Greek Banks Recapitalization Plan

The long-awaited terms for the recapitalization of Greek systemic banks were made public yesterday, when the relevant decision of the Greek Government was unveiled. Such decision is the culmination of many months of discussions and negotiations between bank supervision authorities, the Greek Government, representatives of the official creditors and shareholders / management of the major banks.

Technically the decision clarifies the procedure already stipulated in Law 3864/2010, which had established the Hellenic Financial Stability Fund ('HFSF'), the arm of the Greek Government for injecting needed capital to the so-called systemic banks (Alpha, Piraeus and Ethniki-Eurobank). The Bank of Greece will set the amount of additional capital required for each bank and the corresponding capital increase will need to be completed until April 2013.

The basic terms of the Recapitalization Plan are as follows :

- ✓ The Recap Plan will be implemented through the issuance of common shares and contingent convertible securities ('CoCos'). HFSF may participate in both.
- ✓ The common shares to be issued must be sufficient to achieve a core Tier ratio of at least 6%, whereas the remaining amount, up to the required 9%, will be covered through the contingent convertible securities issue.
- ✓ The price at which the HFSF will subscribe to the new shares shall not be higher than 50% of the average market price of the shares of that credit institution during the last 50 days prior to the launch of the issue. If the closing price of the shares at the trading day prior to that date is lower than such amount, the HFSF shall acquire shares at such lower price.
- ✓ The contingent convertible securities will constitute direct unsecured subordinated debt of the issuing credit institution, ranking after depositors claims and other senior debt, but before common shareholders.
- ✓ These securities will carry a 7% coupon, which will increase per 50 basis points annually. The credit institution may at any time call the securities with prior approval of the Bank of Greece, provided their capital position is not affected, i.e., the CoCos are substituted with equivalent capital.
- ✓ Any unpaid amount of contingent convertible securities shall be mandatorily converted into common shares after the passage of 5 years from their issuance. The conversion price shall be equal to 50% of their original issue price – taking into consideration any subsequent corporate action. Furthermore, if the credit institution decides not to pay the coupon, the remaining securities are converted

into common shares at a 35% discount to their market price (50 last trading days average).

- ✓ In case the minimum private shareholder participation in the Recapitalization Plan - which has been set by law 3864/2010 at 10% of the share capital increase - is not achieved, the HFSF shall have the right to convert immediately the entirety of the remaining securities to common shares, at the conversion price of 50% of the original issue price.

- ✓ The credit institutions may not distribute dividends for as long as any amount of contingent convertible securities is still outstanding.

- ✓ The HFSF issues to the private shareholders participating in the capital increase warrants for its common shares. These warrants are freely transferable and grant the right to acquire the corresponding common shares at a price equal to the subscription price paid by the HFSF increased by an annual premium of 4 to 8% depending on the year of exercise. Rights arising from the warrants may be exercised for a time period of up to 54 months from their issuance, after the lapse of which they are extinguished.

In case you need any additional information on the above issues you may contact Michael Tsibris or Giannis Koumettis, at +30 210 3626888 (mtsibris@souriadakistsibris.gr and gkoumettis@souriadakistsibris.gr)

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