Flash Note

Equity / Greece / Banks

November 2, 2015

ECB health check is out on Greek banks

Fresh round of Recapitalisations set to kick-off soon

The European Central Bank (ECB) published its Comprehensive Assessment (CA) results for the four significant Greek banks, revealing a total capital shortfall of EUR 4.4bn and EUR 14.4bn under the baseline and adverse scenarios respectively. The disclosed capital shortfalls include an Asset Quality Review (AQR) adjustment of EUR 9.2bn. The total needs came in well below the earmarked EUR 25bn buffer envisaged under Greece's 3rd bailout program (in-line with media estimates). In addition, the Greek parliament has voted into law the recapitalisation framework.

The aim of the CA is to improve the resilience of Greek balance sheets and their capacity to withstand potential adverse macroeconomic shocks.

Importantly the clock is ticking and the recapitalization process must be completed by year end, prior to the Bank Recovery and Resolution Directive (BRRD) coming into force from January 1, 2016. In this context Greek banks will need to submit by November 6 capital plans outlining how capital shortfalls will be plugged, with final approval from authorities expected by November 8.

Greek banks have already done significant pre-marketing in an effort to attract private investors in advance of the ECB's CA disclosure. Overall banks broadly anticipate to cover the AQR and Baseline scenario via capital actions and private investors, yet are somewhat less comfortable with the outcome of the Adverse scenario, which will be covered by the Hellenic Financial Stability Fund (HFSF) post burden sharing (if necessary).

Alpha Bank and Eurobank come with lowest needs, Piraeus Bank & NBG need to deliver

- **Alpha Bank** shortfall under the Baseline stood at EUR 263m, increasing to EUR 2,743mn under the Adverse, while the bank unsurprisingly was the only bank to pass the AQR (adjusted CET-1% at 9.64% vs. 9.5% hurdle rate). This performance was achieved despite the bank repaying its EUR 940mn state preference shares in 2014.
- **Eurobank** positively surprised, with identified capital shortfall totalling EUR 2,122mn, of which EUR 339m corresponds to Baseline (second lowest after Alpha Bank), placing the bank in a position with the lowest and most manageable capital needs.
- **NBG's** capital shortfall under the CA stands at EUR 4,602mn (>2/3 from Greek sovereign stress and stressing of foreign ops), with total needs under the Baseline at EUR 1,576mn (3rd highest amongst peers). Nevertheless, NBG enjoys the largest scope to partially plug its capital needs through various capital actions (mainly via Finansbank stake divestment).
- **Piraeus Bank** has the largest shortfall standing at EUR 4,933mn, of which EUR 2,213mn from Baseline scenario, reflecting a harsh treatment of its SMEs book.

Asset quality risks persist - CA counters concerns via higher provisioning

The AQR led to material adjustments (EUR 9.2bn) mainly due to deteriorating macro resulting in reduced carrying values, due to higher NPEs (CA NPEs at EUR 107bn), lower collateral values, lower cash flow valuations and stricter application of NPE definition. Including indirect impacts on CET-1%, post AQR, the average CET-1% for the system was 7.9%. The largest impact was on Piraeus Bank (536bps), followed by Eurobank (515bps) and NBG (347bps). Alpha Bank achieved the best-in-class result (305bps).

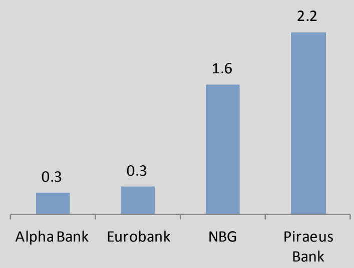
New recapitalization law - Liability Management Exercises

The new recapitalization framework which has been enacted into law, allows capital raises to be backstopped by the HFSF. In the event that capital actions are not sufficiently large enough to cover capital shortfalls then burden sharing will be applied. The residual amount will be covered by the HFSF (25% common shares (full voting rights) and 75% CoCos). Key issues such conversion price of state preference shares, etc., should be finalized over the next few days via the issuing of Ministerial Decrees.

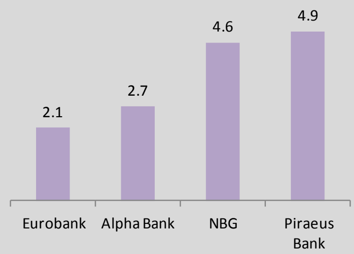
Price Targets

Alpha Bank	Under Review
Piraeus Bank	Under Review
NBG	Under Review
Eurobank	Under Review

BASELINE CA RESULT (EUR bn)



ADVESRE CA RESULT (EUR bn)



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Balancing State Aid with private investor appetite

The ECB Banking Supervision (ECB) conducted a comprehensive assessment of the four significant Greek banks (namely Alpha Bank, Eurobank Ergasias, National Bank of Greece and Piraeus Bank) in line with the decision by the Euro Summit on 12 July 2015 and based on the Memorandum of Understanding between the European Commission, acting on behalf of the European Stability Mechanism, the Hellenic Republic and the Bank of Greece, signed on 19 August 2015.

The Comprehensive Asset (CA) adopted an asset quality review (AQR) and a forward-looking stress test, including a baseline and adverse scenario, in order to assess the specific recapitalisation needs of individual banks under the third economic adjustment programme for Greece. Moreover, the CA incoporated a similar approach to last year's EU-wide stress test vis-a-vis the AQR component.

Accordingly, the Comprehensive Assessment (CA) results for the four significant Greek banks revealed a total capital shortfall of EUR 4.4bn and EUR 14.4bn under the Baseline (9.5% CET-1 threshold) and Adverse scenarios (8.0% CET-1 threshold) respectively.

Table 1: Comprehensive Assessment Results

		AQR			Baseline Scenario		Adverse Scenario	
Bank	**Pre-AQR CET-1% Jun-15**	**AQR Impact**	**Post AQR CET-1% Jun-15**	**Shortfall vs. 9.5% post-AQR**	**Baseline CET-1**	**Baseline Shortfall[1]**	**Adverse CET-1**	**Adverse Shortfall[2]**
Alpha Bank	12.7%	1,747	9.6%	0	9.0%	263	2.1%	2,743
Eurobank Ergasias	13.7%	1,906	8.6%	339	8.6%	339	1.3%	2,122
NBG	11.6%	2,337	8.1%	831	6.8%	1,576	-0.2%	4,602
Piraeus Bank	10.8%	3,213	5.5%	2,188	5.2%	2,213	-2.4%	4,933
Total	**12.1%**	**9,203**	**7.9%**	**3,358**	**7.6%**	**4,391**	**0.1%**	**14,401**

Source: AXIA VG Research, European Central Bank; Note: 1. 9.5% CET-1 threshold; 2. 8.0% CET-1 threshold

Table 2: Macroeconomic Assumptions

	Baseline Scenario			Adverse Scenario		
Macroeconomic Assumptions	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Real GDP Growth	-2.3%	-1.3%	2.7%	-3.3%	-3.9%	0.3%
HICP inflation	-0.4%	1.5%	0.9%	-0.7%	0.6%	-1.0%
Unemployment rate	26.9%	27.1%	25.7%	27.3%	28.1%	27.5%
Residential House Prices	-7.5%	-5.0%	-1.0%	-7.8%	-8.8%	-7.8%
Commercial Real estate Prices	-3.4%	-1.2%	1.1%	-3.6%	-3.4%	-2.1%

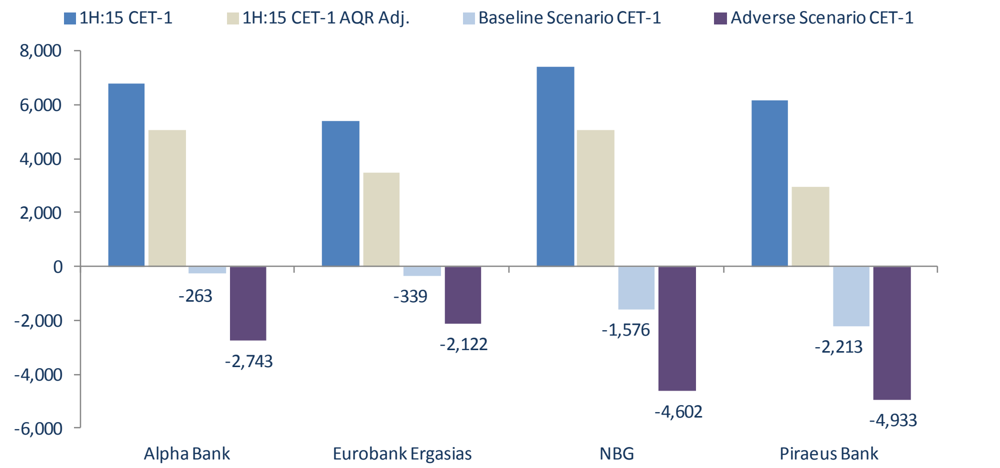
Source: AXIA VG Research, European Central Bank, Bank Presentations

The ECB held a briefing conference call providing useful insight into the assessment. As noted during the briefing conference call, significant AQR findings were identified (EUR 9.2bn), despite the already material AQR findings from last year's test recognized in the four Greek bank's accounts (EUR 7.3bn last year). In addition, the AQR was primarily driven by the deterioration in the macro-economic environment in Greece, which led to material reductions in carrying values in the CA.

These reductions in carrying values were mainly attributable to: (i) higher NPE volumes; (ii) lower collateral values; and (iii) lower cash-flow valuations. Importantly, the CA did not permit tax offsets allowed from the AQR (namely no new DTA was not recognised post 1H:15 and over the entire stress horizon period), which amplified the AQR findings. The AQR also identified EUR 7.0bn additional non-performing exposures (NPEs) bringing total system NPEs to currently circa EUR 107bn.

The ECB also noted during its briefing conference call that the baseline and adverse thresholds (9.5% and 8.0% respectively), which were higher than last year's EU-wide stress test (previously 8.0% and 5.5% respectively), were under certain circumstances considered to be the norm, taking into account the risk profile for Greek banks, which is higher given the difficult economic environment, while also noting that the Greek banking system had already been recapitalized twice and hence authorities wanted this to be the final round.

Figure 1: Comprehensive Assessment Results: Capital Shortfalls (EUR mn)



Source: AXIA VG Research, European Central Bank

ECB Briefing Conference Call – Key Highlights

Briefing Presentation

- CRD IV CET-1 capital definition was used with phase-in rules, while macro series was defined by ECB
- Eligibility of Greek collateral for Monetary Policy Operations was assumed to be restored on 31 December 2015
- Sovereign debt holdings were assumed to remain flat over horizon, while no new DTA was permitted over horizon
- The CA as opposed to the 2014 exercise, was run centrally by the ECB with data provided by the four banks
- Greek CA reviewed more than 2,500 non-retail debtors; assessed 12,000 collateral items (>EUR 20bn total value), fully covered PnL and B/S as part of Stress Test
- AQR resulted in aggregate adjustments of EUR 9.2bn to asset carrying values
- Tax offsets were not permitted for the purposes of the AQR - largest impact stemmed from CFR (EUR 4.6bn - mainly non-retail) and Collective Provisioning (EUR 4.4bn - mainly retail portfolio)
- Total system NPEs at 1H:15 stood at EUR 100bn, with an additional EUR 7.0bn identified under AQR
- Additional NPEs include: EUR 0.2bn related to Real Estate; EUR 2.0bn large corporates; EUR 2.3bn to SMEs; EUR 2.0bn to mortgages; and EUR 0.6bn to Shipping loans
- Provisioning increased by total EUR 9.1bn across all asset segments reviewed
- CFR provisioning accounted for EUR 4.6bn incremental provisioning, Collective provisioning EUR 4.4bn
- System NPE ratio increased from 45.1% to 48.6% across portfolios reviewed in the AQR
- System coverage ratio across portfolio reviewed increased by 530bps to 49.6% vs. 44.3%
- Divergence from Baseline to Adverse is driven primarily by impairments and net interest income
- Loan losses in the Adverse scenario are on average 2.0x those projected in Baseline scenario
- Under Baseline scenario banks are expected to break-even or above from 2016 onwards - RoE17 is still seen weak resulting in the need for further measures (management of NPEs is of significant importance)

Q&A session

- Greeks banks to submit capital plans explaining how they intend to cover capital shortfalls by November 6
- Bank recapitalization process will be fully completed by the end of 2015
- 9.5% Baseline and 8.0% Adverse thresholds are under certain circumstances seen to be the new norm - relates to conservative approach vis-à-vis risk profile - risk profile is higher for Greek banks given economic environment - Greek banking system has already been recapitalized twice and hence authorities want this to be the final round
- The fact that tax offsets were not allowed this time resulted in a worse outcome versus 2014 CA
- Contribution of private investors should play an important role in upcoming SCI via acquisition of common shares
- The imposition of capital controls has been taken into consideration under the CA
- CoCos and associated coupons were not considered under the CA and not reflected in NII estimates
- LMEs were not included for the purpose of CA
- AQR (prudential approach) is in ECB's view complying with IFRS - timing for booking AQR was not specified
- Dynamic balance sheet exercise: write-offs & asset disposals in terms of restructuring plans incorporated as already approved (NBG's 40% divestment in Finansbank not confirmed)
- Banking system expected to stabilize as deposits are seen returning to normal levels in view of MoU programme
- Termination of capital controls is expected (at some point) and taken into consideration under the CA (point at which capital controls would be lifted under CA was not disclosed)
- Adverse scenario takes into account asset disposals - no information was provided - based on restructuring plans
- Management of non-performing exposures has been incorporated in the exercise
- No clarifications provided on PPI vs. 2014 CA

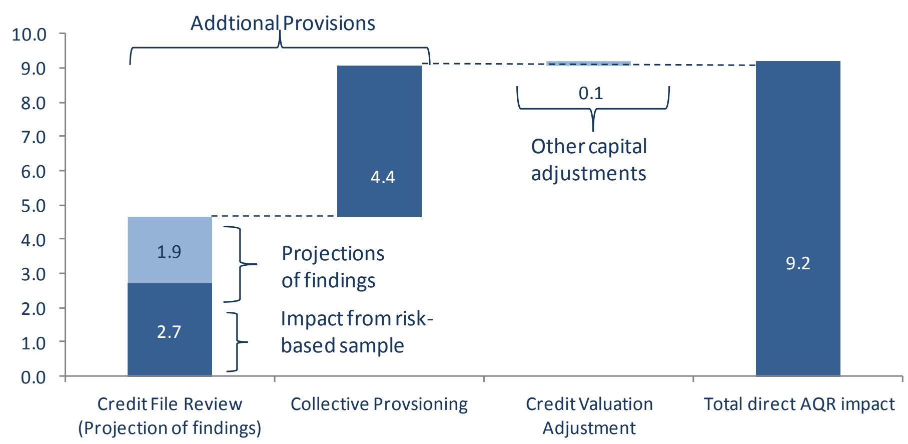
Source : ECB Conference Call and ECB Transcript

AQR Results: Provides useful insight across Greek banks

The ECB noted that the asset quality review was a point-in-time assessment of the accuracy of the carrying value of bank assets as of 30 June 2015 and provided a starting point for the stress test. The AQR was undertaken centrally by the ECB, and was based on a uniform methodology and harmonised definitions. Under the AQR, banks were required to have a minimum Common Equity Tier 1 (CET-1) ratio of 9.5%.

Accordingly, the AQR resulted in direct aggregate adjustments of EUR 9.2bn to participating banks' asset carrying values as of 30 June 2015. Including indirect impacts on CET-1, post AQR, the average CET-1 for the system was 7.9%. The direct adjustments originated primarily from accrual accounted assets, particularly adjustments to specific provisions on non-retail exposures and retail mortgages.

Figure 2: Impact of AQR by Component (EUR bn)



Source: AXIA VG Research, European Central Bank

As can be seen in Figure 2 above, the breakdown of aggregate adjustments (EUR 9.2bn) mainly resulted from additional provisioning regarding residential properties, real estate loans and large corporates. More specifically, EUR 2.7bn Credit File Review related to non-retail (corporates), while EUR 4.4bn related to retail portfolio under the Collective Provisioning component. Figure 3 below provides AQR adjustments based on loan category.

Table 3: AQR adjustment based on loan category

Banks	Retail SME	Residential Real Estate	Other Retail	Corporates	CVA
Alpha Bank	0	816	n/a	908	22
Eurobank	271	700	200	705	30
NBG	0	966	0	1,371	0
Piraeus Bank	0	787	0	2,346	81
Total	**271**	**3,269**	**200**	**5,330**	**133**

Source: AXIA VG Research, European Central Bank

Despite the ECB noting that the comprehensive assessment was a prudential rather than accounting exercise, conducted with regard to current accounting standards (IFRS), the prudential rules were considered as binding and were observed strictly and used to support the appropriate interpretation of the IFRS rules. Moreover, the ECB also noted during the briefing conference call that banks would be expected to recognize AQR in accounts as soon as possible, despite no specific timeframe being provided.

Below we provide a per bank percentage split vis-a-vis the AQR impact based on the various components.

Table 4: AQR Components % Split

Banks	Credit File Review	Project of Findings	Collective Provisioning	CVA Adjustments
Alpha Bank	30.4%	16.6%	51.8%	1.3%
Eurobank	21.1%	15.0%	62.3%	1.6%
NBG	29.6%	14.3%	56.1%	0.0%
Piraeus Bank	34.0%	32.3%	31.2%	2.5%

Source: AXIA VG Research, European Central Bank

Additionally, non-performing exposure (NPE) stocks were adjusted upwards by EUR 7.0bn across the four Greek banks, as NPE definitions were moved onto a harmonised and comparable basis, including the examination of forbearance as a trigger of NPE status.

Figure 3: NPE Ratio - AQR Adjusted

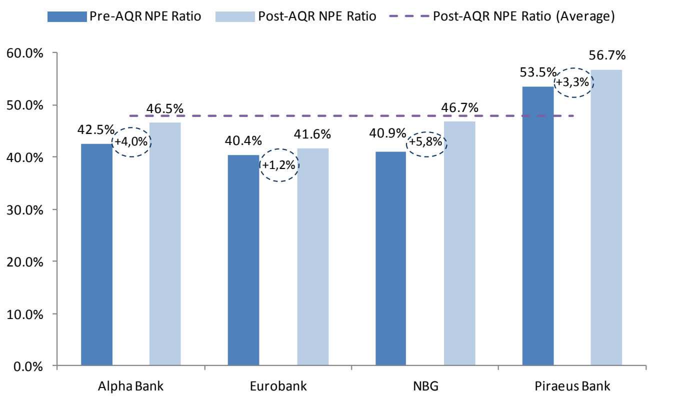
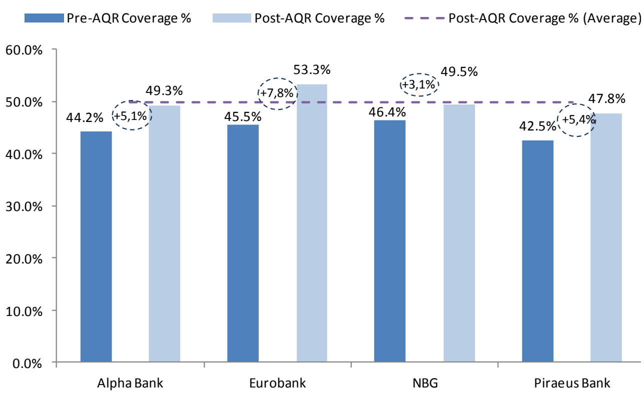


Figure 4: NPE Coverage - AQR Adjusted



Source: AXIA VG Research, European Central Bank

Below we provide a per bank shortfall analysis for the CA, along with the respective AQR impact on a per component basis (Credit File Review, Projection of Findings, Collective Provisioning, CVA adjustments), for each banka-vis the AQR impact based on the various components.

Figure 5: Alpha Bank CET-1 ratio

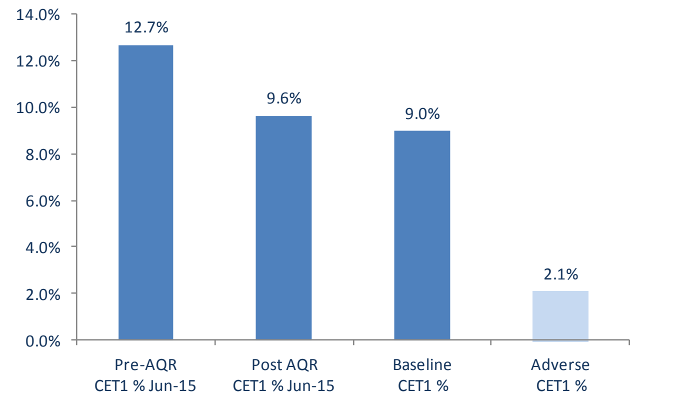
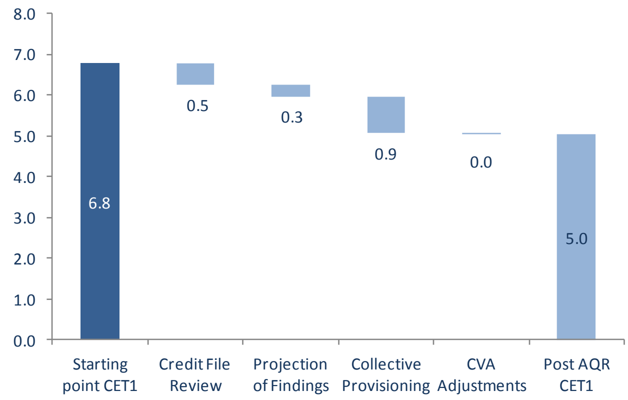


Figure 6: Alpha Bank AQR Components



Source: AXIA VG Research, European Central Bank

Figure 7: Eurobank Ergasias CET-1 ratio

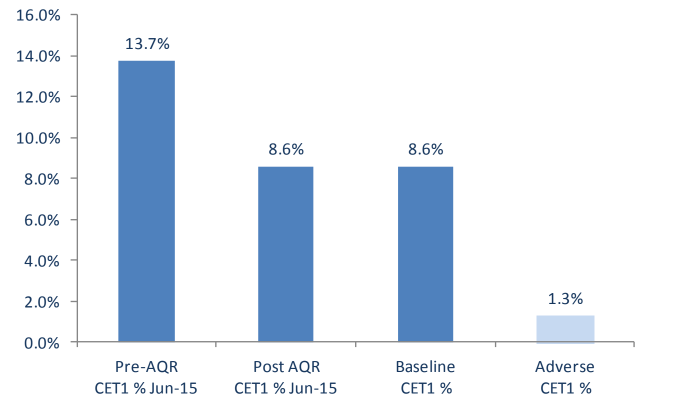
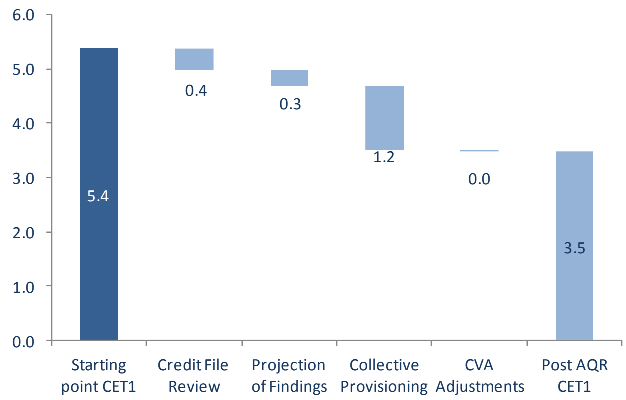
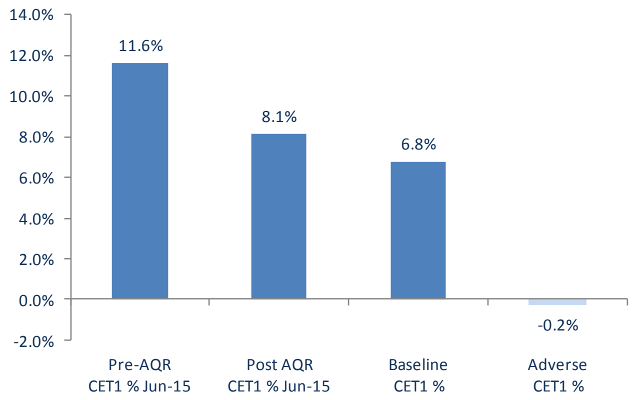
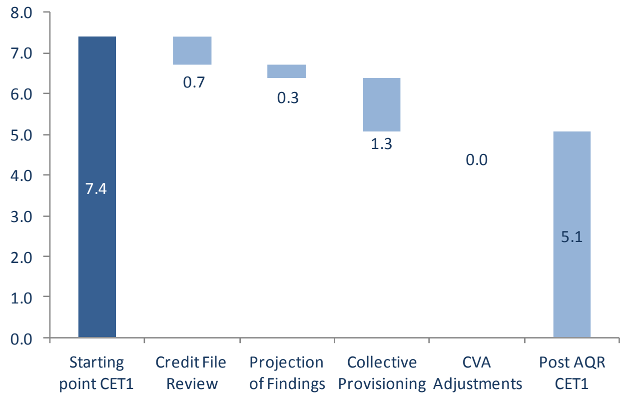


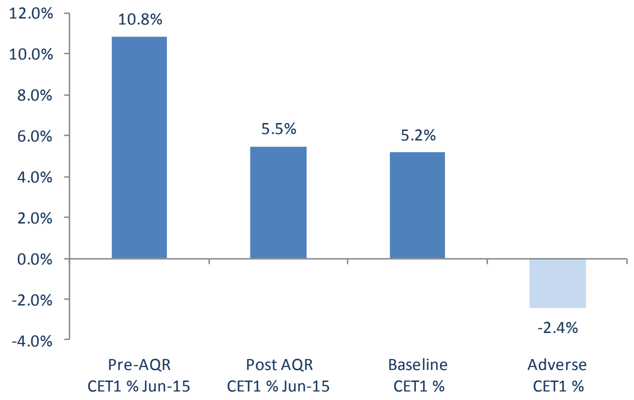
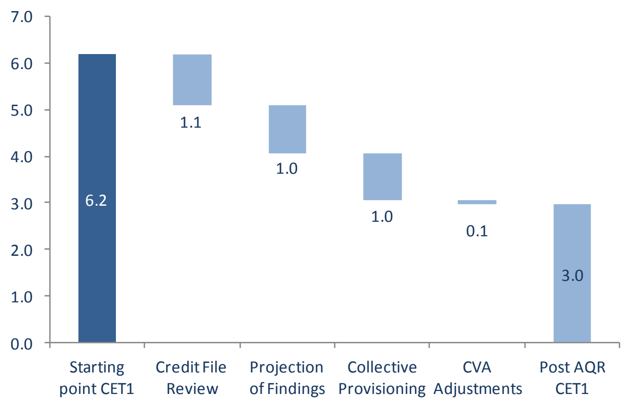
Figure 8: Eurobank Ergasias AQR Components



Source: AXIA VG Research, European Central Bank

Figure 9: NBG CET-1 ratio	Figure 10: NBG Components
	

Source: AXIA VG Research, European Central Bank

Figure 11: Piraeus Bank CET-1 ratio	Figure 12: Piraeus Bank AQR Components
	

Source: AXIA VG Research, European Central Bank

As noted by the ECB the stress test provided a forward-looking examination of the resilience of the four Greek bank's solvency to two hypothetical scenarios, also reflecting new information arising from the AQR. Note that in contrast to the EU-wide 2014 stress test, this stress test was undertaken centrally by the ECB based on data templates and loan tapes provided by the four banks.

The ECB also noted that the stress test model projected CET-1 ratios for each bank according to a baseline (9.5%) and adverse (8.0%) scenario. Moreover, the output projection of CET-1 ratios was compared to the CET-1 ratio thresholds designed for the exercise and a shortfall calculated as the maximum CET-1 shortfall in absolute terms at June 2015 and December 2015, 2016 and 2017. The ECB noted that a projection of the income statement and balance sheet was produced based on the underlying performance of each bank, with the CET-1 ratio projection includng forward looking capital projections which were compared to the thresholds for each of the Baseline and Adverse scenarios.

Key High Level Assumptions:

- Macroeconomic series for Greece and other relevant countries were set by the ECB;
- CRD IV CET-1 capital definition has been used with phase-in rules;
- Minimum capital hurdles for the baseline and adverse scenarios are 9.5% and 8.0%, respectively;
- Loan volume projections defined at a system level by ECB and down to a bank level using 1H:15 market shares
- Bank level deposits were projected based on system level estimates by ECB and allocated to banks based on 1H:15 fixed market shares
- The eligibility of relevant collateral for Monetary Policy Operations (MPO) restored from 31 December 2015;
- Use of MPO was limited to the amount of available collateral;
- Sovereign holdings assumed to remain flat over the stress test horizon; T-Bill rolled over at current levels;
- The valuation of participations was adjusted in line with the Greek market index;
- Foreign subsidiaries were assumed to be disposed of in-line with the existing restructuring plans at a valuation consistent with current market multiples. If a foreign subsidiary was held throughout the period of the projection, its net income was stressed accordingly
- No new DTA formation was allowed in either stress test scenario

Table 5: Macroeconomic Assumptions

	Baseline Scenario			Adverse Scenario		
Macroeconomic Assumptions	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Real GDP Growth	-2.3%	-1.3%	2.7%	-3.3%	-3.9%	0.3%
HICP inflation	-0.4%	1.5%	0.9%	-0.7%	0.6%	-1.0%
Unemployment rate	26.9%	27.1%	25.7%	27.3%	28.1%	27.5%
Residential House Prices	-7.5%	-5.0%	-1.0%	-7.8%	-8.8%	-7.8%
Commercial Real estate Prices	-3.4%	-1.2%	1.1%	-3.6%	-3.4%	-2.1%

Source: AXIA VG Research, European Central Bank, Presentations

Note that the macroeconomic assumptions adopted (refer to above Table) were more conservative than the forecasts provided in the 2014 EU-wide stress test. In the base scenario of the stress test, this capital impact led to a decrease of the CET-1 ratio for the system of 0.3%, that is, from 7.9% (post AQR) to 7.6% in 2017. In the adverse scenario, the impact resulted in a decrease of the CET-1 ratio for the system of 7.8% from 7.9% (post AQR) to 0.1%.

During the ECB's briefing conference call it was noted that a constrained dynamic approach was assessed, based on the restructuring plans of the Greek banks. Moreover, LMEs were not taken into account, which appears reasonable given that the outcome of the exercises are not yet known. In addition, as per the ECB briefing conference, the waiver for Greek banks was assumed to be reinstated at year-end by the ECB for "eligible" and available collateral, with deposit inflows following the forward macro forecasts. Importantly, note that the cost of CoCos (i.e. coupons), which would be taken up by the HFSF, were excluded from the assumptions, while foreign subsidiaries were assumed to be disposed of in-line with the existing restructuring plans. In addition, no new DTA was allowed over the test horizon period. Interestingly, the ECB noted that under the Baseline scenario, from 2016 onwards the banks are at breakeven or above, which can be seen as a sign of viability of the Greek banking system in the medium term, a positive given the upcoming recapitalizations. That said, RoE would still be weak, so further measures, through the restructuring plan, would be required to improve profitability and reduce the high NPEs. In this context, specific emphasis was placed on dealing with the high NPE volumes (i.e. government policy).

Recapitalization Law: Incentives for private investors

An important hurdle was overcome recently with the voting into law of the new recapitalization framework by the Greek government. The law etablishes the framework for the recapitalization process, the role of the HFSF, while it is important to note that certain technical issues are outstanding. In this regard, the Finance Ministry has indicated that Ministerial decrees will be released in the coming days to cover any technical issues (e.g. conversion price of state preference shares). Note that share offerings are to be undertaken as accelerated book builds, while no scope is provided vis-a-vis warrants.

The relevant provisions of the law on financial stability have been updated, while new provisions are introduced aimed at strengthening the role of the HFSF as a mechanism to support and supervise the Greek banking system. According to the new legislation, the HFSF will participate in the recapitalization of the banks with full voting rights on any shares it acquires from banks in exchange for providing state aid.

Additionally note that the Greek recap framework incorporates a number of investor friendly provisions, aimed at increasing private sector participation in the context of prevailing political and economic uncertainty. The key concessions involve: (i) allowing banks to cover part of adverse shortfall with contingent measures rather than direct capital injection, and (ii) recognition of outstanding DTCs and postpones automatic dilution stemming vis-a-vis current DTC law (applies from 2016 onwards). The recapitalization law also allows for burden sharing in case State aid is used, provides full voting rights to HFSF and allows nomination of board member with certain oversight powers. The new law also suggests that cooperative banks can be recapitalized by the HFSF, whilst strategic investors can participate in capital increases.

Recapitalization Framework

The law envisages that common shares, preferred shares, as well as other financing instruments, including unsecured senior liabilities, can be bailed-in before a financial institution is eligible to use the backstop provided by the Hellenic Financial Stability Fund (HFSF) to cover its shortfall.

In addition, the law envisages that the HFSF will acquire shares with full voting rights in Greek banks in exchange for its participation in any capital-raising actions. Importantly, note that the bill envisages the inclusion of Deferred Tax Assets (DTAs) related to unamortized losses resulting from the participation in PSI+ and cumulative provisions for impairment of loans existing as at 30 June 2015 (vs. 31 December 2014 previously), while Deferred Tax Credit (DTC) will now apply from 2016 fiscal year (vs. 2015 fiscal year previously).

Importantly, the price of the new shares will be set through a book-building process carried out by each financial institution. The offer price will apply for all participants (i.e. HFSF and private investors), while the offer price can be lower than the current share price and lower than previous capital raises covered by the HFSF. The HFSF can also cover part of the capital shortfall through contingent convertible securities (CoCos), with the mix between shares and CoCos to stand at 25 % and 7% respectively.

The bill gives the HFSF the ability to appoint a representative on a bank's Board of Directors (BoD) and hence provides the power to call a general shareholders meeting, limit executive pay, or block any other decision which can potentially endanger depositors, the bank's liquidity position or the "going concern" nature of the bank. Note that salaries of bank executive cannot exceed the pay of the Bank of Greece (BoG) governor and financial institutions are not permitted to distribute bonuses to board members, while banks are subject to State Aid.

Note that the HFSF will provide capital assistance via the provision of cash or ESM bonds. Note also that significant emphasis in the bill is placed on the overseeing powers of the EuroWorking Group, especially insofar as appointing members to the HFSF's General Council and Executive committee (EuroWorking Group consent is required), while a clear emphasis is also placed on the Relationship Agreements between the European Financial Stability Fund (EFSF) and the European Stability Mechanism (ESM).

Table 6: Key Articles

Article 6 (1):	In the event that a financial institution has a capital requirement, the said financial institution can apply to the HFSF for capital assistance.
Article 6 (2) (d):	Financial institutions restructuring plans will need to be based on conservative assumptions and will need to outline measures to be adopted to return to sufficient profitability within 3-5 years.
Article 6 (3):	The HFSF can request amendments or additions to the restructuring plans which will require approval from the Authorities.
Article 6 (a):	In the event that voluntary actions included in the restructuring plans or the amended restructuring plans are not sufficient to cover the financial institutions capital requirements, then post the recommendation of the BoG, burden sharing in the following priority will apply: (i) common shares; (ii) preference shares and other CET-1 instruments; (iii) Tier 1 instruments; (iv) Tier 2 instruments; (v) if necessary to all other non secured liabilities; (vi) if necessary to unsecured liabilities.
Article 6 (a) (1):	In the event that state preference shares are converted into ordinary shares of the financial institution, ownership of such shares will be transferred to the HFSF.
Article 6 (a) (subparagraphs: 6-9):	Holders of capital instruments or other claims, including unsecured liabilities, that do not have priority under enforceable actions of the financial institution, which is subject to recapitalization measures, should not be in a more detrimental financial position relative to the situation wherein the financial institution is subject to a special resolution. In the event that this applies, holders of such capital instruments or other claims, including unsecured liabilities, have the right to compensated by the Greek state as long as they can prove that the damage is larger than that compared to the situation whereby the financial institution would have been subject to a special resolution. In order to secure the application of the above, an independent valuation by a BoG appointed valuator, of such claims,

	will need to be undertaken for holders of such capital instruments.
Article 7 (1):	The HFSF will provide capital assistance after the remaining shortfall, following the application of capital plan (private investors) and taking into account the restructuring plan. The HFSF capital assistance will be provided in the form of ordinary shares with attached voting rights or CoCos or other convertible financial instruments that will be covered by the HFSF. A Ministerial Decision will define the split between the aforementioned, that is, ordinary shares with attached voting rights, CoCos and other convertible financial instruments. The final details of the CoCos and other convertible financial instruments will be provided via a Ministerial decision.
Article 7A (subparagraphs: 2-3):	In the event that HFSF capital assistance is provided in the form of ordinary shares with attached voting rights, the following limitations will apply to such voting rights: (i) only to amendments to the Article of Association; (ii) increase/reduction of share capital; (iii) merger; (iv) split; (v) sale of subsidiaries, etc. For current HFSF stakes with limited voting rights, such limitations will still apply in the event that post the implementation of a capital plan, private investor participation will be higher than 50%.
Article 10:	In the event that HFSF capital assistance is provided in the form of ordinary shares or CoCos, the HFSF will have the right to appoint one representative to the BoD of the financial institution. The representative will have the right: (a) to call a General Assembly of shareholders; (b) to veto: (i) decisions for the distribution of dividends and bonuses to the Chairman of the BoD, Chief Executive Officer (CEO) and to General Managers and deputies; (ii) decision that could put at risk depositors, the liquidity position or put a risk the going concern of the financial institution (business strategy, management of assets and liabilities, etc); and (iii) corporate actions that could put at risk the HFSF stake in the financial institution; (c) request a 3 day postponement for the convening of the BoD so as to receive directions from the HFSF Executive Committee; (d) request the convening of a BoD's meeting; (e) approve the appointment of a Chief Financial Officer. Note that in exercising its rights, the HFSF representative will take into account the operational independence of the financial institution.
Article 10 (5):	The HFSF with the assistance of an internationally recognized and reputable independent advisor will assess the corporate governance of the financial institution with which the HFSF has signed a Relationship Framework Agreement. The HFSF with the assistance of an internationally recognized and reputable independent advisor will implement a review process of the BoD and various committees of the financial institution.
Article 27A (subparagraphs: 1-11):	DTAs relate to unamortized losses resulting from the participation in PSI+ and cumulative provisions for impairment of loans existing as at 30 June 2015 (vs. previously 31 December 2014), while DTAs will now be converted into DTCs from fiscal year 2017 onwards (vs. 2016 previously) and accrue to tax year 2016 onwards (vs. 2015 previously).

Source: Hellenic Parliament

Liability Management

All Greek banks have now announced official offerings to bondholders involving a voluntary exchange for Tier I, Tier II and senior securities.

Note that Alpha Bank and Piraeus Bank's offering include both a cash considerarion and share consideration offer. Conversely, Eurobank and NBG offer shares consideration only.

Note that the Exchange Offers are being made to strengthen the banks' capital base, which have been impacted by the impaired macro-economic conditions recently experienced in Greece. In addition, the exchange offers in relation to the subordinated securities and preferred securities reflect the fact that if State aid is required to meet any part of the additional capital requirements that may be imposed as a result of the CA or otherwise, burden-sharing will need to be achieved to the maximum extent possible through expected mandatory contributions by holders of equity, hybrid capital and subordinated debt of the bank as a prior condition to the granting of such state aid.

In so far as senior creditors are concerned, official offering documents note that contributions from senior debt holders are not currently required under the applicable EU State aid rules as a mandatory component of burden-sharing. However, official offerings documents also note that such a requirement may be imposed as a result of the Eurogroup's statement of 14 August 2015, which contemplated senior bail-in (without bail-in of depositors).

Table 7: Liability Management Exercises

	Outstanding Amounts				Share Exchange			Cash Consideration		
Banks	Tier I Hybrid	Tier II Subordinated debt	Senior unsecured debt	Total	Tier I Hybrid	Tier II Subordinated debt	Senior unsecured debt	Tier I Hybrid	Tier II Subordinated debt	Senior unsecured debt
Alpha Bank	31	71	985	**1,086**	50.0%	85.0%	100.0%	5.0%	9.0%	50.0%
Eurobank	78	267	533	**878**	50.0%	80.0%	100.0%	n/a	n/a	n/a
NBG	83	18	701	**803**	30.0%	75.0%	100.0%	n/a	n/a	n/a
Piraeus Bank	16	211	365	**593**	50.0%	100.0%	100.0%	9.0%	9.0%	43.0%

Source: AXIA VG Research, Presentations, Official Offerings, Investor Relations

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