

Announcement, 03/08/2015

Attica Bank: Notice regarding events that affect or are likely to affect the business activity of the Group and the price of the shares of the Bank trading on the Athens Stock Exchange

According to Decision 3/347/12.7.2005 of the BoD of the Hellenic Capital Market Commission, and with respect to the obligation to inform investors on new events that are likely to affect the business activity, financial status and operational results of Attica Bank ("the Bank"), the Bank informs investors about the main developments that affected the operation of the market and the Bank from 28.6.2015 (beginning of the bank holiday) until today and which may affect the price of the shares of the Bank and of other securities issued by it. The operation of the Athens Stock Exchange under restrictions may also affect the price and the liquidity of the Bank's shares.

The Bank has based its announcement on current conditions and information known to it at the time the announcement is released.

More specifically:

- **Domestic Banks operated under a bank holiday regime from 28.6.2015 to 19.7.2015 and since then their operations are executed subject to capital controls. Restrictions in executing certain banking operations still remain.** This is expected to affect the banks' financial position and their operational results for the second quarter of the year and for as long the restrictions are in place, as their ability to generate income from both new and existing operations/transactions is constrained.
- **The liquidity of domestic banks, and hence of Attica Bank, has been under pressure during 2015 which becomes more intense as a result of uncertainty and continuing deposit outflows.** On this basis, the Bank's reliance on Eurosystem funding increased and on 30.6.2015 amounted to 890 million euros (ECB: 70 million euros, ELA: 820 million euros). Under such extreme circumstances, the Bank or any other member of its Group may be required to ensure further financial support, the total amount of which will be dependent -among other things- on the terms regarding eligible collaterals.
- **The capital base of Greek Banks, hence of Attica Bank, is also under pressure as since the end of 2014 the quality of loan portfolios has deteriorated, leading to the erosion of the capital base.** In the light of the abovementioned developments, regulatory authorities are planning to perform a new stress test which will result into an estimation of the new capital needs of domestic banks. The stress test is expected to be completed in the autumn of 2015 and to result in new share capital increases. Consequently, the Bank's capital base may be required to be strengthened further in the future, potentially by an amount exceeding the amount of the share capital increase already announced by the Bank (€ 434m.). Among the parameters that are expected to be taken into consideration in the foresaid exercise are: a) the distressed economic environment in Greece and the weak prospects of the economy, b) the framework and the range of the calculation of the deferred tax that will determine the amount of the regulatory capital and c) the level of protection of borrowers and other groups against unilateral actions of financial institutions.

Currently, the exact time period of the stress test, the terms and conditions under which it will be performed as well the timetable for the coverage of the capital needs identified by it remain unknown.

- **The implementation of the provisions of Law 4335/2015 for the recovery and resolution of financial institutions may have a negative impact on the rights of creditors, shareholders and depositors of domestic banks.** The law includes four types of tools and authorities of resolution: (a) sale of all or part of the operations and securities issued by a financial institution, (b) the creation of a bridge institution, (c) the separation of assets and the transfer of impaired or under-performing

assets to a asset management vehicle and (d) the bail-in tool, that provides the power to the resolution authorities to write-off the claims of non-covered creditors of an institution and convert the non-covered claims into share capital (on the basis of some parameters regarding the eligibility of claims). The provisions regarding the bail in tool will enter into force on 1.1.2016.

The competences determined in the law shall affect how institutions and investment firms are managed as well as, depending on the case, the rights of shareholders, creditors and depositors. However, it is too early for someone to foresee all the implications deriving from the enforcement of the law and any possible impact on the results and financial figures of the Group.

- **The Group is influenced by developments in the Greek economy and its prospects.** According to a report prepared by the European Commission in co-operation with ECB and published on July 10th 2015¹, recession in 2015 is expected to be deeper. Growth prospects and projections regarding the fiscal situation of the country in the following years are negative. These are factors are, respectively, likely to affect the financial position of banks.

However, it must be noted that the risks mentioned above could eventually be moderated in the near future, as the Greek government, according to the relevant reports that come to light, plans to implement measures in order to smooth out the impact of the recession and enhance the circulation of money through banks, aiming at assisting especially small-medium enterprises and commerce.

It must also be pointed out that the major shareholder of the Bank, TSMEDE-ETAA, which holds 50.67% of the Bank's shares, supported the Bank during the period of the banking holiday, and it will continue to support the Bank as far as possible and under the conditions laid down in the legislation in force.

Attica Bank S.A

¹ See "Greece - request for stability support in the form of an ESM loan. Assessment of: a) the existence of a risk to the financial stability of the euro area, b) whether public debt is sustainable, c) the actual or potential financing needs. (in compliance with Art 13 of ESM Treaty)": http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm