



July 29, 2016

Press Release

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**Hellenic Financial Stability Fund's Annual Financial Report**

The Hellenic Financial Stability Fund (HFSF or the Fund) uploaded today to its web site ([www.hfsf.gr](http://www.hfsf.gr)) the "Annual Financial Report" for 2015.

**The significant events during the financial year of 2015 are the following:**

- **Return of EFSF Notes to the issuer and reduction of HFSF capital.** Following a ministerial decision as of 26/02/2015 and in accordance with the Master Financial Assistance Facility Agreement, as amended, and in alignment with the Eurogroup statement as of 20/02/2015, the HFSF proceeded with the re-delivery of the unused EFSF Notes, with nominal value of €10.9bn to the EFSF on 27/02/2015. Consequently, the HFSF proceeded with the reduction of its paid in capital by the amount of €10.9bn.
- **Transfer of € 555.9m to the 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 an one-off amount totaling € 555.6m, which was recognized in 2012 Financial Statements, as one-off income fee and was actually received by the Fund in December 2012. On 19/03/2015, according to article 35 L. 4320/2015, HFSF transferred this amount and the relevant accrued interest, in total € 555.9m, from the HFSF account in the Bank of Greece (BoG) to the Hellenic Republic. This transaction is recognized as one-off expense in the Statement of Comprehensive Income.
- **Warrants exercise.** In January 2015, Piraeus Bank's (Piraeus) third warrants exercise took place. There were 3,568 warrants exercised and 15,969 shares exchanged, resulting to the Fund receiving €28,912. In July 2015, no warrant of Piraeus was exercised. In June 2015 Alpha Bank's and National Bank of Greece's (NBG) fourth warrants exercise took place. An amount of 13,800 and 1,844 warrants were exercised and 102,239 and 15,174 shares were exchanged, resulting to the Fund receiving €49,034 and €70,955 from Alpha Bank and NBG respectively. In December 2015 NBG's fifth warrants exercise took place. There were 890 warrants exercised and 488 shares exchanged, resulting to the Fund receiving €35,182. No warrants were exercised for Alpha Bank in December.
- **Signing of the new Financial Assistance Facility Agreement (FAFA).** Upon the ratification of the draft new FAFA together with the draft MoU by the Greek Parliament in Law 4336/2015 (Government Gazette A 94/14.8.2015), HFSF proceeded on 19/08/2015 with the signing of the new FAFA, between ESM, the Hellenic Republic as the beneficiary member state, BoG as the central bank and HFSF as the recapitalization fund. The loan agreement provided that the total amount of financial assistance to be used for the

financing of Greek banks' recapitalization or to cover the resolution costs may not exceed € 25bn.

- **HFSF's Law amendments.** The HFSF's Law was revised by Law 4340/2015 (Government Gazette A 134/1.11.2015) and Law 4346/2015 (Government Gazette A 152/20.11.2015) in order to reflect the Fund's new roles and extended operations stemming from the new FAFA and MoU commitments.
- **Approval of the Restructuring Plans.** In November 2015, the HFSF approved the four systemic banks' Final Restructuring Plans for their submission to the Ministry of Finance and DG Competition. The Fund may request additional restructuring measures through the budgeting and business planning exercises of the banks.
- **Recapitalization of NBG and Piraeus Bank by HFSF.** HFSF contributed ESM notes in order to fully cover the capital needs under the adverse scenario of NBG and Piraeus. In return, the Fund received the amount of € 677m and € 680m in NBG's and Piraeus' common shares respectively and the amount of € 2,029m and € 2,040m in the form of contingent convertible bonds (CoCos), issuance of NBG and Piraeus respectively. Furthermore and according to the Cabinet Act 45/5.12.2015 and par.1, article 3 of its founding Law 3864/2010, HFSF acquired 1,305,000,000 NBG common shares with nominal value €0.30 per share with no consideration paid, as a result of the conversion of preference shares issued by NBG. The total value of the shares amounted to € 391.5m and an equal gain was recognized in the statement of comprehensive income under the line gain/loss from financial instruments at fair value through profit or loss.
- **Amended Relationship Frameworks Agreements (RFAs).** Following the share capital increases of the systemic banks in November and December 2015, HFSF and the four systemic banks proceeded with the signing of the amended RFAs to reflect the Fund's new objectives and rights deriving from its participation in their share capital.

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

- **Interest income:** During 2015, interest income amounted to € 18.2m versus € 76.7m for 2014. The decrease in interest income is due to the re-delivery of all the unused EFSF Notes held by the Fund to the EFSF on 27/02/2015. During 2015, HFSF received interest from its deposits in the cash management account, which amounted to € 9.2m versus nil in 2014.
- **Loss from Financial Instruments at Fair Value through Profit or Loss:** The figure corresponds to the financial result from the revaluation of banks' shares, warrants and CoCos held by the Fund. The €9,334.2m loss in 2015 (2014: €9,694.9m) is analyzed to a) the result of the revaluation loss from the Fund's participations in the four systemic banks which is partly offset by the gain of the sales of shares due to the exercise of warrants and the gain from the acquisition of NBG common shares with no consideration paid, as a result of the NBG preference shares' conversion (2015: €10,594.2m loss, 2014: €10,705.2m loss), b) the revaluation gain of warrants (2015: €1,267.7m gain, 2014: €1,010.3m gain) and c) the revaluation loss of CoCos (2015: € 7.7m).
- **Personnel expenses:** During 2015, the personnel expenses amounted to €2.79m versus €2.75m in 2014.

- **General administrative and other operating expenses:** During 2015, operating expenses amounted to €3.5m versus €17.4m in 2014. The decrease is mainly attributed to the fees for services rendered by investment banks for the systemic banks' share capital increases which amounted to €14.4m during 2014, in compliance with the legal requirement to obtain two fairness opinions per capital increase.
- **One-off expense:** The one-off expense pertains to the € 555.9m transferred by HFSF to the Hellenic Republic on 19/03/2015, according to the article 35 L. 4320/2015. The amount was paid to HFSF by banks received capital support and it was recognised in 2012 financial statements, as one-off income fee.
- **Financial assets at fair value through profit or loss:** The balance includes the Fund's investments in the four systemic banks and the CoCos issued by NBG and Piraeus. As of 31/12/2015, the market value of shares amounted to €2,384.2m versus € 11,622.1m as of 31/12/2014. The fair value of CoCos amounted to € 4,061.5m as of 31/12/2015.
- **Cash and balances with banks:** As of 31/12/2015 the cash and balances with banks amounted to €349.3m versus € 670.1m as of 31/12/2014. The decrease is mainly attributed to the outflow due to the transfer of € 555.9m to the Hellenic Republic according to the article 35 L. 4320/2015, which was partially offset by the inflows from collections from banks under liquidation amounting to € 208.7m.
- **Receivables from banks under liquidation:** As of 31/12/2015, receivables stood at € 2,052.3m (31/12/2014: € 2,542.5m).
- **Capital:** Following the re-delivery of the unused EFSF Notes to the EFSF on 27/02/2015, HFSF proceeded with the reduction of its paid in capital by the amount of € 10,933m. In the context of the HFSF's participation in the recapitalization of Piraeus with an amount of € 2,720m on 02/12/2015 and in the recapitalization of NBG with an amount of € 2,706m on 8/12/2015, Hellenic Republic contributed to the HFSF the necessary capital in the form of ESM notes disbursed, increasing equally HFSF's capital. Consequently, the HFSF's capital amounted to € 44,193m as of 31/12/2015 versus € 49,700m as of 31/12/2014.
- **Equity:** During 2015, the loss amounted to €10,158m and the accumulated loss increased to € 35,353m from € 25,195m in 2014. Given the capital decrease due to the re-delivery of EFSF Notes, the capital increase and the increase of the accumulated loss the total equity decreased to €8,839m in 2015 from € 24,505m in 2014.

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

- **Formation of Selection Panel.** Following the Minister of Finance's decision (Government Gazette 10/15.01.2016), the Selection Panel of the Fund's members of the General Council and the Executive Board has been formed.
- **Collections from banks under liquidation**
- From the beginning of 2016 and up to the issuance of the annual financial report the Fund received €30m from ATE under liquidation.
- **Systemic Banks' Board of Directors evaluation.** As per the MoU, signed on 19/08/2015, between the European Commission, acting on behalf of the ESM, the Hellenic Republic and BoG, the HFSF, with the help of an independent international consultant with proven experience and know how, introduced a program to review the Boards and their 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 evaluated the size, operation, organization, structure and the allocation of powers and responsibilities within the Board of Directors and the Board Committees and proposed improvements and amendments to each institution's current corporate governance framework. In order to fulfil this project the HFSF was 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. The evaluation of the Boards and Board Committees of the systemic banks was completed in July 2016 and the results have been communicated to all parties involved.

- **NPL resolution action plan.** In accordance with the MoU, 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. For this purpose the HFSF selected a consultant, through a Request for Proposal, in order to deliver the aforementioned project. The project was completed and the relevant study was sent to the Institutions, Ministry of Finance and the BoG on 27/04/2016.

As **Mr. George Michelis, HFSF's Chairman** stated: "The HFSF has successfully and on time fulfilled its obligations which were agreed in the Memorandum of Understanding between the Hellenic Republic and the Institutions. These obligations comprised, among others, the completion of the third recapitalization of the four systemic banks, the amendment of the Fund's Law to reflect its new role, the NPL resolution action plan and, the systemic Banks' Board of Directors evaluation.

Going forward, HFSF's priorities for 2016 will be to facilitate and assist the resolution of the volume of NPLs along with the coordination of stakeholders, to drive improvements in Corporate Governance practices, to monitor the Banks' implementation of and compliance with the RFAs, to oversee transactions and key corporate actions and to strengthen HFSF's human capital and infrastructure. Notwithstanding the challenging financial and business environment, the Fund will continue to contribute to the maintenance of the stability of the Greek banking system and the Greek economy respectively".

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

[http://www.hfsf.gr/files/hfsf\\_annual\\_report\\_2015\\_en.pdf](http://www.hfsf.gr/files/hfsf_annual_report_2015_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.

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