



**Report of the Hellenic Financial Stability Fund
for the period January - June 2016**

1. Supported Financial Institutions

a) Issues related to all systemic banks

Sale of EFSF Notes

Since April 14th, 2016 the EFSF has allowed the Banks to sell the EFSF notes to the members of the Eurosystem in the context of the Public Sector Asset Purchase Programme established by ECB Governing Council Decision 2015/774 on a secondary markets public sector asset purchase programme (the “PSPP”) and strictly in accordance with the conditions applicable to the PSPP as amended by the ECB Governing Council decision of March 10th, 2016 including but not limited to issue and issuer share limit applicable to EFSF.

b) Issues per systemic bank

i) **NBG**

National Bank of Greece S.A. entered into a definitive agreement to sell 100% of its interests in 11 Limited Partnerships held directly or indirectly by NBG and managed by NBGI PE Limited to funds managed by Deutsche Bank Private Equity and Goldman Sachs Asset Management. In December 2015 the HFSF provided its consent to NBG to proceed with the signing of the SPA relating to the sale of the interests that NBG holds, directly or indirectly in the fund vehicles managed by NBGI PE. The agreed consideration for the transaction amounts to €288 million.

On April 8th, 2016 National Bank of Greece announced that the Banking Regulation and Supervision Agency of Turkey approved the sale of NBG’s 99.81% stake in Finansbank A.Ş to Qatar National Bank S.A.Q. Closing of the Transaction is still subject to the further regulatory approvals, and specifically approvals from the Turkish Competition Board, the Turkish Capital Markets Board and the Turkish Treasury.

On June 15th, 2016 NBG announced the transfer of its 99.81% stake in Finansbank to Qatar National Bank (QNB). The transaction includes the transfer of NBG’s 29.87% stake in Finans Finansal Kiralama, 0.2% stake in Finans Yatırım Menkul Degerler and 0.02% stake in Finans Portfoy Yonetimi. In addition, QNB repaid the \$910m of subordinated debt that NBG had extended to Finansbank, increasing the liquidity position of NBG Group by approximately €3.6bn. With the successful completion of the transaction, NBG’s pro-forma Q1 2016 CET1 ratio increases by c.740bps to 21.8%. This capital enhancement will pave the way to the repayment, following approval by the SSM, of the €2.0bn Contingent Convertible Bonds (CoCos).

On May 26th, 2016 the Board of Directors (BoD) of NBG elected Messrs. Kurt Geiger and Mike Aynsley as Independent Non-Executive Members, filling in vacant Independent Non-Executive Members' positions. On June 30th, 2016 NBG announced that, by decision of its BoD, Mrs. Marianne Økland was elected as Independent Non-Executive Member of the BoD, in replacement of the Independent Non-Executive Member who resigned, Mr. Kurt Geiger.

Further to the announcement of NBG dated June 17th, 2016 regarding the 6th exercise process of warrants, the Bank announced on June 27th, 2016 that no warrant on shares issued by the Bank and owned by the HFSF has been exercised.

On June 30th, 2016 the Annual General Meeting (AGM) of shareholders of NBG took place.

ii) Piraeus Bank

On January 15th, 2016 Mr. Anthimos Thomopoulos resigned from his duties as Chief Executive Officer of the Bank.

In accordance with the provisions of article 2, par. 2 (e) of the resolution 3/347/12.07.2005 of the Hellenic Capital Market Commission and of Law 3016/2002, Piraeus Bank announced that its Board of Directors on its meeting of January 27th, 2016 further to the resignations of its Non – Executive Vice Chairman, Mr. N. Christodoulakis and its Independent Non – Executive Member, Mr. S. Golemis and upon recommendation of the Board Nomination Committee, elected Mr. David Hexter as a new Independent Non – Executive Member for the remaining term of the Board and Messrs. Alexander Blades and Andreas Schultheis as Non- Executive Members for the remaining term of the Board.

On January 4th, 2016 (5th Exercise) no Warrant on shares issued by the Bank and owned by the HFSF has been exercised.

On April 21st, 2016 Mr. Andreas Schultheis resigned from his position as a Non-Executive Member of the Board.

Piraeus Bank announced that the last remaining guarantees of the Hellenic Republic under Pillar II used by the bank for liquidity purposes were redeemed on Thursday April 28th, 2016; these guarantees have been issued under the framework of L.3723/2008, related to "the strengthening of the liquidity of the Economy, for offsetting the impact of the international financial crisis". Piraeus Bank already repaid the Preferred Shares (Pillar I) held by the Government in the Bank's share capital in May 2014, while it returned the "Special Bonds" (Pillar III) to the Government in September 2015.

It is noted that Piraeus Bank has fully repaid all the Pillars of L.3723/2008, without any loss to the Greek State as to the guarantees and capital it offered, while the Greek State has earned approximately €675 m fees from Pillars II & III.

On May 26th, 2016 the AGM of shareholders of Piraeus bank took place.

On June 8th, 2016 Piraeus Bank announced that its BoD, further to the resignations of its Independent Non-Executive Members, Messrs. A. Athanasiou and P. Pappas and upon recommendation of the Board Nomination Committee, elected Messrs. Karel De Boeck and Arne Berggren as new Independent Non-Executive Members for the remaining term of the Board of Directors.

On June 8th, 2016 Piraeus Bank announced that, in the context of implementation of its restructuring plan, it has entered into an agreement with Wert Red Sarl, a Luxembourg company wholly owned by Värde Partners, for the sale of 18,551,880 shares in its subsidiary, Trastor R.E.I.C, corresponding to a 33.8% of the share capital of the company. As part of the above agreement, Wert will participate in a rights issue of Trastor against payment of cash and with pre-emption rights in favor of existing shareholders to be decided by Trastor's corporate bodies.

On June 29th, 2016 Piraeus Bank's BoD appointed Mr. George Pouloupoulos as a new BoD member and Deputy Managing Director. Mr. Pouloupoulos will be the acting CEO until the process for the appointment of the new CEO is concluded. Mr. Stavros Lekkakos resigned from the position of interim CEO, and will remain as non-Executive B' Vice-Chairman.

iii) Alpha Bank

The Board of Directors of Alpha Bank, at its meeting held on March 24th, 2016 elected Mr. Jan Vanhevel as a new Member, in replacement of Mr. Minas Tanes, Vice Chairman and Non-Executive Independent Member, who stepped down on April 21st, 2016.

On May 17th, 2016 Alpha Bank, Eurobank and KKR Credit have reached a binding agreement by which the banks agree to assign the management of credit and equity exposures to a selected number of Greek companies into a platform managed by Pillarstone. Subject to final Board approval, the European Bank for Reconstruction and Development (EBRD) is considering co-investing in partnership with KKR and the banks.

Further to the announcement of Alpha Bank dated May 27th, 2016 regarding the 6th exercise process of warrants, the Bank announced on June 16th, 2016 that no warrant on shares issued by the Bank and owned by the HFSF has been exercised.

On June 30th, 2016 the AGM of shareholders of Alpha bank took place.

iv) Eurobank

On March 1st, 2016 Eurobank announced the acquisition of the entirety of Alpha Bank's Bulgarian Branch operations by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria AD (Postbank), pursuant to the provision of the relevant regulatory approvals, was concluded. The acquisition of the Branch constitutes a step forward for Postbank, as it becomes the fourth biggest Bulgarian bank in terms of deposits and loans and aims to further strengthen its position in the Bulgarian banking sector and to expand its customer base in both the retail and wholesale segments.

On May 17th, 2016 Alpha Bank, Eurobank and KKR Credit have reached a binding agreement by which the banks agree to assign the management of credit and equity exposures to a selected number of Greek companies into a platform managed by Pillarstone. Subject to final Board approval, the European Bank for Reconstruction and Development (EBRD) is considering co-investing in partnership with KKR and the banks.

On May 20th, 2016 Eurobank announced that its Romanian subsidiaries Bancpost and ERB Retail Services, and its Dutch subsidiary ERB New Europe Funding, have entered into a binding agreement with ProsperoCapital, funded by a consortium of investors consisting of IFC and Kruk, regarding the assignment of a portfolio of NPLs of €170m gross book value (€597m of total unpaid balances).

On June 15th, 2016 the AGM of shareholders of Eurobank took place. The AGM elected as new BoD members Mrs. Lucrezia Reichlin and Mr. Jawaid A. Mirza, whose term of office will expire concurrently with the term of office of the other members of the BoD and more specifically on June 27th, 2018.

2. Liquidations

i) Collections from liquidators

In March 2016 the Fund collected an amount of €30 m from ATE bank under liquidation.

3. HFSF internal issues

i) Selection Panel

On January 15th, 2016 the Selection Panel was composed by Mr. Francesco Papadia, Mrs. Julia Kiraly, Mr. Eric Rajendra, Mr. Panagioti Doumanoglou, Mr. Aimilio Avgoulea and Mr. Peter Yngwe based on a Minister of Finance decision, as published in the Government Gazette YODD January 15th, 2016. The term of the Selection Panel is for two (2) years and can be renewed. Mr. Lars Nyberg was appointed as a member of the Selection Panel by the Minister of Finance on April 4th, 2016 following the resignation of Mr. Eric Rajendra on March 18th, 2016.

The EB unanimously decided to sign the contracts of Intertrust and Korn Ferry relating to the services to be provided to the Selection Panel, regarding administrative and recruitment services.

ii) HFSF CFO/COO and CIO appointment

On January 20th, 2016 Mrs. Evangelia Chatzitsakou was appointed as the HFSF Chief Financial and Operating Officer and Mr. Dimitris Kourkoulakos was appointed as the HFSF Chief Investment Officer.

iii) HFSF 2016 Budget

On January 20th, 2016 the HFSF Budget for 2016 was approved by the HFSF General Council along with the 2016 Business Objectives and Initiatives.

iv) NPLs project

In accordance with the Memorandum of Understanding, signed on August 19th, 2015 between the European Commission acting on behalf of the European Stability Mechanism (ESM), the Hellenic Republic and the Bank of Greece (BoG), the HFSF would present and implement an NPL resolution action plan to enhance coordination among banks and accelerate the restructurings of the large corporates, and if needed jointly tackle entire economic sectors.

On February 9th, 2016 Mc Kinsey & Company was selected as the international consultant for the project of the preparation & implementation of an NPL resolution action plan to enhance coordination among banks and accelerate restructurings of large corporates and economic sectors in accordance with the MoU requirement.

The project was completed and the relevant study was sent to the Institutions, Ministry of Finance, MoE & BoG on April 27th, 2016. The project's deliverables evolved around five main axes, as follows:

- Identification and prioritization of obstacles for Large Corporate NPLs' restructuring
- Suggestion for a coordination framework among banks
- Definition of a high-level perimeter of distressed companies & sectors
- Assessment of current relevant capabilities in the banking sector
- Suggestions to expand capital markets' involvement

On June 13th, 2016 HFSF organized an event, where it presented the main findings of the study, to all competent bodies, including representatives of the competent Ministries, BoG and the systemic banks. Following that, the full report was distributed to all attendees.

v) HFSF 2015 Interim Financial Statements

On February 11th, 2016 the HFSF issued its Interim Financial Statements for the six month period ended June 30th, 2015 and the nine month period ended September 30th, 2015.

vi) Systemic Banks' Board of Directors evaluation

As per the Memorandum of Understanding (MoU) signed on 19th of August 2015, between the European Commission acting on behalf of the European Stability Mechanism and the Hellenic Republic; the Hellenic Financial Stability Fund (HFSF), with the help of an independent international consultant with proven experience and know how, will introduce a program to review the Boards and the Committees of the systemic banks. This review is in line with prudent international practices and the current European and national compliance and legal framework by applying criteria that go beyond the minimum supervisory requirements. Among others, the HFSF will evaluate the size, operation, organization, structure and the allocation of powers and responsibilities within the Board of Directors and the Board Committees and will propose improvements and amendments to each institution's current corporate governance framework.

In order to fulfil this project the HFSF will be assisted, on a technical basis, by the European Bank for Reconstruction and Development (EBRD) and has conducted a tendering process according to which Spencer Stuart was selected as the preferred consulting firm.