

Ministry Of Economy & Finance

Special Secretariat of Privatisations

Privatisation Programme

Effects in Greek Economy



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Introduction

- The decrease of Government participation in the free market and the better utilization of the state property are the major goals of the Government's privatisation programme.
- Privatisations constitute an important tool of economic policy, which principally targets the opening of the markets, the restructuring and the efficiency of the enterprises to be privatized, the attraction of private sector investments, the development of new activities by using private funds and subsequently increases the revenues for the state.



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Privatisation Programme

- The new era of privatisation in Greece is characterised by the departure from the accounting approach in favour of methods that maximize benefits for the national economy. Under this scope, it is important to emphasize the maximization of the value of state owned enterprises, before the privatisation process. Thus, the government proceeded first with mature enterprises, the “value” of which was widely recognized in the market.
- During 2006, the privatisation programme focused on the reduction of state’s participation in the financial sector. With the restructuring and the initial public offering of the Postal Savings Bank, the restructuring and further privatisation of Agricultural Bank and the full privatisation of Emporiki Bank, the banking sector in Greece is different than it was one year before. Moreover, the realized revenues have already exceeded the National Budget target for revenues from privatisations (revenues € 1,740 mn vs target € 1,650 mn).
- For the period 2004-2006, total proceeds from privatisations reached € 4,595 mn, reducing substantially the public debt.



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PRIVATISATION REVENUES 2004 - 2006					
Company	Date of Transaction	% share sold	Privatisation Method	Amount raised by the State (mn €)	Currently under State control
Hellenic Petroleum	Aug 2004	8,21%	Trade sale	192	35,50%
National Bank of Greece	Nov 2004	7,46%	Accelerated Bookbuilding	562	0,00%
Total 2004				754	
Football Prognostics Organisation	Jul 2005	16,44%	Secondary offering (fully marketed)	1.266	34,00%
Hellenic Telecommunications Organisation	Sep 2005	10,00%	Accelerated Bookbuilding	835	38,70%
Total 2005				2.101	
Postal Savings Bank	Feb 2006	--	Recapitalisation	400	--
Agricultural Bank of Greece	May 2006	7,18%	Accelerated Bookbuilding	328	77,30%
Postal Savings Bank	May 2006	10,00%	Trade sale to ELTA ⁽¹⁾	15	90,00%
Hellenic Post	May 2006	10,00%	Trade sale to PSB	21	90,00%
Postal Savings Bank	May 2006	34,84%	Initial public offering	612	55,16%
Commercial Bank of Greece	Aug 2006	11,01%	Trade sale to Credit Agricole through public offer	364	0,00%
Total 2006				1.740	
Total 2004-2006				4.595	

(1) The total transaction value amounts to € 159 and is payable until Dec 2010



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Why Privatisе?

Implications for the economy



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It is evident that implications for national economy from privatisations are wide and very important. As the most effected stakeholders we can identify the following :

- **Government**
- **Privatised Entity**
- **Financial Markets**
- **Others (consumers, workers)**



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Government

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- Reduce public Debt and increase revenues
- Focus on Core Competencies
- Improve macro-economic data
- Decrease unemployment in the medium to long term
- Promote financial and market development and introduce 'investment culture'
- Minimise state monopolies and introduce market deregulation according to EU rules
- Encourage new players to enter the market
- Increase degree of market competition



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Privatised Entity

- Improve cost of capital and give access to new capital
- Spread ownership which lead to more transparency and disclosure
- Adoption of modern, efficient managerial methods
- Change corporate culture to a more competitive and qualitative approach
- Attract and keep management talents
- Adopt a sharply focused orientation to customer requirements



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Financial Markets

- Develop financial market
- Increase market cash flow
- Enter new players
- Educate participants (investors, companies, etc)



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Other Stakeholders

- Rejuvenate working force
- Improve level of customer satisfaction
- Reduce prices for consumers



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Conclusions

- However privatisation is not a blanket solution and it cannot of itself make up totally for lack of competition, for weak capital markets, or for the absence of an appropriate regulatory framework at the same time it is almost apparent that where the market is basically competitive, or when a robust regulatory framework is present, private ownership has substantial benefits instead of public ownership.



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Lessons from experience (1)

- Privatisation works best when it's part of a larger programme of reforms
- Regulation is critical to the successful privatization of monopolies
- Transparency is critical for economic and political success
- The sale of large enterprises requires considerable preparation



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Lessons from experience (2)

- Most of public enterprises require considerable reforms before privatisation.
- It is more efficient for the government to start first with mature enterprises the value of which is already recognised
- Governments must pay special attention to developing a social safety net and prepare the public opinion for privatisation



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Lessons from experience (3)

- In the process of changing the public-private mix in any type of economy, privatisation is at least as crucial factor as the emergence of new private business



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Lessons from experience (4)

➤ Although privatisations through capital markets are less bold, in terms of structural reforms, they produce clear benefits (i.e. accounting discipline, improved management practices aimed to satisfy the investment community, reduced cost of capital, transparency e.t.c.)



General Info (1)

- PSB SA is the 7th largest Greek bank in terms of assets and it has historically been one of the leading depository institutions for retail savings in Hellenic Republic. It has geographic coverage throughout Greece with 136 branches plus 820 post offices after the cross shareholding with Hellenic Post.
- PSB's total customer deposits as per December 2005 amounted to €9,953.8 million, which is approximately 4,7 million individual deposit accounts of which approximately 45% have been dormant for about 5 years.



General Info (2)

- According to the financial statement as of December 2005 PSB's market share of saving deposits was 9,6% , total deposits (including repos) 6,3% and mortgage loans 5%.
- PSB has 1,220 bank employees , about 416 in headquarters and 804 in the branches



Postal Savings Bank

- In 10.01.2005 the Interministrial Privatisation Comitee decided to start the procedures in order to list PSB in Athens Stock Exchange. After that date a preparatory process started in order to successfully fulfill the IPC's decision.
- In May 2006 (26.5.2006) the Hellenic Republic sold 34.84% of its shares in the Postal Savings Bank S.A. (PSB) via an initial public offering and the listing of PSB in Athens Exchange.



Postal Savings Bank

- A cross shareholding between PSB and the Hellenic Post Office (ELTA) took place prior to the IPO. In particular, PSB entered into an agreement with the HR for the purchase of 10% of ELTA's shares, while ELTA purchased, under a separate agreement with the HR, 10% of PSB's shares.
- Following the abovementioned, the HR and ELTA hold 55.16% and 10% of PSB's share capital, respectively.
- The successful IPO of PSB was the outcome of a significant and total restructuring that resulted in elaborating and presenting to the investment community the bank's value and signaled the entrance of a new dynamic player in the Greek banking sector



Postal Savings Bank

- The offering, which was oversubscribed 5.4 times, was a combined domestic retail and institutional offering, an international Rule 144A/Reg S equity offering as well as a private placement to employees and collaborators of PSB.
- The HR raised € 612 mn from the successful privatisation of PSB, that was concluded in a adverse market environment. The recapitalization of PSB, that took place prior to the equity offering, yielded € 400 mn and decreased the public debt accordingly. Therefore the HR's total revenues reached € 1,012 mn.



Managerial Aspect

- Prior to privatisation PSB ought to change and adopt modern managerial practices in order to become more attractive to future – potential investors. As a consequence HR hired experienced managers, in the top level, to trigger changes within PSB.
- PSB adopted a modern banking practice as well as a strategic vision
- Strengthen and expand position as leading financial service provider and offer simple and attractively priced products and services.



Modernizing Process

Implementing internal restructuring schemes aimed at :

- Creating a modern
- Customer oriented
- Efficient organizational structure



Modernizing

The privatisation process not only was the result of an extensive reform project but itself triggered important changes in the organisation and transferred a new market culture within the bank. Changes that were delaying for many years has been done within the period before and after privatisation. For example :

- Improved internal control and risk management systems
- Introduction of remuneration schemes based on profitability targets
- Implementation of a modern IT system



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Future Plans (1)

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Touristic Development Company (TDC)

- The Interministerial Privatisation Committee (IPC) has decided to develop certain assets as the Faliro Marina, the Corfu Casino, the Golf Club of Afandou in Rhodes and hotels in various places of touristic interest in Greece. The process for many of the abovementioned projects is in well advanced stage

Hellenic Telecommunications Organisation (OTE)

- IPC decided the further privatisation of OTE. The Ministers' initial announcement is to explore the possibility of a strategic partnership of OTE with a major international telecom company



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Future Plans(2)

Public Gas Corporation (DEPA)

- The IPC decided to proceed with the listing of DEPA in the Athens Exchange. The listing will follow the restructuring of the company, the legal unbundling of the transportation activity and the formation of the correspondent subsidiary companies.
- Explore the best way to future privatise Athens International Airport in the Athens Exchange.



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Future Plans(3)

- Exploring the most appropriate method for the exploitation of state participations in listed and non listed companies.
- Optimum use of the Olympic Properties, the real estate property of TDC , through partnerships with private investors.