HELLENIC FINANCIAL STABILITY FUND

Divestment Strategy

Main points from the policy

11 January 2023

The current HFSF legal framework sets year-end 2025 as the Fund's sunset date and elevates the divestment objective to a par with the Fund's other objective, namely its contribution to the maintenance of Greek banking system financial stability for the sake of public interest. Following the approval of the Ministry of Finance, the Hellenic Financial Stability Fund (HFSF) approved its Divestment Strategy that defines the framework that the Fund will use to implement the divestment of its holdings in the form of shares or other securities issued by Greek banks in a reasonable and timely manner.

The Divestment Strategy adheres to the principles set out in its legal framework that comprises the HFSF Law (Law 3864/2010 as in effect) as well as all relevant legal and regulatory provisions. The Fund will expend all reasonable efforts to dispose of all its shares in the Greek systemic banks before 31 December 2025, subject to maintaining financial stability and ensuring that it receives fair value.

The Fund currently believes that a sale of its shares in any of the four Greek systemic banks ("Banks", and each one a "Bank") is fully consistent with its financial stability responsibilities due to the tangible progress made by the Banks towards addressing legacy weaknesses and achieving sustained profitability. The divestment of its holdings will also provide important benefits to the Greek economy as a whole by increasing the free float of the Greek Banks that should further boost the Greek capital markets' liquidity and efficiency, by providing more opportunities for foreign direct investment in the Greek banking sector at scale and by demonstrating pro-actively the progress towards re-establishing a banking sector under fully private ownership.

In addition to the requirements set out in the HFSF Law, the Divestment Strategy promotes competition and transparent actions and takes into account international best practice in terms of both sale to the market (Capital Markets Sale) or to a specific investor / group of investors (Private Sale). The Divestment Strategy defines the key principles, modes of operation and alternative transaction methods that the Fund will follow in relation to the sale of shares in the systemic banks.

This document summarises key points of the Divestment Strategy for the sake of public information. The Strategy document covers more extensively the plan for divestments and the various elements that the Fund will need to take into account when implementing its strategy.

Key principles of the Divestment Strategy

As part of its priority of divestment, the Fund will identify pro-actively opportunities to initiate and execute well-designed transactions that monetise its portfolio in the most advantageous way always in compliance with the entirety of its legal framework. It will also consider any unsolicited approaches it receives and any proposals that may be put forward by the Banks.

In deciding whether a sale of shares should be pursued, the Fund will take into account its financial stability obligations as well as the fairness of the value offered for its holdings. When executing transactions, the Fund will follow a transparent and competitive process while maintaining confidentiality as appropriate for the specific transaction.

Throughout the divestment process, the Fund will observe a number of *Key Principles*:

1. **Clarity of purpose:** adhere to a clear and concise strategy that defines general parameters for individual transactions;
2. **Transparency about Divestment Strategy:** communicate clearly its strategic objectives and approach to all stakeholders;
3. **High standards:** adhere to best practices and remain fully compliant with the prevailing legal and regulatory framework;

4. **Transparent and competitive transaction process:** follow an open process in all its divestments and treat all *bona fide* investors in a transparent and non-discriminatory manner. The Fund will not implement any bilaterally negotiated transaction without a competitive process, the timing of which will be decided at the beginning of each transaction in light of the then relevant factors.

Throughout the divestment process, the Fund will seek to enhance value in the context of each transaction although the design, structure, sequencing, and execution of the transactions will be subject to prevailing market conditions and the performance of the Banks. The Fund is careful not to commit to a particular timing or sequencing of transactions, within the overall divestment framework, that could be detrimental to the overall value of its portfolio. Moreover, it does not consider individual transactions as setting a benchmark for subsequent ones that will be designed and executed in light of the then prevailing circumstances. In particular, while the price (or other terms) achieved on any individual transaction will be an important reference point, it does not follow that subsequent transactions for the same class of shares will have to be conducted at the same or higher price (or on the same or better terms), provided they remain consistent with the Divestment Strategy.

Modes of operation relevant to divestment

With regards to the progress towards divestment, the HFSF's operations and activities are comprised of three modes: Stewardship, Preparation and Execution. While these three modes have a natural sequencing, they will overlap in the context of any single transaction (e.g. because of a partial disposal). The Fund will continue its Stewardship role in each Bank until it has fully disposed of all its shares in the specific credit institution.

Stewardship:

This mode includes the work of the Fund in monitoring its shares and exercising its rights in order to enhance the value of its holdings and fulfil its financial stability obligations.

Preparation:

This mode includes the necessary steps that prepare the ground and lead to the decision to proceed with a divestment transaction in a Bank. The Fund will embark on the preparation phase for a specific transaction if its Board of Directors decides, as part of its overall assessment, that the following *Requirements* are met:

I. The transaction would not endanger financial stability;
II. For a Capital Markets Sale transaction, having taken into account the Market-wide Criteria (described below), the transaction can be executed;
III. For a Private Sale, following an unsolicited offer, the potential investor has confirmed its willingness to pay a premium; and
IV. The transaction would comply with the Divestment Strategy.

As part of its preparation, the Fund monitors continuously capital market conditions. Prior to starting a Capital Markets Sale the Fund will also assess whether market conditions allow the execution of the specific transaction. The *Market-wide Criteria* are:

a) No major events or developments have occurred, or are expected, that may have a material impact on how the market values the banks;
b) Equity market volatility does not indicate abnormally high levels of market uncertainty; and
c) There is no material deterioration in trading volumes for the Banks or broader Greek equity markets.

The Fund should actively monitor prevailing market conditions with an eye to ascertain whether market sentiment, functionality and liquidity are reflective of an efficient price formation and are conducive to realising fair value through a disposal transaction. The Fund may need to take a decision on the optimal sequence of potentially available transactions. For example, it will consider whether it is viable to execute several transactions concurrently or whether a specific transaction might be selected because it is expected to be beneficial to subsequent transactions because of the positive signalling effect or a technical factor.

When assessing the optimal viable transaction structure, the Fund is focused on its aim to implement divestments, but also takes into account a range of other relevant and related (but potentially conflicting) considerations, including (i) the expected pricing, (ii) expected impact of the transaction on the share price of the relevant Bank, (iii) impact on the shareholder base, (iv) level of execution risk, (v) impact on future sales (in the specific Bank and other shares), (vi) absolute (in € million / trading days) and relative size of the transaction, (vii) market perception, (viii) fee payable for the transaction and (ix) other relevant considerations, as the case may be.

Unsolicited offers

The Fund will consider, in principle, unsolicited offers for stakes that exceed 5% of the outstanding shares of a given Bank or in relation to its full holdings in a given Bank if it holds less than 5% of the outstanding shares. In light of the complexity, time commitment and costs to implement the process for unsolicited offers, the Fund is unlikely to consider offers for a smaller stake and if it were to decide to do so it would design an appropriate process that would respect the Key Principles.

The Fund will need an appropriate amount of information in order to consider whether to proceed with an unsolicited offer. To this effect, it expects any potential investor making an unsolicited offer to provide at least the information described in Appendix A.

Upon receipt of an unsolicited offer the Fund's Board of Directors will judge whether it constitutes a *bona fide offer* by assessing that both (i) all Requirements are met, and (ii) there is no evidence that the potential investor may be unable to complete a Private Sale. The decision that a potential investor may not be able to complete a Private Sale will only be taken if the potential investor is not expected to receive regulatory approval(s) or has not provided sufficient evidence that it can finance the acquisition of the shares of the Bank. The Fund will pursue all *bona fide* offers and begin the execution phase by appointing a disposal advisor (as described in the HFSF Law).

Execution:

This mode refers to the Fund's decisions and actions during the process of an actual divestment transaction. As part of the execution phase, the disposal advisor will run an appropriate process respecting the Key Principles and international best practice for the specific type of transaction.

The pricing decision for a Capital Markets Sale will need to balance different factors: the proceeds from the transaction, the potential execution risk, offer size, after-market performance of the shares, the quality and/or breadth of investors, and potential signalling for future HFSF divestments. The HFSF will apply an allocation policy tailored to the specific circumstances that will need to balance, amongst other factors, the impact on final pricing, potential implications for the aftermarket, the balance between investors with a likely longer-term or shorter-term investment horizon, the level of international or domestic demand, the resultant shareholder register of the Bank, the impact on liquidity and the impact on future divestments.

After the Fund's Board of Directors concludes that the transaction can be executed, the Fund will seek two independent opinions from its financial advisors on the terms of the transaction. For a Capital

Markets Sale, these will be valuation opinions supported by a valuation report. For a Private Sale, these will be fairness opinions on the financial terms of the transaction. Following the receipt of the opinions, the Board of Directors will decide if the final valuation is fair and other terms achieved are appropriate. In addition, the Fund may seek a process opinion to confirm that the transaction complies with the process requirements set out in the Divestment Strategy.

Alternative transaction methods

The HFSF will decide on the specific structure of each individual divestment transaction considering, among other aspects, the benefits and disadvantages of each type, the time needed to execute and the type of investor that typically participate in each transaction. While most transactions are likely to take place on the Fund's initiative, some may follow from the initiative of the Bank or from an unsolicited third-party offer. The different transaction structures can be classified into two broad categories and both are available to the Fund:

- **Capital Markets Sale:** the shares are sold directly in the open equity market through transactions that target a broad distribution to predominantly institutional investors, with pricing typically set via either: (i) a bookbuilding process that incorporates some degree of competitive bidding or (ii) via the day-to-day stock market pricing mechanism. The Divestment Strategy includes three Capital Markets Sale structures at the initiative of the Fund (Accelerated Bookbuild, Fully Marketed Offering and trading plan/dribble out) and one at the initiative of the relevant Bank (share buyback). The Fund may use a combination of the above structures if advantageous under the prevailing circumstances. A short description of these structures is included in Appendix B.
- **Private Sale**: a large block (5% stake or more or the full stake if HFSF holds less than 5%) is sold via private placement or public takeover to investor(s) seeking to acquire a significant stake in the Bank. A summary of the two transaction approaches that may be implemented by the Fund which both include a competitive process for all *bona fide* investors to participate either at the beginning or the end of the process is included in Appendix C. If an agreement is reached on price and other terms for a Private Sale, the Fund will sign legally binding documents with the investor if the price is fair (as demonstrated by the two fairness opinions received).

Investor selection

On transaction structures where the HFSF should decide on the allocation of shares to investors, it will apply an allocation policy tailored to the specific circumstances which takes into account the Fund's objectives under the Divestment Strategy, its financial stability obligations and the Key Principles and any transaction specific circumstances. The selection of the investors will depend on the sale method but will be based on a transparent, non- discriminatory and competitive process. In principle, the Fund would favour strategic investors for significant blocks of its shares, such as internationally recognised financial institutions, long-term investors (e.g. sovereign wealth funds, leading asset management firms managing portfolios for pension plans, endowments, foundations, insurers, Private Equity funds who have already a track record of investing in financial institutions, family offices) and other financial institutions as well as other investors from outside the banking sector with significant expertise that is deemed to strengthen the Greek banking sector's capacity to respond to the environmental and technological challenges of the modern era.

Appendix A

Minimum information for an unsolicited offer

In order for the Fund to have an appropriate amount of information at the beginning of the unsolicited offer process, the Fund expects any potential investor making an unsolicited offer to provide the following information:

- Confirmation of the identity of the acquiring entity and its shareholding structure;
- A description of the potential investor and the strategy for the Bank, the rationale for the acquisition and the plans for the future;
- The stake / number of shares the potential investor wishes to acquire from the Fund;
- An indication of the minimum premium that the investor would be prepared to pay for the shares;
- Details of the potential investor (or any of its subsidiaries or related parties) ownership, if any, within the last one year in the target Bank, as well as any short position or derivatives instruments referencing securities of the target Bank;
- Details of the proposed financing of the transaction including details of any pre-conditions to, and the expected timing of, such financing;
- The further essential information and due diligence required to complete the transaction;
- Details of the current regulatory status of the acquiring entity / group, if any, and any relationship with the relevant regulators, including details of any recent dialogue or current authorisations to undertake regulated activities;
- If relevant, confirmation that the potential investor will be willing to provide the required information for the regulatory approval(s); and
- Details of the internal approval processes, including the confirmation that the offer has received all the relevant internal approvals prior to submission.

If the potential investor is seeking to acquire a stake greater than 10% in the Bank (or would cross any other relevant regulatory threshold) and has not already been approved as an investor who can hold a “qualifying holding” in an EU regulated financial institution, the Fund may require further information and the *bona fide* assessment may take longer.

Appendix B
Capital Market Sale structures

Accelerated Bookbuilding (ABB)

Under this type of transaction, the HFSF will dispose of its shares in a Bank via an ABB process accessed typically by institutional investors. The transaction will consist of a one-off disposal of a significant volume of shares on a specific day at a price to be determined via a bookbuilding process undertaken after market close and concluded before the start of the next trading day. This type of transaction is typically accessed by institutional investors and favours those who can respond in a more agile way when the deal is launched. It represents a commonly used approach to monetisation of significant stakes because of its speed, but success depends on a market with sufficient depth and liquidity.

Fully Marketed Offering (FMO)

This type of transaction refers to a documented transaction marketed by the Fund and the disposal advisor over a period of days or weeks to a wide range of investors. The execution process requires extended preparation in the form of necessary documentation (prospectus), marketing materials and investor engagement plan. Both institutional and retail investors can participate. There is also time to identify “anchor investors” interested in securing a sizeable stake. The pricing will be established via a bookbuilding process. A successful FMO could result in a significant diversification of the shareholder base of the Bank and theoretically can accommodate the disposal of a larger stake in a single transaction. That said, the prolonged period of execution can potentially increase market risk.

Trading plan / dribble out

Under this type of transaction, the HFSF will appoint a bank/ broker to dispose of shares in a Bank into the market at or around the prevailing market price in small daily amounts typically over an extended period (weeks, months), with the option to define a minimum price below which no shares will be sold. The execution process requires a relatively limited preparation timeline (no prospectus is required) but the execution can have an extended timeline (potentially several months) depending on the size of the transaction. The HFSF will have the opportunity to adjust the transaction parameters or pause the programme during the execution period. All investors (including retail) actively trading the stock can participate, but the HFSF will have no control over the allocation of shares.

Share Buy-back by Bank

This transaction structure would need to be implemented by a Bank. Share buy-backs are transactions used by companies in order to return funds to shareholders instead of paying a dividend. They result in a reduction of the number of shares in issue and increase the Earnings Per Share which generally leads to an increase in share price if the P/E remains the same. They are extremely relevant for banks trading below book value. Such option can be in conjunction with another structure (e.g. as part of an ABB, which would set the price for the buy-back), and the envisaged timetable is dependent on the exact structure to be followed.

Appendix C

Process for the sale of a large block of shares (including unsolicited offers)

The sale of a large block (a stake in excess of 5% or the full stake if HFSF holds less than 5%) to a single investor may result from an unsolicited offer made to the Fund by a *bona fide* potential investor, or a Fund decision to initiate a formal sale process or to directly approach a potential investor. The disposal will take either the format of a bilateral process followed by a competitive process or an auction following a formal sale process. The Fund will decide, following a discussion with the disposal advisor, at the outset which route it wishes to follow for that specific transaction.

i) Conditional agreement with 1st bidder / ability of other parties to offer better terms at the end

- Following a Board of Directors' decision to execute a Private Sale, either at the Fund's initiative or after the positive assessment of an unsolicited offer, the HFSF begins confidential bilateral discussions about possible transaction price and terms with a *bona fide* investor who may also seek due diligence information from the Bank;
- If the discussions are successful, the Fund would sign with the investor a conditional agreement that will reflect the terms agreed and will allow the HFSF to seek alternative offers for a period of 4 to 8 weeks;
- The HFSF will disclose terms of the conditional agreement (price and key legal terms) and invite interested parties prepared to offer better terms to approach the disposal advisor. The Fund expects that such offers will include the necessary information required for unsolicited offers;
- Shortly after the reception of the competing offers, the Fund will assess which ones constitute *bona fide* offers. These investors will be given access to the same information as the 1st bidder and the conditional agreement it signed with the HFSF;
- If no better offer is received by the end of the allowed period, the agreement with the 1st bidder will become binding for the HFSF;
- If the Fund receives a competitive offer better than the one made by the 1st bidder, the 1st bidder would be given the opportunity to match the new offer (would need to match price and agree to better terms and conditions) or to offer better terms;
- If the 1st bidder does not match the competitive offer, then the HFSF would sign legally binding documentation with the best competitive bidder and announce the transaction;
- If the 1st bidder matches or offers better terms, then an auction process between the 1st bidder and the best competitive bidder will be used in order to decide the winning party and, if required, new legally binding documentation will be signed with the best competitive bidder.

ii) Formal sale process through auction

- Following a Board of Directors decision to execute a Private Sale, either at the Fund's initiative or after the positive assessment of an unsolicited offer, the HFSF may decide to launch a formal sale process and will appoint a disposal advisor;
- Subsequently, the HFSF will announce that it invites interested parties to contact the disposal advisor if they want to participate in the formal sale process. If applicable, the identity of the investor who made the unsolicited approach and the terms of its offer would not be disclosed;
- The Fund expects interested parties to submit the same information that it requires for unsolicited offers;
- Shortly after the reception of the competing offers, the Fund will assess which ones constitute *bona fide* offers and invite those parties to participate in the process;

- The process will be run by the disposal advisor and tailored to the particular situation. It will always ensure equal treatment of all interested parties and be competitive in order for the Fund to receive the best possible price and contractual terms;
- If terms are agreed with the preferred bidder at the end of this process, the Fund would sign legally binding documentation and a public announcement would be made.

Rules that apply to both processes

Although HFSF might enter bilateral discussions with potential investors, any disposal will entail a competitive process open to third parties.

The due diligence process and access to the management of the Banks should only apply if the HFSF holds a stake greater than 5% and be in line with a normal process for a listed company. The Bank's cooperation would be needed for that due diligence process. The HFSF will not provide any due diligence information directly to the potential investors. Consequently, the extent of the due diligence information will need to be agreed directly with the Bank (having regard to the Market Abuse Regulations) and the information will be provided directly by the Bank (subject to an appropriate confidentiality agreement between the Bank and the investor). If inside information is provided, an appropriate cleansing process will need to be followed.

All *bona fide* potential bidders should be granted the same access to due diligence information (as long as they sign an appropriate confidentiality agreement with the Bank).

If applicable, the final documentation agreed for any Private Sale should not restrict the Fund in initiating future transactions for its remaining stake in the Bank.