

## ***Answers to Shareholder's Queries – Request for the provision of information in the context of the Annual General Meeting on 31.7.2019***

On 26 July 2019, the Bank received from the Hellenic Investors Association a Request to provide information to the Annual General Meeting of 31/07/2019. In accordance with 141 par. 6 of Law 4548/2018 “6. If any shareholder so requests, and provided that the said request is filed at least five (5) full days before the General Meeting, the Board of Directors shall provide the General Meeting with any such specific information on the Company’s business as may be requested, insofar as such information is relevant to the items on the agenda. No such obligation to provide information applies in the event that the said information is available on the Company’s website, particularly in the form of questions and answers ...”, and with a view to the proportionate information of investors, the National Bank publishes the answers to shareholder queries - request for provision of information.

### ***Issue 1: LEPETE***

#### ***Question:***

*According to press releases, the total “loss” or “burden” of NBG's Financial Statements, as a result of Petropoulos' Law is alleged to still exceed the amount of even € 1 billion, while the Bank's own forecast made in writing on "Investors Day" on May 16, 2019, in London, was for € 36 million.*

*As we are informed from the recent judgment of the Council of State, before which NBG petitioned for the suspension of the Law, the Bank did not ultimately dispute the payment of this amount, which the competent Council ordered it to pay, but claimed that its final "loss" sums, finally, over \$1 billion, due to the actuarial projections for 2019-24 and beyond.*

*Since it is of HIGH IMPORTANCE that this issue is fully clarified, we ask you the following:*

*A. Which Actuarial Study did you claim before the Council of State, and whether it actually exists? If not, where does the 1 billion surcharge derive from, and whether you have already made a relevant actuarial provision in the 2019 Financial Statements.*

*B. Given that this amount, as you claim, causes a CET1 charge of 300 base points (3%), whether you have already included it in the relevant notes on CET1.*

*C. Finally, we wish for a holistic and complete answer on whether, WITHOUT an Actuarial Study, such future uncertainty can be recorded under IAS 37 & 19 and, if not, why do you leave press releases unanswered, when the invocation of leaked unconfirmed information regarding an enormous amount may potentially 'manipulate' the stock down, through your NON-REPLY, also “whetting the appetite” of short sellers?*

#### ***Answer:***

The National Bank of Greece (NBG) has informed investors of LEPETE-related developments, through announcements dated 10.6.2019 and 4.7.2019.

As stated in NBG’s announcement of 4.7.2019, this legislative initiative (Law 4618/2019 and implementing ministerial decisions) is considered to contravene fundamental constitutional

provisions and, in that context, NBG has taken all necessary actions with a view to reaching a consensus resolution that would protect the interests of the Bank, its employees and its pensioners. The hearing date of the petition for cancellation of the disputed provisions of the ministerial decisions has already been set, and shall be discussed before the Council of State on 2.12.2019.

Naturally, NBG will inform investors of any development on the case and the pending petition for suspension and cancellation.

## **ISSUE 2: CORPORATE GOVERNANCE - LACK OF REPLY TO PREVIOUS SHAREHOLDERS' QUERIES**

### **Question:**

*In view of our cooperation (in the case of FF) with the International Shareholder Services ISS, our Union intends to closely monitor the response of Greek listed companies to their shareholders' requests and to rate them accordingly.*

*Respectively, we note that we have sent you 2 letters with queries and requested for detailed information, but we have not received a written response*

*Specifically:*

*a) No reply has been given to the Letter from the HELLENIC INVESTORS ASSOCIATION, dated 21/02/2019, on Request for Information on IRS between NBG and Hellenic Republic and*

*b) We have also not received a reply on the Request, dated 28/08/2018, for the valuation of National Bank of Greece SA by an independent valuator, in accordance with the requirements of paragraphs 4 and 9 of article 6A of Law 3864/10*

*In view of the above, we pose to the Board of the following shareholder query D.:*

*Does the Bank's management intend to comply with the principles of corporate governance to answer the questions of the shareholder HELLENIC INVESTORS ASSOCIATION?*

### **Answer:**

***D. (a) Reply to the letter by the HELLENIC INVESTORS ASSOCIATION, dated 21/02/2019, on the Request for information on the IRS between NBG and the Hellenic Republic***

***1. What is the total amount of the LOSS incurred by NBG as of the commencement of the IRS contract dated 31/12/2008 up to this day, other than the given €724 million benefit to the counterparty?***

First, it must be clarified that the amount of €724 million, referred to in the Request as a “given financial loss” for NBG, does not reflect reality and is an arbitrarily drawn conclusion. As stated in NBG’s press release dated 15/02/2019, the amount of €724 million concerns a reduction in public debt, arising from the difference between the non-depreciated value of €4,038 million charged to the public debt and the nominal value of €3,314 million of the Greek Government Bonds (GGBs) given to NBG in return. As stated above, the accounting treatment at NBG was different and as of 01/01/2018 the IRS was fully reflected in fair value through P&L.

The overall impact of the transaction on NBG's financials, from the start of the IRS on 31/12/2008 to its replacement with GGBs in February 2019, amounts to a gain of €362 million, including the impact of hedging.

*2. To what extent are certain press reports true, that a loss of €-2.56 billion (ref. 2) arose from NBG's said involvement? The amount is tragically similar to the amount "missing" from NBG's balance sheet in 2015, which "forced" the Bank to resort to ESM funding at the time, seeking such amount, while leading thousands of minor shareholders to total loss of their equity?*

As stated in the answer to Question 1, the total impact of the transaction on NBG's financial assets was a profit of €362 million. NBG is unable to verify the supposed website's estimate of the alleged loss of €2.56 billion.

It is, however, obvious that the 2015 recapitalization process is not related to the IRS and its impact on NBG's financials. The calculation of the capital shortfall was obtained by means of an asset quality review (AQR) and a stress test, in the context of a Comprehensive Assessment carried out by the European Central Bank, and is not relevant to the said contract.

*3. There is a huge lack of information on SPV TITLOS PLC. Information can be found only from sites like <https://beta.companieshouse.gov.uk/> where an announcement regarding the company's dissolution on 22/08/2018 is posted, though no dissolution balance sheet is presented, while the last published financial statement dates back to 31/12/2016. The financial statement of 31/12/2017 is missing, although such statement should have been published until 30/06/2018, and, lastly, the AUDITOR (Deloitte LLP) resigned on 29/12/2017! (Auditor's resignation).*

The site stated in the Request is the official website of UK's Companies House, equivalent to GEMI in Greece, where companies are required to post their corporate actions and financial statements.

As regards the dissolution balance sheet of TITLOS PLC, it is included in the Declaration of Solvency posted on the said official site of Companies House on 22 August 2018 (see attachment 1). Furthermore, from the moment that a company is placed under liquidation, it is not required to publish annual financial statements for the last financial year prior to the liquidation.

As regards the change of auditor, this occurred in the context of Law 4449/2017 and the RFA between the HFSF and NBG, pursuant to which the Bank had to change statutory auditors for the year 2017. This change was announced on the <https://beta.companieshouse.gov.uk/>, where in the first paragraph the reason of the change of auditors is stated: "The directors have decided to appoint another firm as auditors to align subsidiary auditors with the parent company auditor".

*4. Will the terms of the IRS contract of 31/12/2008 between NBG and the Hellenic Republic be published, or are they also confidential as were the terms of the swap with GOLDMAN SACHS in 2001?*

The terms of the IRS contract between NBG and the Hellenic Republic are stated in the offering circular of Titlos PLC, details of which can be found on NBG's site, at the following link (page 35, under "Hellenic Receivable")

[https://www.nbg.gr/greek/the-group/investor-relations/dept-investors/Documents/titlos\\_plc\\_oc.pdf](https://www.nbg.gr/greek/the-group/investor-relations/dept-investors/Documents/titlos_plc_oc.pdf)

5. Does the Hellenic Republic intend to restore, even at this point, the enormous loss that it compelled NBG incur as of 2005 because of the obligatory undertaking of the 2001 GOLDMAN SACHS swap, in order to avert at the time the long-term disastrous consequences of the swap agreements between the swap's devisors and GOLDMAN SACHS?

Although the question concerns the Hellenic Republic, we note that, as mentioned above, NBG did not incur a loss with regard to the swap, and accordingly there is no need for restitution.

**D. (b) Answer to the sub-question on the Request dated 28.08.2018 on the provision of NBG's valuations by an independent valuer**

With respect to question (b) regarding the Request dated 28/8/2018 for provision of NBG valuations by an independent valuer as per the requirements of par. 4 and 9 of article 6A of Law 3864/10, it is noted that the said question was addressed to the Bank of Greece and copied to National Bank of Greece.

### **Issue 3: DECISION TO SELL STAKES IN NBG PANGAIA - WAIVER OF RIGHT TO TERMINATION OF COMMERCIAL LEASES**

**Question:** We are aware that NBG is thirsty for revenue. Pangea was a subsidiary of the company that was founded in 2010, in the midst of the crisis, that was supported by NBG throughout the crisis and its partial sale to an "investor" was made by NBG loans.

**E. Shareholder's question:** Now that the real estate market and profits are on the rise are on the rise (NBG Pangaea R.E.I.C.: Profits € 115.1 Million for 2018), why does NBG choose to divest now?

We also note that since its establishment as a subsidiary of NBG, Pangea has owned 241 properties that housed NBG branches, for which it pays NBG annual rent of 80 million!

**F. Shareholder's question:** Now that there is a (mandatory) prospect of continued downsizing due to the advent of e-banking, why has NBG waived its right to terminate its commercial leases? (see p. 224/258 of 2018 financial statements)

## Notes to the Financial Statements

### Group and Bank

The Group and the Bank have no transferred financial assets that are not subject to derecognition in full, but remain on the Statement of Financial Position to the extent of continuing involvement or were derecognised in full, but continuing involvement exists.

#### f. Operating lease commitments

	Group		Bank	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
No later than 1 year	24	15	87	81
Later than 1 year and no later than 5 years	35	29	299	295
Later than 5 years	137	143	1,187	1,289
<b>Total</b>	<b>196</b>	<b>187</b>	<b>1,573</b>	<b>1,665</b>

The major part of operating lease commitments of the Bank relates to the operating lease rentals to NBG Pangaea REIC, a real estate investment company of the Group. The leases typically run for a period of up to 25 years, with an option to renew the lease after the period. The Bank has waived its statutory right to terminate the leases, as provided by the Greek Commercial Leases Law, for 15 or 25 years, depending on the property and subject to a flexibility mechanism.

*Answer:*

**E.** NBG's divestment in NBG Pangea R.E.I.C. in the sense of a transfer through a stock exchange transaction, on 23.5.2019, of the minority interest (32.66%) held (at the time) by NBG in the share capital of Pangea, took place pursuant to the performance of a special condition of the Shareholders' Agreement, dated 30.12.2013, between NBG and the majority shareholder of NBG Pangea R.E.I.C., namely the INVEL group.

It is noted that NBG had sold, in December 2013, 66% out of 100% (at that time) of its shareholding of its subsidiary NBG Pangea, on the basis of the provisions of the Purchase Agreement, which was concluded after all necessary approvals had been granted from the supervisory authorities competent to approve particular aspects of this transaction (indicatively, the Hellenic Capital Markets Commission, the Hellenic Financial Stability Fund, DG Com of the European Commission, etc.). An integral part of the aforementioned agreement was the conclusion of the Shareholders' Agreement dated 30.12.2013 between NBG as the seller (which at that time was holding 34% of the Pangea's share capital) and the majority shareholder, namely the INVEL Group. Purpose of this Shareholders' Agreement was to ensure that NBG's management and business control over Pangea would be maintained as per the company legislation and the consolidation of Pangea in NBG Group Financial Statements. This Agreement would be valid for a period of five years, unless terminated earlier for any of the reasons specifically foreseen in it for its expiry.

The particular Shareholder Agreement was providing among others for two option rights, one in relation to the sale of the NBG remaining equity stake in INVEL) and the other for INVEL (the remaining equity stake in Pangea), the was defined in detail in the Shareholders' Agreement dated 30.12.2013, as subsequently amended on 18.8.2015 and 4.1.2019. In compliance with the foregoing, on 29.3.2019, INVEL Group exercised, by written notice, the call option as set forth in the abovementioned amended Shareholder Agreement, while the transfer of the remaining shareholding of NBG in Pangea (32.66%) was traded on 23.5.2019, according to the relevant articles of the Shareholders' Agreement, which, on NBG's part, constituted fulfillment of its obligations under this Agreement since such right was duly and properly exercised by INVEL beforehand, and in accordance with the above.

**F.** At the time (in 2010) when NBG had set up its subsidiary of 100%, Pangea R.E.I.C, in the relevant real estate contracts that had been acquired by the newly established company Pangea, NBG had waived, as lessee, the right to terminate provisions (in accordance to the provisions of the commercial leases) of the premises which were the object of such leases. This was done for business reasons that led to the very feasibility of (then) setting up of Pangea, that is to say that the latter would constitute a mechanism for attracting private equity investors in the real estate sector.

When, in December 2013, NBG proceeded to divest/sell the majority of Pangea's shareholding to INVEL, taking into account data relating to the fulfillment of its supervisory obligations, as derived from the Bank's restructuring plan (approved earlier that year by DGComp), claimed and succeeded that an Amendment Agreement of the existing leasing contracts formed an integral part of the Leasing Agreement, dated 30.12.2013 (between NBG and Pangea). According to which, a certain "flexibility mechanism" was set up in favor of NBG, so that the latter could now have the right of termination with regards to the business premises it had leased from Pangea, but for which it was provisioned not to overturn essentially those financial forecasts based on which the adjustment of the selling price of the majority of NBG share capital was possible. It is understood that this Amending Agreement also received all the

required approvals in the context of the aforementioned supervisory valuation frameworks of NBG's majority share sale.

Consequently, it is not accurate that NBG 'waived' its right to terminate its commercial leases as set out in the question. On the contrary, it acquired a right of termination on 30.12.2013, which did not previously exist, in the latter's lease relationship with NBG, the exercise of which was set out in specific terms in the said Amending Agreement, so as to fulfill both the supervisory obligations of the Bank, as well as the needs of a transaction whose terms have been transparent and have obtained the required approvals of the competent Supervisory Authorities.

#### **Issue 4: Lack of Directors' share ownership**

##### **Question:**

*We read on page 65/258 of the 2018 financial statements:*

Ordinary Shares Owned by the Board of Directors		31 December 2018
Name	Activities	Number of Ordinary Shares
Costas Michaelides	Member of the Board of Directors (Chair)	-
Paul Mylonas	Member of the Board of Directors (Chief Executive Officer)	3,341
Panos Dasmanoglou	Member of the Board of Directors (Executive Board Member)	80
Dimitrios Kapotopoulos	Member of the Board of Directors (Executive Board Member)	2,668
Yiannis Zographakis	Member of the Board of Directors	-
Claude Piret	Member of the Board of Directors	-
Haris Makkas	Member of the Board of Directors	-
Eva Cederbalk	Member of the Board of Directors	-
John McCormick	Member of the Board of Directors	-
Andrew McIntyre	Member of the Board of Directors	-
Periklis Drougkas	Member of the Board of Directors	-
<b>Total</b>		<b>6,089</b>

*8 of the 11 members of the Board therefore have no shares in the bank! While the other 3 members have only 6,089 shares (totaling 914 million shares) of today's value (X 2.4 EUR/SHR) of EUR 14,613, despite what is stipulated in par 8.18 of the Corporate Governance Code*

**8.18 Directors' share ownership:** In order to align their personal interests with the long-term interests of NBG shareholders, directors may acquire NBG shares. In addition to other disclosure obligations related to the acquisition and disposal of NBG shares, directors shall disclose, on an annual basis, the number of NBG shares they own and the number of NBG shares they acquired and sold during the preceding twelve (12) months, to the Manager of NBG Group Compliance and Corporate Governance Division, who reports to the Board annually on individual director share ownership and cumulative share dealings, as well as the progress of each director with regard to the aforesaid NBG share ownership commitment.

*so we ask the following last question, in order to determine the degree of trust of the BoD members in the good performance of the company stock:*

**G. Shareholder's question:** *Do Board members not trust the Bank they direct so as to acquire a small but nevertheless significant amount of their property, in NBG shares?*

##### **Answer:**

**G.** With respect to the question under item 4 regarding non-ownership of NBG shares by the Board members as a whole, it is noted that there is no relevant provision based on which Board members are obliged to own NBG shares. Accordingly, non-ownership of NBG shares by all

Board members does not constitute divergence from any obligation under the provisions of the regulatory framework or the Bank's internal documents. It is also noted that the Board members not owning NBG shares were non-executive directors, the majority of whom were foreign members with residence outside Greece.