 50% of par value for Tier 1 notes and 100% for Tier 2 and senior notes. The small amount of cash was 43% of par value for
senior notes and 9% for both Tier 1 and Tier 2 notes. At a meeting on November 4, 2015, the majority of noteholders in attendance voted in favor of amending the terms of the notes to make the exchange of notes mandatory. Therefore, all noteholders were required to exchange their notes, creating a 100% participation rate resulting in the full elimination of all hybrid capital (Tier 1), subordinated (Tier 2), and senior unsecured debt instruments. Only a small proportion of bondholders took the cash option, and the EC described this option as symbolic (EC 2015a).

According to sources at the ESM, although the 2015 LME was voluntary, it was clear that if noteholders voted against it, the recapitalization would have failed, and the Bank would have entered resolution—meaning the liabilities in question would have converted on worse terms. The offer was structured with this as well as the “no creditor worse off” principle in mind.

The public offering of new shares took place in November 2015 and raised EUR 1.34 billion (EC 2015a). The Bank convened an emergency general meeting of its shareholders where they decided to increase the nominal value of each ordinary share. They did this through a reverse split with a respective decrease of the total number of shares at a ratio of 100 old shares to one new share such that the value of each share became EUR 30. Then the Bank decreased the share capital by decreasing the nominal value of each share from EUR 30 to EUR 0.30 (HFSF 2016b).

Additionally, in December 2015, the HFSF recapitalized the Bank with EUR 2.72 billion in loans from the European Stability Mechanism to the Bank and got EUR 680 million in ordinary shares and EUR 2.04 billion in CoCos (ESM n.d.; HFSF 2016a). The nuanced decision of how many ordinary shares versus CoCos to issue took into consideration the fact that issuing too many ordinary shares could mean the nationalization of the bank. CoCos act as a buffer but are more expensive, as they come with high-interest coupons that can reduce the bank’s profit. If the Bank misses two interest payments, a conversion is triggered, and the bonds turn into ordinary shares, which can dilute the current shareholders’ control and can reduce the share value. Figure 3 shows the balance sheet of the Bank in September 2015 and December 2015.
### Figure 3: Pro Forma Balance Sheets for Piraeus for September and December 2015

<table>
<thead>
<tr>
<th>September 2015 Balance Sheet</th>
<th>December 2015 Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td><strong>Liabilities</strong></td>
</tr>
<tr>
<td>Depositors</td>
<td>38.07</td>
</tr>
<tr>
<td>Other</td>
<td>40.41</td>
</tr>
<tr>
<td>Debt Securities</td>
<td>0.48</td>
</tr>
<tr>
<td><strong>Medium-Term Notes</strong></td>
<td><strong>(Senior Debt)</strong></td>
</tr>
<tr>
<td>0.36</td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>0.02</td>
</tr>
<tr>
<td>Tier 2</td>
<td>0.21</td>
</tr>
<tr>
<td>Equity</td>
<td>6.72</td>
</tr>
<tr>
<td><strong>CoCos</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>85.91</td>
</tr>
</tbody>
</table>

All values in EUR billions.

The 2015 liability management exercise converted notes to equity (100% for Tier 2 and senior debt and 50% for Tier 1).

Equity increased as a result of a share capital increase, capital injection from the HFSF, and the 2015 liability management exercise.

As part of the capital injection, the HFSF received EUR 680 million in ordinary shares and EUR 2.04 billion in CoCos from the bank.

As part of the capital injection, the HFSF gave the Bank EUR 2.72 billion in ESM notes.

**Sources:** Piraeus 2015f; Piraeus 2015g; Piraeus 2016a.

10. **Treatment of Clients: All of Piraeus Bank’s insured and uninsured depositors were preserved.**

Through all of the Greek EAPs, all individual depositors were preserved (Andruszkiewicz et al. 2020).
11. Treatment of Assets: The bank's restructuring of its international operations involved the sale of noncore assets.

Commitments the Bank made in its 2014 and 2015 restructuring and recapitalization plans included decreasing its foreign asset exposure, divesting from foreign assets, selling off foreign activities, and refocusing on the domestic market. Additional restructuring included the sale of NPLs (EC 2015a). In June 2019, the Bank announced that it had completed the “last major milestone” toward the State Aid commitments made in the bank's 2014 and 2015 restructuring and recapitalization plans (Smith 2019). The “major milestones” that the Bank completed were necessary for the legality of the State Aid; however, elements of the restructuring plan are ongoing as of the writing of this case.

12. Treatment of Board and Management: The existing management and board stayed in place, but the Hellenic Financial Stability Fund established a presence in Piraeus Bank’s management.

The HFSF had a nonexecutive member representative on the bank’s board of directors. The HFSF had veto rights on certain bank transactions. In accordance with the memorandum of understanding signed in August 2015, the HFSF introduced a program to review the board and committees of Piraeus Bank, which was completed in 2016. This program evaluated the size, operation, organization, structure, and the allocation of powers within the board and committees (HFSF 2016b).

Additionally, the EC's approval of the bank's recapitalization and restructuring plan was contingent on changes to the Bank. This included establishing an “efficient organizational structure” where the internal audit and risk management departments were “fully independent from commercial networks” and reported to the board of directors (EC 2015a). The Audit and Risk Committees within the board of directors were then responsible for assessing any issues raised by these departments. The EC had also established a monitoring trustee to be an observer of the bank’s board of directors meeting when they approved the 2014 restructuring plan (EC 2015a).

13. Cross-border Cooperation: Research has not revealed evidence of cross-border cooperation in the restructuring of Piraeus.

Research has not revealed evidence of cross-border cooperation.

14. Other Conditions: European Commission approval of Piraeus Bank’s recapitalization was contingent on the restructuring of the bank’s operations.

When the EC approved the Bank’s recapitalization and restructuring plan, its approval of the recapitalization was contingent on the restructuring elements of the plan (EC 2015a; EC 2015b). Restructuring included efforts to integrate recently acquired Greek banking activities through a reduction of operating expenses, increasing net income, and risk management and downsizing of the bank’s international operations. Restructuring was to be monitored by an independent trustee (EC 2014).
15. **Duration:** Piraeus Bank’s liability restructuring was started and completed in fall 2015. Its additional restructuring plan was started in 2014, revised in 2015, and completed in 2019.

The bank launched the 2015 LME on October 15, 2015, and completed it November 27 (EC 2015a).

The bank's larger restructuring plan in 2014 set commitments that were then revised by the restructuring and recapitalization plan in 2015 (EC 2015a). In June 2019, the Bank announced that it had completed the “last major milestone” toward the commitments of the bank’s 2014 and 2015 restructuring and recapitalization plans (Smith 2019).
References and Key Program Documents

Summary of Program

*FAQ webpage of the European Stability Mechanism.*
https://elischolar.library.yale.edu/ypfs-documents2/1399

Implementation Documents

*European Commission State Aid decision on the restructuring and recapitalization plan for Piraeus Bank.*
https://elischolar.library.yale.edu/ypfs-documents2/1396

*Information on the ECB’s Single Supervisory Mechanism.*
https://elischolar.library.yale.edu/ypfs-documents2/1391

Legal/Regulatory Guidance

*Webpage outlining key points regarding the third economic adjustment period in Greece.*
https://elischolar.library.yale.edu/ypfs-documents2/1549

*Webpage on the establishment of the HFSF.*
https://elischolar.library.yale.edu/ypfs-documents2/1413

*Webpage on the HFSF panel that selects the members of the HFSF executive board and general council.*
https://elischolar.library.yale.edu/ypfs-documents2/1414

Media Stories

*Article on the S&P upgrades for four Greek banks.*
https://ypfs.som.yale.edu/node/24347/
Press Releases/Announcements

Press release announcing the European Commission’s approval of restructuring aid for Piraeus Bank.
https://elischolar.library.yale.edu/ypfs-documents2/1395

European Commission press release announcing approval of aid for Piraeus Bank on the basis of an amended restructuring plan.
https://elischolar.library.yale.edu/ypfs-documents2/1392

Press release announcing the ECB found capital shortfalls at four significant Greek banks.
https://elischolar.library.yale.edu/ypfs-documents2/1390

Piraeus Bank’s exchange offers and proposals as announced on October 15, 2015.
https://elischolar.library.yale.edu/ypfs-documents2/2026

Piraeus Bank’s exchange offers and proposals as announced on October 15, 2015.
https://elischolar.library.yale.edu/ypfs-documents2/2022


Press release announcing that Piraeus Bank’s board of directors calls for a meeting to approve a capital raise.
https://elischolar.library.yale.edu/ypfs-documents2/1417


Piraeus Bank’s exchange offers and proposals as announced on November 6, 2015.
https://elischolar.library.yale.edu/ypfs-documents2/2023


Press release on possible capital actions.
https://elischolar.library.yale.edu/ypfs-documents2/1418

Reports/Assessments


Presentation of the results of the ECB’s assessment of the four systemic Greek banks.
https://elischolar.library.yale.edu/ypfs-documents2/1370


https://elischolar.library.yale.edu/ypfs-documents2/1400


https://elischolar.library.yale.edu/ypfs-documents2/1401


https://elischolar.library.yale.edu/ypfs-documents2/1411
https://elischolar.library.yale.edu/ypfs-documents2/1412

https://elischolar.library.yale.edu/ypfs-documents2/2020

https://elischolar.library.yale.edu/ypfs-documents2/2019

https://elischolar.library.yale.edu/ypfs-documents2/1550

https://elischolar.library.yale.edu/ypfs-documents2/2024

https://elischolar.library.yale.edu/ypfs-documents2/1419

https://elischolar.library.yale.edu/ypfs-documents2/2719/

**Key Academic Papers**

http://elischolar.library.yale.edu/ypfs-documents/12967
Survey of YPFS case studies examining 21st-century bank resolutions and restructuring in Europe before and after the existence of the Bank Recovery and Resolution Directive. 
https://elischolar.library.yale.edu/journal-of-financial-crisis/vol6/iss1/

YPFS case study on Piraeus Bank’s capital injection in 2015.

Copyright 2024 © Yale University. All rights reserved. To order copies of this material or to receive permission to reprint any or all of this document, please contact the Yale Program on Financial Stability at yfps@yale.edu.