



June 12th, 2014

Press Release

Hellenic Financial Stability Fund's Annual Financial Report

The Hellenic Financial Stability Fund (HFSF) uploaded today to its web site (www.hfsf.gr) the "Annual Financial Report" for 2013.

The key points of the annual report are the following:

- **The Fund's Capital Increase.** Following the Acceptance Notice signed on 23/05/2013 by the HFSF, the EFSF, the Hellenic Republic and the Bank of Greece (BoG), the HFSF received EFSF Floating Rate Notes (FRNs) on 31/05/2013 with a nominal amount of € 7,200m and increased its capital to € 49,700m.
- **New Management structure of the Fund.** A new management structure was established in the Fund on 01/02/2013, as provisioned in art. 4 of Law 3864/2010 as in force. The BoD was substituted by the Executive Board and the General Council.
- **Systemic Banks - Recapitalisation.** During May and June 2013 the four systemic banks completed their share capital increases (SCIs). The amount that the Fund contributed for the SCIs was lower than the one determined by the BoG, due to private sector participation in the SCIs. The nominal amount of EFSF FRNs actually disbursed amounted to €24,998m, whereas the fair value of the EFSF FRNs amounted to €25,522m.
- **The Fund's financial performance:**
 - **Interest income:** During 2013 interest income amounted to € 167.6m versus € 232.3m for 2012. The decrease in interest income versus 2012 is due to a) the decrease of the amount of EFSF FRNs held by the Fund and b) the decrease in the EFSF FRN's base rate (6M Euribor).
 - **Commission income:** During 2013 commission income amounted to € 110.7m versus € 665.8m for 2012. The difference is mainly due to the one-off presubscription fee of € 555.6m paid by the banks in December 2012 for their capital advance.
 - **Impairments of investments and receivables and provisions for funding gap:** The impairment loss and provisions for 2013 of the Fund's receivables from Banks under liquidation amounted to € 4,325.8m (2012: € 6,354.6m).
 - **Gain from Investment Securities:** € 434.0m mainly from the EFSF FRNs
 - **Loss from Financial Instruments at Fair Value through Profit or Loss:** The € 5,982.7m loss pertains to a) the revaluation loss from the Fund's shareholdings in the 4 systemic banks (€ 3,702.3m) and the revaluation loss from the warrants (€ 2,282.3m), and b) a € 1.9m gain from the exercise of Alpha Bank's and NBG's warrants in December

- **Personnel expenses:** During 2013 personnel expenses amounted to € 2.3m versus € 2.0m for 2012. The number of directors and employees under payroll by the Fund as of 31/12/2013 stood at 22 while the respective figure as of 31/12/2012 was 20.
- **General administrative and other operating expenses:** During 2013 operating expenses amounted to € 11.0m versus € 2.9m for 2012. The main reasons for the increase in operating expenses are a) fees for services rendered from investment banks for the capital increases and other transactions of the banks as well as for the sale of the transitional credit institutions, and b) custody fees for the recapitalized banks' shares held by the Fund.
- **Financial assets at fair value through profit or loss:** As of 31/12/2013 the Fund's portfolio consisted of shares in the four systemic banks and its fair value stood at € 22,584.7m
- **Receivables from banks under liquidation:** As of 31/12/2013 receivables stood at € 2,853.1m (31/12/2012: € 2,218.2m).
- **Equity:** During 2013 the loss amounted to € 9,607.5m and the accumulated deficit increased to € 15,278.1m from € 5,670.6m in 2012. Given the capital increase and the increase of the accumulated deficit the total equity decreased to € 34,421.9 m in 2013 from € 36,829.4m in 2012.
- **Sale of Transitional Credit Institutions:**
 - a) **New Hellenic Post Bank (NHPB):** The Fund selected Eurobank as the preferred bidder for the acquisition of New HPB. The transfer of shares was completed on 30/08/2013. Eurobank's consideration offered was €681m through the issuance of new ordinary shares subscribed by the Fund.
 - b) **New Proton Bank:** The Fund selected Eurobank as the preferred bidder for the acquisition of New Proton. The Fund recapitalized New Proton with €395m prior to the transaction which was completed on 30/08/2013 for a consideration of € 1.
- **Liquidations in 2013:**
 - **Probank:** The Fund covered the final funding gap amounting to € 562.7m
 - **FBB:** The Fund covered the final funding gap amounting to of € 457m
 - **Cooperative Banks of Dodecanese, Evia and Western Macedonia:** The HFSF disbursed € 284.6m covering 2/3 of the initial funding gap estimated at € 426.9m
- **Collections from liquidations in 2013:** In 2013 the Fund received a total of € 237.3m
- **Prospects:**
 - a) **Restructuring plans of systemic banks:** According to the European Commission, the banks receiving state aid must submit a five year restructuring plan to the DG Comp. Updated restructuring plans approved by the Fund will be submitted, through the Ministry of Finance, to the DG Comp for approval.
 - b) **Relationship Framework Agreements (RFAs):** The Fund announced on 10/07/2013 that the Relationship Framework Agreements (RFAs) have been signed between the Fund and the four systemic banks which received capital support from the HFSF. These Agreements determine the relationship between each bank and the HFSF and the matters related with, amongst others, (i) the corporate governance of the Bank, (ii) the development and approval of the Restructuring Plan, (iii) the material obligations of the Restructuring Plan and the switch of voting rights, (iv) the monitoring of the

implementation of the Restructuring Plan and the Bank's risk profile and (v) the HFSF's consent rights. Currently HFSF is in the process of revising the RFAs signed in 2013.

c) **Stress tests.** Following the recent capital increases the Greek banks' capital ratios stand well above the minimum required regulatory thresholds. The next key challenge for the Greek banks is the outcome of the ECB's AQR (Asset Quality Review) and EBA stress tests, due in October 2014.

As **Mrs. Anastasia Sakellariou, HFSF's CEO** stated: "The HFSF is publishing today its Annual Financial Report for 2013 according to which as of 31.12.2013 the Fund's total equity, reflecting potential recovery value, stands at €34.4bn. It is worth noting that this amount is more than double compared to the original estimate incorporated in the International Monetary Fund's debt sustainability analysis for Greece (Report No12/57, March 2012). This development has been supported by the significant restructuring efforts in the banking sector and the corresponding improvement in market sentiment towards the Greek banks.

The difference from the original paid-up capital of €49.7bn stems primarily from the cumulative losses from the resolution of non-core banks which amounted to € 11.3bn and the accounting impact of the warrants which stood at €2.3bn. The reported unrealized accounting losses from the warrants are equal to their market value, while their issuance was implemented in accordance with the provisions of the law. According to the current legal framework the amounts provided for resolutions are not determined by the Fund, while those actually recovered by the liquidators are beyond the control of the Fund.

During 2013 the HFSF implemented a series of actions which contributed decisively towards the stabilization of the banking system, its consolidation and evolution towards a more solid and competitive structure as well as the strengthening of its capital adequacy.

The completion of the recapitalization of the four systemic banks established the conditions under which the banking industry has been reinforced and has attracted important international investors. The Greek banking sector, with four solid pillar banks, is now in the position to play its pivotal role to support the development of the Greek economy."

For the full "Annual Financial Report" please visit the following link:

http://www.hfsf.gr/files/hfsf_annual_report_2013_en.pdf

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Hellenic Financial Stability Fund (HFSF) The Hellenic Financial Stability Fund (HFSF) was founded in July 2010 under the law 3864/2010 as a private legal entity it does not belong to the public sector and has administrative and financial autonomy. The objective of the HFSF shall be to contribute to the maintenance of the stability of the Greek banking system, for the sake of public interest. The HFSF shall act in line with the relevant commitments of the Greek Republic under Law 4046/2012 (A' 28).

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