



BANK OF GREECE
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RESOLUTION MEASURES COMMITTEE

Meeting 28/18.12.2015

Item 2: Application of the sale of business tool under Article 38, within Article 2, of Law 4335/2015 to the credit institution under resolution “COOPERATIVE BANK OF PELOPONNESE COOP LTD”

THE RESOLUTION MEASURES COMMITTEE, having regard to:

- (a) Article 55A of the Statute of the Bank of Greece;
- (b) Act No. 6/08.01.2013 of the Executive Committee of the Bank of Greece “Re-establishment of the Resolution Measures Committee and assignment of responsibilities” (Government Gazette B 13), as currently in force following its amendment by Executive Committee Act 52/02.10.2015 “Composition and responsibilities of the Credit and Insurance Committee and the Resolution Measures Committee of the Bank of Greece” (Government Gazette B 2312);
- (c) Article 2 of Law 4335/2015 “Urgent measures for the implementation of Law 4334/2015 (Government Gazette A 80)” (Government Gazette A 87), as currently in force, in particular, within that article, the provisions of Articles 3, 31, 32, 34, 36, 37 to 39, 63, 64, 68, 73, 76 to 78, 80, 82(3), 96(3) and 104 thereof;
- (d) Article 145A of Law 3601/2007 “Taking up and pursuit of the business of credit institutions, capital adequacy of credit institutions and investment firms (transposition of Directive 2013/36/EU), repeal of Law 3601/2007, and other provisions” (Government Gazette A 107), as currently in force;
- (e) Decision 153/4/10.11.2015 of the Credit and Insurance Committee (CIC) “Determination of minimum capital requirements for the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD under Article 92 of



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- Regulation (EU) 575/2013 of the European Parliament and of the Council, and increase in its cooperative capital”;
- (f) CIC Decision 170/4/13.12.2015 “Assessment of the failing or likely to fail of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD, in accordance with Article 32 (3a) and (3b) within Article 2 of Law 4335/2015”;
 - (g) the Decision of the European Central Bank dated 18.12.2015 (ECB/SSM/2015 – Cooperative Bank of Peloponnese Coop Ltd/1) to withdraw the authorisation of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD, in accordance with the provisions of Article 14 of Regulation (EU) 1024/2013 of the Council of 15 October 2013;
 - (h) Decision 25/6/13.12.2015 of the Resolution Measures Committee (RMC) “Request for the consent of the Ministry of Finance on the implementation of resolution measures in the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD”;
 - (i) Decision ref. no. Γ.Δ.Ο.Π.00076.ΕΞ 2015ΕΜΠ/Χ.Π. 119ΕΜΠ/18.12.2015 of the Minister of Finance “Delivery of consent on the implementation of resolution measures to the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD”;
 - (j) RMC Decision 26/2/14.12.2015 “Authorising the Resolution Unit to communicate information to the Ministry of Finance and, through it, to the DG Competition of the European Commission, regarding the possible implementation of resolution measures, under Article 38 within Article 2 of Law 4335/2015, to the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD”;
 - (k) European Commission Decision No. SA.43886 (2015/N) - Greece “Resolution of ‘COOPERATIVE BANK OF PELOPONNESE’”;



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- (l) Document ref. no. 1533/ΙΔ/Α/49/11.12.2015 of the Bank of Greece, inviting the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD to notify, by 12 December 2015, the amount raised for its capital increase and, if it has failed to raise the full amount required, to submit its views on a possible withdrawal of its authorisation and potential implementation of resolution measures;
- (m) the document dated 12.12.2015 (ref. No. 151) submitted by the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD in exercise of its right to prior hearing;
- (n) the letter dated 11.12.2015 (ref. no 150) of the credit institution PIRAEUS BANK SA, informing the Bank of Greece that it did not intend to participate in a possible bidding procedure for the acquisition of the business of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD;
- (o) Documents ref. nos. 206/11.12.2015, 207/11.12.2015 and 208/11.12.2015 of the Resolution Unit addressed to the credit institutions ALPHA BANK SA, NATIONAL BANK OF GREECE SA and EUROBANK ERGASIAS SA, respectively, notifying them of the assets and liabilities of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD that are proposed to be transferred, the level of the provisional difference between the value of these liabilities and assets and the deadline for the submission of binding bids under Article 39 within Article 2 of Law 4335/2015;
- (p) the binding bids submitted on 13.12.2015 in the context of the bidding procedure for the acquisition of the selected assets and liabilities of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD;
- (q) the declaration dated 13.12.2015 (ref. no. 160) of the credit institution NATIONAL BANK OF GREECE SA, whereby it agrees to take over the aforementioned credit institution's selected assets and liabilities as set out hereinbelow;



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- (r) the relevant recommendation dated 18.12.2015 of the Resolution Unit of the Bank of Greece;

WHEREAS

(i) The European Central Bank, by its Decision referred to in point (g) above, withdrew the authorisation of the aforementioned credit institution, while the CIC, by its Decision no. 170/4/13.12.2015, determined, in consultation with the RMC, that the credit institution “COOPERATIVE BANK OF PELOPONNESE COOP LTD” is failing or likely to fail, therefore the condition of Article 32(1)(a) within Article 2 of Law 4335/2015 is fulfilled;

(ii) alternative private sector action or supervisory action are unlikely to prevent the failure of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD within a reasonable time frame. In particular: (a) it unlikely that the capital shortfall can be covered by existing or new shareholders; (b) CIC Decision no. 170/4/13.12.2015 states that there are no further supervisory actions that could prevent the failure of the credit institution within a reasonable time frame; and (c) the credit institution in question has not issued relevant capital instruments, thus Article 59 within Article 2 of Law 4335/2015 cannot apply. Therefore, the condition referred to in Article 32(1)(b) within Article 2 of Law 4335/2015 is met;

(iii) given the current adverse fiscal and economic situation in Greece, the resolution of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD is deemed necessary in the public interest, under Article 32(1)(c) within Article 2 of Law 4335/2015, in order to avoid adverse effects on financial stability and protect depositors. More specifically, the application of resolution measures would safeguard financial stability and public confidence, especially with regard to depositors, in the domestic financial system, considering that the mere withdrawal of the authorisation of the COOPERATIVE BANK OF PELOPONNESE COOP LTD without the



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implementation of resolution measures would have a significant destabilising impact on the financial system. In particular, the withdrawal of the license of the abovementioned credit institution would result in losses on the non-covered part of deposits, amounting, as at 30 September 2015, to twenty-two million two hundred forty-two thousand and seven hundred twenty-three euro (€ 22,242,723). It is estimated that, under the current adverse circumstances, such losses would cause negative reactions on the part of depositors of the other credit institutions. It should be noted that, according to the Annex hereto, no creditor or shareholder of COOPERATIVE BANK OF PELOPONNESE COOP LTD would incur greater losses than what would have been incurred if the credit institution in question were to be wound up under normal insolvency proceedings;

(iv) also in view of the interest expressed by credit institutions in acquiring the selected assets and liabilities of the credit institution in question, the sale of business tool is the optimal among the tools envisaged in Article 37 within Article 2 of Law 4335/2015, as it ensures a final solution and minimises the resolution cost. By contrast, the bridge bank tool would entail higher costs, as indicated in the Annex, and would not be a final solution, as it would require, as soon as possible and not later than the deadline specified in Article 41(5) and (6) within Article 2 of Law 4335/2015, the discontinuation of its business through either its merger with another entity or its sale to third parties or a winding down of its assets, resulting in continued uncertainty among the parties conducting transactions with that credit institution. Moreover, given the capital structure of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD, the existing capital shortfall and the ranking of creditors under Article 145A of Law 4261/2014, as currently in force, as well as the exemptions from the scope of the bail-in tool under Article 44(2) within Article 2 of Law 4335/2015, the application of the bail-in tool is not possible, as there are no eligible liabilities that could be converted into capital instruments for the recapitalisation of the credit institution in question to the level required;



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(v) due to the urgency of the matter, in accordance with Article 36(2), (9) and (12) within Article 2 of Law 4335/2015, and in particular in view of the deadline set by the competent authority for the credit institution to increase its own funds and given that its authorisation has already been withdrawn, implying that the application of the sale of business tool is urgently necessary, the resolution authority has carried out a provisional valuation on the basis of the latest available data. The provisional valuation, as set out in the Annex hereto, concludes that the value of the liabilities to be transferred exceeds the value of the respective assets by ninety-nine million five hundred eighty-three thousand euro (€ 99,583,000);

(vi) in the context of the application of the sale of business tool, the Resolution Unit has contacted the credit institutions ALPHA BANK SA, NATIONAL BANK OF GREECE SA, PIRAEUS BANK SA and EUROBANK ERGASIAS SA, which had successfully completed their recapitalisation by 11.12.2015, inviting them to submit binding bids under Article 39 within Article 2 of Law 4335/2015. The bidding process was not communicated to the general public, as it was deemed that such communication would pose risks to financial stability, in view of the failing situation of the institution to be resolved, while it could also undermine the effectiveness of the sale of business tool due to reactions on the part of depositors at that credit institution and other credit institutions which, against the backdrop of the current adverse circumstances, could be triggered by knowledge that such process was pending;

(vii) as part of the aforementioned bidding process and evaluation of the eligible bids submitted by the credit institutions ALPHA BANK SA, NATIONAL BANK OF GREECE SA and EUROBANK ERGASIAS SA for the acquisition of the business of the credit institution under resolution COOPERATIVE BANK OF PELOPONNESE COOP LTD and taking into account the results of the relevant provisional valuation, the Committee hereby awards the selected property items to the credit institution NATIONAL BANK OF GREECE SA, whose bid decreases the resolution cost by five million euro (€ 5,000,000) and which has already stated in writing that it accepts



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the takeover of such property items. This bid is judged to be the most advantageous, as it ensures the highest decrease of the resolution cost;

HEREBY DECIDES as follows:

1. To transfer the following assets and liabilities of the credit institution under resolution COOPERATIVE BANK OF PELOPONNESE COOP LTD to the credit institution NATIONAL BANK OF GREECE SA:

(a) all the contractual relationships arising from or in connection with bank account agreements (including savings, sight, current and/or other relevant accounts) entered into between the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD and third parties, including the amounts intended for the failed capital increase. In particular, to transfer the account owners' claims for principal and interest under the terms and conditions of the relevant agreements, as well as tax liabilities on accrued interest. Any payment orders to be debited or credited to any of the above accounts initiated but not executed before the date of withdrawal of authorisation shall be executed by the credit institution NATIONAL BANK OF GREECE SA. Any cheques drawn on the COOPERATIVE BANK OF PELOPONNESE COOP LTD shall be treated as having been drawn on the NATIONAL BANK OF GREECE SA, with all the relevant consequences, and shall be payable out of the above accounts;

(b) third-party claims for principal and accrued interest under time deposit agreements up to the date of withdrawal of authorisation, as well as tax liabilities on accrued interest, including the amounts intended for the failed capital increase. The claims so transferred shall become immediately due and payable regardless of the maturity specified in the relevant agreements. No claims for interest accruing after the date of withdrawal of authorisation shall be transferred;



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(c) the COOPERATIVE BANK OF PELOPONNESE COOP LTD's liabilities vis-à-vis credit institutions;

(d) the rights and obligations of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD, as at the time of the withdrawal of its authorisation, vis-à-vis the Hellenic Deposit and Investment Guarantee Fund (HDIGF).

The transfer of the above property items shall be without prejudice to any rights, commitments and encumbrances thereon.

Any claims of the beneficiaries of the transferred claims on the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD shall remain valid to the extent that they are not satisfied through the transfer of the above property items.

2. Determines, in accordance with the valuation in the Annex hereto, the difference between the provisionally estimated value of the liabilities of the credit institution COOPERATIVE BANK OF PELOPONNESE COOP LTD that are transferred to the credit institution NATIONAL BANK OF GREECE SA and the provisionally estimated value of the transferred assets at the amount of ninety-nine million five hundred and eighty-three thousand euro (€99,583,000). This amount shall be paid by the HDIGF to the credit institution NATIONAL BANK OF GREECE SA, in accordance with the provisions of Article 96(3) and Article 104 within Article 2 of Law 4335/2015, reduced by the amount of five million euro (€ 5,000,000). The two thirds of the provisionally estimated liabilities/assets gap, reduced by the amount of five million euro (€ 5,000,000), shall be paid by the Resolution Scheme of the HDIGF upon the application of the tool. Upon final valuation, the amount to be paid by the Deposit Cover Scheme under Article 104 within Article 2 of Law 4335/2015 and the amount to be paid by the Resolution Scheme under Article 96(3) within Article 2 of the same law shall be finally determined.



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The final valuation in accordance with Article 36 within Article 2 of Law 4335/2015 shall be completed by the end of May 2016.

This Decision shall be published in the Government Gazette and posted on the website of the Bank of Greece.

THE SECRETARY

THE MEMBERS

THE CHAIRMAN

John Mourmouras

True and exact copy,

Athens, 18.12.2015

The Secretary

(signed)

A. Tsounia



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Annex

A. Provisional valuation under Article 36 within Article 2 of Law 4335/2015

Introduction

1. Article 2 of Law 4335/2015 states that the resolution authority, before taking resolution actions in relation to a credit institution, shall ensure the conduct of a fair, prudent and realistic valuation of the assets and liabilities of the credit institution under resolution by an independent valuer. Also, under the same law the resolution authority may itself conduct a provisional valuation.

2. The Bank of Greece, as the Supervisory Authority, conducted and completed in October 2015 an assessment of the COOPERATIVE BANK OF PELOPONNESE COOP LTD (hereinafter: “Bank of Peloponnese”), and required the Bank of Peloponnese to increase its capital by €14.3 million by 11 December 2015, in order to address its capital shortfall. According to supervisory data reported by the Bank of Peloponnese referring to 30 September 2015, the Bank of Peloponnese had negative own funds, with its Common Equity Tier One Capital Ratio (CET1) and Capital Adequacy Ratio (CAR) standing at -7.02%. The Bank of Peloponnese embarked on an attempt to increase its capital against contribution in cash from private investors that would purchase cooperative shares at the price of €3 per share. The capital increase closed on 11 December 2015 and, according to a letter from the Bank of Peloponnese to the Bank of Greece, the amount raised came to €461.3 thousand, falling short of the required funds as specified by the Supervisory Authority.

Against this background, the Bank of Greece, as the Supervisory Authority, determined that the Bank of Peloponnese is in a state of failing or likely to fail in accordance with Article 2 of Law 4335/2015.



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3. The Bank of Greece, as the Resolution Authority, conducts a provisional valuation of assets and liabilities under Article 2 of Law 4335/2015. This also involves an assessment of the resolution costs associated with the resolution actions taken by the Bank of Greece.

I. Balance sheet review before the provisional valuation

As a first step, a review is conducted to ascertain whether there are sufficient balance sheet items or actions that would enable the Bank of Peloponnese to address the capital shortfall determined by the Supervisory Authority. For the purpose of this review, the latest available data as at 30 September 2015 are used, also taking account of the following: (i) any eligibility of balance sheet items for recapitalization purposes; and (ii) any possibility of increasing the value of assets. Given that the balance sheet of the Bank of Peloponnese (provided below) does not feature any capital instruments or other eligible liabilities that could be converted into equity, the analysis focuses on other balance sheet items. The comprehensive review identified no possibility whatsoever of changes to the balance sheet of the Bank of Peloponnese, such as the outright sale of assets (given the very poor quality of the loan portfolio which, moreover, cannot be liquidated immediately) or the conversion of liabilities to equity, which would significantly reduce the capital shortfall. With specific regard to the quality of the loan portfolio of the bank in question, it should be noted that, based on the data reported by the bank, only 25% of loans are performing.



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Balance sheet of 30 September 2015

Cooperative Bank of Peloponnese Coop LTD	
SUMMARY BALANCE SHEET ITEMS	
30.09.2015	
	€ thousands
ASSETS	
Cash and financial assets	6,383
Loans and advances to customers (after provisions)	71,957
loans before provisions	119,972
provisions	48,015
Other assets	18,315
Total assets	96,655
LIABILITIES	
Liabilities to credit institutions	154
Liabilities to customers	98,958
Other liabilities and provisions	2,790
Total liabilities	101,902
Total own funds:	-5,247
SUM TOTAL OF LIABILITIES AND OWN FUNDS	96,655

In conclusion, taking into consideration the failure of the capital increase and the inability to write down liabilities or sell assets outright to an extent that would suffice to cover the capital shortfall, it is deemed that there is no prospect of any change to the balance sheet of the Bank of Peloponnese within a reasonable timeframe that would sufficiently reduce the capital shortfall determined by the Supervisory Authority.

II. Provisional determination of the Economic Value and evaluation of alternative resolution tools

The Bank of Greece, as the Resolution Authority, in order to conduct the provisional valuation, uses the latest available supervisory data and the balance sheet of the Bank of Peloponnese as at 30 September 2015, as the latest available date. On the basis of the provisional valuation, conducted under conservative assumptions in order to



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reflect as closely as possible the economic value of assets, the balance sheet of the Bank of Peloponnese is as follows:

SUMMARY BALANCE SHEET ITEMS			
<i>Amounts in € thousands</i>			
Assets	30.09.2015	Balance sheet value adjustment	Adjusted balance sheet value
Cash and financial assets	6,383		6,383
Performing loans	29,687	5,147	24,540
Loans in arrears for up to 360 days	12,841	5,751	7,090
Loans in arrears for more than 360 days	29,429	5,988	23,441
Other assets	18,315	3,578	14,738
Total assets	96,655	20,464	76,191
Liabilities	30.09.2015	Balance sheet value adjustment	Adjusted balance sheet value
Liabilities to credit institutions	154		154
Liabilities to customers	98,958		98,958
<i>of which, deposits covered by the HDIGF</i>	76,715		76,715
Other liabilities and provisions	2,790		2,790
Total liabilities	101,902	0	101,902
Total own funds	-5,247	0	-25,711
Sum total of liabilities and own funds	96,655		76,191



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The balance sheet items are adjusted on the basis of data and information available to the Resolution Authority regarding the valuation of comparable balance sheet items of other Greek credit institutions.

If the sale of business tool were to be used, the provisional resolution costs would amount to €99.6 million, according to the following table of assets and liabilities to be transferred. It should be noted that, for a more accurate valuation of customer deposits in particular, use has been made of the latest available data as at 10.12.2015 and, for the claims and obligations vis-a vis the HDIGF, of respective data as at 1.10.2015. If the bridge institution tool were to be used, the resolution costs would be higher by at least €18 million, i.e. by the amount of the minimum initial capital required for the authorisation of a credit institution under Article 12 of Law 4261/2014.

Calculation of the transferred liabilities/assets gap

Assets (€ thousands)	Valuation of assets to be transferred
HDIGF (Assets) <i>(data as at 01.10.2015)</i> 2,313.00	2,313.00
Liabilities (€ thousands)	Valuation of liabilities to be transferred
Liabilities to customers <i>(data as at 10.12.2015)</i> 97,000.00	97,000.00
Liabilities to credit institutions 154.00	154.00
HDIGF (Liabilities) <i>(data as at 01.10.2015)</i> 0.00	0.00
Transferred assets/liabilities gap	94,841.00
Buffer for additional losses	4,742.00
Transferred assets/liabilities gap plus buffer	99,583.00



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On the other hand, the balance sheet of the Bank of Peloponnese does not feature any liabilities eligible for the bail-in tool.

Given the provisional character of the valuation and the uncertainty surrounding the valuation on the basis of data as at 18 December 2015, the estimate of resolution costs of €99.6 million includes a buffer for any additional losses, as required by law.

B. Provisional valuation under Article 36(8) within Article 2 of Law 4335/2015

Introduction

The provisional valuation under Article 36(8) within Article 2 of Law 4335/2015 must, among other things, include a preliminary assessment of whether any shareholder or creditor of the institution under resolution would be treated more unfavourably as a result of the resolution action compared with the treatment they would have received if the institution had been wound up under normal insolvency proceedings.

Provisional valuation

As part of the provisional valuation under Article 36(8) within Article 2 of Law 4335/2015, a hypothetical liquidation is considered, in order to assess what the liquidation results and the expected proceeds for creditors and shareholders would be and whether the latter would be treated less favourably as a result of the resolution measures compared with the treatment they would have received if the institution had been placed under special liquidation.

In considering a hypothetical liquidation, the assets and liabilities of the Bank of Peloponnese need to be examined from the perspective of the mandate of the liquidator.



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In the case of the Bank of Peloponnese, the bank's net worth indicated by its total own funds according to the balance sheet as at 30.09.2015 had already been negative before any resolution action was taken or any asset valuation was conducted. On the basis of the provisional ex ante valuation conducted by the Bank of Greece under conservative assumptions, as part of the assessment of the economic value of the Bank of Peloponnese, at the time of resolution, as detailed in Part A of this Annex, the value of assets is reduced further (see the table below).

SUMMARY BALANCE SHEET ITEMS			
<i>Amounts in € thousands</i>			
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Cash and financial assets	6,383		6,383
Performing loans	29,687	5,147	24,540
Loans in arrears for up to 360 days	12,841	5,751	7,090
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<i>of which, deposits covered by the HDIGF</i>	76,715		76,715
Other liabilities and provisions	2,790		2,790
Total liabilities	101,902	0	101,902
Total own funds	-5,247	0	-25,711
Sum total of liabilities and own funds	96,655		76,191



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The priority ranking of creditors as provided for by the law is as follows: employees, covered deposits, claims of government, non-covered deposits, other creditors and, finally, shareholders. Given that, according to the provisional valuation, the value of assets is €76 million, while the value of covered deposits as at 30.09.2015 is €77 million, it is clear that the other creditors and the shareholders of the Bank of Peloponnese would not receive any of the liquidation proceeds if the credit institution were to be placed under special liquidation.

This conclusion is further corroborated considering that liquidation value is stricter than economic value, due to the following, among other reasons:

- creditors having rights in rem on assets would be expected to exercise their rights, thereby reducing the assets available for the remaining creditors;
- also, as a result of the placing of the Bank of Peloponnese under special liquidation, natural or legal persons with business or loan obligations to the bank would be likely to avoid or postpone the fulfilment of their obligations.

Conclusion

On the basis of the above, the Bank of Greece assesses, in the sense of Article 36(8) within Article 2 of Law 4335/2015, that no creditor or shareholder of the Bank of Peloponnese is treated more unfavourably as a result of the decision of the Bank of Greece to implement resolution measures in the Bank of Peloponnese as at the resolution date.