



**Report of the Hellenic Financial Stability Fund's Activities  
for the period July - December 2014**

**1) Supported Financial Institutions**

**a) *Issues related to the four systemic banks***

**i) **EBA / SSM Comprehensive Assessment : AQR and Stress Test Results****

On Sunday 26 October 2014 the ECB and the EBA announced the results of the Comprehensive Assessment. This exercise comprised both an Asset Quality Review (AQR) and a Stress Test in which the capital adequacy of banks under review was tested under different stress scenarios, and measured against minimum threshold levels in each scenario.

The AQR was a point-in-time assessment of the accuracy of the carrying value of banks' assets as of 31 December 2013 and provided a starting point for the stress test and the Stress Test provided a forward-looking examination of the resilience of banks' solvency to two hypothetical scenarios, also reflecting the information arising from the AQR.

Under the static balance sheet - adverse scenario – assumption, the aggregate capital shortfall for the Greek Banks amounted to €8.7bn (Alpha: €0bn, Eurobank €4.7bn, NBG €3.4bn, and Piraeus €0.7bn). However, taking into account the effect of net capital raising actions that took place in 2014, the remaining aggregate capital shortfall amounted to c. €2.7bn (Piraeus: €0bn, Eurobank €1.76bn, and NBG €0.93bn). Greek banks were also assessed under the dynamic balance sheet assumption (taking into account the restructuring plans that were approved by DG-COMP after 1 January 2014), resulting into NBG having no shortfall and Eurobank practically no shortfall (€ 18m).

**ii) **Deferred Tax Asset Scheme****

A law (no 4303 GG 231/17.10.2014) was voted by the Greek Parliament amending article 27A of law 4172/2013. Article 27A deals with the voluntary conversion of the deferred tax assets (DTA) on temporary differences deriving from PSI and allowances for loan losses to a definitive and cleared tax credit (DTC) against the Greek State. DTCs held by the banks give rise to a direct refund right from the State.

In November 2014 Alpha Bank, Eurobank and NBG and in December 2014 Piraeus Bank, held an EGM, in which the HFSF participated and voted, in order to approve the banks' participation in the DTC Scheme. The EGMs decided that the banks may form a special reserve and issue securities representing the right to acquire common shares (conversion rights) in favor of the Greek State and granted authorization to the Board of Directors to proceed to the necessary actions for the implementation of the decision.

**b) Main issues per systemic bank**

**i) Piraeus bank**

In July 2014 Piraeus Bank's second warrants exercise took place. There were 4,951,260 warrants exercised and 22,160,707 actual shares exchanged, with the Fund receiving €39,180,129. Following the exercise the HFSF shareholding in Piraeus bank declined from 67.30% to 66.93%.

In October 2014 Piraeus Bank held an EGM, in which the HFSF participated and voted, deciding the cancellation of the €750 million Greek State preference shares of Law 3723/2008 following their full repayment, approving also the corresponding reduction of the share capital and the amendment of Articles 5 and 27 of the Bank's Articles of Association. The EGM also decided in favor of the Piraeus Bank merger, by acquisition, with Geniki Bank and the completion of the transaction with the signing of the merger agreement.

Piraeus, with the consent of HFSF, launched in November 2014 a Voluntary Separation Scheme (VSS). A total number of 978 employees participated in the VSS. As a result of that Piraeus will have an annual cost saving of c. €38.5 million and a one-off cost of c. €54.8 million.

In August 2014, Piraeus announced the sale of 100% of ATE Insurance to ERGO Insurance Group, a subsidiary of Munich Re for a total consideration of €90 million subject to customary net asset value adjustments upon closing. In December 2014 HFSF provided its consent for the sale of ATE Insurance to Ergo Insurance, as part of the bank's commitments to the DGComp and of the bank's Restructuring Plan.

**ii) Alpha bank**

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. The acquisition was completed by the end of September 2014.

Alpha Bank, with the consent of HFSF, launched in September a Voluntary Separation Scheme (VSS). A total number of 2,200 employees participated in the VSS. As a result of that Alpha bank will have an annual cost saving of c. €120 million and a one-off cost of c. €195 million.

In December 2014 HFSF provided its consent for the legal merger of Alpha Bank's subsidiaries in Cyprus, Alpha Bank Cyprus and Emporiki Bank Cyprus, following the merger of Alpha Bank with Emporiki in Greece.

In December 2014 HFSF provided its consent for the sale of Alpha Bank Insurance Ltd, the bank's insurance arm in Cyprus, following an open sale process. The sale was completed in January 2015.

In December 2014 Alpha Bank's third warrants exercise took place. There were 2,055,566 warrants exercised and 15,228,481 actual shares exchanged, with the Fund receiving

€7,136,066. Following the exercise the HFSF shareholding in Alpha bank declined from 66.36% to 66.24%.

### **iii) Eurobank**

In the context of the Law 3864/2010 (as amended in April, 2014), HFSF had announced (announcement dated 4 April 2014) that it would enter into a new Relationship Framework Agreement (RFA) with Eurobank, similar to that of the other three systemic banks, in the event that private sector participation exceeded 50% of the share capital increase of Eurobank that took place upon the decision of the Extraordinary Shareholders' Meeting of 12 April 2014. The new RFA between Eurobank and the HFSF was signed in August 2014.

### **iv) NBG**

In September 2014 HFSF provided its consent to NBG in order for Finansbank to proceed with a Share Capital Increase (SCI) without pre-emption rights of existing shareholders, by means of a public offering. Based on the restructuring plan approved by the European Commission Directorate General for Competition, NBG is required to reduce its shareholding in Finansbank so that its share ownership represents no more than 60% by the end of 2015. In November 2014 NBG, following HFSF's approval, announced that it will also proceed with a secondary offering of existing shares in Finansbank corresponding to approximately 2.25% of the paid-in capital of Finansbank post the SCI and with the granting of an overallotment option. The total stake offered through the SCI, the secondary offering and the overallotment option will not exceed 26.9%.

In September 2014 National Bank of Greece announced the signing of the Sale and Purchase Agreement for Astir Palace Vouliagmeni S.A, between the Hellenic Republic Asset Development Fund S.A. (HRADF) in their capacity as sellers, Apollo Investment HoldCo in its capacity as the buyer, and Jermyn Street Real Estate Fund IV L.P. in its capacity as Guarantor. The transaction is expected to be completed post the fulfilment of the relevant conditions precedent.

In October 2014 National Bank of Greece announced the results of the Mandatory Tender Offer for the acquisition of the total common registered shares of MIG REIC, which was approved by the HFSF. Following completion of the transfer of the Tendered Shares NBG Pangaea REIC holds 13,605,064 shares in aggregate, representing approximately 96.67% of the total paid-up share capital and voting rights of the Company.

In October 2014 National Bank of Greece announced the acquisition of 5% of the voting common shares of Finansbank from International Finance Corporation (IFC), upon exercise of IFC's relevant right (put option) and in accordance with the agreement between them of 29 March 2007. NBG paid a total consideration of US \$343,060,832 to acquire such shares, bringing NBG's stake to 99.81%.

In December 2014 NBG's third warrants exercise took place. No warrants were exercised and therefore, HFSF's shareholding in NBG remained unchanged at 57.24%.

## **2) Liquidations**

In July 2014 the BoG issued the Resolution Committee's decision 17/14.7.2014, according to which the Final Difference between the values of the liabilities transferred and the value of the assets transferred amounted to €95,244,475 for the Cooperative Bank of Western Macedonia. In December 2013 the HFSF had paid two thirds of the Initial Difference thereof i.e., €54,681,344 for the Cooperative Bank Western Macedonia. In July 2014 the HFSF transferred to the account of Alpha Bank with the BoG the remaining amount of €40,563,131 (€95,244,475 - €54,681,344).

## **3) HFSF internal issues**

In July 2014 the Fund proceeded with the hiring of a Chief Internal Auditor (CIA), an Internal Auditor and a Risk Officer following the relevant decisions taken in June 2014 and the secondment, from the MoF, of a Finance officer. On 31.12.2014 the Fund's personnel amounted to 34, whereas on 30.06.2014 it amounted to 30.

On 26 September 2014 the HFSF published its Interim Financial Report for the six month period ended 30.06.2014. On 11.12.2014 the HFSF published its Interim Financial Statement for the nine month period ended 30.09.2014.

On 6 November 2014, Mr. Steven Franck and Mr. Christoforos Stratos were appointed by the Ministry of Finance (Government Gazette YODD 688/5.11.2014) as new additional non-executive members of the General Council in line with the recent founding law amendment.

A provision on TEKE was included in L. 4316/2014 (art. 96), published on 24.12.2014, which gives the possibility for the HFSF to provide a loan to TEKE, in order for the latter to cover resolution funding gap. Simultaneously, the previous regime according to which the HFSF may have to pay the amount that TEKE would pay for resolution funding gap continues to apply.

In December 2014 the HFSF proceeded with the signing of the second Amendment Agreement relating to the Master Financial Assistance Facility Agreement, between EFSF, the Hellenic Republic, HFSF and BoG, thus extending the Agreement till 28.2.2015. In addition the EFSF following a request from the Ministry of Finance and the HFSF confirmed the extension of the availability period of the EFSF bonds that HFSF holds to 28.2.2015.