



**Report of the Hellenic Financial Stability Fund's Activities
for the period July - December 2013**

1) Supported Financial Institutions

a) *Issues related to the four systemic banks*

i) **Greek banking sector comprehensive strategy project**

As stipulated in the Memorandum of Economic and Financial Policies (MEFP), the Ministry of Finance (MoF) and the Bank of Greece (BoG) were to complete a comprehensive financial sector strategy by 15/07/2013, in coordination with the HFSF and the EC/ECB/IMF.

To this end, HFSF's obligation was fulfilled by submitting its input in the strategy report.

ii) **Restructuring plans**

After the finalization of the recapitalization process, the resolutions of FBB and Probank whose deposits and good assets were acquired by NBG and the acquisition of New Proton bank and New Hellenic Post Bank (NHPB) by Eurobank, the four systemic banks are currently updating their restructuring plans so that they submit them to DG Comp for its approval as soon as their capital needs are finalized by the BoG. The HFSF is actively involved in the monitoring of the design of the restructuring plans, in coordination with the banks.

iii) **Relationship Frameworks (RFAs)**

The RFAs between the HFSF and the four systemic banks were finalized and signed as envisaged in the MEFP. In this context, the HFSF signed RFAs with Alpha bank (12/06/2013), NBG (10/07/2013), Piraeus bank (10/07/2013) and Eurobank (12/07/2013). These RFAs determine 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 final RFAs are also available on HFSF's website (www.hfsf.gr).

During the second semester of the year several consent requests have been submitted by the systemic banks in accordance with the provisions of the RFA. Such consents were provided and in certain cases temporary derogations have been granted.

iv) **Participation in Bank of Greece's Banks' Loan Books Diagnostic Assessment**

In line with MEFP requirements the BoG has engaged BlackRock Solutions to provide a diagnostic assessment of the loan books of the banks falling under its supervision. The HFSF has been invited as an observer and has followed the "Troubled Assets Review"

(TAR) workstream, which aims at understanding how the major Banks currently measure and manage their troubled asset portfolios, developing recommendations towards improvement of the management of troubled assets according to international best practices, and finally developing a comprehensive framework for the reporting of troubled assets (KPIs).

b) Issues per systemic bank

i) Piraeus bank

On 12/07/2013, the Fund's General Council (GC) consented on the implementation of a Voluntary Retirement Scheme (VRS) for the personnel of Piraeus Group, following advice received from an HR expert appointed by the HFSF which resulted to the departure of approximately 2185 employees. The total cost and annual saving are estimated to be €137 million and €109 million respectively

ii) Alpha bank

On 12/07/2013, the GC of the HFSF decided to consent with the proposed sale of Alpha Bank's Ukrainian subsidiary JSC Astra Bank, following an independent review of an advisor and the conditions described in the bank's relevant presentation. The sale also received the consent of DC Comp.

On 8/12/2013 Alpha bank acquired the deposits of 3 co-operative banks, the "Cooperative Bank of Dodecanese", "Cooperative Bank of West Macedonia" and "Cooperative Bank of Evia" following the BoG's decision to revoke the banking licenses of the Cooperative Banks, put them under mandatory special liquidation and transfer selected assets and liabilities of the credit institutions to Alpha Bank. The bank acquired the deposits of the three co-operative banks for a consideration of 2.1% on the total deposits. On 20/12/2013 the HFSF disbursed €284,629,294 in EFSF bonds covering the 2/3 of the initial funding gap of the co-operative banks.

On 10/12/2013 the first warrants exercise of Alpha bank took place. The exercised warrants were 28,800,631 corresponding to 213,368,583 shares transferred from HFSF to the investors who paid an amount of €95,759,820 to the Fund, reducing the percentage holding of HFSF to 81.71%.

iii) Eurobank

In an Extraordinary Meeting held on 26/08/2013, the Shareholders' General Assembly of Eurobank approved the conclusion of the agreements between Eurobank and the HFSF regarding the acquisition of New Proton Bank and NHPB. To this end, it approved the increase of the Bank's share capital by €425,625,000 by issuing 1,418,750,000 new ordinary shares with a nominal value of €0.30 each and offer price of €0.48 each, subscribed totally by way of contribution in kind by the HFSF and specifically by the contribution of the total number of shares of NHPB owned by HFSF, having a total value of €681,000,000, as derived from their valuation. According to the Subscription Agreement signed between the HFSF and Eurobank for the sale of NHPB, the initial consideration paid by Eurobank was subject to further adjustments based on a Net Asset Value (NAV) evaluation. Following an assessment of the NAV of NHPB as at 30/8/2013 performed by Deloitte, HFSF on 15/11/2013 disbursed to Eurobank the amount of €54,905,210 in cash. The legal merger with the New Proton Bank was completed on 22/11/2013, while the one with the New Hellenic Post Bank was completed on 27/12/2013.

Regarding the “Eurobank Properties” (EUPRO) transaction with Fairfax and after a preliminary consent that was given in June 2013, the investment of Fairfax in the company via an acquisition of pre-emption rights from Eurobank at the price of €20,000,000 to participate in a Rights Issue of €193,000,000 was ultimately approved by the Fund on 8/10/2013. Specifically, Fairfax Financial Holdings (Fairfax), in cooperation with Fidelity Management & Research will participate in a rights issue of Eurobank Properties (EUPRO). Fairfax acquired all the pre-emption rights of Eurobank. The total investment by Fairfax into EUPRO will amount to €145m. After the Rights Issue, Fairfax will increase its shareholding into EUPRO from c. 19% to c. 41% while Eurobank’s shareholding will be reduced from c. 56% to c. 33.5%, while retaining the control of EUPRO for a certain period of time.

On 11/10/2013, consent was given to the bank to submit a bid for the acquisition of real estate assets from the Hellenic Republic Asset Development Fund (HRADF). The bid of the bank for the acquisition was €145.81 million. The transaction has not been finalized yet.

On 21/10/2013 consent was provided regarding the implementation of a Voluntary Redundancy Scheme (VRS) for the employees of Eurobank, based on a report prepared by an HR expert. The VRS resulted in the exit of 1073 employees with a cost of €86 million while annual saving is estimated to be €61 million.

On 24/10/2013, the HFSF approved the launch of the Eurobank Share Capital Increase transaction. The process envisages a two leg transaction, i.e. the leg of the “anchor” investor (i.e. investor with strategic characteristics) who will commit for a specific amount and will sign an Investment Agreement and an ECM leg through which institutional and retail investors will be able to subscribe through a book building process. In this context, on 14/11/2013 a public announcement of the launch of the transaction was made. Investors or consortia that expressed their interest were approached with a process letter inviting them to submit certain documentation. Investors fulfilling certain criteria were then invited to perform a due diligence which is still under way.

iv) NBG

After the BoG’s decision (EME 12/26.07.2013) to proceed with the liquidation of Probank, there was a bidding process initiated by the BoG for the acquisition of Probank’s selected assets and liabilities. Within this context, the members of the GC discussed the binding bids submitted by NBG and Eurobank and concluded that both banks were qualified to submit a binding offer to the BoG.

The BoG selected NBG as the preferred bidder and the HFSF was requested to cover the amount of €158,366,667 that is the 2/3 of the initial funding gap, as prescribed by law (total initial funding gap €237,550,000). On 09/08/2013, the HFSF disbursed the requested amount in cash. On 30/12/2013 the final funding gap of Probank was determined by the Bank of Greece at €562,733,502. Following that on 31/12/2013 the HFSF disbursed the amount of €404,366,835 to NBG in cash, to fully cover the remaining part of the final funding gap between the assets and liabilities of Probank that were transferred to NBG.

On 11/10/2013, consent was given to the bank to submit a bid for the acquisition of real estate assets from the Hellenic Republic Asset Development Fund (HRADF). The

bid of the bank for the acquisition was €115.5 million. The transaction has not been finalized yet

On 17/10/2013 consent was given regarding the sale of a Turkish corporate loan portfolio to Merrill Lynch International London, in conformity with the obligations stemming from the Relationship Framework Agreement (RFA) between NBG and HFSF. Merrill Lynch was the best bidder in a competitive bidding process for these assets totaling €213 million.

On 13/11/2013, the HFSF disbursed the amount of €107,420,455 to NBG in the means of EFSF Notes covering the final funding gap of FBB.

On 18/10/2013, NBG requested the consent of the HFSF in order to proceed with the sale of 66% of its 100% subsidiary National Pangaea REIC to Invel Real Estate, a real estate fund, for a total consideration of €653 million. HFSF's consent was provided on 13/11/2013 and the transaction closed on 30/12/2013. NBG maintains control for 5 years (provided it holds at least 20%) and hence will continue to consolidate Pangaea.

On 19/12/2013, NBG announced a Voluntary Retirement and Exit Scheme which ended on 30/12/2013 and resulted to the departure of approximately 2510 employees. The total cost and annual saving are estimated to be €208 million and €155 million respectively.

On 27/12/13 the first warrants exercise of NBG took place. The exercised warrants were 31,046 corresponding to 255,410 shares transferred from HFSF to the investors who paid an amount of €1,117,750 to the Fund.

2) Transitory Credit Institutions (TCIs) / Institutions under liquidation

a) *New Hellenic Post Bank (NHPB)*

According to the MEFP, the HFSF should have proceeded with the divestment from NHPB until 15/07/2013. Goldman Sachs which was appointed as the advisor to the Fund for this project, made its presentation delineating the bids submitted by the four major Greek Banks as there was no final offer made by another interested investor.

On 13/07/2013, the GC of the Fund decided to select Eurobank as the preferred bidder for the 100% share capital acquisition of NHPB. The relevant Agreement was signed between the two parties on 15/07/2013. The transfer of shares was completed on 30/08/2013. Eurobank's consideration was determined at €681,000,000 in the context of a share capital increase through the issuance of 1,418,750,000 new ordinary shares subscribed by the HFSF in the form of NHPB shares.

b) *New Proton Bank*

According to the mandates of the MEFP, the HFSF should have disposed from its participation in New Proton Bank until 15/07/2013. The Fund received two final offers for the acquisition of the bank, from Eurobank and a foreign fund. The advisory firm Rothschild which was appointed to run the divestment process presented its final deliverable and it was made clear that only Eurobank's offer was fully compliant with the BoG provisions for the sale.

On 12/07/2013, the GC of the Fund decided to select Eurobank as the preferred bidder for the 100% share capital acquisition of "New Proton Bank". The relevant Share

Purchase Agreement (SPA) was signed between the two parties on 15/07/2013. The Fund committed to recapitalize “New Proton Bank” with an amount of €395,000,000 prior to the transfer of the shares to Eurobank. This commitment was fulfilled on 28/08/2013 and the transfer of the shares and the voting rights was completed on 30/08/2013 with Eurobank’s consideration paid being €1.

c) Collections from liquidations

In December 2013 the Fund received a total of €237.3 million from the banks under liquidation. Specifically, the Fund received from the liquidators €220m for ATE Bank, €4.3m for Proton Bank, €6m for the Cooperative Bank of Lamia and €7m for the Cooperative Bank of Lesvos & Limnos.

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

Resolved Bank	Status	2011/2012 (€)	2013 (€)	Total (€)
ATE Bank	Acquired by Piraeus	6,675,890,000	794,827,000	7,470,717,000
Proton Bank	Transitory Credit Institution	259,621,860	-	259,621,860
Hellenic Postbank	Transitory Credit Institution	-	3,732,554,000	3,732,554,000
T-Bank	Acquired by Hellenic Postbank	-	226,956,514	226,956,514
FBB	Acquired by NBG	-	456,970,455	456,970,455
Achaiki, Lamias, Limnou-Lesvou	Deposits Acquisition by NBG	320,484,480	-	320,484,480
Probank	Acquired by NBG	-	562,733,502	562,733,502
Evias Dodekanison W. Macedonia	Deposits Acquisition by ALPHA	-	284,629,294	284,629,294
Funding gap		7,255,996,340	6,058,670,765	13,314,667,105
Capital*		515,000,000	895,000,000	1,410,000,000
Grand total		7,770,996,340	6,953,670,765	14,724,667,105

* 910m for “New Proton Bank” and 500m for “New Hellenic Postbank”

3) HFSF internal issues

The HFSF L.3864/2010 was amended once during the second semester, with law N.4172/2013 (FEK A’ 167/23.7.2013). The amendments are the addition of the purpose of protecting the public interest in the objectives of the HFSF (article 2) and a provision for the civil liability of the members of the General Council and the Executive Board (EB) (article 16C).

On 31/12/2013 the HFSF's substitution of the HDIGF was prolonged until 31/12/2014 according to art.16 par.5 of L.4224/2013 (FEK 288/31.12.2013).

On 30/08/2013, Mr G.Koutsos was appointed as Deputy CEO of the HFSF in replacement of Mr. M.Koliopoulos, who resigned from his position on 01/07/2013.

On 06/09/2013, Mr I.Zafeiriou and Mr S.Wilcke were appointed as two additional members of the HFSF's GC, as prescribed by law, raising the number of the members of the GC from 5 to 7.

On 18/09/2013 an allocation of responsibilities and authorities between the General Council (GC) and the Executive Board (EB) of the HFSF has been approved by the GC.

On 14/11/2013 Mr Beroutsos resigned from the General Council.

The HFSF staff as of 31/12/2013 amounted to 22 people.

The HFSF, as at 31/12/2013, had available EFSF Bonds with a nominal value of €10,932,903,000 and a cash balance of €488,766,493.