EUROPEAN COMMISSION

Brussels, 3.11.2021
C(2021) 7938 final

SENSITIVE[*]: *COMP Operations*

Subject: **State Aid SA.100197 (2021/N) – Greece**
Amendment of temporary primary residence protection scheme SA.58555

Excellency,

1. PROCEDURE

(1) By electronic notification of 1 October 2021, Greece notified a set of amendments ("the notified amendments") to the State aid measure SA.58555 "COVID-19: Temporary primary residence protection scheme"[1] (the "original Decision" or the "existing aid scheme"), pursuant to Articles 107(2)(a), 107(3)(b) and 107(3)(c) of the Treaty on the Functioning of the European Union ("TFEU").

(2) Greece exceptionally agrees to waive its rights deriving from Article 342 of the TFEU, in conjunction with Article 3 of Regulation 1/1958[2] and to have this decision adopted and notified in English.

2. DESCRIPTION OF THE NOTIFIED AMENDMENTS

(3) The existing aid scheme aims to safeguard the primary residences of vulnerable debtors affected by the impact of the COVID-19 outbreak against the risk of

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[1] Commission Decision C(2020) 7981 final of 12 November 2020.

[2] Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

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repossession. The State's financial support is in the form of a direct grant, covering a percentage of the monthly instalments of a debtor's eligible loans, subject to absolute caps and a maximum duration of nine months.[3]

(4) The existing scheme targets natural persons, including professionals, self-employed and small business owners, with eligible loans that are secured by the debtor's primary residence. Depending on the loan classification, i.e. performing loans, denounced[4] loans, and non-performing loans (NPLs) that are not denounced, a number of loan-specific and means criteria need to be fulfilled (recitals 19 and 20 of the original Decision). Moreover, for NPLs, the debtor and the creditor should agree on a long-term viable restructuring plan before the application is submitted for approval.

(5) Under the existing scheme, the monthly grants are determined as a percentage of the monthly contractual instalments, depending on the loan category and the timing of the subsidy, as detailed in the table below:

	Performing loans	**NPLs that are not denounced**	**Denounced loans**
1st quarter	90%	80%	60%
2nd quarter	80%	70%	50%
3rd quarter	70%	60%	30%

However, the maximum monthly grants are subject to an absolute cap, consisting of EUR 600 for performing loans, EUR 300 for denounced NPLs, and EUR 500 for other NPLs.

(6) Due to the longer than expected duration of the COVID-19 pandemic, the Greek authorities would like to prolong the subsidization period by an additional three months of grants. With this amendment, the State's financial contribution will be granted for up to twelve months and in any case not later than 31 December 2021.

(7) The additional grants will correspond to a percentage of the monthly instalments depending on the loan category and the timing of the subsidy, as defined below:

	Performing loans	**NPLs that are not denounced**	**Denounced loans**
4th quarter	40%	35%	20%

The absolute caps on the monthly subsidies will remain unchanged.

(8) The prolongation will apply only for existing beneficiaries that have already been approved under the original Decision. No new applications will be permitted.

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3 Under the existing aid scheme, the State's financial contribution will not be granted for more than nine months and, in any case, not later than 30 June 2021.

4 Denounced loans are NPLs whose contract has been terminated by the lender and the denouncement has been properly announced to the debtor. This loan category was introduced as a sub-category of NPLs by the Bank of Greece by Act 42/30.5/2014, in view of the need of their special monitoring and analysis of the process of their management.

(9) The authorities expect that the prolongation of the scheme will have an additional cost of EUR 37 million, bringing the total expected expenditure under the scheme to EUR 263 million. This amount is well within the limits of the expected maximum budget of EUR 665,7 million that was notified in the original Decision, which is therefore not modified.

(10) The Greek authorities confirm that no other changes will be made to the existing aid scheme that were mentioned in the original Decision.

3. ASSESSMENT

3.1. Existence of State aid

(11) For a measure to be categorised as aid within the meaning of Article 107(1) of the TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and be liable to affect trade between Member States.

(12) Grants that are provided under the scheme to natural persons that do not perform an economic activity fall outside the scope of State aid rules, as described in recital (53) of the original Decision. The same also applies for natural persons performing an economic activity, since the subsidy does not exceed the threshold stipulated in the *de minimis* regulation as described in recital (54) of the original Decision. In turn, since the grants are channelled to the eligible debtors through financial institutions, the scheme entails indirect aid to the financial intermediaries, as described in recitals (56) to (67) of the original Decision. The notified amendments do not affect these conclusions. The Commission therefore refers to the respective assessment of the original Decision and concludes that the existing aid scheme, as amended, constitutes State aid within the meaning of Article 107(1) of the TFEU.

3.2. Compatibility

(13) The indirect aid to Financial Institutions in the existing aid scheme is compatible with the internal market pursuant to Articles 107(2)(a), 107(3)(b), and 107(3)(c) of the TFEU, as set out in recitals (71) to (96) of the original Decision. The Commission therefore refers to the respective assessments in the original Decision. The notified amendments do not affect that conclusion.

(14) With regards to indirect aid flowing from Financial Institutions to support natural persons that do not constitute undertakings with NPLs (denounced or not), the scheme continues to fulfil all of the conditions under Article 107(2)(a) TFEU, as described in recitals (71) to (76) of the original Decision. In particular, the amendments do not change the fact that the scheme's social character of safeguarding the main residences of vulnerable borrowers that are affected by the COVID-19 outbreak. The notified amendments prolong the available support to beneficiaries of the existing aid scheme that have been demonstrably affected by the COVID-19 outbreak, for a limited period of three months, due to the persistence of the outbreak.

(15) With regards to indirect aid flowing through Financial Institutions to support undertakings with NPLs (denounced or not), the scheme continues to fulfil all of the conditions under Article 107(3)(c) of the TFEU, as described in recitals (77) to (85) of the original Decision. The objective of the scheme continues to be supporting small entrepreneurs to a foreclosure of their primary residences that could consequently result in detrimental effects on their activities. Therefore, the scheme continues to contribute to the development of economic activities by those entrepreneurs. The notified amendments prolong the available support to existing beneficiaries of the existing aid scheme, which have been demonstrably affected by the COVID-19 outbreak, for a limited period of three months, due to the persistence of the outbreak. The Financial Institutions continue to bear the credit risk since the support continues to cover a percentage of the outstanding loan. Despite the additional support, the indirect aid to banks to support undertakings with NPLs continues to be very limited.[5] Thus, the positive effects of the existing aid scheme as modified by the notified amendments, in the form of direct support to beneficiaries, continue to outweigh the negative effects of the aid on competition and trade, in the form of indirect aid to Financial Institutions.

(16) In the original Decision, the compatibility assessment of the indirect aid flowing from Financial Institutions to support debtors with performing loans was made in analogy to the Section 3.4 of the *Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak* (the "Temporary Framework")[6], given that the considerations of Section 3.1 of the Temporary Framework apply *a fortiori* to the direct support. All of these conditions, as described in recitals (86) to (96) of the original Decision, continue to apply. In particular, despite the prolongation, the overall subsidy to a final beneficiary remains well below the thresholds set out in points (22)(a), (23), and (23)bis of Section 3.1 of the Temporary Framework. Similarly, aid may be granted no longer than 31 December 2021, which complies with point 22(d) of the same Section.

(17) Point (31) of the Temporary Framework requires that the financial intermediaries, to the largest extent possible, pass on the advantages to the final beneficiaries. To the extent that the amendments apply to already approved cases, the Financial Institutions are not in a position to renegotiate the terms of those contracts and obtain any undue advantages. The Financial Institutions continue to be exposed to credit risk throughout the maturity of a loan, including during the period of subsidy. Lastly, the subsidy is still paid by the State directly to a special (blocked and non-confiscatable) bank account of the beneficiary. Therefore, any indirect aid stemming from the prolongation to debtors with Performing Loans can continue to be declared compatible under Article 107(3)(b) of the TFEU, in analogy to Sections 3.1 and 3.4 of the Temporary Framework.

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[5] According to data as of September 2021, only around 4% of the subsidised loans under the existing scheme concern NPLs. Thus, an overwhelming majority (i.e. nearly 96%) of the subsidised loans under the existing aid scheme are performing.

[6] Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

(18) The Commission considers that the notified amendments are necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Articles 107(2)(a), 107(3)(c), and 107(3)(b) of the TFEU in analogy to Sections 3.1 and 3.4 of the Temporary Framework. The Commission therefore considers that the notified amendments do not alter the Commission's conclusion on the compatibility of the existing aid scheme in the original Decision.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Articles 107(2)(a), 107(3)(b), and 107(3)(c) of the Treaty on the Functioning of the European Union.

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Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

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For the Secretary-General

Martine DEPREZ
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