

Greek elections roundup: outcome & potential implications

Dr. Platon Monokroussos

Deputy General Manager

Head of Global Markets Research

pmonokrousos@eurobank.gr

Paraskevi Petropoulou

G10 Markets Analyst

ppetropoulou@eurobank.gr

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees.

Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Main opposition party SYRIZA wins Greek election for the European Parliament

With 99.47% of the total vote having been counted as of the time of writing this report, Greece's main opposition radical left SYRIZA gained a clear lead in the elections for the European Parliament, winning 26.60% against 22.71% gathered by ruling conservative *New Democracy (ND)*. *Elia (Olive Tree)* - the centre-left electoral alliance in which junior government coalition party PASOK participates - took the fourth place with 8.02%, trailing behind far-right *Golden Dawn*¹ that collected 9.39% of the vote. Newly-formed centre-left *To Potami* ranked fifth with 6.61%, followed by the Communist Party of Greece (KKE), which received 6.07%. Right-wing anti-memorandum *Independent Greeks (ANEL)* came in at the 7th place with 3.46%, while right-wing *Popular Orthodox Rally (LAOS)* received 2.70%. Newly-formed *Greek European Citizens*, headed by a German politician of Greek descent (and member of the European Parliament with Germany's *Free Democratic Party*), scored 1.46%, while pro-European ex-ruling coalition partner *Democratic Left* took the 10th place with 1.21%. Overall, Greece elects 21 deputies in the European parliament, with the distribution of seats across political parties being as follows: SYRIZA 6; ND 5; Golden Dawn 3; Olive Tree 2; To Potami 2; KKE 2; and ANEL 1. Greek parties that failed to elect a representative in the European parliament gathered 17.13% of the vote; while participation reached 59.95% (compared to 62.49% in the June 2012 national election and 52% in the previous European Parliament ballot in June 2009). Graph A at the end of this document compares the results of y-day's ballot for the European Parliament with these of the June 2012 national election.

Municipal elections: ruling coalition partner ND gains control of the majority of prefectures; SYRIZA wins Attica prefecture for the first time in its history

With nearly all of the votes having been counted as of the time of writing this report, candidates supported by major coalition partner New Democracy were elected in the majority of prefectures. Specifically, ND-backed candidates took control of 7 out of a total of 13 prefectures. On its part, major opposition SYRIZA won 2 prefectures, including (for the first time in the party's history) the highly-symbolic Attica region, where more than a third of the country's population resides. SYRIZA-supported candidate Rena Dourou ranked first in the Attica region, with a slim margin of 50.8% over 49.2% garnered by incumbent (PASOK-affiliated) Yiannis Sgouros. Independent candidates mostly affiliated to ND and/or junior coalition partner PASOK won the

¹ It is worth noting that Golden Dawn managed to boost its support rate in several major regions across the country including the Athens municipality and the Attica prefecture. This development took place in spite of the fact that the party's leader and 5 other lawmakers (six in total) are currently in pretrial custody on allegations about the formation of a criminal organization. Indicatively, even though Golden Dawn's candidate Illias Kassidiaris did not succeed to pass to the second round in the poll for the post of Athens mayor, he ranked fourth with 16.1% of the total vote, mainly supported by increased social discontent against fiscal austerity, high unemployment and illegal immigration. Similarly, Golden Dawn's candidate for the Attica Prefecture garnered ca 11.1% of the vote in the first round last week compared to 9.7% the party scored in the June 2012 national elections. As a reminder, Golden Dawn surpassed a 3% threshold popularity rate in June 2012 making it into Parliament for the first time ever.

May 26, 2014

remaining four prefectures. Note that, unlike most of other major political parties, PASOK refrained from nominating directly candidates in the latest municipal ballot. With respect to district elections, incumbent mayor of Athens Giorgos Kaminis retained his post, receiving support from voters of a large spectrum of political parties, including PASOK. He secured 51.4% of the vote versus 48.6% garnered by SYRIZA-supported candidate Gavril Sakellaridis. The ND-backed candidates for the Attica Prefecture and the Athens Municipality failed to make it through to the second electoral round held y-day, for the first time since the party's establishment in 1974. In Thessaloniki, the country's second biggest city, incumbent mayor Yiannis Boutaris retained his seat. Mr. Boutaris ran as an independent, receiving 58.1% compared to 41.9% scored by his ND-supported challenger.

Key highlights of political leaders' comments on the election results

Commenting on the outcome of y-day's double election in Greece, ND leader and current Prime Minister Antonis Samaras said last night that the government has received the message sent by the electorate, while the Greek society has rejected SYRIZA's call for an overthrow of the domestic political scene and the present government. Mr. Samaras said that "I know what needs to be changed and this will change soon", adding that the election outcome provides no legitimacy to SYRIZA's earlier call for a snap election shortly after y-day's ballot.

On his part, SYRIZA's leader and candidate for the European parliament presidency Alexis Tsipras welcomed his party's performance, interpreting the election outcome as a mandate given to his party by the Greek society to swiftly form a broad coalition of political forces that will win in the next national election. Mr. Tsipras called for an early election so as to help restore "democratic legitimacy" in the country and questioned the incumbent government's "moral and political justification" to negotiate with official lenders crucial issues of national interest such as a new debt relief agreement or a new package of austerity measures. Earlier today, Mr. Tsipras held a meeting with the President of the Hellenic Republic Karolos Papoulias.

PASOK leader and Deputy Prime Minister Evangelos Venizelos interpreted the election outcome as a clear testament that the Greek society has rejected SYRIZA's earlier "blackmail" to have y-day's double election being considered as a referendum against "national strategy and the stability of the government". Mr. Venizelos added that the election result renders imperative the updating of the programmatic agreement between the ruling coalition partners, taking into account the latest developments, both at a national and a pan-European level. In addition, he noted that it is now a personal obligation for him to safeguard the continuity and the stability of the broader democratic faction and that he is committed to swiftly take initiatives towards that direction, with a view to have a "founding congress" taking place next October. According to some commentators, such initiatives will likely involve talks with other centre-left parties and political fractions in Greece, in an effort to create a third (pro-European) pole in the domestic political spectrum.

Some analysis on the outcome and the potential implications of the May 25th elections

During his meeting with the President of the Hellenic Republic earlier today, SYRIZA's leader Alexis Tsipras reportedly repeated his call for an orderly recourse to national elections as soon as possible and urged the Prime Minister not to implement his alleged fiscal austerity and privatization plans. He also stressed that Mr. Samaras should refrain from appointing a new Governor of the Bank of Greece (incumbent's tenure expires this June) as well as Greece's new European Commissioner.

In view of the aforementioned developments, one could convincingly argue that tensions in the domestic political scene are likely to persist in the period ahead. However, it should be noted that the present government continues to enjoy parliamentary majority, deriving support from 152 deputies from the two coalition partners (ND 125 and PASOK 27) as well as (at least) two independent parliamentarians (and ex-PASOK members), Andreas Loverdos and Christos Aidonis.

The passing of bills in Greek Parliament requires an absolute majority of attending deputies with a minimum number of in-favor votes no less than 120 (or 2/5th of the total number of seats). With as many as six *Golden Dawn* lawmakers currently in pretrial custody (on allegations about the formation of a criminal organization), parliamentary approval of draft bills now requires at least 148 positive votes of a full-quorum session.

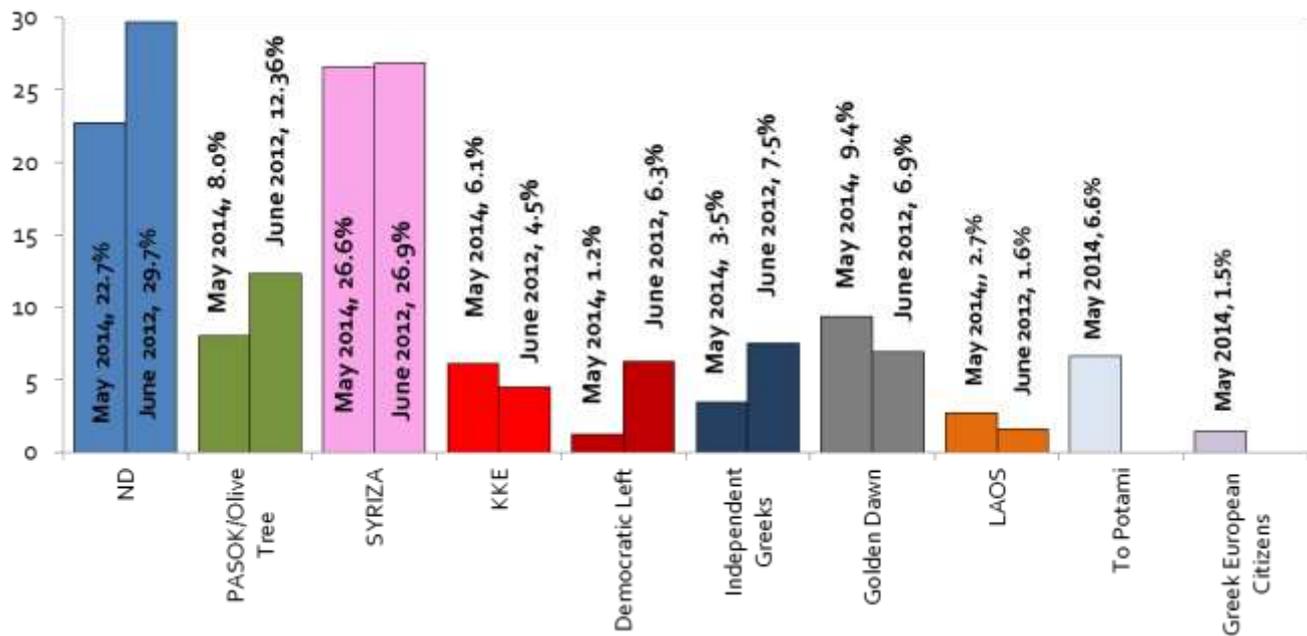
Technically speaking, early elections may be called under the following two conditions: (i) the government fails to survive a censure motion initiated by the opposition; and (ii) Parliament fails to select of new President of the Hellenic Republic. Conceivably, the latter situation could arise ahead of the expiration of the incumbent President's 5-year term in March 2015.²

² According to The Constitution of Greece (Article 32), the candidate for the post of the President of the Hellenic Republic is elected in the first round of parliamentary voting, provided that he/she gathers support from 2/3^{ths} of the *total* number of parliamentary deputies (*i.e.*, 200 in-favor votes). If the said majority is not attained, the ballot will be repeated five days later. Should the second ballot fail again to produce the required majority, the

May 26, 2014

SYRIZA's leader was recently quoted as saying that his party will oppose any candidate put forward by the coalition government to take over from the incumbent President of the republic when the latter's term expires. Responding to the latter statement, Prime Minister Antonis Samaras has repeatedly ruled out the prospect of snap elections stressing that the next national ballot will take place in mid-2016, as scheduled, when the term of the current government expires.

TABLE A



Source: Ministry of Internal Affairs, Eurobank Global Markets Research

vote will be repeated after five days and the candidate receiving the backing of $\frac{3}{5}$ ^{ths} of the *total* number of parliamentary deputies (i.e., 180 in favor votes) will be finally elected. Should the third ballot fail to produce a decisive outcome, Parliament will have to be dissolved within ten days of the poll, and elections for a new Parliament will be called.

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos: *Head of Global
Markets Research*

pmonokroussos@eurobank.gr

+ 30 210 37 18 903

Paraskevi Petropoulou: *G10 Markets Analyst*

ppetropoulou@eurobank.gr

+ 30 210 37 18 991

Galatia Phoka: *Emerging Markets Analyst*

gphoka@eurobank.gr

+ 30 210 37 18 922

Global Markets Sales

Nikos Laios: *Head of Treasury Sales*
nlaios@eurobank.gr, + 30 210 37 18 910

Alexandra Papathanasiou: *Head of Institutional Sales*
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: *Head of Corporate Sales*
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: *Head of Private Banking Sales*
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: *Head of Shipping Sales*
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: *Head International Sales*
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Bi-Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>