

Greece

Outlook for H2 2016 and beyond

Domestic growth, program milestones, challenges & investment opportunities



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Part 1

Greece: macroeconomic trajectory & outlook

Short-term macroeconomic outlook improves

Following successful completion of 1st program review

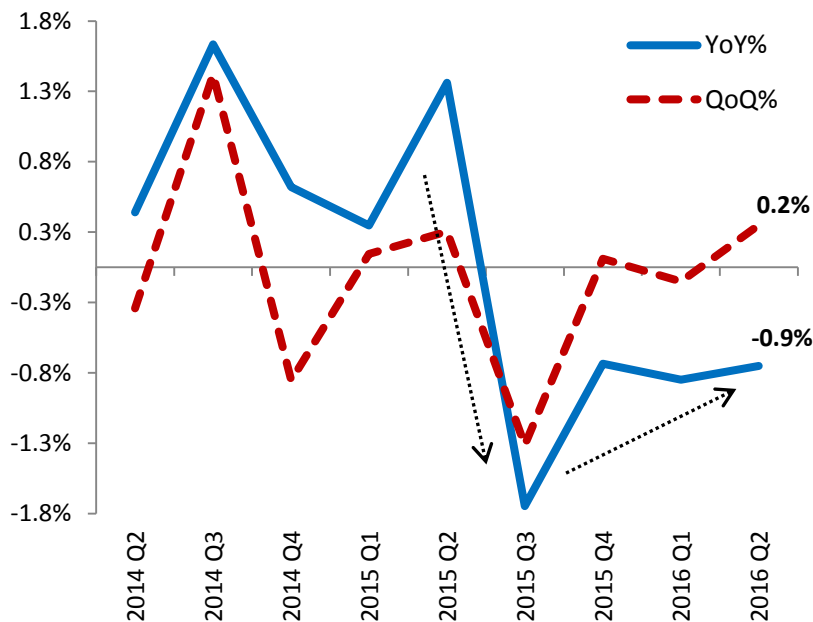
- ☑ Successful completion of 1st program review opened the door for:
 - ☐ Release of ESM loan tranche (€7.5bn in Jun. 2016 + €2.8bn by mid Oct.) to service external debt & clear arrears
 - ☐ *c €1.0bn was disbursed in July for the payment of arrears*
 - ☐ Re-introduction of Greek collateral waiver (cheaper funding for Greek banks)
 - ☐ Gradual relaxation of capital controls (improvement in depositor sentiment and return of deposits)
 - ☐ Acceleration of privatization program and strengthened framework for NPLs management & resolution
 - ☐ Tighter budgetary surveillance (contingency mechanism to automatically correct deviations from fiscal targets)
- ☑ Successful conclusion of the 2nd review and more clarity on the medium-term debt relief framework could open the door for Greece's inclusion in ECB's QE program (compression of risk premia)
- ☑ Adequate program financing to cover government borrowing needs till August 2018
- ☑ Debt relief to smooth out borrowing profile after 2020
- ☑ Sizeable funding committed to re-engineer medium-term growth from EU structural and investment funds as well as agricultural policies (> €35bn until 2020)

Risks: backpedaling on structural reforms agenda; regional geopolitical tensions; refugee crisis; major external shock (upcoming elections in the US and a number of euro area countries, Brexit, China, EM & commodity markets)

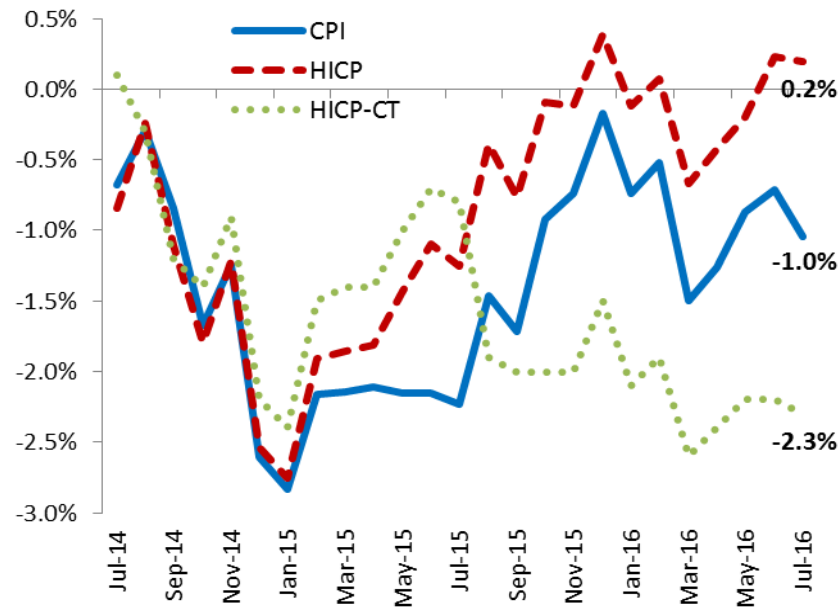
Economic slowdown milder than expected

Gradual recovery expected from H2 2016 onwards

Real GDP s.a.: -1.0% YoY in H1-16 vs. -1.2% YoY in H2-15



Inflation rate: recent uptick due to increased taxation



Why the recession post-CCs has proved milder than expected?

Domestic drivers: agreement on 3rd economic adjustment programme; good tourism season; gradual relaxation of CCs; rebound in economic sentiment and successful bank recapitalization

External drivers: drop in oil prices and devaluation of the euro

Is it possible for the economy to recover from H2 2016 onwards?

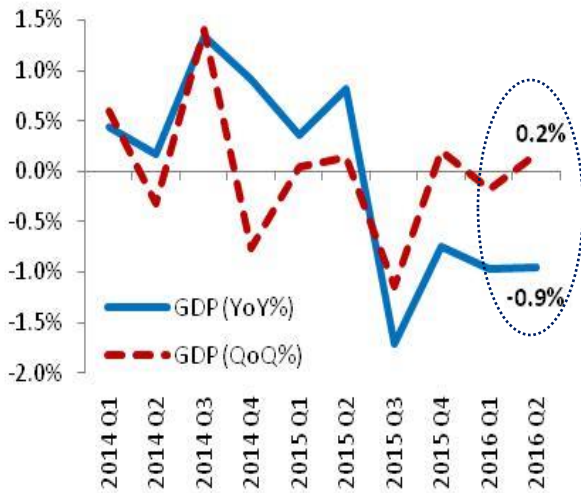
Successful completion of 1st programme review establishes a good base for gradual improvement in domestic economic conditions from H2:2016. That is, provided that programme implementation remains on track

Potential drivers: programme financing to clear State arrears to private sector (large multiplier); further improvement in domestic sentiment; good tourism season; sharp compression of risk premia due to inclusion in the QE programme

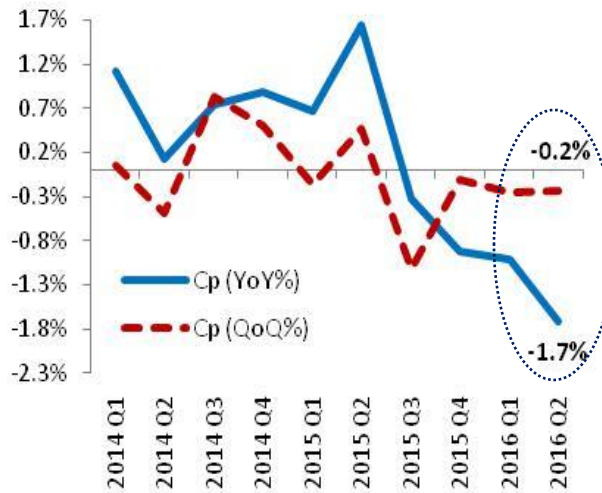
Greek Real GDP & Components (seasonally adjusted data)

4 consecutive quarters of negative YoY growth; hopes for recession bottoming out in Q2

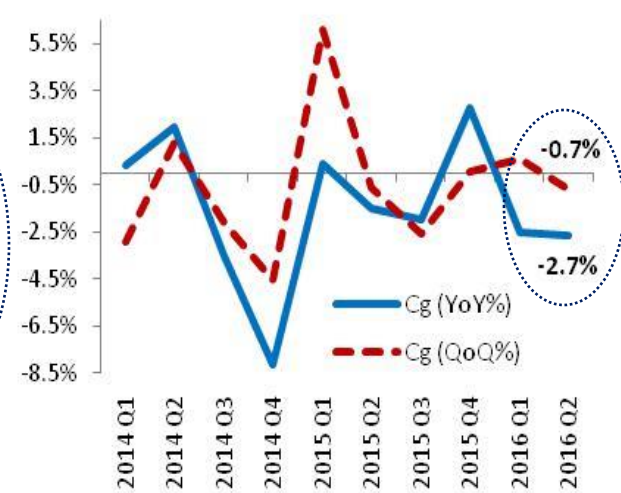
Real Gross Domestic Product



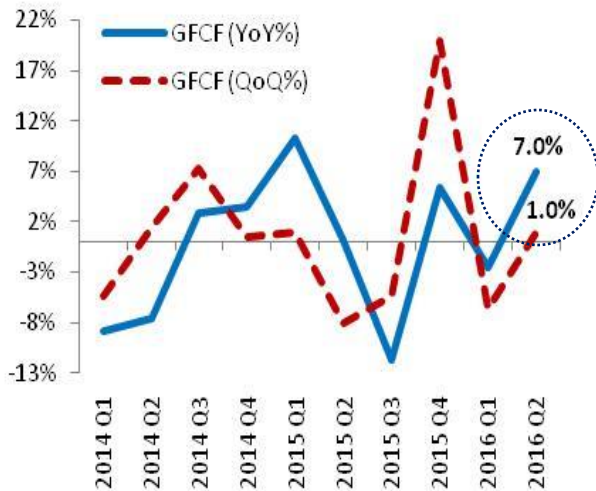
Real Private Consumption



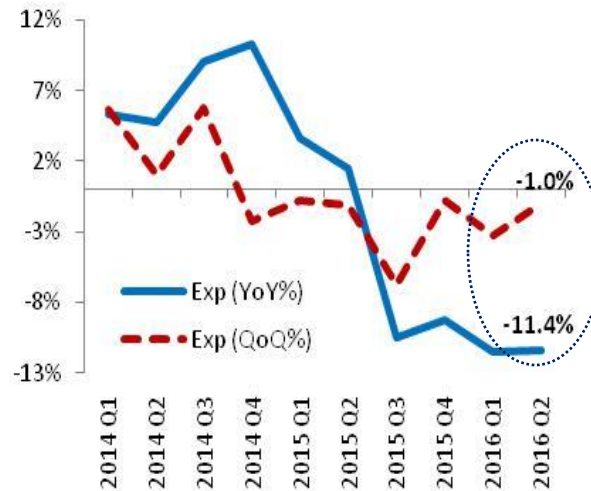
Real Government Consumption



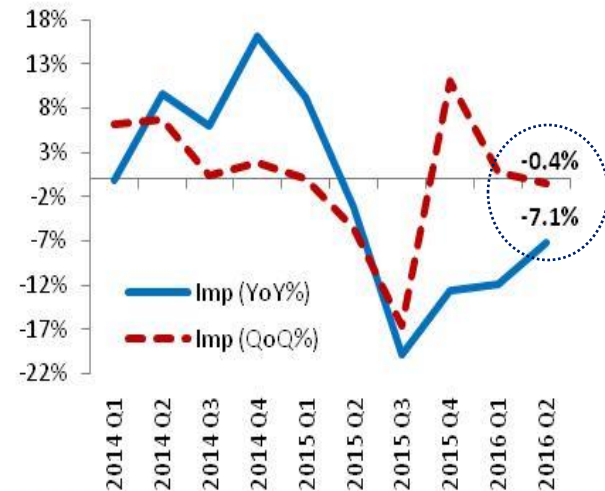
Real Gross Fixed Capital Formation



Real Exports of G&S



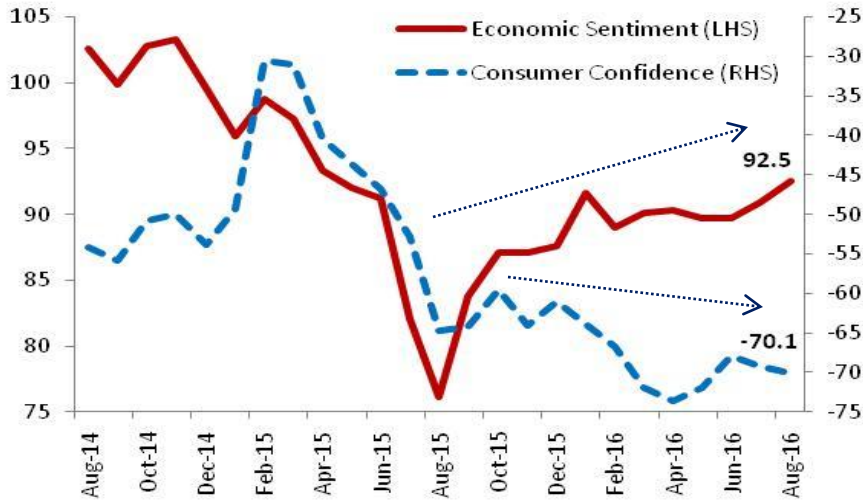
Real Imports of G&S



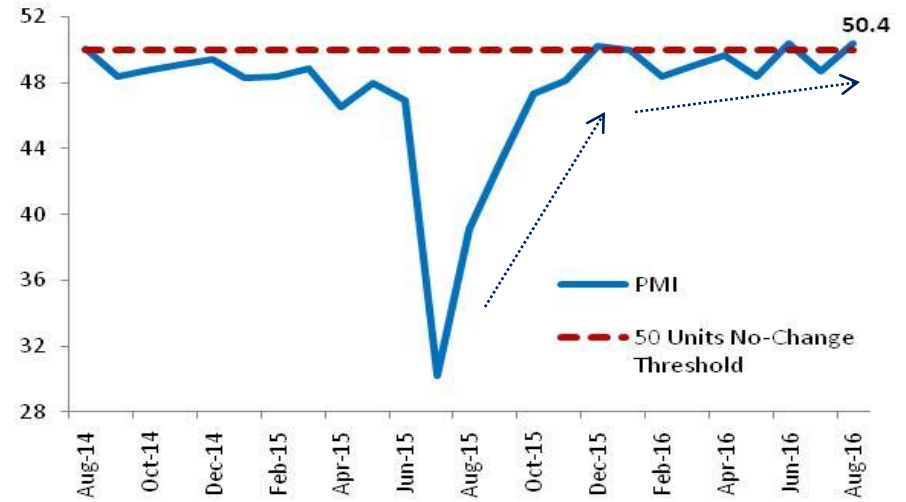
Higher frequency indicators

Gradual stabilization following last summer's turbulence

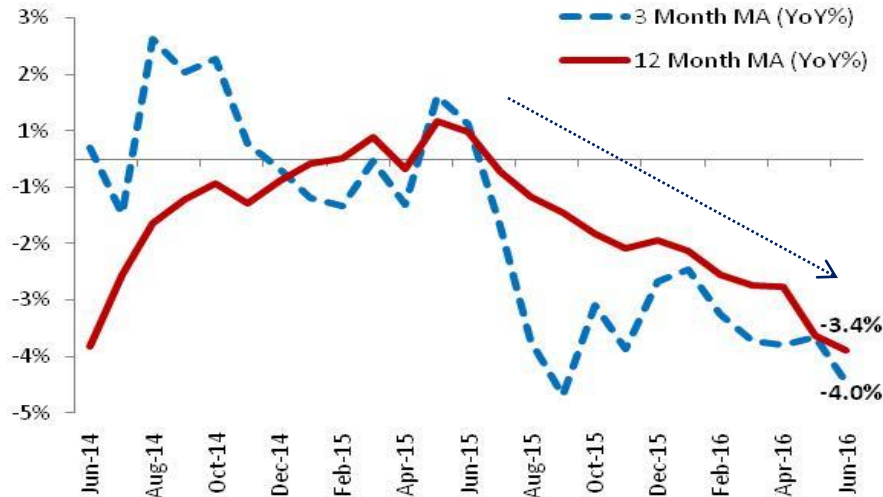
Economic Sentiment: gradual recovery continues



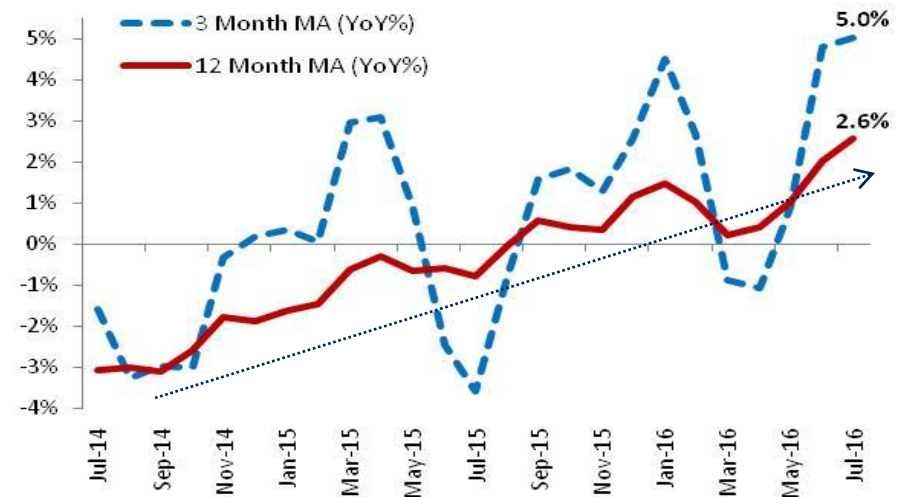
PMI manufacturing: struggling to surpass the boom-bust threshold



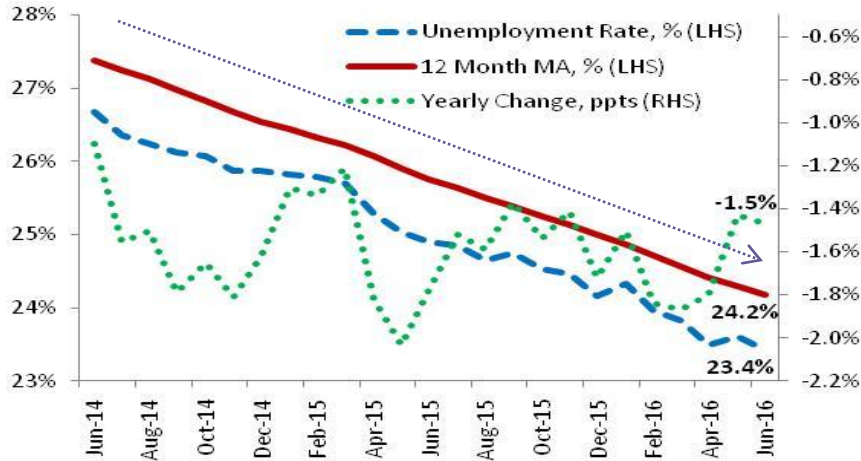
Retail Sales Volume: negative trajectory continues



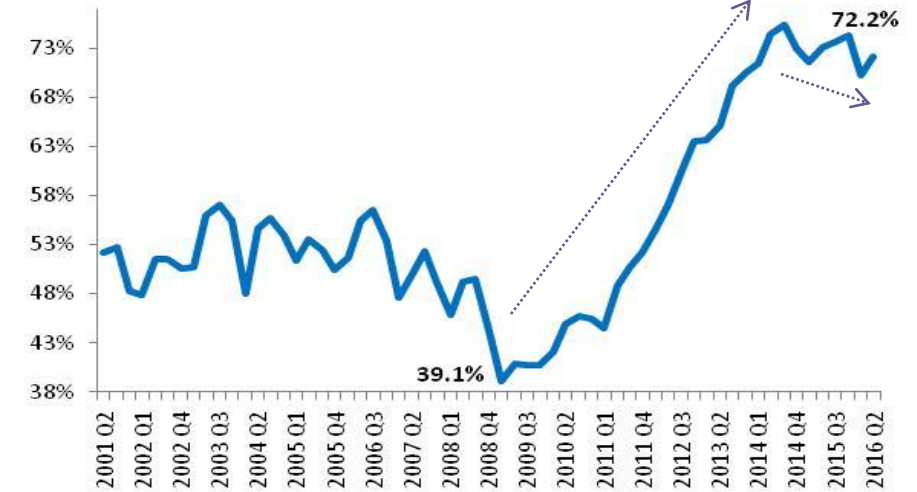
Industrial Production: positive signs in recent months



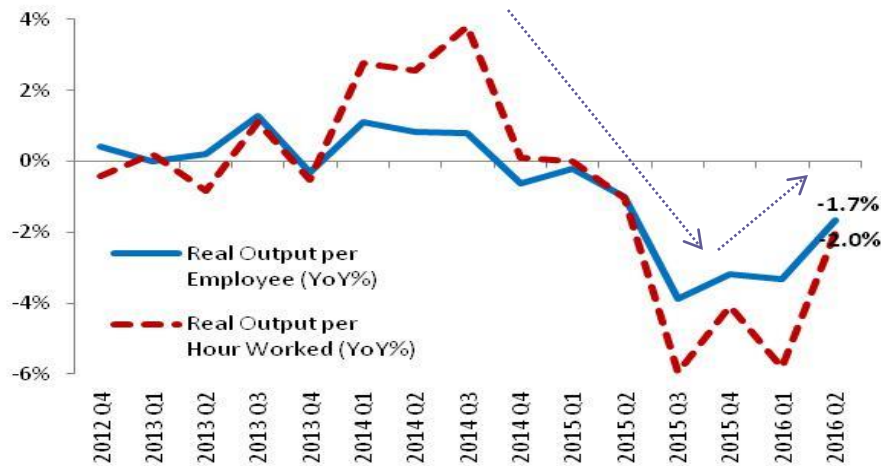
Unemployment Rate: still at elevated levels despite recent improvement



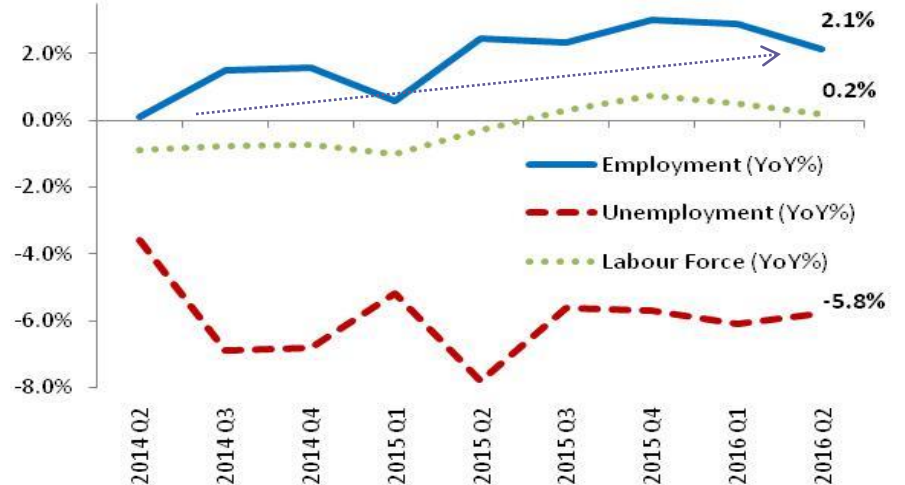
Long Term Unemployment: major obstacle in the way towards labour market recovery



Labour Productivity: key factor behind the recession



Employment: on an upward trend in recent months



Progressive improvement in domestic financial conditions

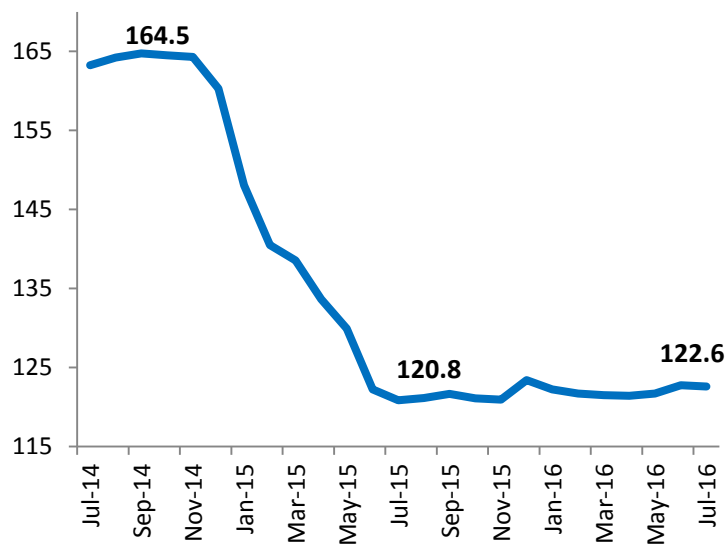
Following completion of 1st program review, reinstatement of waiver

- ☑ Stabilization of macro environment & gradual relaxation of CCs to facilitate return of bank deposits
 - ☐ Deposit outflows by private-sector residents amounted to c. €42.5bn in Sept. 2014-Jun. 2015 (total outflows: c. €55bn)
 - ☐ Net deposits' inflow of c. €1.8bn and return of c. €4bn in notes & bills in Jul. 2015 – Jul. 2016
 - ☐ Cash outside the Greek banking system now c. 27% of GDP (vs. 17.5% of GDP in September 2014 and c. 18% of GDP in the EA)
 - ☐ More than €20bn of excess liquidity currently estimated to be “under the mattress”

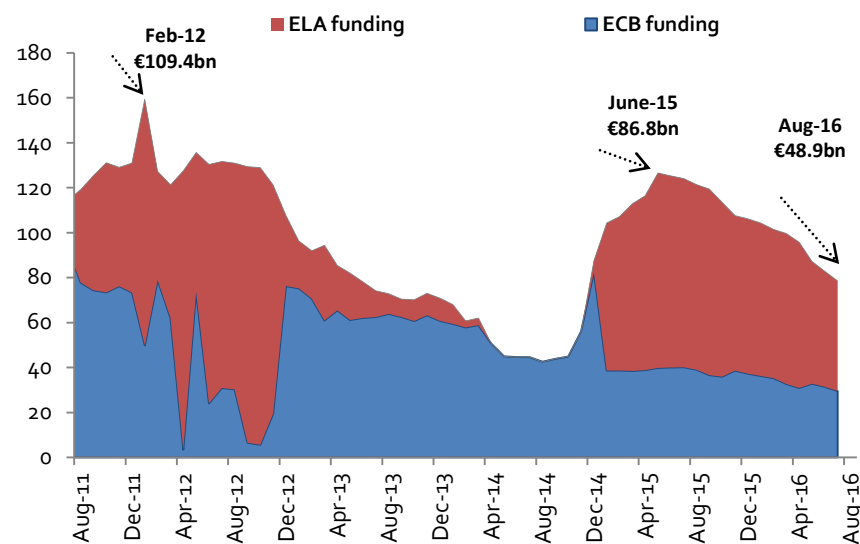
- ☑ Reinstatement of sovereign debt waiver & inclusion in ECB's QE program (expected after completion of 2nd review)
 - ☐ €400-€500mn positive impact on Greek banks' results (BoG estimate)
 - ☐ ELA funding at €48.9bn in August 2016, down from a 2 ½ year high of €86.8bn in June 2015 due to increased deposits and regained access to the interbank market

- ☑ Strengthened framework for NPLs resolution
 - ☐ Positive impact on credit supply & expected improvement in Capital Adequacy Ratio, c.16% currently for the four systemic banks

Private sector deposits (residents) in EUR bn



Gradual decline in ELA reliance



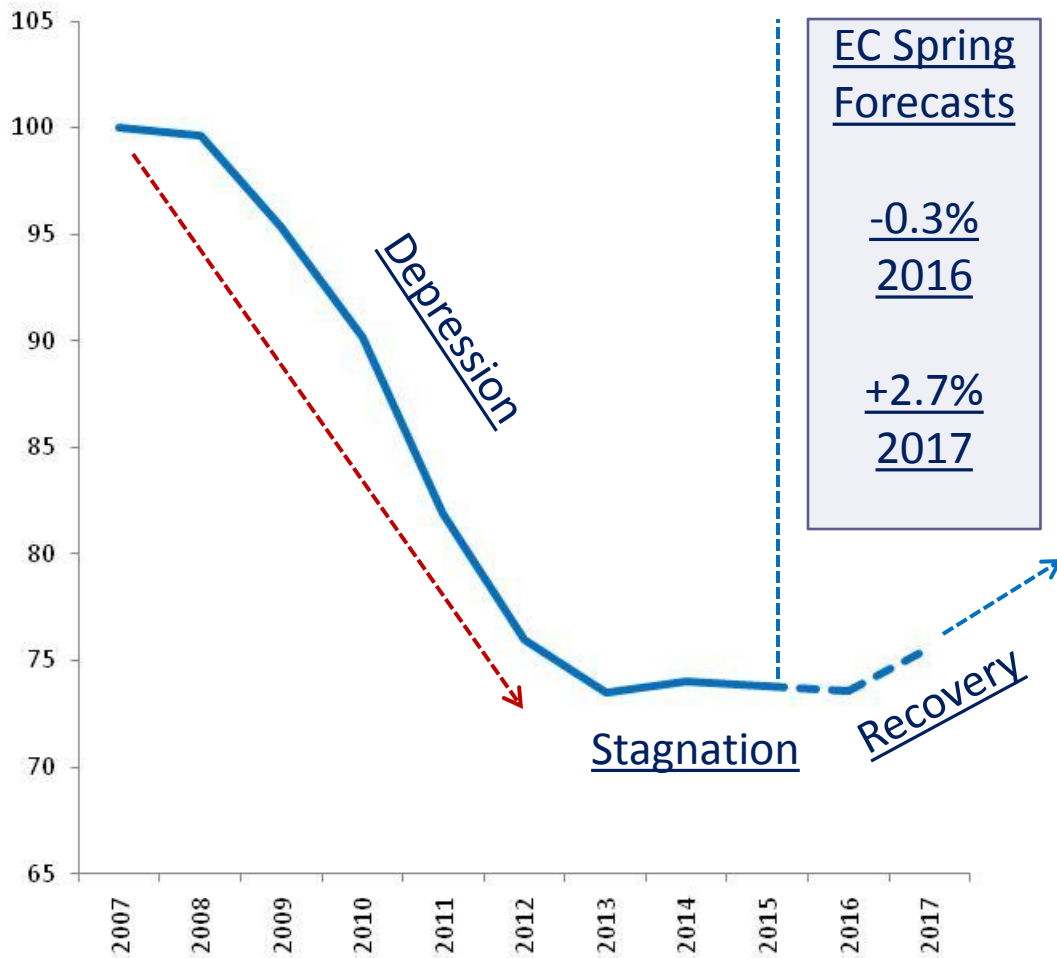
Greece outlook 2016

Macro indicators: realizations & forecasts

	2015, €bn (nominal)	2015 Real YoY%	2016 Real YoY%	2017 Real YoY%
GDP	176.0	-0.2	-0.5	2.3
Private Consumption	123.8	0.3	-0.9	1.3
Government Consumption	35.2	0.0	-1.7	-0.1
Gross Capital Formation	17.3	-13.1	3.2	12.7
Gross Fixed Capital Formation	20.5	0.7	2.0	11.6
Exports	53.0	-3.8	-3.0	4.2
Imports	53.3	-6.9	-3.5	3.8
GDP Deflator (yoy%)		-0.6	0.0	0.8
Unemployment Rate (%)		25.0	24.0	22.5
Private Sector Deposits (yoy%)		-23.0	2.0	7.5
Private Sector Credit (yoy%)		-3.6	-1.0	2.7

Medium-term growth drivers

Real GDP (Index 2007 = 100)



- **Tourism**
(focus on promising sub-sectors: home-
porting for cruises, health tourism, city
breaks, other)
- **Transportation and
Logistics**
(positive externalities to other important
sectors of the economy e.g.
manufacturing)
- **Agriculture**
(branded products)
- **Energy**
(renewables)
- **Public Infrastructure**
(positive externalities to tourism, logistics,
other)
- **Shipping**
(development of long-delayed shipping-
services hub)

Part 2

Benefits from inclusion in ECB's QE program

Greece: impact from inclusion in ECB's QE program

- PSPP purchases of Greek marketable debt could be equivalent to well over a year's worth of the present total daily trading volume in GGBs, triggering pronounced decline in bond yield spreads (> 150bps, in our view)

Eligible pool of Greek marketable debt for PSPP purchases (notional amounts in EUR billions)

	PSI & post-PSI bonds (eligible outstanding amount)	SMP bonds (eligible outstanding amount)	ANFA bonds (eligible outstanding amount)	Total eligible amount	of which, ECB and euro area NCB holdings	% owned by ECB & euro area NCBs	Remaining percentage to reach 33% issuer limit	Eurosystem Central Bank purchases
Jul-16	34.9	9.6	3.2	47.7	12.81	26.8%	6.2%	2.9
Sep-16	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Dec-16	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Mar-17	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Jun-17	30.8	8.4	2.6	41.8	10.95	26.2%	6.8%	2.8
Sep-17	30.1	5.1	2.1	37.3	7.20	19.3%	13.7%	5.1
Dec-17	30.1	3.6	1.6	35.3	5.18	14.7%	18.3%	6.5
Mar-18	30.1	3.6	1.6	35.3	5.18	14.7%	18.3%	6.5
Jun-18	30.1	3.6	1.6	35.3	5.18	14.7%	18.3%	6.5
Aug-18	30.1	2.5	1.3	33.9	3.82	11.3%	21.7%	7.4

Appendix

Appendix 1

Addressing the challenge of public sector over-indebtedness

Restructuring strategies for restoring sustainability of Greece's fiscal accounts

Assumptions common to all scenarios

- **ESM disbursements:** €10.3bn in 2016; €20.6bn in 2017; and c. €12.5bn in 2018
- **Gross funding need (GFN)** = debt amortization & interest payments + cash primary balance + official funding for clearing arrears, rebuilding cash buffer & reducing inter governmental borrowing
 - **Arrears clearance:** €3.5bn in 2016; €2.5 in 2017; and €1.5bn in 2018
 - **Cash buffer** (annual amounts): €2.5 in 2016; €2.5 in 2017; and €2.5bn in 2018
 - **Reduction of inter-governmental borrowing:** €2bn in 2017; and €2bn in 2018
 - **Outstanding T-bills:** c. €15bn throughout the entire projection horizon

Scenario “Baseline June 2015”

- **Macro assumptions broadly in line with the IMF’s June 2015 DSA**
 - Long-term **real GDP growth:** 1.5%
 - Long-term **GDP deflator** inflation: 2.0%
 - General government **primary balance** (2018 onwards): 3.5% of GDP
 - **Privatization revenue** in line with the IMF’s DSA

Scenario “Baseline May 2016”

- **Macroeconomic assumptions broadly in line with the IMF’s May 2016 DSA**
 - Long term **real GDP growth:** 1.2%
 - Long term **GDP deflator** inflation: 1.9%
 - General government **primary balance** (2018 onwards): 1.5% of GDP
 - **€10bn set aside** to cover any new bank recap needs
 - **Privatization revenue** in line with the IMF’s DSA
 - 3m & 6m Euribor, EFSF/ESM funding rates in line with the IMF’s DSA
 - **Market rate** for refinancing Greek debt assumed c. 6.0% in 2019 and increasing/decreasing afterwards by 4bps per 1ppt increase/decline in debt ratio
For simplicity, **market refinancing** is assumed to take place through issuance of 5 years fixed coupon bonds

Scenario “Baseline May 2016 with debt restructuring” (*)

- **Macroeconomic assumptions broadly in line with the IMF’s May 2016 DSA**
 - Long term **real GDP growth:** 1.2%
 - Long term **GDP deflator** inflation: 1.9%
 - General government **primary balance** (2018 onwards): 1.5% of GDP
 - **Privatization revenue** in line with the IMF’s DSA
 - **Market rate** for refinancing Greek debt assumed c. 6.0% in 2019 and increasing/decreasing afterwards by 4bps per 1ppt increase/decline in debt ratio
- **Debt restructuring** after completion of current programme (mid 2018)
- For simplicity, **market refinancing** is assumed to take place through issuance of 5 years fixed coupon bonds

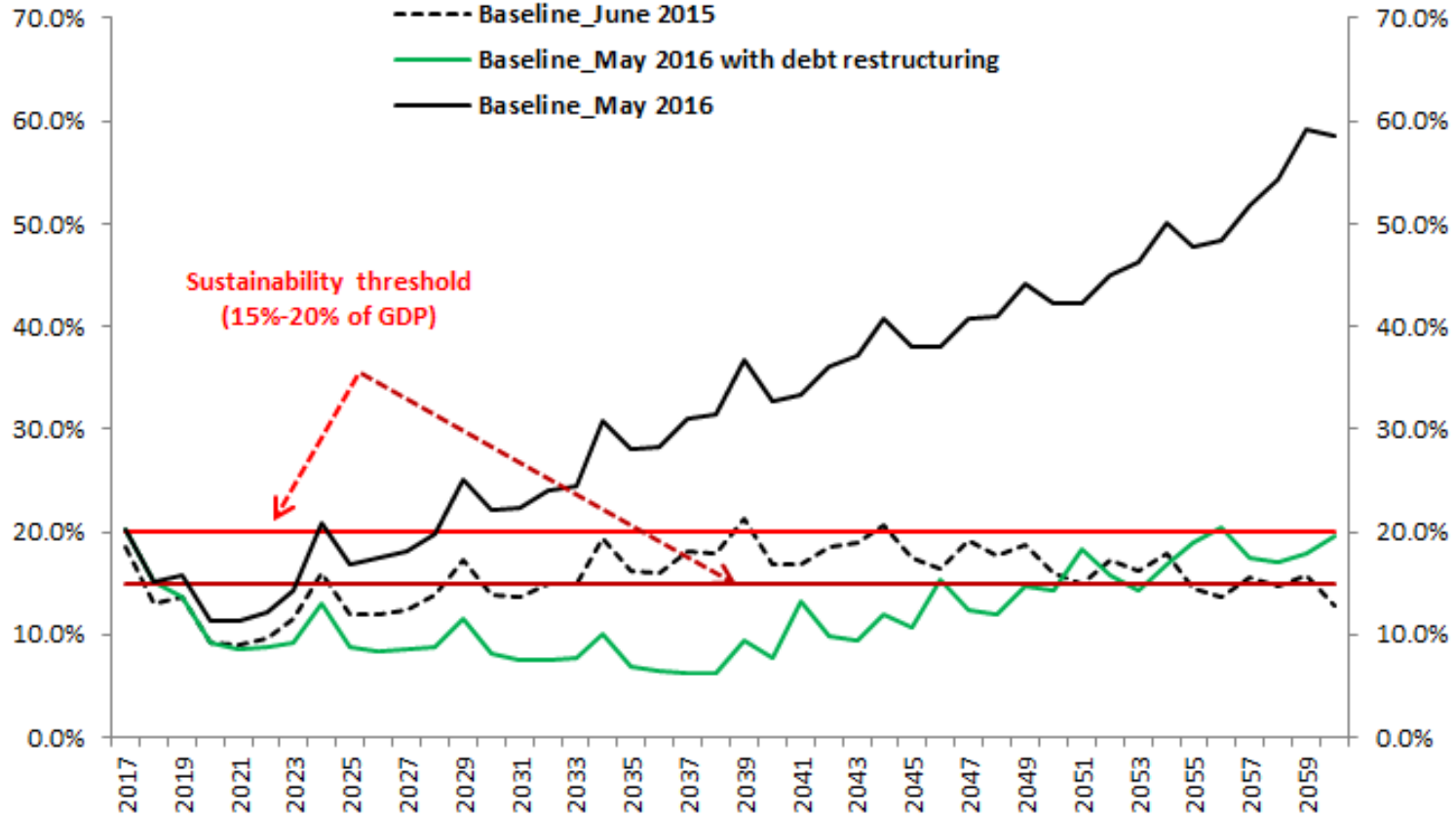
(*) Debt restructuring (OSI) modalities

- **Debt relief** implemented after expiration of current program (mid-2018)
- **GLF** - loan maturity extension (30 years) along with longer deferrals on interest and principal payments (by 21 and 20 years, respectively)
- **EFSF** - loan maturity extension (14 years) along with longer deferrals on interest and principal payments (by 20 and 17 years, respectively)
- **ESM** - loan maturity extension (10 years) along with longer deferrals on interest and principal (by 19 and 6 years, respectively)
- **Interest on deferred interest** assumed to accrue at a fixed rate of 1½ % per year until 2040 and a long-run official rate of 3.8% afterwards
- **Return of ANFA and SMP profits:** €1.8bn pending from 2014 plus profits accrued from 2019 onwards

Greece: evolution of general government gross funding needs

Scenarios broadly in line with IMF DSAs (June 2015 & May 2016)

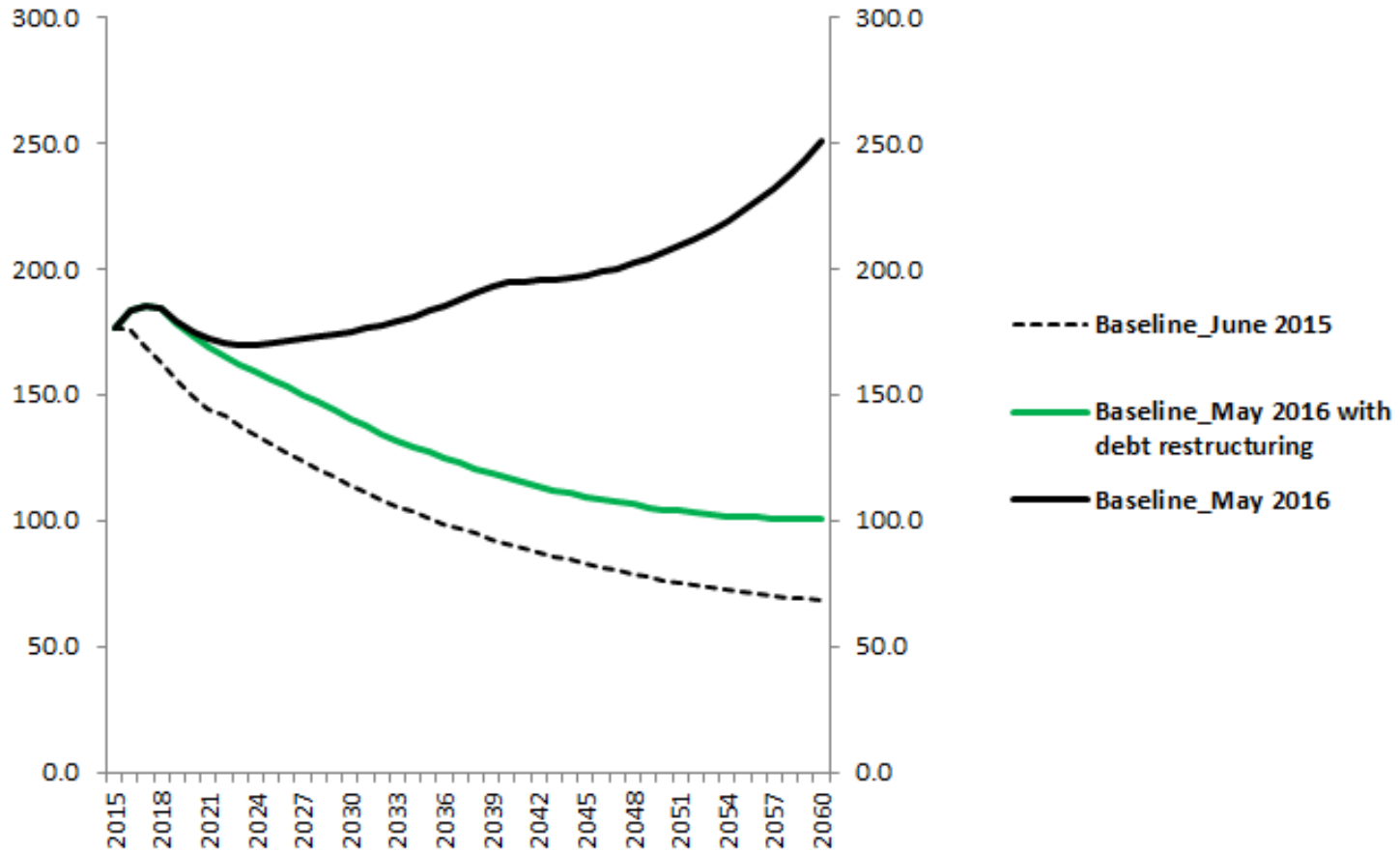
General government gross funding needs (GFN) as % of



Greece: evolution of general government debt to GDP ratio

Scenarios broadly in line with IMF DSAs (June 2015 & May 2016)

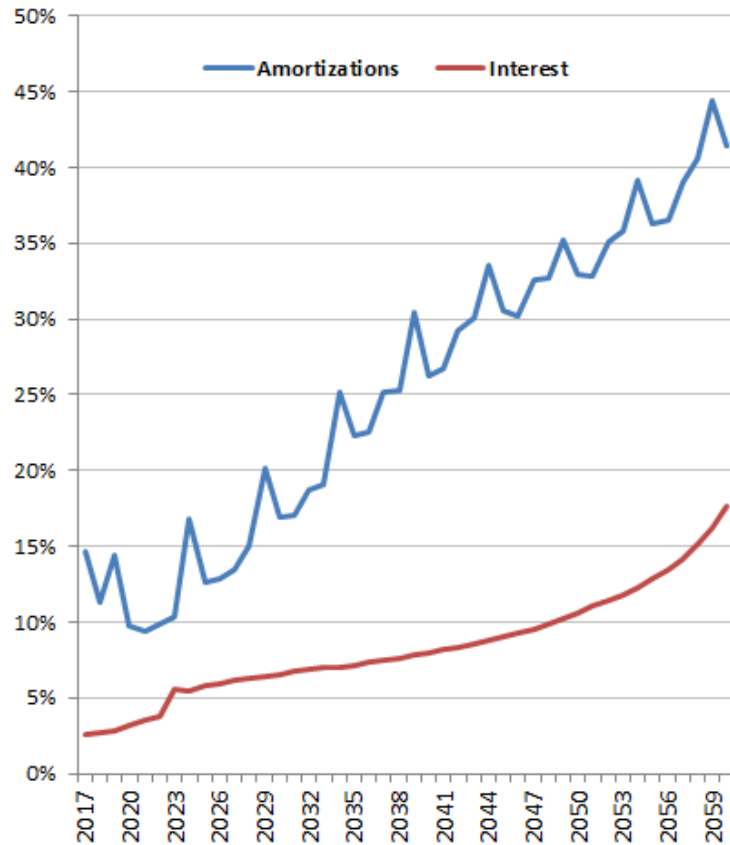
General government gross public debt (% GDP)



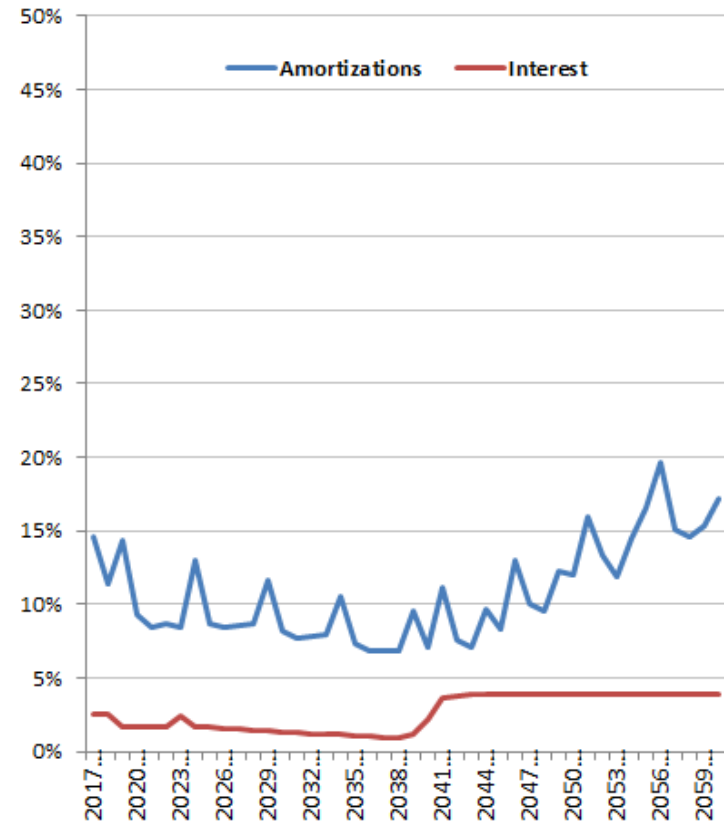
Greece: amortization & interest payments (% GDP)

Assuming market access is re-established post-2018 to cover projected funding gaps

Scenario "Baseline May 2016"



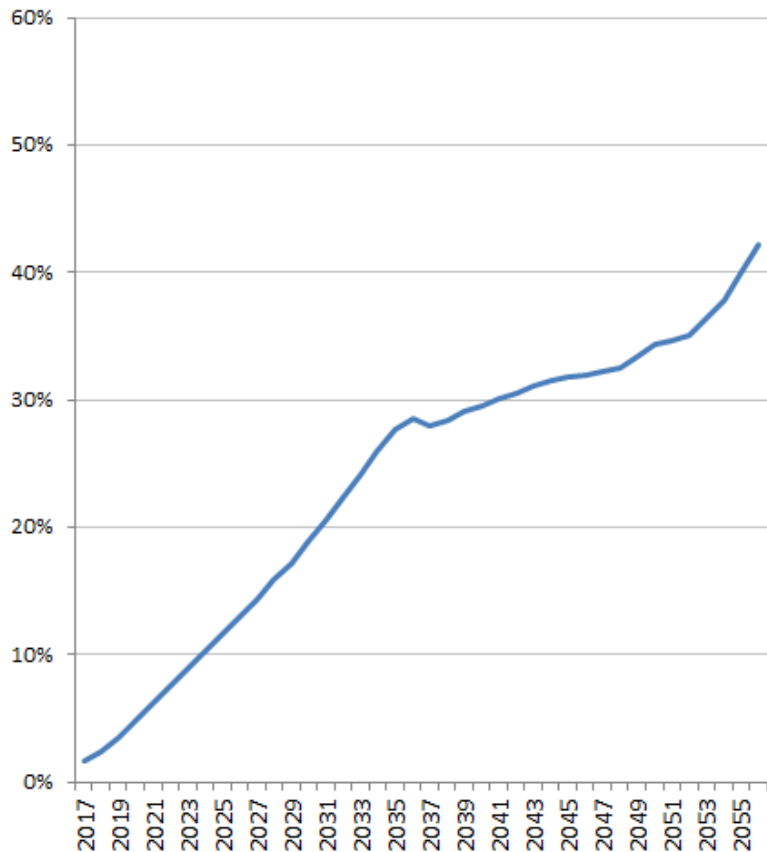
Scenario "Baseline_May 2016 with debt restructuring"



Greece: cash flow & stock relief due to debt re-profiling (% of GDP)

Cash flow relief

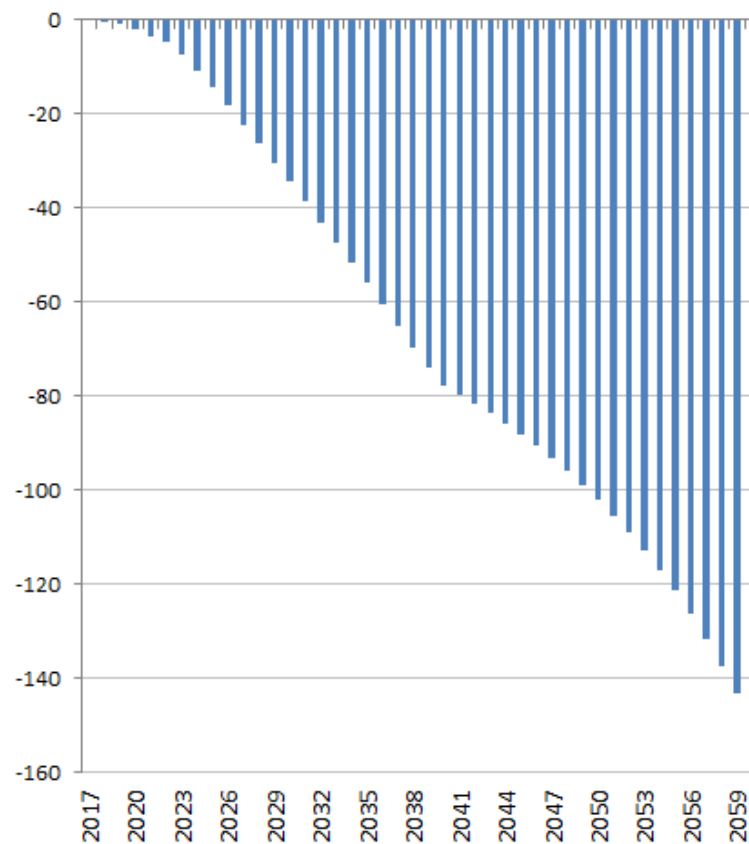
Time evolution of NPV savings as % of GDP (*)
 from $t_0 = 2017$ to $T = 2060$
 "Baseline_May 2016" Vs. "Baseline_May 2016 with debt restructuring"



(*) Discount rate for NPV calculation assumed at 3%

Stock relief

Decline of debt to GDP ratio due to debt re-profiling
 "Baseline_May 2016" Vs. "Baseline_May 2016 with debt restructuring"



Appendix 2

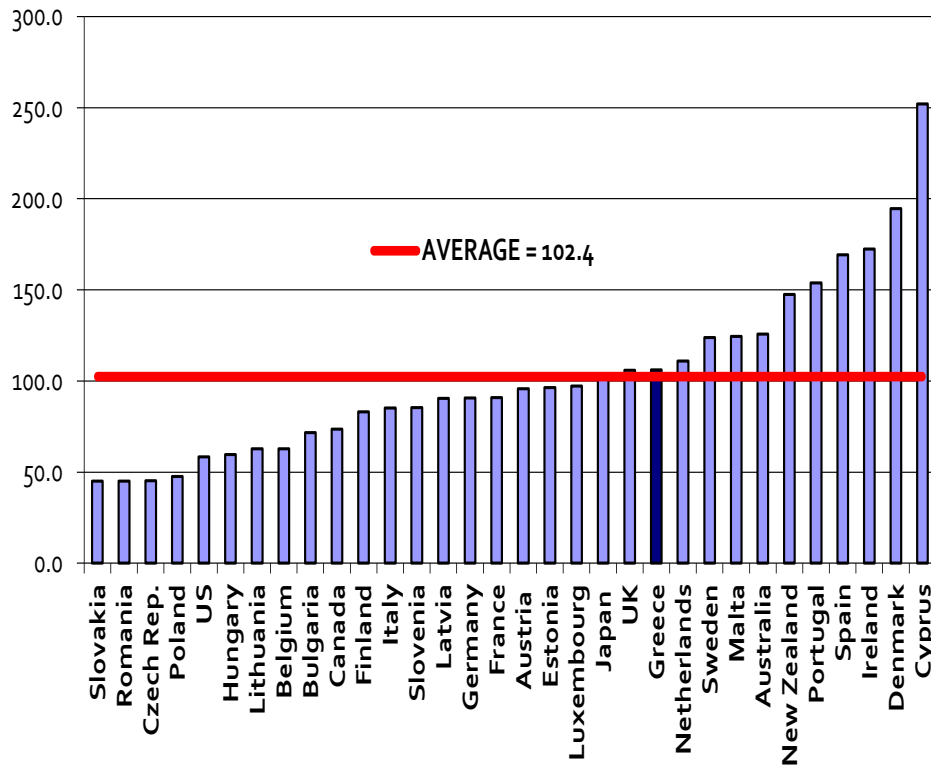
Private sector bad loans

Determinants, recent trends & policy framework to deal with NPLs

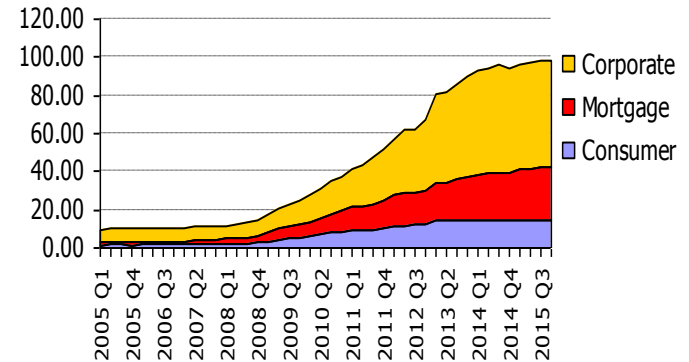
When crisis hit, Greece not particularly over-leveraged relative to other EU economies

But, sharp rise in NPLs due to unprecedented recession

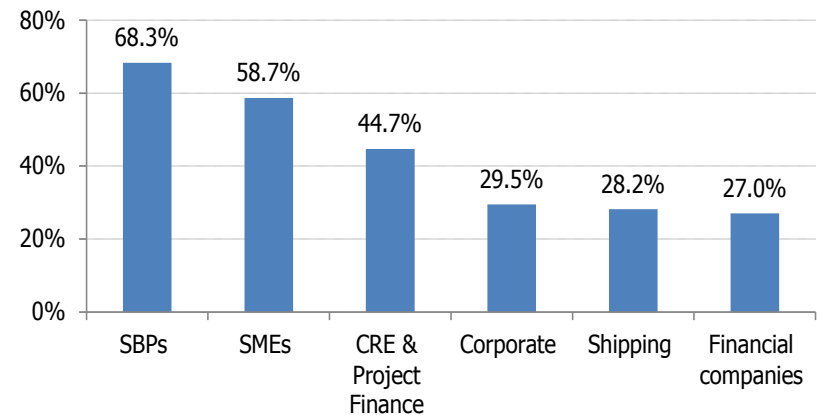
Private-sector credit at end-2008 (% GDP)



Greece: evolution of non-performing loans including restructured loans by major sectors (EUR bn)



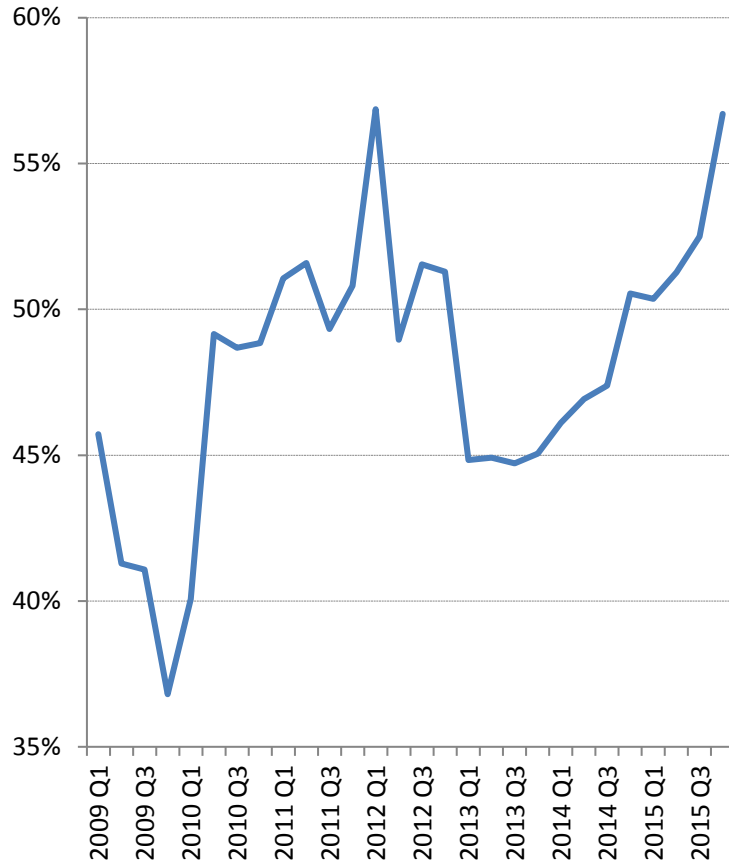
Greece: non-performing corporate exposures to total corporate loans ratio (end-2015)



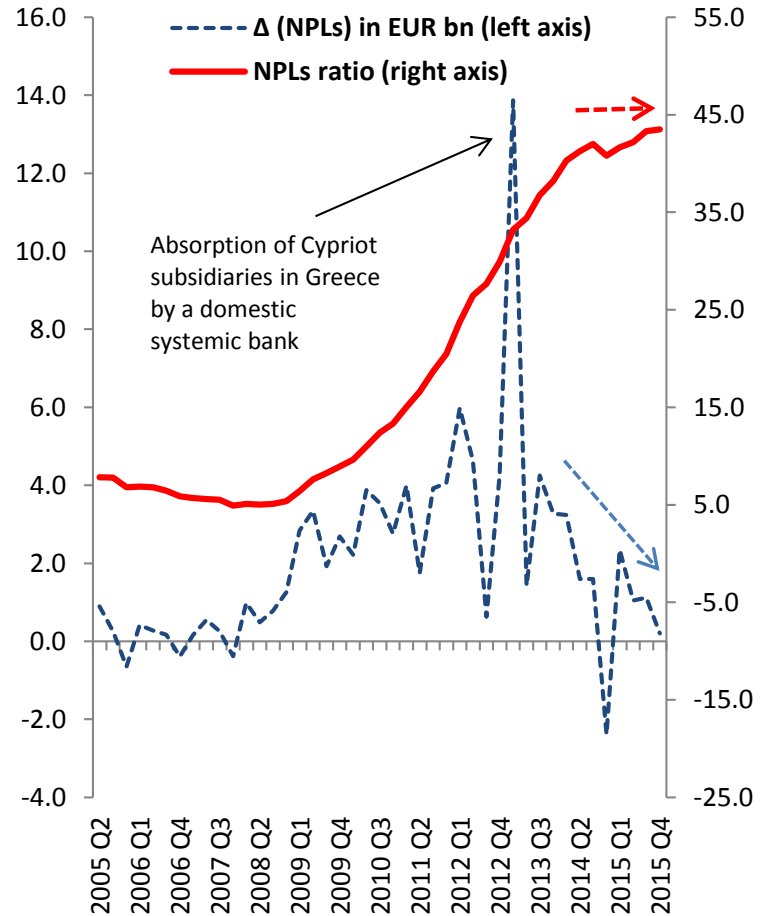
Greek systemic banks well capitalized (and well provisioned) to deal with NPLs

Our empirical analysis suggests peak in NPLs ratio is nearing (*)

Coverage of NPLs by Loan Loss Reserves (ppts)



Non performing loans (including restructured loans)
Quarterly change (in levels) & ratio to total loans



(*) Eurobank Research "High NPLs Ratio in Greece: Outcome of an unprecedented recession or the lending practices of domestic credit institutions in the pre-crisis era?" April 25, 2016 / https://www.eurobank.gr/Uploads/Reports/GreeceMacroMonitorFocusNotes_04052016.pdf

Improved regulatory framework for managing NPLs

- ☑ **“NPL Law” (4354/2015)** opening the way for developing a secondary market to be supervised & regulated by BoG
 - ✓ **Partial liberalization** of market for servicing and/or transfer of NPLs to specialized non-bank financial companies (“NPL AMCs”)
 - ✓ Identification of relevant **regulatory and legal framework** for NPL AMCs
 - ✓ **NPLs to be sold as units or in groups** together with other assets, including performing loan receivables
 - ✓ Identification of **minimum requirements** for the establishment and operation of NPL AMCs

- ☑ **Improvements of NPLs resolution framework** in the context of the 1st programme review
 - ✓ **Full liberalization of the sale of all performing and non-performing loans**
(temporary exception till Dec. 31, 2017 for the sale of NPLs collateralized by primary residence with objective value up to €140k)
 - ✓ Removal of tax and other impediments to the efficient management of NPLs

- ☑ **Some open issues affecting NPLs management to be addressed in subsequent reviews**
 - ✓ strengthening the capacity of courts in dealing with household insolvency (end Sept. 2016)
 - ✓ amendment of corporate insolvency law (end Oct. 2016)
 - ✓ assessment of the effectiveness of the legal and instructional framework for the household insolvency law (end Dec. 2016)
 - ✓ full operationalization of the profession of insolvency administrators (end Dec. 2016)

Appendix 3

Brexit impact on the Greek economy

Potential transmission channels

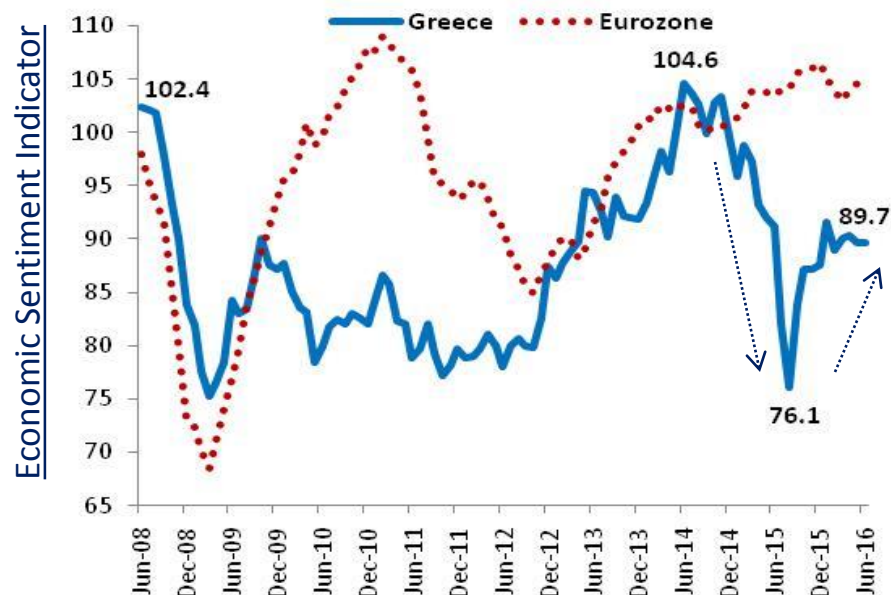
Greece's trade linkages with the UK

The services sector dominates (transport and travel)

2014	Nominal Values	Shares % (nominal values)		
		United Kingdom	EU-27 (except UK)	Extra EU-28
	Total			
Exports Services	€31.1 bn	16.0 (€5,0 bn)	41.2 (€12,8 bn)	42.8 (€13,3 bn)
Imports Services	€12.8 bn	15.2 (€1,9 bn)	44.9 (€5,7 bn)	39.9 (€5,1 bn)
Exports Goods	€27.1 bn	3.6 (€1,0 bn)	44.7 (€12,1 bn)	51.7 (€14,0 bn)
Imports Goods	€48.3 bn	2.6 (€1,3 bn)	45.7 (€25,0 bn)	51.8 (€22,1 bn)

2014	Nominal Values (Nominal Greek GDP in 2014: 177.6 bn)			
	Total	United Kingdom	EU-27 (except UK)	Extra EU-28
Balance				
Services	€18.4 bn	€3.1 bn	€7.1 bn	€8.2 bn
Goods	-€21.3 bn	-€0.3 bn	-€12.9 bn	-€8.1 bn
Total	-€2.9 bn	€2.8 bn	-€5.8 bn	€0.1 bn

Source: Eurostat, Economic Research



In 2014, Greece ran a €3.1 bn surplus with the UK in services and a deficit of €270.6 mn in goods. Hence, the aggregate result was a surplus of €2.8 bn or 1.6% of Greek GDP.

Threats from the “Brexit”:

Short – term: deterioration in economic sentiment

Medium – term: reduction of Greek exports to the UK and to the rest of the EU

Appendix 4

Capital controls

Theory, empirical evidence & impact on the Greek economy

Capital Controls (CCs): theory & empirical evidence

- ✓ “Capital controls (CCs) are measures meant to affect the cross-border movement of capital by limiting the rights of residents or non-residents to enter into capital transactions or to effect the transfers and payments associated with these transactions” (IMF, 2011)
- ✓ “Under certain circumstances, cross-border capital flows should be regulated to avoid the worst effects of capital flow surges or sudden stops” (IMF, 2012)

- ✓ **Main categories**
 - **Administrative** (direct) controls, which prohibit or impose explicit quantitative limits on capital transactions
 - **Market-based** (indirect) controls, such as unremunerated reserve requirements or taxes on flows that discourage the targeted transactions by increasing their cost

- ✓ **Potential consequences**
 - Tend to remain in place for long periods
 - Constrain the supply of capital and increase the cost of financing
 - Compress domestic demand and distort economic agents’ decision-making mechanism
 - Increase market uncertainty

- ✓ **Empirical evidence** (*based mainly on the experience from emerging markets*)
 - Tend to have a stronger impact on the composition than on the volume of capital flows
 - Discourage foreign investment
 - Tend to contain output decline during crises

- ✓ **Unlike several past incidences**, which mainly aimed to support exchange rate stability (e.g. Iceland 2008, Brazil 2009 & India 2013), CCs in Greece were imposed to safeguard domestic banking system stability

Greece: Latest changes (introduced on 22 July 2016)

☑ **Cash withdrawals**

- Cumulative cash withdrawal limit set at €840 bi-weekly, per person, per institution (from €420 weekly, per person, per institution)
- 30% (from 10%) cash withdrawal limit for funds that, as of July 22, 2016, are transferred from abroad by means of a credit transfer to existing accounts held with a credit institution in Greece, through a procedure determined by the Banking Transactions Approval Committee
- 100% cash withdrawal for funds that, as of July 22, 2016 are credited in cash, in accounts owned by legal entities and natural persons. This provision is new

☑ **Early loan repayments**

- Removal of all restrictions for early loan repayment in part or in full without exceptions. Previously, early loan repayment was allowed under certain conditions

☑ **Pensions & welfare benefits**

- Payments of pensions and any type of welfare benefits from abroad are permitted now also for beneficiaries that had applied for their pension on welfare benefit prior to the Legislative Act dated 28 June 2015 or if they are granted a pension for the first time after 22 July 2016 provided that the beneficiary can prove that she/he is resident abroad at least for the past two years

☑ **Opening of bank accounts**

- Opening of a current or deposit account for students who will participate in ERASMUS exchange programmes in the current academic year provided that the existence of an account is a condition for the payment of the relevant tuition fees and that they do not already own an account. This provision had previously applied only to students of the 2015-2016 academic year
- Opening of a bank account in Greece for the purpose of crediting a pension provided that the beneficiary of the pension is resident abroad. This provision is new

Substitution effect: CCs boost usage of “plastic money”

❑ Capital controls have increased the relative cost of the use of paper money

As a result...

❑ Transactions with cards (debit and credit) **increased by 59% YoY** in H2 2015 (+12% in value terms)

However...

❑ Adjustment period is not without costs, given established transaction habits, as:

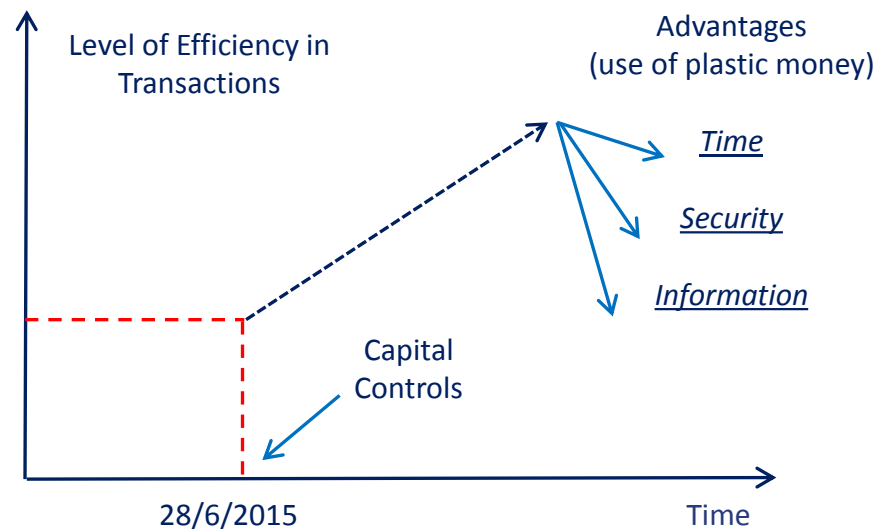
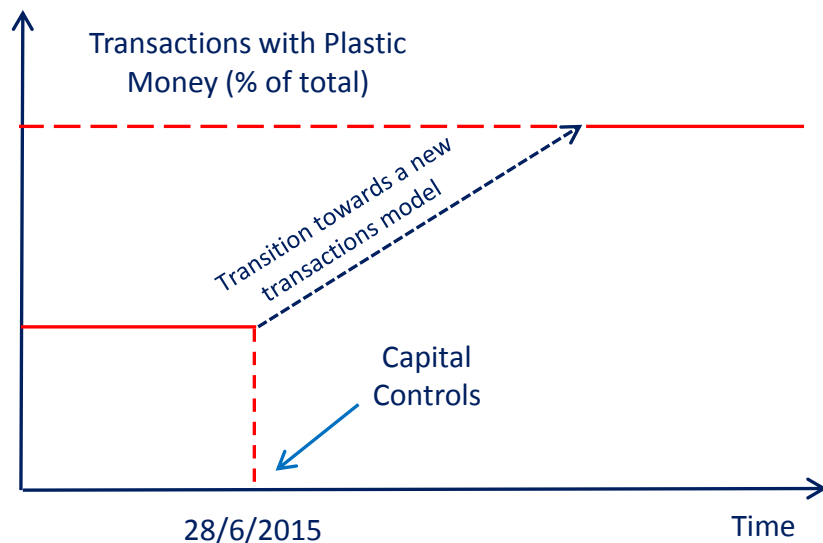
- many pensioners didn't know how to use a debit or credit card
- Greece ranks 26th among EU countries in the use of online banking (21st in online shopping)

Positive long-term implications...

✓ Agents are now adopting a more efficient transactions model, based increasingly on the use of plastic money & online banking

✓ Adjustment in transaction habits expected to support fight against tax evasion

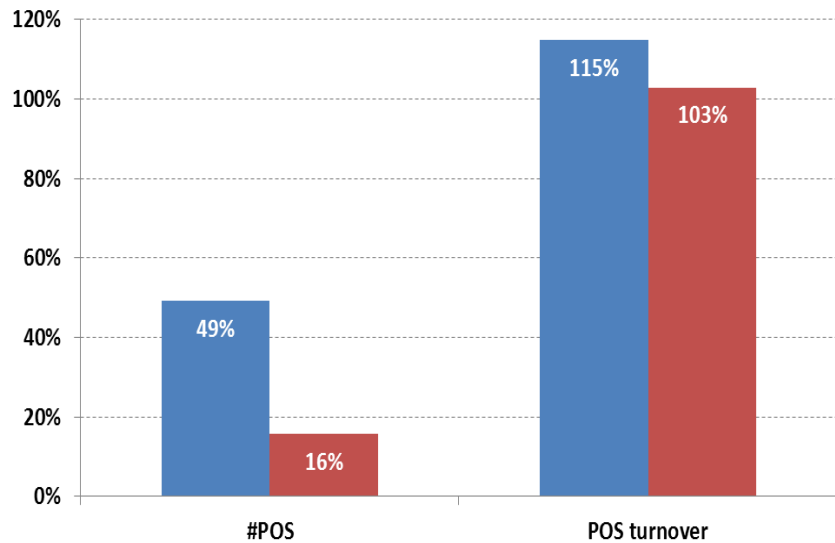
- Greece's shadow economy in 1999-2010 c. 27pp of GDP vs. 20.2pp in OECD (Schneider & Buehn, 2012)



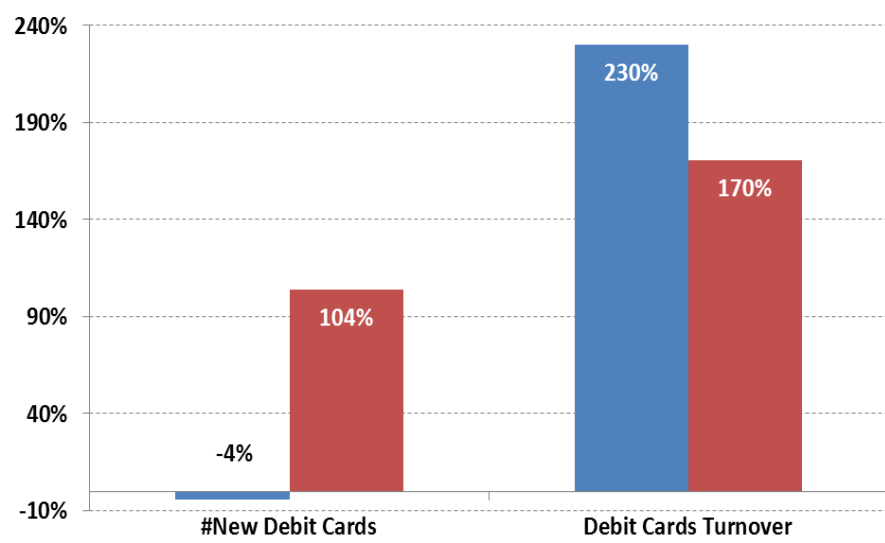
Substitution effect in numbers: some recent evidence

- ❑ Significant changes in the transaction behavior of the public due to the implementation of CCs
- ❑ Eurobank Data:
 1. POS terminals: +49% YoY in H1:2016 (+16% in H2:2015 relative to H1:2015);
 2. POS turnover: +115% YoY in H1:2016 (+103% in H2:2015 relative to H1:2015)
- ❑ Total number of POS terminals is expected to reach 400k in the next 2 years, from c. 150k currently
- ❑ Sharp increase of debit cards issuance and use. According to BoG data, 12.9% increase in the total number of debit cards between 2nd and 1st semester of 2015 (1.3 million new debit cards issued)
- ❑ Eurobank data:
 1. Number of new debit cards increased by 104% in H2:2015 relative to H1:2015
 2. Debit cards turnover Increased by 230% in H1:2016 (and by 170% in H2:2015) relative to H1:2015

POS terminals
 (# of terminals, POS turnover, relative to H1:2015)
 Eurobank data



Debit cards
 (# of new cards & total turnover, thousands, relative to H1:2015)
 Eurobank data



Appendix 5

Programme milestones

Milestones for disbursement of €2.8bn ESM loan sub-tranche

To be completed by late Sep. 2016

Pension reform Completion of pending issues for the harmonisation of social security contributions - *pending*

Bank Governance Assessment of the four systemic banks' BoD members (**key deliverable**)- *completed*

Further reform in the natural gas market (**key deliverable**) - *pending*

Adoption of required legislation for the transposition of the electricity market towards the EU deregulation model (**key deliverable**) - *pending*

Energy New framework for reforming the Renewable Energy Sources (RES) market - *pending*

PPC General Assembly authorisation for the sale of at least 20% of ADMIE to a strategic investor & commencement of respective tender procedure (**key deliverable**) - *completed*

Authorisation to PPC management for concluding negotiations on HV tariffs and signing respective contracts with customers - *pending*

Nomination of the Supervisory Board of the new Privatisation Fund - *pending*

Transfer of a second group of State Enterprises (SOEs) to the new Privatisation Fund - *pending*

Ratification by the Hellenic Parliament of the Share Purchase Agreement for Hellinikon - *pending*

Privatisation

Signing of the relevant MoU- *completed*

Reinforcement of the operational framework of the Hellenic Civil Aviation Authority (HCAA) - *pending*

Launch of Expressions of Interest for the concession of Egnatia Motorway S.A & three Vertical Axes - *pending*

Conclusion of the government pending actions identified by the HRADF (i.e., transfer of 5% of OTE shares to HRADF) - *pending*

Revenue Agency

Ensuring adequacy of both human and material resources for the Revenue Agency (**key deliverable**) - *pending*

Appointment of the Board of Governors of the Revenue Agency (**key deliverable**) - *pending*

2nd program review: key items in the agenda

Expected to commence in October 2016

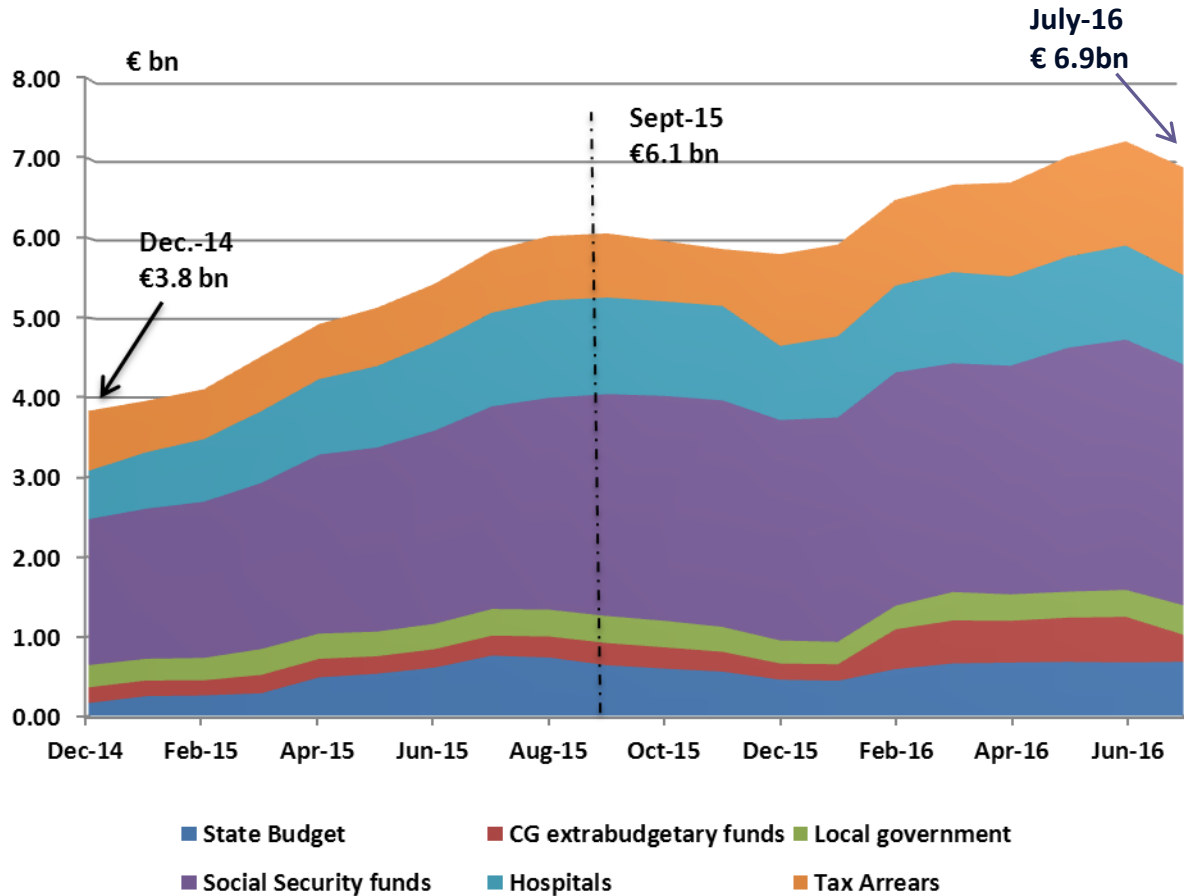
Policy areas	Key deliverable
Labour Market & Human Capital	Alignment of collective dismissals, industrial action framework & collective bargaining with EU best practices Adoption of an integrated action plan for fighting against undeclared & under-declared work
Fiscal Policy & Tax Policy Reform	Legislation of the Medium Term Fiscal Strategy 2017-2020
Resolution of Non-Performing Loans (NPLs)	Amendment of the legal framework for the out-of-court resolution with detailed provisions
Improving Governance of the HFSF and Governance of Banks	Finalisation of the review of the four systemic banks' BoD members
Product Markets and Business Environment	Agreement with the Institutions on a roadmap for the liberalisation of the reserved activities of engineers Adoption of legislation for the one-stop shop for business
Regulated Network Industries	Launch of the first auction under the NOME mechanism in the Greek electricity market
Public Administration	Adoption of legislation for the introduction of a new permanent labor reserve (so-called "mobility scheme")
Anti-corruption	Modification and implementation of the legal framework for the financing of political parties
Privatisation Program & the new Privatisation and Investment Fund	Agreement with the Institutions on the transfer of a second group of State Enterprises (SEOs) to the new Privatisation and Investment Fund
Sustainable Social Welfare	Launch of the gradual nationwide roll-out of the Guaranteed Minimum Income (GMI) scheme

Appendix 6

General Government Arrears

General Government Arrears

Part of the €7.5bn ESM sub-tranche used for clearance of State arrears in July



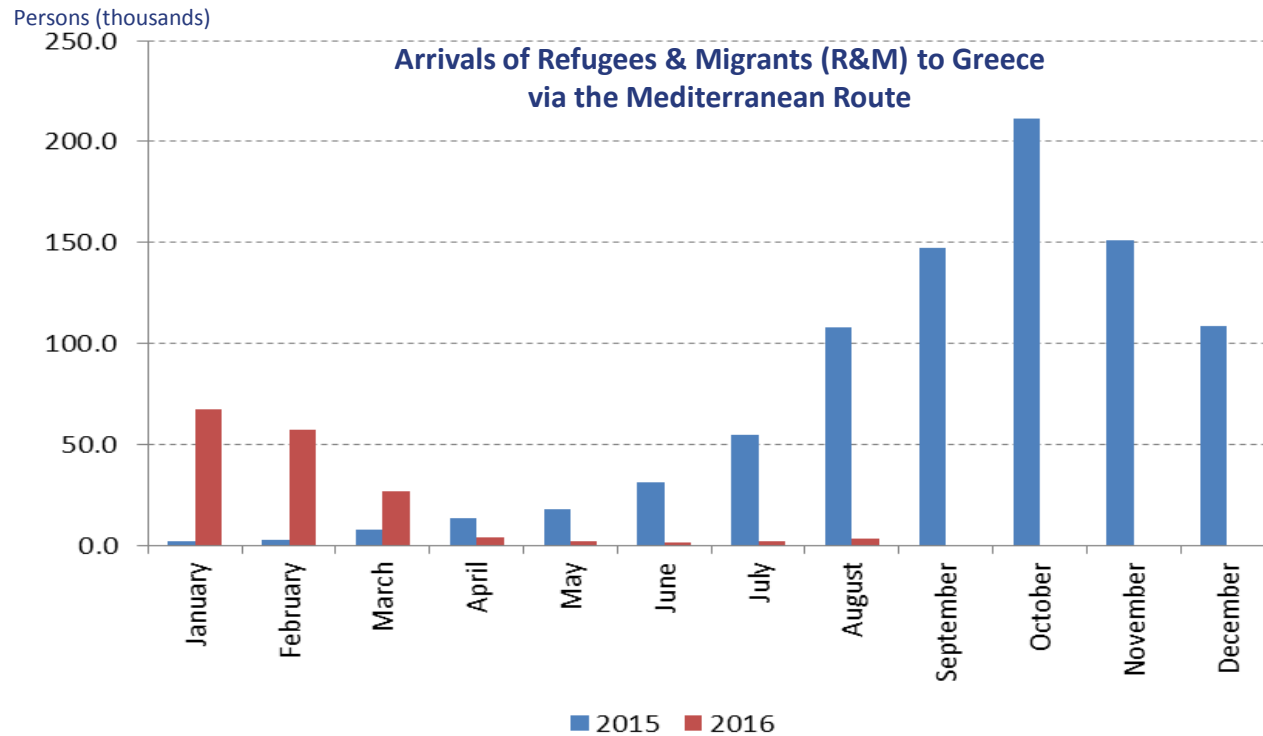
General Government Arrears declined on a monthly basis from €7.2bn in June 2016 to €6.9bn in July 2016, including tax arrears

Appendix 7

Refugee – Migrant Crisis

Refugee – Migrant Crisis Poses a Significant Negative Risk

EU-Turkey refugee agreement but effectiveness under question



- ❑ Refugees and migrants that remained stranded within the Greek border reached c. 60.000 at the end of Aug. 2016
- ❑ Arrivals were at 3.500 persons in August 2016 , increased by 79.5% on a monthly basis.
- ❑ Continuation of the current situation constitutes a significant risk for:
 - The Greek tourism sector
 - The Greek exports / logistics sector
 - The Schengen Treaty membership of the country