

Honorable Sir  
**Euclid Tsakalotos**  
Minister of Finance  
5-7 Nikis street  
P.C.: 105 63  
**HEREIN**

CC:

Honorable Sir  
**Emmanouil Panagiotakis**  
Chairman and Chief Executive Officer  
Public Power Corporation S.A.  
30 Chalkokondyli street  
Athens – P.C.: 104 32  
**HEREIN**

Athens, January 11<sup>th</sup> , 2017

Honorable mr. Minister,

**RE: ADMIE Privatisation**

The Greek banking system, in response to the requests of the “Public Power Corporation S.A.” (“**PPC**”), has provided intertemporal support and continues to further support PPC and its group.

Undisputable evidence of that fact, consists, among others, the granting of a medium- term syndicated bond loan to PPC in April 2014 by the Four Systemically Important Banks and the Attica Bank (hereinafter, referred to, as the “**Greek Banks**”), for 2,2 billion Euros (hereinafter, the “**Loan**”), which constitutes by far the largest syndicated loan ever granted to a company in Greece.

Furthermore, the Greek Banks fully endorse the importance and criticality of the fulfilment by the Greek Government of its obligations in the context of the financing agreement signed with the European Support Mechanism in August 2015 (hereinafter, the “**Support Program**”), among which lies the privatisation of ADMIE S.A..

The privatisation procedure of ADMIE<sup>1</sup>, however, as selected and implemented by the Greek Government, directly affects existing contractual rights of the Banks deriving from the Loan. The reason is that through the legislative

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<sup>1</sup> Which includes, among other, *on the one hand* the direct sale by PPC of percentage of 24% of ADMIE to a selected investor through an international bidding tender and *on the other hand* the indirect distribution of 51% to its shareholders. The abovementioned procedure is provided for in the provisions of Law 4389/2016, as currently in force.

intervention, the activation of the rights of termination and acceleration of the Loan<sup>2</sup> is impeded – rights which would otherwise be activated due to the privatisation of ADMIE.

Mainly, notwithstanding, the selected privatisation procedure of ADMIE strongly affects the financial position of PPC, whilst it entails the disposal of a very important PPC's asset, namely, its holding in ADMIE, without any consideration for the largest part of the disposal hereinunder described.

Specifically, in accordance with the provisions set out in Article 149, paragraph 3 of the Law 4389/2016<sup>3</sup>, which govern the selected privatisation procedure of ADMIE, the legislator intervenes in existing contractual relations of private law between PPC and third parties (such as those of the Banks with PPC in the context of the Loan) by either altering the existing contractual rights of the third parties or obstructing their activation. Therefore, due to this legislative intervention, conferred contractual rights of termination and acceleration of the Loan, which would otherwise be activated because of the privatisation under the contractual provisions of the Loan, remain ineffective.

Notwithstanding, these Banks rights clearly fall within the scope of "Economic Freedom", which is expressly protected by Article 5, paragraph 1 of the Constitution. More in particular, according to the Council of State's established case law, by the provisions of the abovementioned Article in combination with Article 106, paragraph 2 of the Constitution<sup>4</sup> is concluded that any legislative intervention in the evolution of established contractual relation "*constitutes an exceptional measure justified only on grounds of public interest, such as the damage of the national economy and must be provided based on general, objective and appropriate criteria, in the framework of the principle of proportionality and in reasonable time as from the conclusion of the contract*<sup>5</sup>".

Thus, provisions such as the abovementioned in Article 149, paragraph 3 of the Law 4389/2016, are permitted, in accordance with the Constitution requirements, only exceptionally and are subject to strict compliance with specific conditions. And

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<sup>2</sup> Indicatively, the under paragraphs 14 and 15 of Annex D (Events of Termination) of the Loan Program, combined with clause 19 of the Loan Program.

<sup>3</sup> It is defined that "3. Any act or transaction undertaken pursuant to the present Law by PPC S.A. or ADMIE S.A., including the occurrence of any event or consequence directly connected to the act or transaction undertaken, shall not itself constitute an event of termination or insolvency or a cause for the granting or liquidation of any security, nor does it give the counterparty the right to exercise a right of termination, cross – default termination, withdrawal, retention, amendment, set-off or netting, in connection with any contract which has been concluded by PPC S.A. or ADMIE S.A. with third parties, provided that the substantive contractual obligations continue to be complied with, including the payment and delivery obligations. The same apply also to contracts concluded by any subsidiary company of PPC with third parties."

<sup>4</sup> "The private financial initiative is not permitted to be developed at the expense of freedom and human dignity or to the detriment of the national economy."

<sup>5</sup> Indicatively, see Decisions by State Council with Nos 1116-1117/2014, 1909-10/2001 (in Plenary Session), 489, 1706, 3400, 3550/2002, 3199/2003.

is apparently subject to control whether the privatisation of ADMIE, though taking place on grounds of public interest, is implemented through a procedure complying with the principle of proportionality, hence consisting a constitutionally permitted legislative intervention, given that for the disposal of its holding in ADMIE, on the one hand PPC receives no consideration, and on the other hand, the Banks are deprived from the execution of their contractual rights, also without any consideration.

Notwithstanding, it is noted that following the word of the provision of Article 149, paragraph 3 of Law 4389/2016, an additional condition is set out. Specifically, the enforced inactivation of contractual rights and clauses is subject *“to the condition that the substantive obligations under the contract continue to be complied with, including the payment and delivery obligations”* by PPC.

In that case, however, as it was mentioned above, the selected privatisation procedure of ADMIE leads to the disposal of a large part of PPC’s holding in ADMIE without any whatsoever consideration collected. Therefore, PPC undergoes a significant financial loss without consideration, raising, as a result, doubts whether the privatisation procedure is complying with the explicit abovementioned condition deriving from Article 149, of Law 4389/2016 and affecting severely PPC’s financial status.

The Banks constitute a doubtless support pillar and lever for Greek economy’s recovery. However, their managements owe duty of loyalty towards their Banks and their shareholders, which consists of their most essential duty and obligation. As a consequence, any of their decisions and actions carried out, must have as exclusive driver the service of their corporate interests.

In light of the above, we underline the following: a) as noted above, we consider that the conditions set out by Article 149, paragraph 3 of Law 4389/2016 are not met and accordingly, we fully retain our rights deriving from the existing loan contracts, whereas we consider that every attempt to legislatively abolish or excessively restrict them, shall be controlled in light of the constitutional requirements, and b) as a result of the abovementioned, we reserve our right to examine any further PPC’s financing or its existing debt restructuring without adequate securities, and especially, should our existing already rights under the loan contracts be not preserved.

To this direction, we consider appropriate the taking of contractual or in rem collateral accepted by the bondholders with view to cover the existing syndicated bond loan of PPC S.A., furthermore, we examine alternative methods of allocation of the credit risk to a degree, that reduces the height of our uncovered exposure.

Lastly, whilst the privatisation procedure of ADMIE is in full progress as aforementioned, given that the Banks are called not only to suffer the aforesaid consequences, but also to satisfy PPC’s request for further credit amounting to around 200 million Euros, we consider, as especially important, the intensification of the

company's efforts to boost its liquidity by reducing the overdue claims and the debts full payment by its clientele, including the Greek State.

Sincerely,

**GREEK NATIONAL BANK S.A.**

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) (handwritten signature)  
By: Fotini Ioannou

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) (handwritten signature)  
Prodromos Afaras

**ALPHA BANK S.A.**

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Evangelos Patrinos

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Dionysios Potamitis

**PIRAEUS BANK S.A.**

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By: Nikolaos Bousgolitis

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Efthymios Tsigkas

**EUROBANK S.A.**

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Panagiotis Lymperopoulos

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Alexandros Petrakidis