



**Report of the Hellenic Financial Stability Fund's Activities
for the period January - June 2014**

1) Supported Financial Institutions

Systemic bank's Share Capital Increases

Following the completion of the Blackrock exercise, the BoG announced to the supervised banks the final capital needs both under the baseline scenario and the adverse scenario. The BoG requested that the banks provide a Capital Actions plan by mid April 2014, outlining actions towards covering the capital needs identified under the Baseline scenario. All systemic banks opted for a Share Capital Increase (SCI), in combination with other Capital Actions. During the first months of 2014 the HFSF provided its consent for the Share Capital Increases of all four systemic banks.

Main developments per systemic bank

i) Piraeus Bank

On 07/01/2014 the results of Piraeus Bank first warrants exercise were communicated to the Fund. There were 603.280 warrants exercised and 2.700.125 actual shares exchanged, with the Fund receiving €4.682.017.

In February 2014 the HFSF provided its consent to Piraeus Bank to proceed with the invitation for an Extraordinary General Meeting, to decide on a Share Capital Increase of up to €1.75bn, with cancellation of preemption rights. The SCI aimed to cover the capital needs determined by the Bank of Greece and also allow for the repayment of the preference shares held by the state. The SCI process was completed successfully in April and the amount was covered in full by institutional and private investors through a private placement and a public offering. The SCI took place in accordance with corporate law 2190/1920. As a result of the SCI HFSF's shareholding in Piraeus Bank was reduced from 80.9% to 67.3%. Lazard acted as the financial advisor to the HFSF whereas Nomura provided a fairness opinion.

Following its share capital increase, Piraeus Bank proceeded with the redemption of the €750 million preference shares held by the Hellenic Republic.

On 18.03.2014 Piraeus Bank with HFSF's consent proceeded with the issuance of a three-year senior unsecured bond of €500 million with a yield of 5% at issuance.

In June 2014 the HFSF approved the Restructuring Plan of the Bank which was subsequently submitted to DG Competition through the Ministry of Finance for approval.

ii) Alpha Bank

In February 2014 the HFSF provided its consent to Alpha Bank to proceed with the invitation for an Extraordinary General Meeting, to decide on a Share Capital Increase (SCI), of up to €1.2bn, with cancellation of preemption rights. The SCI aimed to cover the capital needs determined by the Bank of Greece and also allow for the repayment of the preference shares held by the state. The SCI process was completed successfully in April and the amount was covered in full by institutional investors, via a private placement. The SCI took place in accordance with corporate law 2190/1920. As a result of the SCI HFSF's shareholding in Alpha Bank was reduced from 81.7% to 69.9%. Lazard acted as the financial advisor to the HFSF whereas Nomura provided a fairness opinion.

Following its share capital increase, Alpha Bank proceeded with the redemption of the Hellenic Republic's preference shares of Euro €940 million.

In June 2014 the HFSF approved the Restructuring Plan of Alpha Bank which was subsequently submitted to DG Competition through the MinFin for approval.

In June 2014 HFSF provided Alpha Bank with its consent to acquire Citibank's Greek Retail Banking business as well as Diners Club of Greece, together with the associated receivables, assets under management, deposits, customer relationships as well as branches, employees and infrastructure.

In June 2014 Alpha Bank with the consent of the HFSF proceeded with the issuance of senior unsecured 3 years notes, under the bank's EMTN Program of €500 million with a yield of 3.5% at issuance.

In June 2014 Alpha Bank's second warrants exercise took place. There were 60.899.318 warrants exercised and 451.179.721 actual shares exchanged, with the Fund receiving €206,459,840. Following the exercise the HFSF shareholding in Alpha Bank declined from 69.9% to 66.4%.

iii) Eurobank

In March 2014 the HFSF provided its consent to Eurobank to proceed with the invitation for an Extraordinary General Meeting, which decided on a Share Capital Increase (SCI), of €2,864 million, with cancellation of preemption rights. The SCI aimed to cover the capital needs determined by the Bank of Greece under the baseline scenario. The SCI took place in accordance with the revised law 3864/2010, under which the HFSF's backstop was requested. The SCI structure involved the prior commitment of a Cornerstone Investor (CI) for a specific size and a specific price. On 14.4.2014 the HFSF received only one valid binding offer at €0.30, for an amount of €1,334 million, by a consortium of investors led by Fairfax. The remaining of the amount was covered during the book building process. Due to the high demand the final offer price was set at €0.31, with the CI raising to that price the originally committed amount. The SCI process was completed successfully on 29.04.2014 and the amount was covered in full by institutional investors and private investors through a private placement and a public offering. Lazard acted as HFSF's advisor and provided a valuation opinion, while a second valuation opinion in accordance with the law was provided by Morgan Stanley. As a result of the SCI HFSF's shareholding in Eurobank was reduced from 95.2% to 35.4%.

On 10.04.2014 the HFSF approved the Restructuring Plan of Eurobank, which was subsequently approved by DG Competition.

In June 2014 Eurobank with HFSF's consent proceeded with the issuance of a four-year senior unsecured bond of €500 million with a coupon of 4.25% and a yield at issuance of 4.375%.

In June 2014, with HFSF's consent Eurobank sold to institutional investors with pre-agreed trades (block trades) common shares of Eurobank Properties REIC, which correspond to approximately 13.5% of Eurobank Properties share capital. Following these trades Eurobank holds marginally over 20% of Eurobank Properties share capital and retains management control and fully consolidates it.

iv) National Bank of Greece (NBG)

The results of NBG's Voluntary Retirement and Exit Scheme were communicated to the Fund, according to which the total number of employees that participated reached c. 2,500.

In February 2014 the HFSF provided its consent for NBG to proceed with the designation of the Preferred and Reserved Investor, for the sale of the shares of the Astir Palace, as per the proposal submitted by NBG.

In April 2014 with HFSF's consent NBG proceeded with the issuance of a five-year senior unsecured bond of €750 million with a yield of 4.5% at issuance.

On 16.04.2014 the HFSF provided its consent for NBG to proceed with a €2.5bn Share Capital Increase (SCI) under corporate law 2190/1920, with cancellation of preemption rights. The SCI process was completed on May 12 2014 and the amount was covered in full by institutional and private investors with a subscription price of €2.20. Lazard acted as HFSF's financial advisor, while JPMorgan and Nomura provided the valuation reports. Following the SCI HFSF shareholding in NBG declined from 84.4% to 57.2%.

In June 2014 the HFSF approved the Restructuring Plan of the Bank which was subsequently submitted to DG Competition through the MinFin for approval.

In June 2014 NBG's second warrants exercise took place. Only 121 warrants were exercised and 993 shares were exchanged, with the Fund receiving €4,430.

2) Liquidations

In June 2014 the BoG issued the Resolution Committee's decision 16/10/6/2014, according to which the Final Difference between the values of the liabilities transferred and the value of the assets transferred amounted to €258,547,648 for the Cooperative Bank of Dodecanese and €105,178,136 for the Cooperative Bank of Evia.

In December 2013 the HFSF had paid two thirds of the Initial Difference thereof i.e., €166,008,901 for the Cooperative Bank of Dodecanese and €63,939,049 for the Cooperative Bank of Evia. In June 2014 the HFSF transferred to the account of Alpha Bank with the BoG the remaining amounts of €92,538,747 (€258.547.648 - €166.008.901) for the Cooperative Bank of Dodecanese and €41,239,087 (€105.178.136 - € 63.939.049) for the Cooperative Bank of Evia.

3) HFSF internal matters

On 7.4.2014 the HFSF Law (L.3864/2010) was revised, under L.4254/2014, and published in the Government Gazette (FEK A 85/7.4.2014).

In January 2014 Mrs. E. Michailidou, representing the MoF in the General Council, resigned from her position and was replaced by Mr. A. Gounaris.

In January 2014 Mr. E. Gatzonas, the BoG appointee in the General Council, resigned from his position and was replaced by Mr. S. Zarkos who resigned from his position in May and was replaced by Mr. V. Spiliotopoulos.

The Fund proceeded with the hiring of four Portfolio managers in line with the November 2013 General Council decision authorizing the appointment of one Portfolio Manager per systemic bank. On 30/6/2014 the Fund's personnel amounted to 30, whereas on 31/12/2013 it amounted to 26.

In the first six months of 2014 the HFSF revised its Internal Rules and Organizational Structure and its travel and expenses policy and introduced policies for remuneration, communications and public affairs and the operation of a virtual data room.

On 12/6/2014 the HFSF published its Annual Financial Report for the year ended 31/12/2013.