



April 30th, 2015

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 2014.

The key points of the annual report are the following:

- **Systemic Banks – Recapitalisation – Restructuring plans.** The HFSF provided its consent to the four systemic banks to complete their share capital increases (SCIs) with the participation of institutional and private investors. The HFSF also approved the Restructuring plans of all four banks which were subsequently approved by DG Competition.
- **EBA/SSM Comprehensive Assessment: AQR and Stress Test Results.** On 26 October 2014 the ECB and the EBA announced the results of the Comprehensive Assessment. This exercise comprised both an Asset Quality Review (AQR) and a Stress Test in which the capital adequacy of banks under review was tested under different stress scenarios, and measured against minimum threshold levels in each scenario. Under the static balance sheet - adverse scenario - assumption, the aggregate capital shortfall for the Greek Banks amounted to € 8.7bn, however, taking into account the effect of net capital raising actions that took place in 2014, the remaining aggregate capital shortfall amounted to c. € 2.7bn. Greek banks were also assessed under the dynamic balance sheet assumption, resulting into practically no shortfall.
- **Deferred Tax Asset.** A law (no 4303 GG 231/17.10.2014) was voted by the Greek Parliament amending article 27A of law 4172/2013. Article 27A deals with the voluntary conversion of the deferred tax assets (DTA) on temporary differences deriving from PSI and allowances for loan losses to a definitive and cleared tax credit (DTC) against the Greek State. DTCs held by the banks give rise to a direct refund right from the State. The total DTA of the four systemic banks eligible to be converted in DTC as of 31/12/2014 amounted to € 12.8 billion.
- **Banks under liquidation.** According to par. 15 of article 9 of Law 4051/2012 (A' 40) as amended by Law 4224/2013, the Fund had to contribute until 31/12/2014 the amount that the HDIGF would have covered, in the context of the resolution of financial institutions. The liquidators of credit institutions under liquidation are nominated by the BoG and are subject to its monitor and control. The Fund has no involvement or control over the liquidation process and the recovery of any amounts. During 2014, the Fund

collected via the liquidation process a total amount of € 40m while in the first quarter of 2015 the Fund collected € 209m.

▪ **The Fund's financial performance:**

- **Interest income:** During 2014 interest income amounted to € 76.7m versus € 167.6m for 2013. The decrease in interest income versus 2013 was primarily due to the decrease of the amount of the EFSF bonds held by the Fund.
- **Impairments of investments and receivables and provisions for funding gap:** During 2014 the impairment charges amounted to € 284m (2013: € 4,326m) and pertained to the Fund's receivables from banks under liquidation.
- **Gain from Investment Securities:** A gain of € 5.4m was recorded in 2014 arising from the disposal of the New Hellenic Postbank that took place in 2013 (2013: € 434m).
- **Loss from Financial Instruments at Fair Value through Profit or Loss:** The € 9,695m loss pertains to a) the revaluation of the Fund's shareholdings in the 4 systemic banks and the sales of shares due to the exercise of warrants (2014: € 10,705m loss, 2013: € 3,700 loss) and b) the revaluation of the warrants (2014: € 1,010m gain versus 2013: € 2,282 loss).
- **Personnel expenses:** During 2014 personnel expenses amounted to € 2.8m versus € 2.3m for 2013. The increase is due to the increase of the number of personnel which reached 33 at the end of 2014.
- **General administrative and other operating expenses:** During 2014 operating expenses amounted to € 17.4m versus € 11m for 2013. The main reasons for the increase in operating expenses were: a) the advisor's fees for the share capital increases and other transactions of the four banks, and the sale of the transitional credit institutions, and b) custody fees for the banks' shares held by the Fund.
- **Financial assets at fair value through profit or loss:** As of 31/12/2014 the Fund's portfolio fair value amounted to € 11,622m (31/12/2013: € 22,585m).
- **Cash and balances with banks:** As of 31/12/2014 the cash and balances with banks amounted to € 670m versus € 489m as of 31 December 2013. The movement of the balance during 2014 pertains to outflows of € 195m and inflows of € 376m.
- **Investment securities:** As of 31/12/2014 the balance remained practically unchanged at € 10,937m.
- **Receivables from banks under liquidation:** As of 31/12/2014 receivables stood at € 2,542m (31/12/2013: € 2,853m).
- **Equity:** During 2014 the loss amounted to € 9,917m and the accumulated deficit increased to € 25,195m from € 15,278m in 2013. Given the accumulated deficit, the total equity decreased to € 24,505m in 2014 from € 34,422m in 2013.

▪ **The Fund's activities after the reporting date:**

- a) **Return of EFSF Notes to the issuer and reduction of HFSF capital.** Following a ministerial decision of 26 February 2015 and in accordance with the Master Financial Assistance Facility Agreement signed in March 2012 as amended in 2015 and in alignment with the Eurogroup statement of 20 February 2015 the HFSF proceeded with the re-delivery of the unused EFSF Notes, with nominal value of € 10,933m to the EFSF on 27 February 2015 and the reduction of its paid in capital by the same amount.

b) **Transfer of € 555.9m to Hellenic Republic.** Pursuant to the provisions of par. 7 art. 16c of Law 3864/2010, all financial institutions that have received a capital support from HFSF were obliged to pay a one-off amount totaling € 555.6m, which was recognised in 2012 Financial Statements, as one-off income fee and actually received by the Fund in December 2012. On 19/3/2015, according to the article 35 L. 4320/2015, HFSF transferred this amount and the relevant accrued interest totaling € 555.9m to the Hellenic Republic.

As **Mrs. Anastasia Sakellariou, HFSF's CEO** stated: "The HFSF has published today its Annual Financial Report for 2014 according to which as of 31.12.2014 the Fund's total equity, following losses of € 9.7bn in 2014 primarily as a consequence of the decline of the share prices of the banks, stands at € 24.5bn. During 2014 the HFSF approved the second round of recapitalization of the systemic banks by the private sector totaling € 8.3bn, thus strengthening their capital adequacy and resulting in them passing the ECB/EBA stress tests. Going forward the HFSF will continue to support the Greek banking system's stability aiming to further strengthen the Greek economy."

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

http://www.hfsf.gr/files/hfsf_annual_report_2014_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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