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Competition DG

Deputy Director General State aids

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Subject: SA.34824 (2014/MX), SA. 43365 (2015/N) – Reply to the letter of 17 February 2017 on the Sale of "Ethniki" Hellenic General Insurance Company

Dear Secretary General,

Thank you for your letter dated 17 February 2017 regarding the restructuring plan ("RP") of the National Bank of Greece ("NBG") and the envisaged sale of "Ethniki Insurance" ("the Company"), which I have read very carefully.

The European Commission welcomes the positive developments around NBG in terms of divestment of foreign assets and overall restructuring. In that regard, the successful completion of the divestment of Finansbank in 2016 and the subsequent repayment of the contingent convertible bonds ("Coco's") were important steps towards meeting the commitments undertaken by NBG in 2015.

The sale of the Greek insurance activities was already part of the commitments undertaken by NBG and the Hellenic Republic in the context of the 2014 State aid decision and was confirmed during the procedure leading to the approval of additional aid in December 2015. The Commission, in its assessment leading to the conclusion that the amount of capital aid was compatible with the internal market, observed that the committed divestment of the insurance activities ensured that the aid will not be used to grow on that market at the expenses of non-aided competitors.

In 2014, NBG committed to complete the sale of its Greek insurance activities by 31 December 2015. In the 2015 amended State aid decision, the European Commission granted NBG one more year to divest Ethniki Insurance. This timeframe allows for sufficient time to test the market.

It should be borne in mind that, even after the repayment of the Coco's, NBG still received a total amount of capital aid of EUR 10.7 billion or 16.7% of Risk Weighted Assets (RWA's).

Please specify the name of the case and the case number in all correspondence.

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It is also important to note that other Greek banks have sold insurance assets, as part of their restructuring plans. Furthermore, the good performance of the company as underlined should facilitate the sale process.

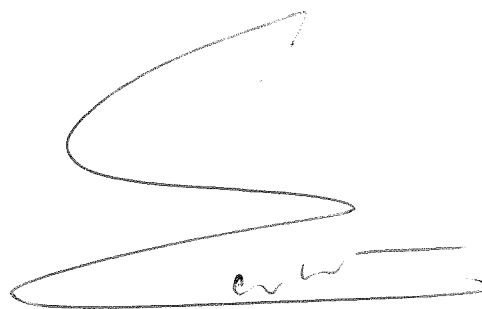
All these demonstrate that the Commission has been flexible and has granted NBG the possibility to sell Ethniki Insurance at a price reflecting the long term value of the asset.

While the implementation of NBG's restructuring plan is on track, the European Commission has observed no new elements not known at the time of the 2015 decision that would warrant a re-assessment of the commitment to divest Ethniki Insurance. The sale of Finansbank and the use of the proceeds of that sale to repay the Coco's were commitments already undertaken by the Hellenic Republic in 2015 and, hence, do not constitute a new development.

Regarding the profitability of Ethniki Insurance and the "bankinsurance" model to which your letter refers, let us stress the following point: the sale of the Company, as per the commitments, does not prevent NBG and Ethniki Insurance from signing a distribution agreement that would enable the branch network of the Bank to continue selling the Company's products, if the management of both companies find such agreement opportune. Under certain conditions, such an agreement could potentially contribute to the profitability of the branch network of the Bank as well as ensure clients' access to Ethniki Insurance.

On a more general note, it should be pointed out that NBG is not treated differently from other Greek or European banks. It can be recalled that recently Eurobank successfully sold its insurance activities. This is also the case with European banks like ING or KBC which repaid all the aid they received with interest, and nevertheless, implemented very large divestments.

I hope that those elements help to clarify why, when concluding that the aid granted to NBG was compatible with the internal market, the Commission took into account and relied on the commitment issued by Greece and NBG that Ethniki would be sold.

A handwritten signature in black ink, appearing to read 'Gert Jan Koopman', written over a horizontal line.

Gert Jan KOOPMAN

Deputy Director General