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Subject: “Enhancement of liquidity in the economy in response to the impact of the international financial crisis”

DECISION

The Minister of Economy and Finance

Having regard to:

1. The provisions of
 - a) Article 90 of the “Codified Law for the government and governmental institutions” ratified by the first article of the Presidential Decree 63/2005 (O.J. 98 A),
 - b) The Presidential Decree 81/21-3-2002 (O.J. 57 A) “Merger of the Ministries of National Economy and Finance to the Ministry of Economy and Finance”,
 - c) Articles 1, 2, 3 and 4 of the Draft Law “For the enhancement of liquidity in the economy in response to the impact of the international financial crisis”,
 - d) Article 7 of the above Draft Law according to which “The provisions of the present Law shall enter into force on the day of its deposition to the Greek Parliament”,
 - e) Article 55 A of the Statute of the Bank of Greece,

2. The proposals of the Governor of the Bank of Greece dated 7th of November 2008, which takes into consideration supervisory criteria considered to be appropriate for the purposes of the present regulation aiming at creating a sufficient margin in order to encounter, as much as possible and in a dynamic view, the risk and especially at securing the financial stability and has a referring point of the data of capital adequacy and of solvency in general of banks, as this data is reflected in the latest from June 2008 official accounts of the Bank of Greece, on the basis of accounting items of each bank, assessed according to the law.
3. The Communication from the Commission – The application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis (2008/C 270/02).

Has adopted the following decision

1. The distribution of the maximum amount of 5 billion euros according to paragraph 1 of article 1 of the Draft Law “For the enhancement of liquidity in the economy in response to the impact of the international financial crisis” (hereafter Draft Law) for the purchase of preference shares, thus increasing the share capital of the credit institutions licensed by the Bank of Greece is decided according to the following criteria.
 - a) The required capital adequacy level of the credit institution as defined by the Bank of Greece. More specifically the Tier 1 ratio should be between 8% and 10%. The weighting of this criterion is defined to 0,5 of the total evaluation.
 - b) The size of the credit institution relating to its market share in the general financing of the economy, and to its importance in maintaining financial stability. The weighting of this criterion is defined to 0,4 of the total evaluation.
 - c) The contribution of the credit institution in financing small and medium enterprises and residential loans. The weighting of this criterion is defined to 0,1 of the total evaluation.

The value of the preference shares, which is the nominal value of ordinary shares of the latest issuance of the credit institution, is covered by Greek State bonds with Euribor interest rate. The repurchase of the preference shares issued by the credit institutions, according to paragraph 1, art.1 of the Draft Law, will be determined at a value equal to the issuance price of the aforementioned preference shares with the equivalent value of Greek Government bonds or the equivalent amount in cash. In case of repurchase with Greek Government bonds, their nominal value should equal the nominal value of the bonds initially issued for the assumption of the preference shares.

For the purchase of the preference shares covered by the issuance of Greek Government bonds a bilateral contract is signed between the Greek State and the credit institution.

In case of conversion of the preference shares according to paragraph 1, art.1, sub paragraph 3 of the Draft Law the conversion value will be equal to the issuance value. For the determination of the conversion rate of the preference shares into ordinary shares or shares of another category existing at the time of the conversion, the average of the value of these securities in the latest trading year will be taken into consideration. In case the securities are not listed in an organised market for the determination of the conversion rate the internal book value of the latest fiscal year will be taken into consideration. The above mentioned conversion depends on the submission – at the end of the five year period- and approval by the Minister of Economy and Finance after the proposal of the Governor of the Bank of Greece, of a restructuring plan by the credit institution which cannot fulfill the conditions for repurchase of preference shares.

2. The granting of Greek state guarantee to the credit institutions licensed by the Bank of Greece in order to face the liquidity needs of the banking system up to 15 billion euros, according to paragraph 1, article 2 of the Draft Law, with the reservation of article 4 of the Draft Law, is effected as follows:

A. a) Credit institutions could demand the guarantee for securities they will issue or loans they will receive for the period until 31-12-2009, with duration of 3 months to 3 years. The credit institutions' requests for guarantees of the Greek State are limited to the amount of the total guarantee relating to each credit institution and are submitted until 31/12/2009. This guarantee does not cover interbank deposits.

b) The above guarantee could be provided for with or without eligible collateral, as specified in paragraph 4.

c) The credit institutions will pay a commission calculated on an annual basis which is determined on the basis of the procedure decided by the European Central Bank, and covers the operational cost and the credit risk undertaken by the Greek State, which, in case the guarantee is provided against collateral is reduced. More specifically:

-For guarantees of duration of 3-12 months a commission amounting to 50 basis points for guarantees without collateral or to 25 basis points for guarantees provided against collateral is paid.

-For guarantees of duration of more than 1 year, pricing is based on five years banks' CDS (Credit Default Swaps) spreads, on which an additional commission of 50 basis points for guarantees without collateral or 25 basis points for guarantees provided against collateral is added. More specifically:

(i) Credit institutions for which there are CDS data will pay a commission which is defined as the aggregate of:

- the minimum between the median of the current spreads of five year contracts of CDS type for the credit institution and the median of five year CDS spreads of a representative sample of Euro-zone banks, having equal credit rating with the credit institution concerned, for the period 1/1/2007-31/8/2008 plus
- 50 basis points for guarantees without collateral or 25 basis points for guarantees with collateral.

The median of five year CDS spreads of the banks' sample may also be used in case the spread of a particular credit institution is not considered appropriate to its credit quality.

(ii) Credit institutions for which there are no CDS data, and for which there is a credit risk rating, will pay a commission, which is defined as the aggregate of:

- the median of five year CDS spreads for the same period of a representative sample of Euro-zone banks as defined by Eurosystem, having the same credit rating with the credit institution concerned plus
- 50 basis points for guarantees without collateral or 25 basis points for guarantees with collateral.

(iii) For credit institutions for which a credit risk rating is not available, the commission is defined as the aggregate of:

- the median of five year CDS spreads for the same period of a representative sample of Euro-zone banks as defined by the Eurosystem, having the worst credit rating for which data are available, adapted to the supervisory evaluation of each credit institution plus
- 50 basis points for guarantees without collateral or 25 basis points for guarantees with collateral.

The commission is payable at the beginning of every six month period, or at the beginning of the remaining period up to the termination of the guarantee if the remaining period is less than six months

The fee rate could be adjusted by a decision of the Minister of Economy and Finance according to the market conditions upon approval by the European Commission.

d) The collateral against the guarantees provided by the Greek State are committed and withheld at the Bank of Greece separately by each guarantee decision. The latter

undertakes the responsibility for monitoring the collateral portfolios by each guarantee decision throughout the duration of the guarantee, in order to ensure that the collateral fully covers the amount of guarantee, taking into account the haircuts. In cases of haircuts' adjustments expiration of collateral, downgrading of the creditor, increase of the probability of default, non compliance with eligibility criteria of the collateral, and modification for any reason of the initial status of the collateral, the credit institution should notify within five days the Bank of Greece and the General Accounting Office of the Ministry of Economy and Finance (Directorate 25th) and undertake measures for the immediate replacement of the collateral to the amount set out in the guarantee decision.

e) At the expiration date of guarantee, the Greek General Accounting Office (Directorate 25th), notifies the Credit Institution, with further communication to the Bank of Greece, that it is releasing the collateral for the given guarantee.

f) In case of forfeiture of the guarantee provided by the Greek Government, the Greek General Accounting Office examines the observance and terms of the present paragraph.

B. The amounts of the guarantee of the Greek State, according to article 2 of the Draft Law, will be allocated per financial institution on the basis of the following criteria:

a) The liquidity position of the financial institution and the likelihood its capital adequacy to be affected. The weighting of this criterion is defined to 0,5 of the total evaluation.

b) The size of the credit institution as derived by its market share in the general financing of the economy, as well as its importance in maintaining financial stability. The weighting of this criterion is defined to 0,3 of the total evaluation.

c) The size of the residual maturity of the financial institution's liabilities until 31/12/2009. The weighting of this criterion is defined to 0,1 of the total evaluation.

d) The contribution of the credit institution in financing small and medium enterprises and residential loans. The weighting of this criterion is defined to 0,1 of the total evaluation.

3. The issuing of special purpose securities by the Greek State until 31/12/2009 with maturity up to three years, aiming at lending them to the credit institutions, licensed by the Bank of Greece, for enhancing their liquidity, according to Article 3 of the Draft Law is affected by the following procedure:

- a)** The total amount of the special purpose securities to be issued amounts up to the sum of eight (8) billion Euros, with the reservation of article 4 of Draft Law.
- b)** The securities are issued by a decision of the Minister of Economy and Finance, in which the terms of issuance are determined, they have zero coupons, they are listed in the Athens Stock Exchange, they have an ISIN code, and are monitored in the Secondary Market Platform run by the Bank of Greece (H.D.A.T.). Their lending to the credit institutions is materialised in lots of 1.000.000 Euros.
- c)** The securities are borrowed in their nominal value, directly and exclusively to the credit institutions, transmitting to them the legal ownership of titles for the whole period of lending. For this purpose bilateral lending contracts are prepared between the P.D.M.O. (Public Debt Management Office) and the credit institutions.
- d)** For borrowing the securities, the credit institutions pay a commission which is equal to the one that the credit institution would pay for guarantees with collateral according to article 2 above . The commission is payable at the beginning of the six months period or at the beginning of the remaining period up to the expiry of the securities if the remaining period is less than six months. In addition, credit institutions are required to provide sufficient collateral, the type and the adequacy of which are determined in article 4.
- e)** Eligible collaterals are defined exclusively on article 4. For the determination of sufficiency and subsequently the value of the collateral, haircuts are used, also determined in the same article. These haircuts can be readjusted by the Bank of Greece, based on the conditions of the market and the supervisory evaluation of the credit institution concerned, upon communication to the European Commission.
- f)** Each bilateral lending contract against borrowed securities, are kept in the Bank of Greece which monitors the value of the collateral per contract throughout the borrowing period in accordance to the provisions of this Decision, so as the value of the collateral fully covers the value of the borrowed securities taking into account the haircuts. In cases of haircuts' adjustments, expiration of the collateral, downgrading of the creditor, increase of probability of default, non compliance with the eligibility criteria and the modification of the initial status of the collateral for any reason, the credit institutions must notify within five days the Bank of Greece and the P.D.M.O. and undertake measures for the prompt replacement of collateral to the level foreseen in the bilateral contract.
- g)** Except from the above granted fee, no other financial transaction is taking place for the securities. Consequently, the credit institutions do not transfer to the Greek State the amount received from using these securities for financing purposes, neither the Greek State transfers to the credit institutions the nominal amount of securities at expiration.

- h)** All the borrowed securities are returned to P.D.M.O., with exclusive responsibility of credit institutions either on the date of expiry of the bilateral contract (independently of the maturity of the securities) or on the date at which the credit institutions cease to be subject to the provisions of the Draft Law. The titles which are returned are cancelled.
- i)** The date of return and cancellation of the titles, the P.D.M.O. sends a letter to the credit institution that is communicated to the Bank of Greece and releases the collateral against the securities.
- ia)** The credit institutions that borrow these titles, for the purposes of the Draft Law, are obliged to use them as collateral in the refinancing transactions or marginal lending facilities of the European Central Bank, and/or as collateral in interbank transactions for liquidity purposes. The use of securities for enhanced liquidity as well as the use of proceeds of liquidation of securities for the purposes of article 5 of the Draft Law will be supervised by the Bank of Greece. In any case, each credit institution has the responsibility for returning securities with the same ISIN code as the ISIN code of securities that were borrowed, on the date that owes to return the securities to the P.D.M.O. for any reason. Return of other securities or netting and replacement of above securities with other Greek State securities is not allowed.
- ib)** The maximum number of allocated securities per credit institution, within the total allocated amount by the Greek State, is determined, following a proposal of the Governor of the Bank of Greece, by a Decision of Minister of Economy and Finance. After a new proposal of the Governor of the Bank of Greece, the maximum number of allocated securities can be differentiated accordingly, based either on the number of the credit institutions that potentially do not ask to be subjected to the Draft Law or the possible differentiation among categories of the total sum according to article 4 of the Draft Law.

4. A. The eligible collateral for providing of guarantees and bonds are the following:

- a)** All the eligible collateral of the Euro-system, as described in the Act of the Monetary Policy Council 54/2004, as in force.
- b)** Securities of the Greek State denominated in a foreign currency.
- c)** Performing loans to private legal persons of the non financial sector which have been rated by External Credit Rating Agencies (ECRAs) recognized by the Bank of Greece (Decisions of Committee for Banking and Credit Issues, Bank of Greece 250/4/25-9-2007 and 262/8/26-6-2008) and which have been assigned the following grading:

External Credit Rating Agencies (E.C.R.A.)	Rating
• “Moody’s Investors Service”	Aaa-Ba3
• “Standard and Poors Rating Services”	AAA-BB
• “Fitch Ratings”	AAA-BB
• “I.C.A.P. A.E.”	AA-C

d) Performing loans to companies which have a guarantee of the Greek State or of a legal person which is rated in an acceptable level of credit quality according to the above. In the category of corporate loans, credit lines with non contractual maturity are not included.

e) Performing loans to shipping companies, which satisfy the criteria which are set in the Governor’s of the Bank of Greece Act 2589/20-8-2007, section Z, par. 28b and rated according to ANNEX V, are assigned to categories 1 (strong) or 2 (good).

f) Performing loans to natural persons collateralized by residential real estate (with senior mortgage or underwriting) or by junior mortgage or underwriting provided that the senior mortgage or underwriting is in favor of the same credit institution. Loans will be accepted if the ratio of Loans to Value (LtV) is smaller than 95%, where LtV is defined according to the Governor’s of the Bank of Greece Act 2588/20-8-2007. The mortgaged properties should be located within the Greek territory.

g) As performing claims of companies and natural persons are considered those which are serviced regularly and do not present any delinquency with respect to capital or interest, according to the contractual obligations.

In any case, eligible collaterals can include loans to corporates, which according to the judgment to the Bank of Greece, correspond to the rating characteristics of the above categories.

B. More specifically:

a) The Credit Institutions which use the Internal Ratings Based Approach (I.R.B.) for calculating their capital requirements, could include corporate loans, with probability of default not exceeding 2,5%.

b) In the case of creditor’s downgrading, increase of the probability of default and non compliance with eligibility criteria, credit institutions should notify within five working days the Bank of Greece and undertake measures for the immediate replacement of collateral to the anticipated from the contract amount.

c) The minimum level of debt claims, at the moment of the provision of the collateral to the Greek State, is defined at € 50.000.

C. For the determination of the value of the collaterals the following coefficients of adjustment (haircuts) are used, which could be readjusted by the Bank of Greece, on the basis of market conditions and the supervisory evaluation of the credit institution concerned.

I. Corporate Loans

Fixed interest loans

Remaining duration (in years)	With credit rating AAA - A- (*), Aaa – A3 (**) AA – A (***) or with PD <0,1%	With credit rating BBB (*), Baa1 – Baa3 (**) BB – B (***) or with 0,1% < PD < 0,6%	With credit rating BB (*), Ba1 –Ba3 (**) C (***) or with 0,6% < PD < 1,0%	1%<PD < 2.5%
0-1	10%	15%	20%	50%
1-3	15%	20%	25%	
3-5	20%	25%	30%	
5-7	25%	30%	35%	
7-10	30%	35%	45%	60%
>10	40%	45%	50 %	

*Standard and Poors Rating Services or Fitch Ratings

** Moody's Investors Service

*** I.C.A.P. A.E.

For variable interest rate loans, with credit rating AAA, AA, A, a haircut of 10-15% (for the residual maturity below and above 5 years respectively) will be used, for loans with credit rating BBB a haircut of 15-20% (for residual maturity below and above 5 years respectively) will be used, for loans with credit rating BB a haircut of 20-25% and for loans with 1%<PD<2,5% a haircut of 40% will be used.

For loans to shipping companies a haircut of 50% is used.

II. Residential Loans

A haircut of 20% is applied irrespective of the residual maturity or the way that the interest rate is determined.

For loans in foreign currency, except loans to shipping companies, an additional haircut of 15% will be used.

There is a possibility of applying stricter haircuts per financial institution or type of collateral.

D. The security provided by the Greek State according to article 3 of the Draft Law will be allocated per credit institution or type of collateral according to the following criteria:

a) The liquidity position of the financial institution and the likelihood its capital adequacy to be affected. The weighting of this criterion is defined to 0,5 of the total evaluation.

b) The activity of the credit institution in the money market and its ability to redistribute liquidity. The weighting of this criterion is defined to 0,3 of the total evaluation.

c) The size and the residual maturity of the credit institution's liability until 31/12/2009. The weighting of this criterion is defined to 0,1 of the total evaluation.

d) The contribution of the credit institution in financing small and medium enterprises and residential loans. The weighting of this criterion is defined to 0,1 of the total evaluation.

5. Any modification or reallocation of the funds per credit institution, in application of the articles 1,2,3, of the Draft Law is implemented by Decision of the Minister of Economy and Finance based on the proposal of the Bank of Greece Governor and according to the interest expressed by the credit institutions, upon approval by the European Commission.

6. The Bank of Greece is responsible for the adequacy and fulfillment of the above requirements for collateral against bond and guarantee agreements.

7. The inclusion of the credit institutions in the provisions of articles 1, 2, and 3 of the Draft Law is effected by decisions of the Ministry of Economy and Finance. The decisions' Draft will be reported to the European Commission.

8. The credit institutions, which will be subjected to the articles 1, 2 and 3 of the Draft Law, should inform the Bank of Greece every three months for the precise use of the amounts of funds received. The Governor of the Bank of Greece informs the Committee for the Supervision of the Implementation Plan. The Greek State has the right to cancel or reform the conditions of the above measures after Bank of Greece's

proposal for the proper use of the amounts of funds received by the credit institutions. On the basis of quarterly reports of credit institutions, the Bank of Greece prepares a semi annual report on the use of funds received, outlining the implementation of the business plans of each credit institution as well as any restructuring plans. In addition the report will be submitted to the Committee for the Supervision of the Implementation Plan and to the European Commission. In case of serious violation of terms and conditions under which the credit institutions were subjected to the articles of the Draft Law, the sanctions anticipated by the article 55A of the Bank of Greece Statute (Law 2832/2000, OGG A' 141) may be imposed as well as full or partial cancellation of the above measures by the decision of the Minister of Economy and Finance following the proposal by the Governor of the Bank of Greece.

9.In implementing the Draft Law, the participating credit institutions are obliged not to undertake aggressive market strategies including advertising invoking the guaranteed status of the beneficiary bank, especially against those not participating in the scheme of the Draft Law. They are also obliged to abstain from expanding their activities or pursuing other purposes in a way that unduly distort the competition. For this purpose the participating credit institutions are obliged to ensure that during the implementation period the average increase of the total assets does not exceed the highest amount among:

- a)** the annual growth rate of the nominal GDP on the previous year.
- b)** the average rate of increase of the Greek banking sector's total assets for the period 1987- 2007.
- c)** the average rate of increase of the EU banking sector's total assets for the previous six months.

The compliance of the above obligations is controlled by the Committee and is based on the reports provided for in paragraph 7.

10. This Decision will be published in the Government Gazette.

The Minister of Economy and Finance

G. ALOGOSKOUFIS