



**Report of the Hellenic Financial Stability Fund  
for the period January - June 2013**

**1. Supported Financial Institutions**

**a) Issues related to all systemic banks**

**i. Share Capital Increases**

During May and June 2013 the four core banks have completed their Share Capital Increases (SCI). The amount that the Fund contributed to the SCI was lower than the one determined by the BoG, due to private sector participation in the SCI. Moreover, the bonds actually disbursed (in nominal values) were lower than the HFSF total participation due to their above par fair value. The final HFSF contribution to the recapitalization was EFSF nominal value bonds of 24,998.1 ml, while the total SCI amount for the 4 banks was 28,595 ml resulting in the lower utilisation of the EFSF resources which were committed for the Greek banking sector by 3,596.9 ml.

Below is an overview table of the recapitalization results for the four banks:

Bank	Total HFSF Capital Contribution (bonds at fair value - ml)	EFSF bonds contributed (nominal value – ml)	Subscription in cash by investors (%/ml)		Total SCI (ml)
	(1)		(2)		(3)=(1)+(2)
NBG	8,676.9	8,464.3	11.06%	1,079.1	9,756
Piraeus	6,985.4	6,847.5	19.68%	1,443.6	8,429*
Alpha	4,021.0	3,960.5	12%	550	4,571
Eurobank	5,839	5,725.8	n/a	n/a	5,839
Total	25,522.2	24,998.1	-	-	28,595

\*including €570ml for ATE Bank and €524ml for the Cypriot branches

The participation of the HFSF to the share capital of the 4 banks and the HFSF Shares per Warrant issued are as follows:

Bank	HFSF Participation (%)	HFSF Shares per Warrant issued
NBG	84.39	8.23
Piraeus	81.01	4.47
Alpha	83.66	7.40
Eurobank	98.56*	n/a

\*reduced to 93.55% after Eurobank's Liability Management Exercise

The Fund collected the 1% presubscription fee as envisaged in the Presubscription agreements signed with the 4 banks on top of the one-off fee of 555.6 ml received from the 4 banks on 21/12/2012 after a relevant law amendment. Below are the fees received from each bank, totalling to €776,515,803:

Bank	One-off fee	1% fee	Total per bank
NBG	115,578,000	90,470,556	204,048,556
Piraeus	133,003,000	59,200,472	192,203,472
Alpha	153,003,000	24,198,056	177,201,056
Eurobank	154,016,000	47,046,719	201,062,719
<b>Total</b>	<b>555,600,000</b>	<b>220,915,803</b>	<b>776,515,803</b>

## ii. Restructuring plans

Following the consolidation process in the banking sector, the resolutions and the recapitalization, the preparation of the final restructuring plans that the four systemic banks have to submit to the HFSF and the DG Comp. has been reinitiated. The HFSF is actively involved in the monitoring of the design of the restructuring plans, in coordination with the DG Competition and BoG. The restructuring plans are expected to be completed within the timeframe envisaged in the MEFP.

## iii. Relationship Framework Agreements (RFAs)

Pursuant to the MEFP, Relationship Framework Agreements (RFAs) are foreseen between the HFSF and the banks, which have received capital support from the HFSF, either TCIs or core (systemic). The purpose of these RFAs is to determine, after consultation with the DG Comp, the relationship between HFSF and each of the supported banks, by defining the role and rights of the HFSF, specifying the banks' responsibilities and safeguarding at the same time the banks' business autonomy. The RFAs differ for TCIs, for core banks where HFSF has full voting rights and for core banks where HFSF has restricted voting rights.

To this end, on 01/05/2013 RFAs were signed between the HFSF and the two TCIs (New Proton Bank S.A. and NHPB), while the necessary actions were taken so as to finalize the RFAs between HFSF and the four pillar banks with these RFAs having been already signed.

#### iv. Liability Management Exercises (LMEs)

As per the Economic Adjustment Program for Greece, the four largest banks were expected to conduct liability management exercises in respect of the remaining subordinated debt holders so as to ensure fair burden sharing. The HFSF evaluated all proposals and granted its consent to the banks. The LMEs of the four banks were finalized by end June 2013. Below is an overview of the results for each bank:

<b>Bank</b>	<b>Type of securities</b>	<b>Outstanding amount before buy-back (€)</b>	<b>Buy-Back amount (€)</b>	<b>Outstanding amount after buy-back (€)</b>	<b>Price paid on nominal value</b>	<b>Buy back percentage</b>
NBG	Preferred	128,905,000	69,734,000	59,171,000	40%	54.10%
NBG	(\$) Preferred	(\$) 38,744,000	(\$) 24,602,000	(\$) 14,142,000	40%	63.00%
NBG	(£) Preferred	(£) 9,158,000	(£) 452,000	(£) 8,706,000	40%	5.00%
Piraeus	Preferred / Lower Tier 2	320,962,000	65,738,000	255,224,000	35%/55%	20.48%
Alpha	Tier 1 / Upper Tier 2 / Lower Tier 2	316,097,000	182,101,000	133,996,000	35%/ 55%	57.60%
Eurobank	Lower Tier 1,2	662,363,000	317,127,000	345,236,000	converted to shares	48%

On 21/05/2013, the HFSF provided its consent to the buy-back in cash of the 90% of NBG's outstanding preferable shares that are listed in the New York Stock Exchange in the form of American Depository Shares (ADS). On 01/07/2013, NBG announced the results of this exercise as follows:

<b>Type of security</b>	<b>Outstanding / targeted amount before buy-back (shares)</b>	<b>Buy-Back amount (shares)</b>	<b>Outstanding amount after buy-back (shares)</b>	<b>Price paid in cash (\$)</b>	<b>Buy-back percentage vs targeted</b>
ADS	25,000,000 / 22,500,000	12,360,169	12,639,831	12.5	54.93%

The total amount paid for the ADS buy-back was c. \$154.5 ml.

**b) Issues per systemic bank**

**i. NBG**

- On 14/02/2013 the HFSF, according to the provisions of the Pre-Subscription Agreements previously signed with NBG and Eurobank, examined the terms and conditions and granted its consent for the submission by NBG of a Voluntary Tender Offer to the shareholders of Eurobank for the acquisition of all common registered shares of Eurobank. The transaction was scheduled to be settled by a share exchange (58 newly shares of NBG per 100 tendered shares of Eurobank). After the tender offer, NBG acquired the 84.35% of Eurobank's share capital. On 28/03/2013, the BoG sent letters to NBG and Eurobank stating that each bank would have to proceed with its recapitalization which would have to be completed by the end of April 2013. On 08/04/2013, NBG and Eurobank announced that they would be recapitalized fully and independently of one another and that the merger process would be suspended until the completion of the recapitalization procedure.
- Following the BoG decision to proceed with the liquidation of FBB and its decision to transfer the selected assets and liabilities of FBB to NBG, the HFSF disbursed on 28/06/2013 EFSF bonds with a nominal value of €349,550,000, undertaking the obligations of the Hellenic Depository Investment Fund (HDIGF), to cover the 2/3 of the initial funding gap (total initial funding gap €524,325,000) and executed all the necessary legal documents with the EFSF and NBG. There is also a commitment to cover capital needs arising from the acquisition of the assets of FBB of €95,000,000.

**ii. Piraeus Bank**

- Following a Eurogroup Statement on 16/03/2013, the BoG called for the expression of interest from the Greek Banks for the transfer of the Cypriot Banks operations in Greece. Following the relevant expression of interest, on 22/03/2013 the HFSF granted its consent to Piraeus Bank to acquire the Cypriot Banks' operations in Greece. On 18/06/2013, the Fund disbursed to Piraeus bank EFSF bonds with a nominal value of €524,000,000 so as to cover the capital needs resulting from the transaction.
- On 26/03/2013, the HFSF transferred to Piraeus Bank by means of EFSF bonds the additional funding gap pertaining to the "ATE Bank" resolution that amounted to €794,827,000. The additional regulatory capital related to this transaction, was set by BoG at €570,000,000 and was disbursed in the same means on 10/04/2013.
- On 19/04/2013, the Fund gave its consent to Piraeus to proceed with the acquisition of Millennium Bank, reserving its rights to appoint an independent auditor to review the transaction. On 19/06/2013, Piraeus announced the completion of the acquisition of the total share capital of Millennium bank after receiving all the necessary regulatory approvals. Before the completion of the transaction, Millennium's parent company BCP capitalized the bank with €413,000,000 while it invested another €400,000,000 in Piraeus' share capital increase via a private placement.

### **iii. Alpha Bank**

- Following the signing of the Share Purchase Agreement between Alpha Bank and Credit Agricole, the transfer of 100% of the shares of Emporiki Bank to Alpha Bank was effected on 01/02/2013. The transfer was concluded following the completion of Emporiki's financial due diligence and the granting of the necessary approvals by the pertinent authorities. According to the agreement and the necessary adjustments following the financial due diligence, Crédit Agricole proceeded with a capital support of Emporiki Bank of €2,893mn., while it also subscribed for a €150mn convertible bond issued by Alpha Bank. On 28/06/2013, Alpha Bank announced the completion of its legal merger with Emporiki Bank.
- On 17/06/2013, the HFSF approved the proposed Voluntary Retirement Scheme for the employees of Alpha Bank Cyprus and Emporiki Bank Cyprus.

### **iv. Eurobank**

- Following the conclusion of the bank's share capital increase, the HFSF has become the major shareholder of the bank with a share of 98.56%. A new Board of Directors was appointed by the General Council of the HFSF, following a selection process held by an international HR consultant. The current composition of the Board of Eurobank is nine members, six of which were already BoD members, while there were two additions, that of the CEO and the Deputy Chairman and the replacement of the HFSF representative.
- Fairfax Financial Holdings, an international investment company, has been in negotiations with Eurobank in order to increase its participation in the bank's real estate subsidiary Eurobank Properties by subscribing in a future share capital increase. On 18/06/2013, the HFSF provided its consent to Eurobank to proceed with the agreement with Fairfax Financial Holdings, subject to certain conditions fulfilled and the necessary regulatory approvals obtained.

## **2. Transitory Credit Institutions (TCIs)**

### **a) New Hellenic Post Bank (NHPB)**

Following a decision of the Minister of Finance, the Bank of Greece (BoG) proceeded on 18/01/2013 to the establishment of the Interim Credit Institution «New Hellenic Post Bank» (NHPB), as a resolution measure.

All customer deposits, the branch network, the sound business activities, as well as the largest part of the assets of the former institution were transferred into the NHPB. In addition, new employment contracts were signed with almost all of the employees of the "old" bank, reducing on average the personnel expenses by 30%. HPB's banking license was withdrawn and the bank was placed under special liquidation. NHPB's share capital was fully covered by the HFSF on 29/01/2013, in the form of EFSF bonds with a nominal value of €500.000.000. In addition, the BoG determined the initial difference between the transferred assets and liabilities (funding gap) to the amount of €4,096,247,000 and the HFSF covered on 29/01/2013 in the form of EFSF bonds and by undertaking the obligations of the Hellenic Deposit & Investment Guarantee Fund (HDIGF), the 2/3 of this amount that is €2,730,831,000. Following the issuance of the BoG's decision for the determination of the final funding gap (€3,732,554,000), on 14/06/2013 the HFSF proceeded with

the disbursement of the remaining amount of €1,001,723,000 to the “New Hellenic PostBank”, in the form of EFSF Notes.

On 14/02/2013 the HFSF paid to the NHPB the amount of €226.956.514 after the determination by BoG of the final funding gap after the liquidation of «T-Bank S.A».

The first General Shareholders Meeting took place on 08/03/2013 and the new management of the Bank was appointed. The NHPB together with its advisor (Alvarez & Marsal) developed its business plan which was submitted to the BoG.

One of the prerequisites regarding the targeted operational cost reduction in NHPB after its establishment was a headcount reduction via a Voluntary Retirement Scheme (VRS). A relevant law amendment was ratified by the Greek Parliament in order to enhance the targeted employee’s eligibility to participate in the scheme. Finally, 605 employees accepted the exit packages offered and the total cost of the scheme amounted to c. €35.7 ml.

Complying with the provisions of the Memorandum of Economic and Financial Policies (MEFP), the HFSF has approved the Relationship Framework (RFA) between the HFSF and NHPB, which directs the relationship between the two parties, the corporate governance, the structure and the general operation framework of the bank.

According to the MEFP, the HFSF proceeded with the actions in order to divest from NHPB until 15/07/2013. Goldman Sachs was appointed as advisor to the Fund to run the sale process. The parties that indicated interest were the four Greek core banks. The sale was completed in early July with Eurobank as the preferred bidder.

#### ***b) New Proton Bank***

The HFSF approved the Relationship Framework (RFA) between the Fund and New Proton Bank.

Pursuant to the MEFP, the HFSF proceeded with its divestment from New Proton Bank. In this context, the investment bank Rothschild was appointed as a financial advisor of the Fund for the sale of its participation. A wide range of potential investors (including Greek banks, foreign banks and financial sponsors) were contacted but those parties that submitted binding bids were only two. The sale was finalized in early July with Eurobank as the preferred bidder. Under the terms of the sale, the HFSF committed to recapitalize the bank prior to its sale with an amount of €395,000,000.

Below is a table depicting the amounts that the HFSF has disbursed in prior years and in the first semester of 2013 to cover the funding gap in banks that were resolved and for the capital provided to Transitory Credit Institutions:

<b>Resolved Bank</b>	<b>Status</b>	<b>2011/2012 (€)</b>	<b>1<sup>st</sup> semester 2013 (€)</b>	<b>Total (€)</b>	<b>Purpose</b>
ATE Bank	P&A* by Piraeus	6,675,890,000	794,827,000	7,470,717,000	Funding gap
Proton Bank	Transitory Credit Institution	259,621,860	-	259,621,860	Funding gap
Hellenic Postbank	Transitory Credit Institution	-	3,732,554,000	3,732,554,000	Funding gap
T-Bank	P&A by Hellenic Postbank	-	226,956,514	226,956,514	Funding gap
FBB	P&A by NBG	-	349,550,000	349,550,000	Funding gap
Three Cooperative Banks**	Deposits Acquisition by NBG	320,484,480	-	320,484,480	Funding gap
<b>Funding gap</b>		<b>7,255,996,340</b>	<b>5,103,887,514</b>	<b>12,359,883,854</b>	
<b>Capital***</b>		<b>515,000,000</b>	<b>500,000,000</b>	<b>1,015,000,000</b>	
<b>Grand total</b>		<b>7,770,996,340</b>	<b>5,603,887,514</b>	<b>13,374,883,854</b>	

\*Purchase and assumption

\*\* Achaiki, Lamias, Limnou-Lesvou

\*\*\* 515ml for “New Proton Bank” and 500ml for “New Hellenic Postbank”

### **3. HFSF internal issues (Share Capital Increase, Law Amendments, Corporate Governance, Employments)**

- a) Following the Acceptance Notice signed on 23/05/2013 by the HFSF, the EFSF, the Hellenic Republic and the BoG regarding the contribution of EFSF Floating Rate Notes (FRNs) into the Fund’s account, the HFSF received on 31/05/2013 EFSF bonds with a nominal value of €7.2 billion. Thus, the HFSF’s share capital increased on 31/05/2013 by €7.2 billion to €49.7 billion.
- b) The HFSF L.3864/2010 was amended during the first semester of 2013 with L.4111/2013 (FEK A’ 18/25.1.2013), L.4138/2013 (FEK A’ 72/19.3.2013), L.4144/2013 (FEK A’ 88, 18/4/2013) and L. 4152/2013 (FEK A’ 107, 09/05/2013). Apart from the amendments regarding the recapitalization process and the Fund’s corporate governance another main amendment was that the Fund is explicitly excluded from the public sector.
- c) The Members of the General Council and the Executive Committee of the Fund, according to art. L.3864/2010, art.4 were appointed on 01/02/2013.

Current members of the General Council of the HFSF:

- Sclavounis C. Chairman (Mr P.Koster, who was appointed Chairman resigned on 15/03/2013)
- Beroutsos A., member
- Mariani P., member
- Michailidou E., representative of the Ministry of Finance, member (Mr G.Mergos resigned on 29/04/2013)
- Gatzonas E., appointed by the BoG, member

Members of the Executive Board of the HFSF:

- Sakellariou A., CEO
- Koliopoulos M., Deputy CEO (resigned on 01/07/2013)
- Gagales A., member

The selection process for the two additional appointments to the Fund's General Council, as prescribed by L.3864/2010 has been initiated via a call for expression of interest posted in the local and foreign press. The HFSF staff as of 30/06/2013 amounts to 26 people.