Hellenic Financial Stability Fund Strategic Focus 2020 - 2022

Sustainable value creation by Greek banks



The HFSF continues to balance conflicting goals

THE HFSF CONTINUES TO ADDED EMPHASIS 20 - 22 Serve the Catalyze Focus on Enhance Public Interest Transformation Value Efficiency and Effectiveof Greek banks Creation ness

HFSF's mission is to prepare systemic banks for divestment at a higher valuation, thereby to reduce valuation losses

2010	2011 - 2013	2013 - 2015	2016 - 2019	2019 - 2022	2019 - 2022
BUILD-UP PHASE	SECTOR CONSOLIDATION	RECAPITALIZATIONS	STEWARDSHIP	SHAREHOLDER	DIVESTMENT
Set-up of recapitalization framework and processes with support from the Greek state and the Institutions	Directing and managing large transactions to stabilize sector around four systemic banks	Executing recapitalization transactions; setting-up operating framework including Relationship Framework Agreements, Board of Directors Representatives etc. in line with law 3864/2010 as amended and other relevant agreements	Monitoring implementation of restructuring plans and compliance with RFA	Promoting conditions for divestment Pursuing banks' turnaround plans and focus on sustainable value creation	Execute divestment transactions on commercial terms, if timing and valuation are considered appropriate before the end of this period
Primarily structural actions within formally defined frameworks of rules, imposed by official sector; few commercial decisions			Primarily commercial value creation &		

The essence of the HFSF Strategy 2020 - 2022

		LEVER OF HFSF VALUE CREATION	
1	Greek banking sector	 Support the resolution of Non Performing Loans (NPLs) Enhance competitiveness through industry-wide initiatives Apply Environmental, Social and Governance (ESG) principles Identify and engage target investors 	
2	Greek systemic banks	 Pursue an Active Shareholder strategy setting targets for banks' value creation Monitor Performance and take remedial action Guide banks to pursue digital transformation Guide remuneration practices aligned with shareholder interests 	
3	Statutory role - Continue tasks assigned to the HFSF as per founding law - Preserve value of recoveries from resolved banks		
4	Organizational effectiveness	 Become more agile in our ways of working Communicate HFSF value contribution actively Attract and retain high-calibre staff 	

HFSF | Overview of value creation aspiration

LEVER OF HFSF VALUE CREATION	INDICATOR	Q3 '19	EoP 2022 TARGET
Business model viability	RETURN ON EQUITY RoE	-1,30%	above 10 % p.a.
business model viability	PRICE/BOOK-VALUE P/BV	0,41x	above 0.75x
De-risking	NON PERFORMING EXPOSURES RATIO NPE (%)	41,40%	below 10 %
Efficiency	COST-INCOME-RATIO (%)	50%	below 50%

Baseline scenario applied by the HFSF

			2019e	2020	2021	2022
1	GREECE: Market & Macro View	Real GDP Growth ¹	2.1%	2.8%	2.3%	2.3%
		House Prices ²	7.52%	9%	7.25%	4.1%
		Consumer Price Index ³	0.5%	0.44%	0.12%	0.37%
		Borrowing cost for new business loans ⁴	3.8%	3.4%	3.2%	2.9%
		Unemployment Rate ⁵	17,4	15,5	14,4	13,1
		Deposits including Govt. deposits ⁶	160	167	175	184
2	GREEK BANKING SYSTEM Industry View	Total revenues				>6.5bn
		Total OPEX				<2.8bn
		Total Pre-Provision Income		n.a.		
		Total Net Income				>2.0bn
		Total Performing Assets				125-130bn

Source: MoF (1), BoG (2), Hellenic Statistical Authority (3), ECB (4), Project Pinnacle, HFSF, BCG (6), IOBE for 2019 & 2020 - ECB for 2021 & 2022 (5)