Luncheon Keynote Address on 18th Annual Invest in Greece Forum
Monday, December 12

Dear friends, Ladies and Gentlemen,

It is my honor and privilege to deliver the keynote address on this very important event. It is the second keynote luncheon speech I am delivering since I assumed my new responsibilities and though I consider myself as a man of dessert it seems that I have to get used to the difficult task of having the peoples' ear while they are enjoying their lunch. Milton Friedman suggested, once, that there is no such thing as a free lunch. Well I am willing to pay my share with a piece of good news. Greece is gradually transforming into the land of low risk-high yield investments. Let me present you the evidence supporting this view.

As we approach the end of 2016, the Greek economy is standing before a crossroads. For the first time both growth and budget targets are overachieved, allowing optimism on an orderly execution of the Adjustment Program agreed with the institutions. Swift conclusion of the Program's second review will allow the economy to stay on the recovery path, with GDP growth accelerating.

1. Eurogroup

The recent Eurogroup meeting was rather constructive to that direction:

1. Progress achieved in reaching a full staff-level agreement was acknowledged, with all involved parts expressing their resolve for a swift completion.
2. No new recessionary measures were required for the agreement to be reached, and
3. Short-term debt relief measures were unanimously approved and ESM will start implementing them.

Those measures will consist of:

- The smoothening of the EFSF repayment profile within the current weighted average maturity of up to 32,5 years
- The waiver of the step-up interest rate margin amounting to 200 bps related to the debt buy-back tranche of the 2nd Greek Program for the year 2017

- The use of the EFSF/ESM funding strategy as markets allow to reduce interest rate risk

As Eurogroup's announcement indicates, the short-term debt measures will have a significant positive impact on the sustainability of Greek debt. This will facilitate a positive Debt Sustainability Analysis from the ECB, which is required to include Greek bonds in ECB's Quantitative Easing program. Such a development will be an important step to further improve liquidity in the Greek banking sector and to speed up the return to the bond market and to the lift of capital controls within 2017.

2. The strategy of the last 12 months

Through all those actions economic stability is enhanced and risk related to the Greek economy is substantially reduced. That was a strategic objective of our policy through the last year. In particular:

First, we aimed for fiscal stability:

- In 2015 we attained a budget primary surplus of 0.3% of the GDP, while the Adjustment Program was asking for a primary deficit of 0.25%.
- In the first 11 months of 2016 net tax revenues are 5.8% higher than the adopted target, while the primary surplus is expected to be 1.1% of GDP, compared to a target of 0.5%.
- The budget of 2017 adopts a more ambitious target for the primary surplus (2% compared to 1.75% in the Program).

Second, we aimed for financial stability:

- Bank recapitalization was successfully completed in late 2015, at a far lower cost for the state budget to the one initially calculated (€ 6 bn. and not € 25 bn.).
- We created a secondary NPL's market and adopted important changes to the legal framework for the management of banks' NPEs (Non-Performing Exposure), in order to achieve improvement in loan repayments and thus further reduce the formation of NPLs.
- ECB reinstated the Greek collateral waiver for regular lending facilities, allowing dependency on ELA financing to decrease by €40 bn. (almost 45%) compared to July'15 highs.

- Further capital consolidation is achieved by the constant inflow of funds from the real economy. Deposits increased by more than 2% of GDP in the last 12 months.

Third, we pursue an integrated reform agenda with five goals:

- Simplification: We are reducing administrative burdens on entrepreneurship through the simplification of processes. The new licensing law lifts the bureaucracy needed for creating a firm and introduces the concept of ex-post controls
- Transparency: We digitalize processes in the public sector securing an equal footing on all players involved in the public procurement
- Efficiency: We reform the judiciary system, creating an integrated institutional framework of extrajudicial settlements
- Acceleration: We are creating one-stop shops, that will support the operation of existing firms and allow newcomers to create new firms in just a day
- Competition: A toolkit of reforms proposed by the OECD was legislated, aiming to enhance competition in several product markets.

All those initiatives helped to enhance economic stability. Moreover, we improved political stability, by augmenting social cohesion:

- Under the restriction of fiscal consolidation, we implemented measures strengthening the income of poorer households.
- We adopted an institutional framework, protecting primary residences from foreclosures and preventing related loans to be sold to non-bank financial institutions.
- We insisted on a progressive tax system, with a relative high tax-free threshold on income tax.
- We prioritize boosting spending in public health and education system

Increased economic and political stability helped to decrease risk associated to the Greek economy. Further implementation of the Adjustment Program, inclusion of Greek bonds to ECB's QE program and abolition of capital controls are the final steps to be taken, so as to align risk associated to the Greek economy with the rest of the Eurozone – that is to almost nullify risk.

3. Greek economy already turned the corner

According to the latest available data, Greek economy exhibited a surprisingly strong performance during the summer quarter, confirming the most optimistic forecasts. On the third quarter the Greek GDP grew 1.8% on a yearly basis and it seems highly probable that it will stay unchanged for the full year or even grow by a small percentage. For 2017 international institutions (i.e. European Commission) forecast a growth rate higher than 2.5%, while in the medium term Greek economy appears set to achieve an average growth rate close to 3%.

It is rather important that growth's main driving force is private investment, growing in the third quarter by 12.6%. Moreover, exports are recovering, increasing by 10.2% in the third quarter. There is also an encouraging continuous decline of the unemployment rate, which on September was 23.1%, a level not seen after the spring of 2012. Of course it is still an unacceptably high level; however the decline by almost 5 percentage points during the last 3 years and by 1.2 points during the last 9 months is rather encouraging.

Higher frequency indicators confirm also that the Greek economy is ready to jump to a high growth trajectory. The volume of retail sales increased during the summer months by an average rate of 3.1% y-o-y. Building activity increased on August by an astonishing 72.8% y-o-y. Industrial production was on September 9.4% higher, compared to a year earlier. Indicators from the tourist market point also to a new record-busting year for the heavy industry of the Greek economy, with more than 27.5 million tourist arrivals and an y-o-y increase of 2.6% in the sector's turnover over the third quarter.

4. Available financing tools

Interested private investors may make use of important financing instruments provided by the public sector, namely EU-funded programs (Cohesion Funds) and the New Investment Law, while there are also co-financing opportunities, with the private sector and International Financial Institutions.

Cohesion Funds

Through a rapid acceleration of project implementation and a fruitful collaboration with EU services, Greece managed in 2015 to climb from the middle of the relevant table to the first place, achieving the highest absorption rate for the 2007-13 programming period of European Structural Funds.

Greece was also the first Member-State to enact all required procedures in order to initiate the programs of 2014-20 programming period, totaling 20.8bn€. More than half of those projects have already been activated in a wide range of programs, from SMEs and small entrepreneurship, to large infrastructure projects and supporting larger investments through the new Investment Law.

Investment Law

The New Investment Law focuses on SME's but it also has an important provision for large projects: Investments exceeding € 20 millions can get a 12-year period of fixed taxation policy and speedy licensing procedure. A variety of international studies confirm that investors primarily look for a stable and predictable institutional and tax framework. That is exactly what we are providing to them.

Overall the law focuses on tax incentives (not grants or other types of aid) in order to connect compensation to performance. The sectors of primary focus are the agri-food complex and Information and Communication Technologies. The idea is to support the gradual transformation of the economy towards high added-value sectors, based on innovation and creativity, which can exploit the abundant, highly-skilled workforce Greece provides. One out of two young Greeks are university graduates, while over 90% of secondary education graduates enroll to universities. Skillful manpower is abundant, science oriented and with a thorough knowledge of foreign languages.

Fund of Funds / Juncker Plan

Located at the crossroads between East and West, Greece is an energy and logistics bridge, connecting Europe and Asia. The ample availability of renewable energy potential (wind, hydro, biomass, geothermal, solar & solar thermal) combined with ongoing large-scale infrastructure projects involving Greece (TAP Gas Pipeline, oil exploration) mean that the country will be a key player in the formulation of all of Western Europe's energy mix and will provide significant investment opportunities in the Energy and Energy Saving industries.

The COSCO investment in the Port of Piraeus paid off and paves the way for the utilization of similar infrastructure projects across the cost. Obviously it is of high importance to develop a reliable logistic network, utilizing existing infrastructure and investing on their modernization. We have already established a National Council which focuses on the subject and works on the development of highly ambitious projects, such as the integration of Port of Piraeus infrastructure with the industrial zone of the Athenian metropolitan area and a modern, high-speed rail network to the north.

The above mentioned sectors, accompanied with traditional drivers of growth of the Greek economy, tourism and shipping, provide high yield investment stories even in a period of global economic downturn.

5. Energy and gas sector

Two constrains U.N. and E.U.

Dear friends

I have outlined so far why investing in Greece is a low risk and a high yield undertaking. Let me now focus on particular investment opportunities in the Energy Field. There are two constrains shaping the Greek Energy landscape and the investment opportunities within it.

The first derives from the U.N. I am referring to the Paris Agreement on Climate Change and to the 2030 Agenda for Sustainable Development. Both of them point to one Commandment:

Invest Green or Perish

Well established global leaders in fossil fuels are currently preparing their transition to lower carbon energy sources and focus on bolstering wind and solar energy. The future belongs to investments in renewable and green energy that will alleviate the global warming effect. Let me remind you here in case you haven't notice so far that Greece is the land of Sun, Wind and Sea. [The ancients named event their gods after them, Appolo, Aiolos and Poseidon.]

The second constrain is located at the EU level and goes by the name of Energy Union 2020. We are fully committed to its targets and we are well underway to reach them. In fact as far as renewables is concerned we have already reached the target since 18% of our energy production derives from there. In the field of electricity we are committed to open the retail market and contain the share of PPC in it to 50%.

Five Windows of investment opportunity in the energy sector

The two aforementioned constraints shape four great windows for investment opportunity in the Energy sector:

1. Retail Electricity Market

1. The opening of the electricity retail market in a stable and coordinated way that will safeguard the stability of the system offers a great investment opportunity not only in retail operations but in production lines as well. On top of this there is a great need to upgrade PPC utilities as the old lignite units will have to gradually withdraw from production. This leaves the space open for "Green" investments in existing power plants.

2. New Generation distribution electrical network

2. The second window of opportunity is investing in electricity networks innovation. Electricity markets are undergoing a major transformation similar to the one telecommunications underwent throughout the 1990s. The future lies with the link of electricity networks with the digital world. We are already working intensively in this direction but I would like to single out the major investment project in this field. The rollout of Smartmeters, in all 7.4 million customers in Greece. This could lead to the development of communication digital platforms that will provide the necessary data

for the development of local markets for energy exchange. This huge infrastructure investment, estimated roughly around one Billion euros, open tremendous business opportunities especially for start-up companies.

3. Creating an energy network of Islands

3. Electrical Interconnection with Greek Islands is at the top of our Agenda. Various projects are up and running, two of them being the interconnection of Peloponnese with Crete and the connection of Cyclades with the mainland. Another major prospective investment in search of financing is the electrical connection between Attiki and Crete.

What happens with the non-interconnected islands though? Here lies the opportunity of a very high Renewable Energy penetration. Non-interconnected islands with high renewable potential can be used for the installation of hybrid stations (RES+storage) to displace diesel units and operate the system with more than 50-60% renewable energy. The key parameter for the success of this project is the development of advanced energy management systems (EMS) that will ensure operation with high (hourly 100%) operation of the system with reliability and security. We have made already several preliminary studies in this direction.

4. **South-Eastern Energy Crossroad**

4 .The most observant amongst you may have noticed that in the past ten days I travelled quite a lot. Brussels, Rome, Jerusalem, I am staring to feel a kind of energy crusader – Thank god we are not in the 12th century anymore.- From my travelling I bring to you one clear message. Greece is becoming an integral part of what we can now call **South- Eastern Energy Crossroad**. This is made out of two Corridors.

- The first is the Vertical Corridor starting from Greece and stretching over the Balkans up to the heart of Eastern Europe. The political will for the completion of the Corridor is already there and infrastructure projects to support it are advancing, opening thus a great window of investment opportunity. I am referring to the upgrade of LNG Revithousa station, a prospective new LNG station in Alexandroupoli, the new IGB gas pipeline and of course the TAP pipeline.

-The second Corridor is that of Eastern Mediterranean that will link the European Energy Market straight with the gas fields in the Levant Basin. Pree-Feed studies demonstrated the feasibility of a new offshore gas-pipeline connecting straightly the field with the European market. The European commission stepped in to monitor the studies being made, while all the sides- Italy, Cyprus, Greece and Israel consider East-Med as a high priority solution.

- Let me make here particular reference to another opportunity in the Greek Gas Market. As you all know a part of the Greek TSO- DESFA- will be back on the market soon. Considering the country's strategic position the company's future is more than bright.

5. Oil and Minerals

Last but not least, oil and minerals open new investment opportunities. Greece has already launched two international licensing rounds for offshore hydrocarbons exploration in Western Greece and South of Crete. Fields 2 and 10 has proved very promising and we intend in the near future to relaunch a third round for the rest 18 fields. The gas field of Prinos is up and running and its overall capacity has skyrocketed to 129 million barrels. In Katakolo drilling is about to begin in 2018 and production is scheduled in 2019 with a total capacity of 10 million barrels.

Greece is a country with a significant mineral resources background in terms of quality, quantity and variety of ores, minerals and aggregates. The Greek Mining/Metallurgical Industry (GMMI) supplies essential raw materials for primary industries and various downstream users. The tendency here is the strengthening of exports sector with regard to products placed on the international market (industrial minerals, aluminum, nickel, mixed sulphide Pb-Zn ores, magnesium compounds, marble products etc.), where the demand and prices are rallying to pre-crisis levels.

Conclusion

Dear Friends ladies and gentlemen,

I could present as many windows of investment opportunity as those of the Chrysler building. Unfortunately I had only 20 minutes at my disposal and it is time for my dessert. Let me conclude by saying that it is my great belief that Greece with your help will soon be presented as the new growth story leaving behind the lost decade of stagnation.