

ESM Board of Directors approves €2.72 billion disbursement to recapitalise Piraeus Bank

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Press releases

ESM

Luxembourg – The Board of Directors of the ESM decided today to release €2.72 billion to Greece to recapitalise Piraeus Bank. This amount will be subtracted from the €10 billion held in a segregated account at the ESM and designated to cover the Greek banking sector’s potential resolution and recapitalisation costs, part of the ESM financial assistance granted to Greece in August.

“Strengthening the stability of the banking sector was a key objective of the third assistance programme for Greece. The country has cleared an important hurdle by securing sufficient interest for the recapitalisation exercise among private investors. Healthier banks will be able to start lending to Greek businesses again and support an economic recovery,” said Klaus Regling, Managing Director of the ESM.

The European Central Bank’s Single Supervisory Mechanism (SSM) earlier conducted a comprehensive assessment of Greece’s four systemic banks, identifying a €4.93 billion shortfall at Piraeus bank. In recent weeks, Piraeus has covered €1.94 billion of that gap by private means, and another €271 million through additional capital actions. As part of the exercise, existing bondholders made a voluntary exchange of securities into equity. This means that the bank has raised sufficient capital to cover the gap identified by the SSM under the so-called baseline, but not the adverse, scenario.

The ESM Board decision today followed the European Commission’s approval of additional state aid based on the bank’s amended restructuring plan.

The Hellenic Financial Stability Fund (HFSF) will provide the remaining €2.72 billion

shortfall. After the ESM's disbursement to the HFSF, €7.28 billion remains available to cover further Greek banking sector recapitalisation and resolution costs. Future releases of funds will be decided on a case-by-case basis.

Furthermore, the ESM Board of Directors refers back to the Eurogroup statement of 23 November 2015: "This recapitalisation exercise is being carried out in line with the Bank Recovery and Resolution Directive and the 14 August Eurogroup statement. The Eurogroup confirms that the precautionary recapitalisations are of a temporary nature and the proceeds stemming from the future disposal of the HFSF participations and other capital instruments in the Greek banks, acquired in the context of this recapitalisation exercise, will be used to repay the ESM as soon as such proceeds become available in line with the Eurogroup statement of 14 August."

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