

# Hellenic Financial Stability Fund



**Interim Financial Report**  
for the 6 month period ended 30/06/2016  
(In accordance with International Accounting Standard 34)

December 2016



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## General Council and Executive Board Report

### The Hellenic Financial Stability Fund

The Hellenic Financial Stability Fund (hereinafter the Fund or HFSF) was founded in July 2010 (under Law 3864/2010) as a private legal entity and does not belong to the public sector. It has administrative and financial autonomy, operates exclusively under the rules of the private economy and is governed by the provisions of the founding law as in force. On a supplementary basis, the provisions of company codified Law 2190/1920 are applied as in force, provided that they are not contrary to the provisions and the objectives of the founding Law. The purely private nature of the Fund is neither affected by its entire capital being subscribed by the Greek government, nor by the issuance of the relevant decisions by the Minister of Finance (hereinafter MoF). According to Law 4389/2016, HFSF is a direct subsidiary of the Hellenic Company of Assets and Participations, however the administrative autonomy and independence of the HFSF is not affected according to the provisions of the Law 4389/2016.

The purpose of the Fund is to contribute to the maintenance of the stability of the Greek banking system, for the sake of public interest and in line with the relevant commitments under the Memorandum of Understanding (hereinafter MoU) and in compliance with the obligations arising from the Master Financial Facility Agreement (hereinafter MFAFA) signed on 15/03/2012 and the new Financial Assistance Facility Agreement (hereinafter new FAFA) signed on 19/08/2015. In pursuing this objective, the Fund provides capital support to credit institutions according to the provisions of the Law 3864/2010 as in force and in compliance with EU State aid rules and the rules of prudent management of the assets of the Fund. It monitors and assesses how credit institutions, to which capital support is provided by the Fund, comply with their restructuring plans, safeguarding at the same time the business autonomy of the credit institution. The Fund ensures that such credit institutions operate on market terms and that private sector participation in them is enhanced on the basis of transparent procedures and of the European Union (hereinafter EU) legislation on State aid. The Fund exercises its shareholding rights deriving from its participation in the credit institutions to which capital support is provided by the Fund. It disposes in whole or partially, of financial instruments issued by the credit institutions in which it participates, according to the provisions of the Law 3864/2010. The Fund enters into relationship framework agreements (hereinafter RFAs) with all credit institutions that are or have been beneficiaries of financial assistance by the European Financial Stability Fund (hereinafter EFSF) and the European Stability Mechanism (hereinafter ESM) in order to provide for the implementation of its objectives and rights. It facilitates the management of the non-performing loans (hereinafter NPLs) of the credit institutions and operates under a comprehensive strategy for the banking sector and the NPLs management, which is agreed between the MoF, the Bank of Greece (hereinafter "BoG") and the Fund.

The Fund began its operation on 30/09/2010 with the appointment of the members of the Board of Directors (hereinafter BoD) by the MoF according to the decision A.P. 44560/B. 2018 (Government Gazette 319/30.9.2010). On 30/01/2013 the Board of Directors was substituted by the Executive Board and the General Council according to the decision of the MoF 3710/B.204 (Government Gazette (GG) YODD 35/30.1.2013), as amended by the decisions of the Minister of Finance 04960/B1112.B (GG YODD 193/30.4.2013), 19582/B1195 (GG YODD 210/7.5.2013), 20532/B.1252 (GG YODD 215/15.5.2013), 36922/B.2149 (GG YODD 421/23.8.2013), GDOP1136179EX2013/B.2183 (GG YODD 430/6.9.2013), GDOP0000276EX2013/B.2896 (GG YODD 4/31.12.2013), GDOP0000038EX2014/B.53 (GG YODD 6/14.1.2014), GDOP0000046EX2014/B.54 (GG YODD 9/15.1.2014) and GDOP0000569EX2014/B.793 (GG YODD 254/8.5.2014), GDOP0001381EX2014/B.1745 (GG YODD 688/5.11.2014), GDOP0000236EX2015/XP.270 (GG YODD 104/5.03.2015), GDOP0000726EX2015/XP.1530 (GG YODD 370&373/25.05.2015), GDOP0000743EX2015/XP1552 (GG YODD 373/25.05.2015), GDOP0000837EX2015/XP.2038 (GG YODD 435/16.06.2015), GDOP0000838EX2015/XP.2037 (GG YODD 435/16.06.2015), GDOP0000970EX2015/XP.2302 (GG YODD 518/15.07.2015), GDOP0000835EX2016/XP.1190 (GG YODD 282/02.06.2016), GDOP0001046EX2016 (GG YODD 384/18.07.2016) and GDOP0001188EX2016/XP.1639 (GG YODD 444/23.08.2016), GDOP0001467EX2016/XP1995 (GG YODD 558/18.10.2016) and GDOP0001536EX2016/XP1639 (GG YODD 577/27.10.2016). According to the provisions of Law 3864/2010 as amended by Law 4340/2015 and Law 4346/2015 a Selection Panel of six independent experts is established, whose composition is endorsed by a decision of the Minister of Finance. The selection panel pre-selects the members of the General Council and the Executive Board of the Fund, proposes their remuneration and performs their annual evaluation. The term of the Selection Panel is set for two years and can be renewed.



From the date of the enactment of Law 4051/2012 (GG A 40/29.2.2012) as amended by Law 4224/2013, the Fund covered the amount that the Hellenic Deposit & Investment Guarantee Fund (hereinafter HDIGF) would have paid for the process of the resolution of the credit institutions in accordance to Law 4261/2014 until 31/12/2014. Specifically the Fund was obliged to pay the amount as per paragraph 13 of article 141 and paragraph 7 of article 142 of the aforementioned law. In this case, the Fund was obliged to acquire the right and the privilege of the HDIGF in accordance with the paragraph 4 of Article 13A of Law 3746/2009. The provision was amended in December 2014 by art.96 of the Law 4316/2014. According to Law 4340/2015 (GG A 134/1.11.2015) and Law 4346/2015 (GG A 152/20.11.2015) the Fund may grant a resolution loan as defined in the new FAFA of 19/08/2015 to the HDIGF for the purposes of funding bank resolution costs, subject to the provisions of the aforementioned facility agreement and in line with the EU State aid rules. The monitoring and supervision of the actions and decisions of the bodies of the special liquidation of the credit institutions do not fall within the functions of the Fund. In addition, the Fund may provide guarantees to States, international organizations or other recipients and generally, take any action required for the implementation of decisions of the Euro area bodies concerning the support of the Greek economy. The scope of the Fund does not include the provision of liquidity assistance, which is provided according to Law 3723/2008 or according to the operating framework of the Eurosystem and the BoG.

## **Significant Events during 2016 and up to the issuance of the interim financial report**

### **Warrants exercise**

In January 2016 and July 2016 Piraeus Bank's fifth and sixth warrants exercise took place. No warrant has been exercised. In June 2016, Alpha bank's and National Bank of Greece's sixth exercise took place. No warrant has been exercised.

### **Formation and Composition of the Selection Panel**

Following the Minister of Finance's decision (GG 10/15.01.2016), the Selection Panel of the Fund's members of the General Council and the Executive Board has been formed. Up to the issuance of the interim financial report, the Selection panel was composed of the Chairman Francesco Papadia and the members Júlia Király, Panagiotis Doumanoglou, Emiliós Avgouleas, Peter Yngwe and Lars Nyberg (replaced Eric Rajendra on 04/04/2016). By a decision of Minister of Finance, the following persons have been appointed as observers to the Selection Panel: Peter Basch (EC's representative), Panagiotis Strouzas (ECB's representative), Mike Hesketh (ESM's representative), Aggeliki Mitsolidou (BoG's representative), Adam Karaglanis (MoF's representative).

### **Composition of the General Council**

On 02/06/2016, Mr. Maetze Christof Gabriel was appointed by the Minister of Finance as non-executive member of the General Council following the resignation of Mr. Pierre Mariani on 01/03/2016.

On 18/07/2016, Mrs. Dagmar Valcárcel was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Wouter Devriendt who resigned on 30/04/2016.

On 18/10/2016, Mr. Radován Jelasity was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Elias Karakitsos who resigned on 05/07/2016.

### **Composition of the Executive Board**

Pursuant to Article 80 of Law 4413/2016 (GG A' 148), the Fund's Law 3864/2010 was amended and a procedure for the placement of members of the Executive Board with full powers and duties, has been introduced for the time needed until the appointment of new members according to the ordinary procedure of the law of the Fund. Therefore, following the resignation of Messrs. Aristides Xenofos (former CEO) and George Koutsos (former Deputy CEO) on 18/07/2016 and based on a proposal by the General Council to the Minister of Finance, Mr. Christoforos Stratos, member of the General Council, was appointed as CEO and Mr. Michael Haralabidis, senior HFSF Executive, was appointed as Deputy CEO on 23/08/2016 (YODD 444). Their appointment was in accordance to the agreement of the Euro Working Group and the non-binding opinion of the Selection Panel. During this period, Mr. Christoforos Stratos participated in the meetings of General Council with no voting right.

Mr. Eric Turret and Mr. Frangetis have undertaken their duties, following their appointment, as Deputy CEO and executive member respectively, by the Minister of Finance on 27/10/2016.



### **Collections from liquidations**

From the beginning of 2016 and up to the issuance of the interim financial report, the Fund received €30 million from ATEbank under liquidation.

### **Formation of the Hellenic Company of Assets and Participations SA**

The Hellenic Corporation of Assets and Participations was founded under the Law 4389/2016 (Government Gazette 94/27.05.2016). Although HFSF is its direct subsidiary, the administrative autonomy and independence of the HFSF is not affected according to the provisions of the Law 4389/2016.

### **Systemic Banks' Board of Directors evaluation**

In line with the MoU signed on 19/08/2015, the HFSF, with the help of an independent international consultant with proven experience and know-how, introduced a program to review the Boards and the Committees of the systemic banks. This review is in line with prudent international practices, 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). The evaluation of the Boards and Committees of the systemic banks was completed in July 2016 and the results have been communicated to all parties involved.

### **Non performing large corporate loans resolution action plan**

In line with the MoU signed on 19/08/2015, the HFSF with the help of an independent international consultant, presented and implemented an NPL resolution action plan to enhance coordination among banks and accelerate the restructurings of the large corporate loans, and if needed jointly tackle entire economic sectors. The project 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

The project was completed and the relevant study was sent to the Institutions, Ministry of Finance, Ministry of Economy and BoG on 27/04/2016.

### **Analysis of non-regulatory constraints and impediments for the development of an NPL market**

As per the provisions of the MoU signed on 19/08/2015, the HFSF in cooperation with BoG, provided an analysis to identify non-regulatory constraints and impediments (e.g. administrative, economic, legal) to the development of a dynamic NPL market in Greece. Following the analysis, impediments were identified and grouped per broad areas of obstacles, i.e. legal and judicial, tax and accounting, administrative and other impediments. This study was effectively completed and presented to the Authorities, in October 2015.

Subsequently and as specified in the Supplemental MoU signed on 16/06/2016, the HFSF in cooperation with BoG, would have to update and propose concrete actions regarding all remaining non-regulatory impediments to the development of a dynamic NPL market by end of June 2016. The updated study was completed and the updated report was published on HFSF's site.

### **Completion of ATE Insurance sale**

On 01/08/2016, Piraeus announced the completion of the agreement for the sale of 100% of the share capital of ATE Insurance to ERGO International AG, a subsidiary of Munich Re, following the fulfillment of all the conditions under the relevant agreement, as well as the receipt of all necessary approvals from the competent bodies, including the HFSF. ERGO International AG paid a consideration of €90.1m in cash for the total stake of Piraeus in the ATE Insurance share capital. Following the closing of the transaction and based on contractual agreement, the HFSF has a claim against Piraeus, from the proceeds of this transaction, deriving from the fact that HFSF had contributed to Piraeus Bank the funding gap corresponding to ATE Insurance, which cannot be reliably estimated.

### **Income received from Piraeus' Contingent Convertible bonds (CoCos)**

On 02/12/2016, the Fund received from Piraeus the amount of €165.9m relating to the annual coupon of CoCos.





## The Fund's Financial Performance during the six month period ended on 30/06/2016

### Statement of Comprehensive Income

**Interest income:** During the six month period ended on 30/06/2016, the interest income amounted to €6.4m versus €11.8m in the respective period of 2015. The decrease in interest income is attributed to the re-delivery of the European Financial Stability Facility Floating Rate Notes (hereinafter "EFSF FRNs") held by the Fund to the EFSF on 27/02/2015. The balance in 2016 refers to the interest received from HFSF's deposits in the cash management account. Further information on the above is provided in Note 10 to the interim financial statements.

**Personnel expenses:** During the six month period ended on 30/06/2016, the personnel expenses amounted to €1.4m versus €1.5m in the respective period of 2015. Further information on the above is provided in Note 11 to the interim financial statements.

**General administrative and other operating expenses:** During the six month period ended on 30/06/2016, the operating expenses amounted to €4.1m versus €1.0m in the respective period in 2015. The increase in the operating expenses is attributed mainly to the advisory fees for services rendered in relation to projects undertaken by HFSF in line with the commitments of the MoU signed in August 2015 and the sale of Finansbank by NBG. Further information on the above is provided in Note 12 to the interim financial statements.

**Impairment of receivables from banks under liquidation:** During the six month period ended on 30/06/2016, the impairment loss of receivables from banks under liquidation amounted to €85.1m versus €70.2m in the respective period of 2015. Further information on the above is provided in Note 6 to the interim financial statements.

**Loss from financial instruments at fair value through profit or loss:** The figure corresponds to the financial result from the revaluation of bank's shares, warrants and CoCos held by the Fund. The €1,052.0m loss in the six month period of 2016 (6 months of 2015: €3,532.4m loss) is analysed to the revaluation loss of the Fund's participations in the four systemic banks (6 months of 2016: €1,000.5m loss, 6 months of 2015: €4,087.8m loss), the revaluation gain of warrants (6 months of 2016: €0.4m gain, 6 months of 2015: €555.4m gain) and the revaluation loss of CoCos (6 months of 2016: €51.8m loss, 6 months of 2015: €0). Further information on the above is provided in Note 13 to the interim financial statements.

### Statement of Financial Position

**Cash and balances with banks:** As of 30/06/2016, the cash and balances with banks amounted to €379.9m versus €349.3m as of 31/12/2015. The movement of the cash balances in the first half of 2016 is analyzed to the inflows of a) €30.0m relating to the collection from ATEbank under liquidation and b) €6.4m relating to the proceeds of the cash management account and outflows of €5.8m for operating expenses and other payments. Further information on the above is provided in the statement of cash flows and Note 4 to the interim financial statements.

**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 30/06/2016, the market value of shares amounted to €1,383.5m versus €2,384.1m as of 31/12/2015. The fair value of CoCos amounted to €4,009.6m versus €4,061.4m as of 31/12/2015. Further information on the above is provided in Note 5 to the interim financial statements.

**Receivables from banks under liquidation:** The balance pertains to the estimated recoverable amount of the funding gap, which has been covered by the Fund instead of the HDIGF, and amounted to €1,937.2m as of 30/06/2016 versus €2,052.3m as of 31/12/2015. During the six month period ended on 2016, the Fund collected from the ATEbank under liquidation the amount of €30.0m and recognized in the statement of comprehensive income an impairment loss of 85.1m. It is noted that the final liquidation proceeds may vary from the estimated recoverable amount as the liquidation process is a dynamic process and the proceeds are subject to factors beyond the liquidators control such as the macroeconomic outlook. Further information on the above is provided in Note 6 to the interim financial statements.



**Derivative financial liability:** The balance includes the market value of warrants, which were issued by HFSF in connection to the shares held by the Fund in the three out of four systemic banks following their recapitalization of 2013. As of 30/06/2016, the market value of warrants amounted to € 3.9m versus € 4.4m as of 31/12/2015. Further information on the above is provided in Note 7 to the interim financial statements.

**Equity:** During the six month period ended on 30/06/2016, the loss amounted to €1,136.3m and the accumulated loss increased to €36,489.6m from €35,353.3m as of 31/12/2015. The capital has not changed and amounted to €44,192.7m.

## Systemic banks' overview and performance

### Alpha Bank S.A.

#### Bank overview

Alpha Bank (Alpha) is incorporated and domiciled in Greece and its headquarters are located on 40 Stadiou Street in Athens ([www.alpha.gr](http://www.alpha.gr)). Its shares are listed in the Athens Exchange and in the form of American depositary receipts (ADRs) in the New York Stock Exchange. Alpha and its subsidiaries offer a wide range of services including corporate and retail banking, financial services, investment banking and brokerage services, insurance services, real estate management and other services. The Group operates in Greece, Cyprus, Romania, Serbia, Albania and United Kingdom.

#### Board of Directors

Vasileios T. Rapanos (Non-Executive Chairman), Pavlos A. Apostolides (Independent Non-Executive Vice Chairman), Executive Members: Demetrios P. Mantzounis (Chief Executive Officer), Spyros N. Filaretos (Chief Operating Officer), Artemios Ch. Theodoridis, George C. Aronis, Independent Non-Executive Members: Evangelos J. Kaloussis, Ibrahim S. Dabdoub, Shahzad Shahbaz, Jan A. Vanhevel, Richard R. Gildea Non-Executive Members: Efthimios O. Vidalis, Marica S. Ioannou-Frangakis (Greek State Representative), Panagiota S. Iplixian (HFSF Representative).

#### Significant events during 2016 and up to the issuance date of the Fund's interim financial report

On 01/03/2016, Alpha announced the acquisition of the entirety of Alpha'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.

On 24/03/2016, Mr. Jan Vanhevel, was elected member of the BoD of the Bank in replacement of Mr. Minas Tanes, effective as of 21/04/2016.

On 10/05/2016, the sale of all shares of the Bank's subsidiary, Alpha Bank A.D. Skopje was completed.

On 18/02/2016 and 13/05/2016, the Bank participated in the share capital increase of its subsidiary, Alpha Group Investments Ltd with the amount of € 57.82m and € 11.9m respectively.

On 17/05/2016, Alpha, 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 EBRD is considering co-investing in partnership with KKR and the banks.

On 28/07/2016, Mr. Richard R. Gildea was elected as non-executive member of the BoD of the Bank. Mr. Gildea will fill the first vacated (due to resignation, as per below) BoD member position and assume the capacity of independent non-executive member of the BoD.

On 29/09/2016, the non-executive independent members Messrs Ioannis K. Lyras, Pavlos A. Apostolides and Evangelos J. Kaloussis submitted their resignation with effect from no later than 30/11/2016. The said members shall



specify the exact date of their departure through a new statement. Mr. Lyras' resignation became effective on 30/11/2016.

On 27/10/2016, Alpha announced the conclusion of a definitive agreement with Home Holdings SA and D-Marine Investments Holding B.V. for the sale of its majority stake in the share capital of Ionian Hotel Enterprises SA. The consideration amounted to €142m, it is capital neutral and fully aligned with the Bank's restructuring plan targets.

#### Alpha Group's Key Financial Information (amounts in € million)

<b>Extracts from Statement of Financial Position</b>	<b>30/6/2016</b>	<b>31/12/2015</b>	<b>Change</b>
Loans and advances to customers	45,496	46,186	-1%
Due to Customers	31,667	31,434	1%
Total Assets	67,372	69,298	-3%
Total Liabilities	58,450	60,244	-3%
Total Equity	8,922	9,053	-1%
<b>Extracts from Income Statement for the 6 month period ended</b>	<b>30/6/2016</b>	<b>30/6/2015</b>	<b>Change</b>
Total Income	1,214	1,185	2%
Operating expenses	(603)	(555)	9%
Profit / (loss) before tax, provisions and negative goodwill	611	630	-3%
Credit Provisions and other impairment charges	(605)	(2,099)	-71%
Share of profit/(loss) of associates and joint ventures	(2)	(4)	-50%
Profit / (loss) before tax	4	(1,472)	-100%
Tax benefit / (Expense)	(24)	309	-108%
Profit / (loss) for the period from continuing operations	(21)	(1,163)	-98%
Profit / (loss) for the period from discontinuing operations	2	(89)	-102%
<b>Profit / (Loss) for the period</b>	<b>(19)</b>	<b>(1,252)</b>	<b>-98%</b>
<b>Capital Adequacy</b>	<b>30/6/2016</b>	<b>31/12/2015</b>	<b>(restated)</b>
Common Equity Tier 1	16.7%	16.6%	
Tier 1	16.7%	16.6%	
<b>Capital Adequacy Ratio</b>	<b>16.7%</b>	<b>16.8%</b>	
<b>Rating Agencies</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Ratings	Caa3	CCC+	RD

Information on Alpha's financials is available at <http://www.alpha.gr/page/default.asp?la=2&id=16175>

#### Eurobank Ergasias S.A.

##### Bank overview

Eurobank Ergasias S.A. (Eurobank) is incorporated and domiciled in Greece and its headquarters are located on 20 Amalias Avenue in Athens ([www.eurobank.gr](http://www.eurobank.gr)). Its shares are listed on the Athens Exchange. Eurobank and its subsidiaries offer a wide range of services including: retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services. The Group operates in Greece, Luxemburg, United Kingdom, Romania, Bulgaria, Serbia, Ukraine and Cyprus.

##### Board of Directors

Nikolaos V. Karamouzis (Non-Executive Chairman), Jawaid Ahmed A.H. Mirza (Vice Chairman, Non-Executive Independent Director), Executive Members: Fokion C. Karavias (Chief Executive Officer), Stavros E. Ioannou (Deputy Chief Executive Officer), Theodoros A. Kalantonis (Deputy Chief Executive Officer), Independent Non-Executive Members: Bradley Paul L. Martin, Stephen L. Johnson, Lucrezia A. Reichlin, George E. Myhal, Non-Executive Members: Wade Sebastian R.E. Burton, George K. Chryssikos, Christina G. Andreou (Greek State representative), Kenneth Howard K. Prince-Wright (HFSF representative).

##### Significant events during 2016 and up to the issuance date of the Fund's interim financial report

On 01/03/2016, Eurobank announced the acquisition of the entirety of Alpha'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.





During the first half of 2016, the Eurobank Group acquired, through its subsidiaries Eurolife ERB Life Insurance S.A. and Eurolife ERB General Insurance S.A. 0.45% of GRIVALIA PROPERTIES R.E.I.C., and thus the total Group participation to GRIVALIA subgroup amounted to 20.93%.

On 17/05/2016, Alpha, 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 EBRD is considering co-investing in partnership with KKR and the banks.

On 20/05/2016, 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 04/08/2016, Eurobank announced that the sale of 80% of Eurolife ERB Insurance Group S.A. ("Eurolife") to Costa Luxembourg S.a.r.l., a company jointly controlled by Fairfax Financial Holdings Limited and OMERS Administration Corporation was completed, after all required regulatory approvals have been obtained. The cash consideration paid pursuant to the transaction documentation, post distribution of a €34m dividend to Eurobank by Eurolife, was € 324.7m. The transaction results in capital accretion for Eurobank, as it increases its CET1 ratio by c. 27 bps.

On 26/10/2016, Mr. George E. Myhal was appointed as new independent non-executive member of the BoD, in replacement of the resigned independent non-executive member Mr. Jon Steven B.G. Haick, for an equal term to the remaining term of the resigned member.

On 03/11/2016, Mr. Spyros Lorentziadis resigned from his position as vice chairman, independent non-executive member of BoD and Mr. Jawaid Mirza replaced him as Vice Chairman.

#### **Eurobank Group's Key Financial Information (amounts in € million)**

<b>Extracts from Statement of Financial Position</b>	<b>30/6/2016</b>	<b>31/12/2015</b>	<b>Change</b>
Loans and advances to customers	39,545	39,893	-1%
Due to Customers	32,974	31,446	5%
Total Assets	72,652	73,553	-1%
Total Liabilities	65,451	66,421	-1%
Total Equity	7,201	7,132	1%
<b>Extracts from Income Statement for the 6 month period ended</b>	<b>30/6/2016</b>	<b>30/6/2015</b>	<b>Change</b>
Total Income	1,041	870	20%
Operating expenses	(503)	(484)	4%
Profit / (loss) before tax and provisions	538	386	39%
Credit Provisions and other impairment charges	(412)	(2,209)	-81%
Restructuring costs	(47)	(3)	1467%
Profit / (loss) before tax	79	(1,826)	-104%
Income tax and non recurring tax adjustments	14	450	-97%
Profit / (loss) for the period from continuing operations	93	(1,376)	-107%
Profit/(loss) for the period from discontinued operations	21	(25)	-184%
<b>Net profit/(loss)</b>	<b>114</b>	<b>(1,401)</b>	<b>-108%</b>
<b>Capital Adequacy</b>	<b>30/6/2016</b>	<b>31/12/2015</b>	
Common Equity Tier 1	16.7%	17.0%	
Tier 1	16.7%	17.0%	
<b>Capital Adequacy Ratio</b>	<b>17.1%</b>	<b>17.4%</b>	
<b>Rating Agencies</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Ratings	Caa3	CCC+	RD

Information on Eurobank's financials is available at:

<http://www.eurobank.gr/online/home/generic.aspx?id=30&mid=360&lang=gr>



## **National Bank of Greece S.A.**

### **Bank overview**

National Bank of Greece (NBG) is incorporated and domiciles in Greece and its headquarters are located on 86 Eolou Street in Athens ([www.nbg.gr](http://www.nbg.gr)). Its shares are listed on the Athens Exchange and on the New York Stock Exchange in the form of ADRs. NBG and its subsidiaries provide a wide range of financial services including retail and commercial banking, asset management, brokerage, investment banking, insurance, real estate and other services. The Group operates in Greece, United Kingdom, Bulgaria, Romania, Albania, Serbia, FYROM, Cyprus, Malta, Egypt, Australia and South Africa.

### **Board of Directors**

Panayiotis Thomopoulos (Non-Executive Chairman), Petros Sabatacakis (Vice Chairman, Independent non-executive chairman) Executive Members: Leonidas Fragkiadakis (Chief Executive Officer), Dimitrios G. Dimopoulos (Deputy Chief Executive Officer), Paul K. Mylonas (Deputy Chief Executive Officer), Independent Non-Executive Members: Marianne Økland, Mike Aynsley, Charalampos Makkas, Claude Piret, Non-Executive Members: Stavros A. Koukos, Efthymios C. Katsikas, Spyros L. Lorentziadis, Panagiotis Leftheris (HFSF representative).

### **Significant events during 2016 and up to the issuance date of the Fund's interim financial report**

On 26/05/2016, Mr. Kurt Geiger and Mr. Mike Aynsley were elected as independent non-executive members of the BoD.

On 15/06/2016, NBG announced the transfer of its 99.81% stake in Finansbank A.Ş. to Qatar National Bank S.A.Q. ("QNB"). The consideration was €2,750m and additionally QNB repaid the \$910 million of subordinated debt that NBG had extended to Finansbank, increasing the liquidity position of the NBG Group by approximately €3.6 billion. With the successful completion of the sale, NBG's pro-forma Q1 2016 CET1 ratio increased by c.740bps to 21.8%. This capital enhancement paved the way to the repayment, following approval by the Single Supervisory Mechanism of the European Central Bank, of the €2.0bn CoCos issued by NBG and held by HFSF.

On 29/06/2016, 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.

On 19/07/2016, Mr. Panagiotis Leftheris was appointed as the new Representative of HFSF on the BoD.

On 22/07/2016, the securities issued by NBG under Hellenic Republic guarantees, as per Law 3723/2008, have been fully paid up and cancelled. Following the definitive expiry of these guarantees, NBG is no longer subject to the provisions of Law 3723/2008 and the representation of the Hellenic Republic on NBG's BoD has been ceased.

On 28/07/2016, Mr. Makkas was elected as a non-executive member of the BoD.

On 08/08/2016, NBG has completed the first greek SME securitization transaction since 2007. NBG will raise up to €300m of medium-term funding by placing the senior notes with the European Investment Bank (EIB), the European Investment Fund (EIF) and the European Bank for Reconstruction and Development (EBRD).

On 30/09/2016, NBG announced the transfer of its 100% of its interests in eleven Limited Partnerships (the "Funds") held directly or indirectly by NBG and managed by NBGI PE Limited ("NBGI PE") to funds managed by Deutsche Bank Private Equity ("DBPE") and Goldman Sachs Asset Management. The agreed consideration amounted to €288m and taking into consideration the related transaction expenses, the sale increased the CET1 ratio by c.23bps, based on Q2 2016 results.

On 27/10/2016, NBG announced the completion of the sale of its entire stake in Astir Palace Vouliagmenis S.A. to Apollo Investment Holdco SARL for a consideration of €298.8m. The liquidity raised from the transaction reduced the



Bank's funding from the ELA mechanism, which had a positive impact on its cost of funding, and the NBG's pro forma CET1 ratio increased by approximately 46bps.

Following the resignation of the Chair of BoD, Ms. Louka Katseli, and of independent non-executive members, Mr. Spyros Theodoropoulos and Mr. Dimitrios Afentoulis on 04/11/2016, the BoD of the Bank elected Mr. Panayiotis Thomopoulos as the new chairman of the BoD, Mr. Claude Piret as independent non-executive member and Spyridon Lorentziadis as non-executive member on 9/11/2016.

#### **NBG Group's Key Financial Information (amounts in € million)**

<b>Extracts from Statement of Financial Position</b>	<b>30/6/2016</b>	<b>31/12/2015</b>	<b>Change</b>
Loans and advances to customers	44,943	45,375	-1%
Due to Customers	42,184	42,959	-2%
Total Assets	83,917	111,232	-25%
Total Liabilities	74,152	101,408	-27%
Total Equity	9,765	9,824	-1%
<b>Extracts from Income Statement for the 6 month period ended</b>	<b>30/6/2016</b>	<b>30/6/2015</b>	<b>Change</b>
Total Income	1,056	1,047	0.9%
Operating expenses	(629)	(641)	-1.9%
Profit / (loss) before tax and provisions	427	406	5.2%
Credit Provisions and other impairment charges	(411)	(2,852)	-85.6%
share of profit/(loss) of equity method investments	2	3	-33.3%
Profit / (loss) before tax	18	(2,443)	-100.7%
Tax benefit / (Expense)	(15)	535	-102.8%
Profit / (loss) for the period from continuing operations	3	(1,908)	-100%
Profit/(loss) for the period from discontinued operations	(2,957)	150	-2071%
<b>Profit / (Loss) for the period</b>	<b>(2,954)</b>	<b>(1,758)</b>	<b>68%</b>
<b>Capital Adequacy</b>	<b>30/6/2016</b>	<b>31/12/2015 (updated)</b>	
Common Equity Tier 1	21.4%	14.50%	
Tier 1	21.4%	14.50%	
<b>Capital Adequacy Ratio</b>	<b>21.5%</b>	<b>14.60%</b>	
<b>Rating Agencies</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Ratings	Caa3	CCC+	RD

Information on NBG's financials is available at <https://www.nbg.gr/en/the-group/investor-relations>

### **Piraeus Bank S.A.**

#### **Bank overview**

Piraeus Bank (Piraeus) is incorporated and domiciled in Greece and its headquarters are located on 4 Amerikis street in Athens ([www.piraeusbankgroup.com](http://www.piraeusbankgroup.com)). Its shares are listed on Athens Exchange. Piraeus and its subsidiaries provide a wide range of financial services including retail and commercial banking, asset management, brokerage, investment banking, insurance, real estate and other services. The Group operates in Greece, Romania, Bulgaria, Albania, Serbia, Ukraine, United Kingdom and Germany.

#### **Board of Directors**

George Handjinicolaou (Non-Executive Chairman), Apostolos Tamvakakis (Independent Non-Executive A' Vice-Chairman), Stavros Lekkakos (Non-Executive B' Vice-Chairman) Executive Members: George Pouloupoulos (Deputy Managing Director and Acting Chief Executive Officer), Charikleia Apalagaki (Authorized Executive Director), Independent Non-Executive Members: David Hexter, Arne Berggren, Karel De Boeck, Enrico Cucchiani, Non-Executive Members: Iakovos Georganas, Alexander Blades, Solomon Berahas, Aikaterini Beritsi (HFSF Representative).



**Significant events during 2016 and up to the issuance date of the Fund's interim financial report**

On 20/01/2016, Mr. Stavros Lekkakos was appointed interim CEO, replacing Mr. Anthimos Thomopoulos, who resigned on 15/01/2016.

On 27/01/2016, Mr. David Hexter was elected independent non-executive member and Messrs Alexander Blades and Andreas Schultheis non-executive members, further to the resignations of independent non-executive vice Chairman, Mr. Nikolaos Christodoulakis and non-executive member, Mr. Stylianos Golemis.

On 20/04/2016, Mr. Andreas Schultheis resigned from his position as a non-executive member of BoD.

On 28/04/2016, Piraeus redeemed the last remaining bonds issued under Hellenic Republic guarantees (Pillar II) and used by the bank for liquidity purposes. Upon redemption of Pillar II, Piraeus no longer has any reliance on Law 3723/2008, and therefore it will no longer be subject to the restrictions of the program.

On 11/05/2016, Piraeus disposed to EBRD a 15% stake in the share capital of European Reliance General Insurance Co. S.A. The stake is part of the 28.7% previously held by Piraeus and sold it as part of the bank's disposal of non-core assets in the implementation framework of its Restructuring Plan following the successful recapitalization in December 2015. The remaining stake will be acquired by the insurer's management and two other legal entities.

On 08/06/2016, further to the resignations of independent non-executive members, Messrs A. Athanasiou and P. Pappas, Messrs Karel De Boeck and Arne Berggren were elected as new independent non-executive members for the remaining term of the BoD.

On 08/06/2016, Piraeus 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.

On 29/06/2016, Mr. George Pouloupoulos was appointed as a new BoD member and Deputy Chief Executive Officer and he will be the acting CEO, replacing Mr. Stavros Lekkakos who resigned from the position of interim CEO.

On 08/07/2016, Piraeus announced that it has entered into an agreement with Holding M. Sehnaoui SAL, for the sale of shares in its subsidiary in Cyprus, Piraeus Bank Cyprus Ltd. The sale, combined with the capital increase of Piraeus Cyprus by an amount of €40m, will result in Piraeus' shareholding in Piraeus Cyprus being reduced to 17.6% and the CET1 capital ratio of Piraeus will improve by approximately 15 bps.

On 20/07/2016, Ms Charikleia Apalagaki was elected as Interim Chairman of the BoD, following the resignation of Mr. Michalis Sallas.

On 01/08/2016, Piraeus announced the completion of the agreement for the sale of 100% of the share capital of ATE Insurance to ERGO International AG, a subsidiary of Munich Re, following the fulfillment of all the conditions under the relevant agreement, as well as the receipt of all necessary approvals from the competent bodies, including the HFSF. ERGO International AG paid a consideration of €90.1m in cash for the total stake of Piraeus in the ATE Insurance share capital. Following the closing of the transaction and based on contractual agreement, the HFSF has a claim against Piraeus, from the proceeds of this transaction, deriving from the fact that HFSF had contributed to Piraeus Bank the funding gap corresponding to ATE Insurance, which cannot be reliably estimated.

On 30/08/2016, Mr. Vasileios Furlis, non-executive member, submitted his resignation from the BoD.

On 22/09/2016, Mr. Eftychios Vassilakis, non-executive member, submitted his resignation from the BoD.

On 01/11/2016, Messrs. George Handjinicolaou, Solomon Berahas and Enrico Tommaso Cucchiani were elected by the BoD of the Bank as new non-executive members of the BoD to replace members previously resigned. Subsequently, Mr. George Handjinicolaou was appointment as the new Chairman of the BoD.



**Piraeus Group' Key Financial Information (amounts in € million)**

<b>Extracts from Statement of Financial Position</b>	<b>30/6/2016</b>	<b>31/12/2015</b>	<b>Change</b>
Loans and advances to customers	48,873	50,591	-3%
Due to Customers	38,406	38,952	-1%
Total Assets	84,316	87,528	-4%
Total Liabilities	74,387	77,508	-4%
Total Equity	9,929	10,021	-1%
<b>Extracts from Income Statement for the 6 month period ended</b>	<b>30/6/2016</b>	<b>30/6/2015</b>	<b>Change</b>
Total Income	1,270	1,148	11%
Operating expenses	(645)	(661)	-2%
Profit / (loss) before tax and provisions	625	487	28%
Credit Provisions and other impairment charges	(600)	(1,931)	-69%
Share of profit of associates	(24)	(19)	26%
Profit / (loss) before tax	1	(1,464)	-100%
Tax benefit / (Expense)	(18)	340	-105%
Profit/ (loss) for the period from continuing operations	(17)	(1,124)	-98%
Profit/ (loss) after income tax from discontinued operations	(23)	(1)	2200%
<b>Profit / (loss) for the period</b>	<b>(40)</b>	<b>(1,125)</b>	<b>-96%</b>
<b>Capital Adequacy</b>	<b>30/6/2016</b>	<b>31/12/2015</b>	
Common Equity Tier 1	17.3%	17.5%	
Tier 1	17.3%	17.5%	
<b>Capital Adequacy Ratio</b>	<b>17.3%</b>	<b>17.5%</b>	
<b>Rating Agencies</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Ratings	Caa3	CCC+	RD

Information on Piraeus's financials is available at:

<http://www.piraeusbankgroup.com/en/investors/financials/financial-statements>





## Corporate Governance

### Management

The decision-making bodies of the Fund are the General Council and the Executive Board, which replaced the Board of Directors (BoD) on 01/02/2013 according to the provisions of Law 4051/2012. The General Council consists of nine non-executive members, seven of which, including the chairman, shall be persons with international experience in banking matters and the other two are representatives of the MoF and BoG. The Executive Board consists of three members, two of which, including the Chief Executive Officer, shall be persons with international experience in banking matters or in matters relating to the resolution of credit institutions and one member is nominated by the BoG. The members of the General Council, apart from the representative of the Ministry of Finance and the nominee from the Bank of Greece, and the members of the Executive Board are pre-selected by the selection panel and appointed by a decision of the Minister of Finance, with the prior agreement of the Euro Working Group. The members of the General Council and the Executive Board, except for the representative of the MoF in the General Council, enjoy full autonomy and do not seek or receive instructions from the Greek State or any other state body or institution, or financial institution supervised by the BoG. With an aim of achieving its objective of contributing to the maintenance of stability in the Greek banking System, the Fund acts in line with the relevant commitments under the MoU and in compliance with the obligations arising from the new Financial Assistance Facility Agreement (new FAFA) signed on 19/08/2015. HFSF exercises its shareholding rights deriving from its participation in the credit institutions to which capital support is provided by the Fund, in compliance with the rules of prudent management of the assets of the Fund and in line with the rules of the European Union with respect to State aid and competition.

As of the date of the issuance of this interim financial report, the Executive Board and the General Council of the HFSF are comprised of the following members:

<b>Executive Board*</b>	<b>Position</b>
Eric Tourret	Deputy Chief Executive Officer
Dimitris Frangetis	Executive Member
<b>General Council**</b>	<b>Position</b>
George Michelis	Chairman
Christoforos Stratos	Member
Steven Franck	Member
Jón Sigurgeisson	Member
Christof Gabriel Maetze	Member
Dagmar Valcárcel	Member
Radován Jelasity	Member
Kerasina Raftopoulou	Member, Representative of the MoF
Vassilios Spiliotopoulos	Member, appointed by the BoG

\* On 23/08/2016, Mr. Christoforos Stratos and Mr. Michael Haralabidis were appointed as CEO and Deputy CEO, respectively, until the appointment of new members according to the ordinary procedure of the law of the Fund, following the resignation of the former CEO, Mr. Aristides Xenofos, and former Deputy CEO, Mr. George Koutsos on 18/07/2016. During this period, Mr. Christoforos Stratos participated in the meetings of General Council with no voting right.

\* Mr. Eric Tourret and Mr. Frangetis have undertaken their duties, following their appointment, as Deputy CEO and executive member respectively, by the Minister of Finance on 27/10/2016.

\*\* On 02/06/2016, Mr. Christof Gabriel Maetze was appointed as non-executive member of the General Council following the resignation of Mr. Pierre Mariani on 01/03/2016.

\*\* On 18/07/2016, Mrs. Dagmar Valcárcel was appointed as non-executive member of the General Council, replacing Mr. Wouter Devriendt who resigned on 30/04/2016.

\*\* On 18/10/2016, Mr. Radován Jelasity was appointed as non-executive member of the General Council, replacing Mr. Elias Karakitsos who resigned on 05/07/2016.



In accordance with HFSF's law the following persons have been appointed as observers and alternate observers to the BoD in the past and currently serve as such to the Executive Board and the General Council: Peter Basch from February 2011 (EC's representative), Panagiotis Strouzas from November 2010 (ECB's representative) and Mike Hesketh from November 2015 (ESM's representative). The alternates from the EC, ECB and ESM are Hana Jenorio, Maximilian Fandl and Efstathios Sofos respectively.

### **Executive Board**

The Executive Board consists of three members, two of which, including the Chief Executive Officer, must be persons with international experience in banking matters or in matters relating to the resolution of banks and one of which shall be a person nominated by the BoG. Following the amendments of the HFSF law, the members of the General Council and the Executive Board shall be selected, following a public call of interest, by the Selection Panel of article 4A, of the HFSF Law. Representatives from the European Commission, the ECB and the ESM may participate in the Executive Board as observers without voting rights. The members of the General Council and the Executive Board shall be appointed by a decision of the Minister of Finance, according to the procedure stipulated in article 4A. Their appointment cannot extend beyond the date set in paragraph 6 of article 2 of this Law. Any vacancy on the General Council or the Executive Board shall be filled within sixty (60) days, that can be extended if needed for another thirty (30) days, by the appointment of a new member, under the provisions of article 4A, to serve the remaining term of the departed member. With the exception of the representative of the Ministry of Finance and the nominee from the Bank of Greece in the General Council, all appointments, including renewal of appointments, of member of the General Council and the Executive Board shall require the prior agreement of the Euro Working Group, including their respective remuneration.

The Members of the Executive Board may be removed prior to the expiry of their term of office by decision of the Minister for Finance, on the occurrence of certain conditions articulated in Greek Law 3864/2010, as in force or upon justified proposal from the Selection Panel for the reasons and according to the procedures set out in article 4A.

The Executive Board is charged with the preparation of the HFSF's tasks and the implementation of the decisions of its competent bodies and conduct of the operations necessary for the administration and operation, as well as, for the fulfilment of the Fund's objective. The Executive Board has, indicatively, the following specific powers and tasks under Greek Law 3864/2010, as in force:

- the Executive Board proposes and implements the decisions of the General Council, taken either upon or without proposal from the Executive Board;
- the Executive Board has the authority to take all actions required or deemed advisable for the administration or operations of the HFSF, including the HFSF's powers and responsibilities with respect to the procurement of goods and services, entering into contractual commitments on behalf of the HFSF, appointing the staff and advisors of the HFSF, and generally representing the HFSF;
- the Executive Board may delegate any of its powers or tasks to any of its members or to the HFSF's cadres, in accordance with the general terms and conditions adopted by the General Council, taking into account conflict of interest issues and provided that the Chief Executive Officer shall primarily exercise his powers pursuant to Greek Law 3864/2010. The Executive Board appoints a working group to assist the tasks of the member of the Executive Board who has been assigned the task to enhance the role of the Fund in facilitating the resolution of Non-Performing Loans;
- the Executive Board shall have such other powers and tasks as explicitly granted by this Law or any other law;
- the Executive Board represents the HFSF judicially and extra judicially and binds the Fund towards any third party; and
- the Executive Board exercises any other power not expressly granted to the General Council.

All powers under Greek Law 3864/2010 and any other law that are vested with the HFSF are deemed vested in the Executive Board, unless specifically reserved for the General Council.

The Executive Board meets as often as the business of the HFSF may require but not less than once a week. Meetings of the Executive Board shall be called and chaired by the Chief Executive Officer or in his/her absence by the person replacing him/her. Two members constitute a quorum for Executive Board meetings. Each member of the Executive Board shall have one vote. Save as otherwise provided in this Law, decisions shall be adopted by a majority of two (2) members present at the meeting. Executive Board meetings shall be convened by communicating the time, venue and agenda of the meeting to all Executive Board members and the observers at least three (3) business days before the date set for the meeting, except in the event of an emergency, or by the mutual consent of all members, in which case



a meeting may be convened at shorter notice as determined in the internal rules and organizational structure (IROS) of the Fund.

### **General Council**

Up to April 2014 the General Council consisted of seven members. Following the amendment to the law on 07/04/2014 two additional independent members were added to the composition of the General Council. Members of the General Council are seven persons with international experience in banking matters (the Chairman included), a representative of the Ministry of Finance and a person nominated by the BoG. The members of the General Council are pre-selected, following a public call of interest, by the Selection Panel of article 4A. The members of the General Council are appointed by a decision of the Minister of Finance, according to the procedure stipulated in article 4A.; no appointment may extend beyond the duration of the HFSF and Members may be removed prior to the expiry of their term of office by a decision of the Minister of Finance, on the occurrence of certain conditions articulated in Greek Law 3864/2010 or upon justified proposal from the Selection Panel for the reasons and according to the procedures set out in article 4A.

Any vacancy on the General Council shall be filled within sixty (60) days, that can be extended if needed for another thirty (30) days, by the appointment of a new member, under the provisions of article 4A, to serve the remaining term of the departed member. With the exception of the representative of the Ministry of Finance and the nominee from the Bank of Greece in the General Council, all appointments, including renewal of appointments, of member of the General Council and the Executive Board shall require the prior agreement of the Euro Working Group, including their respective remuneration.

The General Council shall decide on its own initiative or upon proposal of the Executive Board, on matters specified below and shall be charged with the oversight over the proper operation and fulfillment of the objective of the Fund.

The specific powers and tasks of the General Council are the following:

- to oversee the Executive Board for its actions and to monitor the compliance of the Executive Board with the provisions of the present law and in particular with the principles enshrined in Article 2 of Greek Law 3864/2010;
- to decide on matters relating to the provision of capital support, the exercise of voting rights and the disposal of the Fund's participation;
- to approve the general policies, the by-laws and internal rules and the organizational structure (IROS) applicable to the administration and operations of the HFSF, including the HFSF's code of conduct for its members, the conflict of interest's policy, the insider trading policy and the information barriers policy;
- to approve the appointment of the senior management of the HFSF, including among others the Chief Internal Auditor, the Chief Risk Officer, the Chief Investment Officer, the Chief Financial Officer and the Chief Legal Counsel;
- to approve the HFSF's general terms and conditions of employment, including the remuneration policy. The remuneration policy has to be competitive so as to attract and retain high - quality and expert candidates. When approving the remuneration policy, the General Council shall take into account the remuneration levels of staff of similar qualification in the Greek banking system;
- to approve the annual budget of the HFSF;
- to approve the annual report and other formal reports and the financial statements of the HFSF;
- to approve the appointment of the external auditors of the HFSF;
- to approve the establishment of one or more advisory bodies, determine their terms and conditions of appointment of their members, and determine the terms of reference of such bodies;
- to establish one or more committees consisting of members of the General Council and/or other persons, and define their responsibilities;
- to adopt the rules of procedure of the General Council and the Fund's Procurement Regulation which regulates the procurement of goods and services, for any procurement falling within the values provided in article 23 par. 2 case I.a) and par. 4 of law 4281/2014, as an exception from the relevant provisions and subsequent procurement rules of the said law; and
- to exercise such other powers and tasks as explicitly granted by Greek Law 3864/2010 or any other Law.

The Chief Executive Officer is accountable to the General Council for the execution of the General Council's decisions and for control of the administration and operations of the HFSF. The Chief Executive Officer, or in his/her absence the



member replacing him/her, reports, as often as required by the General Council but not less than ten times each year, to the General Council.

The General Council meets as often as the business of the HFSF may require but not less frequently than ten times per calendar year. Meetings of the General Council called and chaired by its Chairman or in his absence by any other member of the General Council, other than the representative of the Ministry of Finance and the person appointed by the BoG. The member who replaces the Chairman is selected by the General Council in accordance with the internal rules and organizational structure (IROS) of the Fund. The representatives from the European Commission, the ECB and the ESM are entitled to request a meeting of the General Council from the Chairman. Additionally, meetings can be convened following a request from five Council members. A quorum at any meeting of the General Council consists of at least five members of the General Council. Each member of the General Council has one vote. Decisions are adopted by a majority of the members present at the meeting. In the event of a tied vote, the person chairing the meeting shall cast a tie-breaking vote.

### Executive Board and General Council Remuneration

According to the Fund's Law 3864/2010 as amended by Laws 4340/2015 and 4346/2015, the remuneration and compensation of the members of the General Council and the Executive Board:

- shall be determined by the a selection panel decision, shall be stated in the decision relating to their appointment and shall be disclosed in the Fund's annual report,
- shall be such that qualified and expert persons can be recruited and retained by the Fund and
- shall not be determined based on the Fund's profits or revenues.

The members of the General Council and the Executive Board, due to their relationship with the Fund, received remuneration for the six month period ended on 30/06/2016, as listed in the table below. Furthermore, as far as executive members are concerned, the amount of € 27,036 has been paid by the Fund as social security contribution (not included in the following table). The remuneration of the members of the Executive Board and the General Council was changed, following the Ministerial decision on 27/10/2016 (Government Gazette YODD 577/27.10.2016).

Name	Position on the General Council during 2016	Period in the position	Remuneration
			01/01 – 30/06/2016 (€)
George Michelis	Chairman	01/01/2016 - 30/06/2016	52,500
Steven Franck	Member	01/01/2016 - 30/06/2016	15,000
Christoforos Stratos	Member	01/01/2016 - 30/06/2016	15,000
Jón Sigurgeisson	Member	01/01/2016 - 30/06/2016	15,000
Christof Gabriel Maetze	Member	02/06/2016 - 30/06/2016	2,500
Kerasina Raftopoulou	Member, Representative of the MoF	01/01/2016 - 30/06/2016	15,000
Vassilios Spiliotopoulos	Member, appointed by the BoG	01/01/2016 - 30/06/2016	15,000
Elias Karakitsos	Former Member	01/01/2016 - 30/06/2016	15,000
Wouter Devriendt	Former Member	01/01/2016 - 30/04/2016	10,000
Pierre Mariani	Former Member	01/01/2016 - 29/02/2016	5,000
Name	Position on the Executive Board during 2016	Period in the position	(€) Remuneration 01/01 – 30/06/2016
Aristides Xenofos	Former Chief Executive Officer	01/01/2016 - 30/06/2016	60,085
George Koutsos	Former Deputy Chief Executive Officer	01/01/2016 - 30/06/2016	51,701
Anastasios Gagales	Former Executive Member	01/01/2016 - 30/06/2016	46,112



### **Selection Panel**

Following the amendment on November 2015, HFSF Law introduced in article 4A the establishment of a Selection Panel for the selection of the members of the General Council and the Executive Board of the HFSF, whose composition is endorsed by decision of the Minister of Finance. The Selection Panel is composed of six (6) independent expert members, of recognized integrity, of which three (3), including the Chairman, will be appointed by the European Commission, the ECB and the ESM, accordingly, two (2) by the Minister of Finance and one (1) by the BoG. The above five appointing institutions and authorities will each have an observer to the Selection Panel. The term of the Selection Panel is for two (2) years, which can be renewed.

The role of the Selection Panel is:

- a) the pre-selection of the members of the HFSF's General Council and the Executive Board, the proposal of their remuneration, as well as other conditions of employment.
- b) the annual evaluation of the members of the General Council and the Executive Board, including the existing members of the two bodies, based on criteria that will be determined by the Selection Panel and which shall ensure the proper implementation of the objectives of the Fund, in accordance with each body's mandate. The evaluation will include an assessment under the eligibility criteria provided in HFSF law.
- c) the removal of any member. The Selection Panel, following the review of the performance of the members, may propose to the Minister of Finance the removal of a member of the General Council or the Executive Board. In this case, the reasons for the dismissal of the members shall be defined in the proposal of the Selection Panel. The Minister of Finance shall adopt a decision for the dismissal of the member provided that an evaluation under the relevant provisions of HFSF law has been conducted by the Selection Panel and the reasons are defined in the proposal of the Selection Panel. Such dismissal is not compensated.





## Statement of the General Council and the Executive Board

### Declarations of the Members of the General Council and the Executive Board

We, in our capacity as Members of the General Council and the Executive Board of the Hellenic Financial Stability Fund, as far as we know, declare that:

1. The interim Financial Report of the Hellenic Financial Stability Fund for the six month period ended 30/06/2016, which has been prepared in accordance with IAS 34 and the International Financial Reporting Standards as adopted by the EU, presents a true and fair view of the items in the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement of the Fund.
2. The General Council's and Executive Board's report presents in a true manner the evolution, the performance and the position of the Fund and the significant events that took place in the six month period ended 30/06/2016 that affected the Fund's interim condensed financial statements.

Athens, December 6, 2016

The Deputy Chief Executive Officer

The Executive Board Member

Eric Turret

Dimitris Frangetis

The Chairman of the General Council

The Member of the General Council

The Member of the General Council

George Michelis

Christoforos Stratos

Steven Franck

The Member of the General Council

The Member of the General Council

The Member of the General Council

Jón Sigurgeisson

Dagmar Valcárcel

Christof Gabriel Maetze

The Member of the General Council,  
Representative of the MoF

The Member of the General Council

The Member of the General Council,  
appointed by the BoG

Kerasina Raftopoulou

Radován Jelasy

Vassilios Spiliotopoulos



KPMG Certified Auditors AE  
3 Stratigou Tombra Street  
Aghia Paraskevi  
153 42 Athens, Greece  
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Fax +30 210 6062111

## **Independent Auditors' Report on Review of Condensed Interim Financial Information**

**(Translated from the original in Greek)**

To the General Council of the Hellenic Financial Stability Fund,  
Private Legal Entity

### **Introduction**

We have reviewed the accompanying statement of financial position of Hellenic Financial Stability Fund, Private Legal Entity (the "Fund") as of June 30, 2016 and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and the selected explanatory notes, which comprise the interim financial information. Fund's management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the International Financial Reporting Standards adopted by the European Union and specifically with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

## Other matter

The 30 June 2015 interim condensed financial information of the Fund was reviewed by another auditor who issued a review report dated 11 February 2016 which included a disclaimer of opinion as the Fund was not able to value investments in shares and warrants at fair value due to the closure of the Athens Stock Exchange and the inability to determine fair values by alternative acceptable valuation techniques.

Athens, 7 December 2016

KPMG Certified Auditors AE  
AM SOEL 114

Anastasios Panayides, Certified Auditor Accountant  
AM SOEL37581



## Statement of Financial Position

<i>Amounts in €</i>	Note	30/06/2016	31/12/2015
<b>ASSETS</b>			
Cash and balances with Banks	4	379,965,257	349,303,992
Financial assets at fair value through profit or loss	5	5,393,229,266	6,445,659,710
Property and equipment		83,983	83,381
Intangible assets		18,702	19,707
Receivables from banks under liquidation	6	1,937,202,438	2,052,324,099
Other assets		122,084	296,063
<b>Total Assets</b>		<b>7,710,621,730</b>	<b>8,847,686,952</b>
<b>LIABILITIES</b>			
Derivative financial liability	7	3,951,337	4,355,834
Provisions and other liabilities	8	3,573,064	3,885,906
<b>Total Liabilities</b>		<b>7,524,401</b>	<b>8,241,740</b>
<b>EQUITY</b>			
Capital	9	44,192,757,748	44,192,757,748
Accumulated losses		(36,489,660,419)	(35,353,312,536)
<b>Total Equity</b>		<b>7,703,097,329</b>	<b>8,839,445,212</b>
<b>Total Liabilities &amp; Equity</b>		<b>7,710,621,730</b>	<b>8,847,686,952</b>

*The Notes from pages 27 to 45 form an integral part of these condensed interim financial statements*

Athens, December 6, 2016

The Deputy Chief Executive Officer

Eric Tourret

The Executive Board Member

Dimitris Frangetis

The Chief Financial & Operating Officer

Evangelia D. Chatzitsakou



**Statement of Comprehensive Income  
for the 6 month period ended 30/06/2016**

<i>Amounts in €</i>	Note	01/01/2016 - 30/06/2016	01/01/2015 - 30/06/2015
Interest income	10	6,475,133	11,837,422
Personnel expenses	11	(1,462,928)	(1,552,294)
General administrative & other operating expenses	12	(4,170,863)	(1,035,857)
Impairment of receivables from banks under liquidation	6	(85,121,660)	(70,149,171)
Loss from financial instruments at fair value through profit or loss	13	(1,052,025,945)	(3,532,431,224)
Gain from disposal of investments		-	1,421,415
Depreciation and amortization of property, equipment and intangible assets		(41,620)	(41,583)
One-off expense	14	-	(555,886,748)
Other income/(expenses)		-	300
<b>Loss for the period</b>		<b>(1,136,347,883)</b>	<b>(4,147,837,740)</b>
Other comprehensive income/(expenses) for the period		-	-
<b>Total comprehensive income/(expenses) for the period</b>		<b>(1,136,347,883)</b>	<b>(4,147,837,740)</b>

*The Notes from pages 27 to 45 form an integral part of these condensed interim financial statements*

Athens, December 6, 2016

The Deputy Chief Executive Officer

The Executive Board Member

The Chief Financial & Operating Officer

Eric Tourret

Dimitris Frangetis

Evangelia D. Chatzitsakou





**Statement of Comprehensive Income  
for the 3 month period ended 30/06/2016**

<i>Amounts in €</i>	<b>01/04/2016 - 30/06/2016</b>	<b>01/04/2015 - 30/06/2015</b>
Interest income	3,510,516	2,546,497
Personnel expenses	(598,306)	(714,618)
General administrative & other operating expenses	(3,519,259)	(507,527)
Impairment of receivables from banks under liquidation	(85,121,660)	(70,149,171)
Gain/(Loss) from financial instruments at fair value through profit or loss	(472,763,305)	893,507,279
Gain from disposal of investments	-	1,727,747
Depreciation and amortization of property, equipment and intangible assets	(25,726)	(20,448)
Other income/(expenses)	-	300
<b>Gain/(Loss) for the period</b>	<b>(558,517,740)</b>	<b>826,390,059</b>
Other comprehensive income/(expenses) for the period	-	-
<b>Total comprehensive income/(expenses) for the period</b>	<b>(558,517,740)</b>	<b>826,390,059</b>

*The Notes from pages 27 to 45 form an integral part of these condensed interim financial statements*

Athens, December 6, 2016

The Deputy Chief Executive Officer

Eric Tournet

The Executive Board Member

Dimitris Frangetis

The Chief Financial & Operating Officer

Evangelia D. Chatzitsakou



## Statement of Changes in Equity

<i>Amounts in €</i>	Capital	Accumulated losses	Total
<b>Balance as of 01/01/2015</b>	<b>49,700,000,000</b>	<b>(25,194,916,813)</b>	<b>24,505,083,187</b>
Capital Decrease on 27/02/2015	(10,932,903,000)	-	(10,932,903,000)
Loss for the period from 01/01/2015 to 30/06/2015	-	(4,147,837,740)	(4,147,837,740)
<b>Balance as of 30/06/2015</b>	<b>38,767,097,000</b>	<b>(29,342,754,555)</b>	<b>9,424,342,445</b>
Capital Increase	5,425,660,748	-	5,425,660,748
Capital increase expenses	-	(61,500)	(61,500)
Loss for the period from 01/07/2015 to 31/12/2015	-	(6,010,496,483)	(6,010,496,483)
<b>Balance as of 01/01/2016</b>	<b>44,192,757,748</b>	<b>(35,353,312,536)</b>	<b>8,839,445,212</b>
Loss for the period from 01/01/2016 to 30/06/2016	-	(1,136,347,883)	(1,136,347,883)
<b>Balance as of 30/06/2016</b>	<b>44,192,757,748</b>	<b>(36,489,660,419)</b>	<b>7,703,097,329</b>

*The Notes from pages 27 to 45 form an integral part of these condensed interim financial statements*



## Statement of Cash Flows

<i>Amounts in €</i>	01/01/2016 - 30/06/2016	01/01/2015 - 30/06/2015
<b>Cash flows from operating activities</b>		
<b>Loss for the period</b>	<b>(1,136,347,883)</b>	<b>(4,147,837,740)</b>
<b>Adjustments for non-cash items included in statement of comprehensive income and other adjustments:</b>	<b>1,137,395,817</b>	<b>3,601,355,120</b>
Impairment of receivables from banks under liquidation	85,121,660	70,149,171
(Gain)/loss from financial instruments at fair value through profit or loss	1,052,025,945	3,532,431,224
(Gain)/loss from disposal of investments	-	(1,421,415)
Payroll provisions and accruals	206,592	154,557
Depreciation and amortization of property, equipment and intangible assets	41,620	41,583
<b>Net (increase)/decrease in operating assets:</b>	<b>30,173,979</b>	<b>212,996,124</b>
Change in receivables from banks under liquidation	30,000,000	208,694,410
Change in accrued interest receivable	-	4,201,252
Change in other assets	173,979	100,462
<b>Net increase/(decrease) in operating liabilities:</b>	<b>1,532,246</b>	<b>(238,590)</b>
Change in other liabilities	1,532,246	(238,590)
<b>Net cash from operating activities</b>	<b>32,754,749</b>	<b>(333,725,086)</b>
<b>Cash flows from investing activities</b>		
Proceeds received from warrants exercised	-	148,901
Proceeds/(payments) from disposal of investments	(1,990,770)	8,814,170
Purchase of property, equipment and intangibles assets	(41,214)	(7,957)
<b>Net cash from investing activities</b>	<b>(2,031,984)</b>	<b>8,955,114</b>
<b>Cash flows from financing activities</b>		
Capital increase costs	(61,500)	-
<b>Net cash from financing activities</b>	<b>(61,500)</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>30,661,265</b>	<b>(324,769,972)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>349,303,992</b>	<b>670,061,078</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>379,965,257</b>	<b>345,291,106</b>

*The Notes from pages 27 to 45 form an integral part of these condensed interim financial statements*



## Notes to the Condensed Interim Financial Statements

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### Note 1 General Information

The Hellenic Financial Stability Fund (hereinafter the Fund or HFSF) was founded on 21/07/2010 under Law 3864/2010 as a private legal entity and does not belong to the public sector, neither to the broader public sector. It has administrative and financial autonomy, operates exclusively under the rules of the private economy and is governed by the provisions of the founding law as in force. On a supplementary basis, the provisions of company codified Law 2190/1920 are applied as in force, provided they are not contrary to the provisions and the objectives of the founding law of the Fund. The purely private nature of the Fund is neither affected by the fact that its entire capital is subscribed solely by the Greek State, nor by the issuance of the required decisions by the Minister of Finance (hereinafter MoF).

The Fund shall comply with the obligations arising from the Master Financial Facility Agreement (hereinafter MFafa) signed on 15/03/2012 and the new FAFA signed on 19/08/2015. According to Law 4340/2015, the Fund's tenor has been extended up to 30/06/2020. By decisions of the Minister of Finance, the duration of the Fund may be extended further, if deemed necessary for the fulfilment of its scope. According to Law 4389/2016, HFSF is a direct subsidiary of the Hellenic Company of Assets and Participations, however the administrative autonomy and independence of the HFSF is not affected according to the provisions of the Law 4389/2016.

The Fund began its operation on 30/09/2010 with the appointment of the members of the Board of Directors (hereinafter BoD) according to the decision 44560/B. 2018 on 30/09/2010 of the Ministry of Finance. On 30/01/2013, the BoD was substituted by the Executive Board and the General Council. The purpose of the Fund is to contribute to the maintenance of the stability of the Greek banking system, through the strengthening of the capital adequacy of credit institutions, including subsidiaries of foreign credit institutions, provided they legally operate in Greece under the authorization of the Bank of Greece (hereinafter BoG). HFSF exercises its shareholding rights deriving from its participation in the credit institutions to which capital support is provided by the Fund, in compliance with the rules of prudent management of the assets of the Fund and in line with the rules of the European Union (hereinafter "EU") with respect to State aid and competition.

The Fund according to Law 4051/2012, as amended by Law 4224/2013, was liable to pay until 31/12/2014 the amount that the Hellenic Deposits and Investments Guarantee Fund (hereinafter HDIGF) would have paid for the process of the resolution of the credit institutions in accordance to Law 4261/2014, acquiring the right and the privilege of the HDIGF in accordance to paragraph 4 of Article 13A of the Law 3746/2009. According to Law 4340/2015 and Law 4346/2015, the Fund may grant a resolution loan as defined in the new FAFA of 19/08/2015 to the HDIGF for the purposes of funding bank resolution costs, subject to the provisions of the aforementioned facility agreement and in line with the European Union's State aid rules.

Furthermore, the Fund can provide guarantees to states, international organisations or other recipients and take any action required for the implementation of decisions of euro area bodies concerning the support of the Greek economy. It facilitates the management of the non-performing loans (hereinafter NPLs) of the credit institutions and operates under a comprehensive strategy for the banking sector and the NPLs management, which is agreed between the Ministry of Finance, the BoG and the Fund.

The Fund's registered address is in Athens, 10 Eleftheriou Venizelou Avenue.



As of the date of the issuance of the Fund's condensed interim financial report, the Executive Board and General Council comprised of the following:

<b>Executive Board*</b>	<b>Position</b>
Eric Tourret	Deputy Chief Executive Officer
Dimitris Frangetis	Executive Member

  

<b>General Council**</b>	<b>Position</b>
George Michelis	Chairman
Christoforos Stratos	Member
Steven Franck	Member
Jón Sigurgeisson	Member
Christof Gabriel Maetze	Member
Dagmar Valcárcel	Member
Radován Jelasity	Member
Kerasina Raftopoulou	Member, Representative of the MoF
Vassilios Spiliotopoulos	Member, appointed by the BoG

\* On 23/08/2016, Mr. Christoforos Stratos and Mr. Michael Haralabidis were appointed as CEO and Deputy CEO, respectively, until the appointment of new members according to the ordinary procedure of the law of the Fund, following the resignation of the former CEO, Mr. Aristides Xenofos, and former Deputy CEO, Mr. George Koutsos on 18/07/2016. During this period, Mr. Christoforos Stratos participated in the meetings of General Council with no voting right.

\* Mr. Eric Tourret and Mr. Frangetis have undertaken their duties, following their appointment, as Deputy CEO and executive member respectively, by the Minister of Finance on 27/10/2016.

\*\* On 02/06/2016, Mr. Christof Gabriel Maetze was appointed as non-executive member of the General Council following the resignation of Mr. Pierre Mariani on 01/03/2016.

\*\* On 18/07/2016, Mrs. Dagmar Valcárcel was appointed as non-executive member of the General Council, replacing Mr. Wouter Devriendt who resigned on 30/04/2016.

\*\* On 18/10/2016, Mr. Radován Jelasity was appointed as non-executive member of the General Council, replacing Mr. Elias Karakitsos who resigned on 05/07/2016.

The interim financial report was approved by the Fund's General Council on December 6, 2016.

## Note 2 Summary of Significant Accounting Policies

### 2.1 Basis of preparation

The condensed interim financial statements of the Fund for the six month period ended on 30/06/2016 (the "interim financial statements") have been prepared in accordance with the International Financial Reporting Standard 34 "Interim Financial Reporting". These interim financial statements include selected explanatory notes and do not include all the information required for full annual financial statements. Therefore, the interim financial statements should be read in conjunction with the annual financial statements for the year ended 31/12/2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed by the EU.

The amounts are presented in Euro rounded to the whole, unless otherwise stated (i.e. "bn" stands for billion, "m" stands for million and "k" stands for thousand).

The interim financial statements have been prepared under the historical cost convention, except for financial assets held at fair value through profit or loss (FVTPL) and derivative liabilities (warrants) which have been measured at fair value. The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The use of available information and the application of judgment and assumptions are inherent in



the formation of estimates in the following areas: assessment of the recoverability of receivables from banks under liquidation, valuation of financial instruments not quoted in active markets and contingencies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Following the participation of HFSF in the recapitalizations of the four systemic banks that took place in 2013 and 2015, the Fund obtained common shares in Alpha Bank S.A. (hereinafter "Alpha", Eurobank Ergasias S.A. (hereinafter "Eurobank") National Bank of Greece S.A. (hereinafter "NBG") and Piraeus Bank S.A. (hereinafter "Piraeus"). More specifically, under the recapitalization of 2013, the Fund obtained the majority of the common shares with restricted voting rights in Alpha, NBG and Piraeus, given that the private sector participation was above the minimum requirement as provided by the Law. Following that, private shareholders retained their right to appoint the management of the bank, which in turn has the power to manage the financial and operating policies of the bank. The Fund could exercise its voting rights in specific decisions under the legislation in force and had the rights provided in the Relationship Framework Agreements, as were in force. In the contrary, the Eurobank's share capital increase was subscribed solely by the Fund as the Bank was not able to attract private sector participation and the Fund was able to fully exercise its voting rights. However, Eurobank's management preserved its independence to determine its commercial and day-to-day decisions as provided in the Relationship Framework Agreement, as was in force. In line with the aforementioned, Eurobank was re-privatized in May 2014 with the Fund retaining only restricted voting rights thereafter. Under the recapitalization of 2015, the Fund participated in the share capital increase of NBG and Piraeus covering the additional capital that was not covered by private investors, whereas Eurobank and Alpha covered their capital needs solely from private investors. Consequently, the Fund became the major shareholder with full voting rights in NBG and Piraeus and HFSF's participation in Alpha and Eurobank decreased further. Nevertheless, HFSF exercises its rights as a shareholder in the four systemic banks under the terms of Relationship Framework Agreements, as amended, in November and December of 2015. HFSF acts in line with the obligations assumed according to the MFafa signed between the ESM, the Hellenic Republic, the BoG and HFSF. HFSF retains temporary control, aiming to contribute in the maintenance of the stability of the Greek banking sector. In this context, the Fund does not prepare consolidated financial statements as these do not represent the substance of the investments of the Fund, which according to the law is aiming to contribute to the maintenance of the stability of the Greek banking system, for the sake of public interest and do not meet the needs of their users.

## **2.2 Adoption of International Financial Reporting Standards (IFRS)**

The HFSF applied the same accounting standards as stated in the published annual financial statements for the year ended 31/12/2015, after adopting the following amendments which are effective from 01/01/2016.

- **IAS 1 (Amendments) Disclosure initiative** (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 1 clarify that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements. An entity need not provide a specific disclosure provided by an IFRS if the information resulting from that disclosure is not material. In the statement of comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method based on whether or not it will be reclassified subsequently to profit or loss. There was no impact from the amendment of IAS 1 in the HFSF's interim financial statements.

- **IFRS 11 (Amendments) Accounting for Acquisitions of Interests in Joint Operations** (effective for annual periods beginning on or after 1 January 2016). The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant





information required by IFRS 3 and other standards for business combinations. There was no impact from the amendment of IFRS 11 in the HFSF's interim financial statements.

- **IAS 16 and IAS 38 (Amendments) Clarification of Acceptable Methods of Depreciation and Amortisation** (effective for annual periods beginning on or after 1 January 2016). The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property plant and equipment. The amendment introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. HFSF has adopted the straight line depreciation method both for property plant and equipment and for intangible assets as it considers that this method adequately reflects the consumption of the economic benefits of the assets.

- **IAS 19 (Amendments) Defined Benefit Plans: Employee Contributions** (effective for annual periods beginning on or after 1 February 2015, as endorsed by the EU). Amends the requirements in IAS 19 "Employee Benefits" for contributions from employees or third parties that are linked to service. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of IAS 19 for the gross benefit (i.e. either using the plan's contribution formula or on a straight-line basis). There was no impact from the amendment of IAS 19 in the Fund's interim financial statements.

- **IAS 27 (Amendments) Equity method in Separate Financial Statements** (effective for annual periods beginning on or after 1 January 2016). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures which are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method. There was no impact from the amendment of IAS 27 in the Fund's interim financial statements.

- **IFRS 10, IFRS 12 and IAS 28 (Amendments) Investment Entities - Applying the Consolidation Exception** (effective for annual periods beginning on or after 1 January 2016). The Amendments clarify: a) which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of IFRS 10, b) the exemption from preparing consolidated financial statements for an intermediate parent of an investment entity, c) the application of the equity method by a non-investment entity investor to an investment entity investee, and d) which disclosures are required by an investment entity that measures all of its subsidiaries at fair value. There was no impact from the above amendments in the Fund's interim financial statements.

- **Annual Improvements to IFRSs 2010-2012 Cycle** (effective for annual periods beginning on or after 1 February 2015, as endorsed by the EU). The amendments impact the following standards:

**IFRS 2 Share-based Payment** - Amend the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". Specifically,

- For "market condition", the amendment indicates that it is a performance condition that relates to the market price or value of the entity's equity instruments or the equity instruments of another entity in the same group. A market condition requires the counterparty to complete a specified period of service.



- For “performance condition”, the amendment specifies that the period over which the performance target is achieved should not extend beyond the service period and that it is defined by reference to the entity’s own operations or activities of another entity in the same group.

**IFRS 3 Business Combinations** - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value should be recognized in profit or loss.

**IFRS 8 Operating Segments** - Require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics. Clarify that reconciliations of the total of the reportable segments’ assets to the entity’s assets are only required if the segments’ assets are regularly reported to the chief operating decision maker.

**IFRS 13 Fair Value Measurement** - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis, if the effect of discounting is not material (amends basis for conclusions only).

**IAS 16 and IAS 38** - Clarify that when an item of property, plant and equipment or an intangible asset is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after any impairment losses.

**IAS 24 Related Party Disclosures** - Clarify that a management entity providing key management personnel services to a reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

There was no impact from the Annual Improvements to IFRSs 2010-2012 Cycle in the HFSF’s interim financial statements.

- **Annual Improvements to IFRSs 2012-2014 Cycle** (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards:

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** - The amendment clarifies that, when an asset (or disposal group) is reclassified from “held for sale” to “held for distribution to owners”, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as “held for sale” or “held for distribution to owners” simply because the manner of disposal has changed. The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as ‘held for sale’.

**IFRS 7 Financial Instruments: Disclosures** - There are two amendments to IFRS 7.

#### **(1) Servicing contracts**

If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service



a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively.

## **(2) Interim financial statements**

The amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

**IAS 19 Employee Benefits** - The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

**IAS 34 Interim Financial Reporting** - The amendment clarifies the meaning of elsewhere in the interim financial report and requires cross reference.

There was no impact from the Annual Improvements to IFRSs 2012-2014 Cycle in the Fund's interim financial statements.

## **2.3 Critical judgments and estimates**

In preparing these interim financial statements, the significant estimates, judgments and assumptions made by the Management in applying the Fund's accounting policies and the key sources of estimation uncertainty regarding the recoverability of receivables from banks under liquidation and fair value of financial instruments were similar to those applied in the annual financial statements for the year ended 31/12/2015.

## **Note 3 Segment Reporting**

The Fund's operating segments are consistent with the management reporting system. Income and expenses are associated with each segment and are included in determining business segment performance. The Fund has no geographical segments as, according to its founding law, its operations are solely in Greece. The Fund has no intersegment/intragroup transactions as it does not consolidate any of its investments and each of its business segments is independent. The Fund operates through the following business segments:

**Systemic Banks:** This segment includes all the financial institutions which had received capital advances and were eventually recapitalized by the Fund in 2013 and 2015 as per capital requirements, i.e. Alpha, Eurobank, NBG and Piraeus.

**Transitional Credit Institutions (TCIs) & Banks under Liquidation:** This segment includes a) the credit institutions, which had been acquired either as a result of a resolution or the incorporation of new transitional credit institutions, namely New HPB and New Proton and b) the banks which have been placed under liquidation and the Fund has provided for their funding gap on behalf of the HDIGF, in accordance with the Law 4051/2012 as amended by Law 4224/2013.

**Other:** This segment includes the Fund's results relating to internal operations and procedures which ensure the appropriate design and implementation of the Fund's policies and principles. It also includes the cash and balances with banks and the interest income derived from both cash and balances with banks as well as European Financial Stability Facility floating rate notes (EFSF FRNs).



## Analysis by Operating Segment

Amounts in €	01/01/2016-30/06/2016			Total
	Systemic Banks	TClS & Banks under Liquidation	Other	
Interest income	-	-	6,475,133	<b>6,475,133</b>
Personnel expenses	(938,269)	(142,473)	(382,186)	<b>(1,462,928)</b>
General administrative & other operating expenses	(3,317,456)	(113,054)	(740,353)	<b>(4,170,863)</b>
Impairment of receivables from banks under liquidation	-	(85,121,660)	-	<b>(85,121,660)</b>
Loss from financial instruments at FVTPL	(1,052,025,945)	-	-	<b>(1,052,025,945)</b>
Depreciation and amortization of property, equipment and intangible assets	(29,134)	(8,324)	(4,162)	<b>(41,620)</b>
<b>Profit/(Loss) for the period</b>	<b>(1,056,310,804)</b>	<b>(85,385,511)</b>	<b>5,348,432</b>	<b>(1,136,347,883)</b>

	30/06/2016			Total
<b>Total segment assets</b>	5,393,229,266	1,937,202,438	380,190,026	<b>7,710,621,730</b>
<b>Total segment liabilities</b>	(6,966,741)	(144,177)	(413,483)	<b>(7,524,401)</b>

Amounts in €	01/01/2015-30/06/2015			Total
	Systemic Banks	TClS & Banks under Liquidation	Other	
Interest income	-	-	11,837,422	<b>11,837,422</b>
Personnel expenses	(834,369)	(271,370)	(446,555)	<b>(1,552,294)</b>
General administrative & other operating expenses	(219,822)	(130,622)	(685,413)	<b>(1,035,857)</b>
Impairment of receivables from banks under liquidation	-	(70,149,171)	-	<b>(70,149,171)</b>
Loss from financial instruments at FVTPL	(3,532,431,224)	-	-	<b>(3,532,431,224)</b>
Gain/(Loss) from disposal of investments	-	1,421,415	-	<b>1,421,415</b>
Depreciation and amortization of property, equipment and intangible assets	(29,108)	(8,317)	(4,158)	<b>(41,583)</b>
One-off expense	(555,600,000)	-	(286,748)	<b>(555,886,748)</b>
Other income	-	-	300	<b>300</b>
<b>Profit/(Loss) for the period</b>	<b>(4,089,114,523)</b>	<b>(69,138,065)</b>	<b>10,414,848</b>	<b>(4,147,837,740)</b>

	31/12/2015			Total
<b>Total segment assets</b>	6,445,659,710	2,052,324,099	349,703,143	<b>8,847,686,952</b>
<b>Total segment liabilities</b>	(5,792,589)	(1,991,272)	(457,879)	<b>(8,241,740)</b>

## Note 4 Cash and Balances with Banks

Amounts in €	30/06/2016	31/12/2015
Cash and balances with banks	12,020	16,843
Balances with Central Bank	193,481	2,077,526
Cash management account in BoG	379,759,756	347,209,623
<b>Total</b>	<b>379,965,257</b>	<b>349,303,992</b>

The “cash and balances with banks” line includes the cash in hand and a non-interest bearing sight account with a retail bank for the Fund’s day-to-day obligations.

The “Balances with Central Bank” line relates to balances, which are compulsory deposited and maintained in a special interest account at BoG for the Fund’s day-to-day obligations.



According to the Law 4323/2015, the Fund is obliged to deposit in a cash management account in BoG any cash balances that are not necessary for covering the current cash needs. The cash balance in the cash management account is at all times available to be utilized by the Fund in order to fulfil its purposes.

The cash in the cash management account is placed on repos, reverse repos, buy/sell back, sell/buy back with counterparty the Greek State in accordance with paragraph 11 (g) of the art. 15 of Law 2469/1997.

#### Note 5 Financial Assets at Fair Value through Profit or Loss

The balance includes the Fund's participations in the four systemic banks and the CoCos issued by NBG and Piraeus.

##### Shares in systemic banks

The Fund has classified under this line the shares received from its participation in the share capital increases (SCI) of the four systemic banks that took place in 2013 and the share capital increases of NBG and Piraeus that took place in December of 2015. The Fund has designated these shares at initial recognition at fair value through profit or loss and subsequently the gains or losses are recognized in the statement of comprehensive income.

##### Fair value of shares

The following table presents the fair value of the shares per bank as well as the Levels of the fair value hierarchy. The fair value of the shares was determined based on the market prices in the Athens Exchange (ATHEX) at the reporting date. The Level 1 classification is based on the fact that the market prices are unadjusted quotes in an active market.

Amounts in €	Fair value	Fair value hierarchy			Fair value
	30/06/2016	Level 1	Level 2	Level 3	31/12/2015
Alpha	274,063,737	274,063,737	-	-	421,246,114
Eurobank	28,644,370	28,644,370	-	-	54,163,900
NBG	709,380,323	709,380,323	-	-	1,267,278,389
Piraeus	371,508,836	371,508,836	-	-	641,487,307
<b>Total</b>	<b>1,383,597,266</b>	<b>1,383,597,266</b>	-	-	<b>2,384,175,710</b>

##### Movement of shares

The movement of the Fund's participations in the systemic banks during the 6 month period ended on 30/06/2016 is presented in the table below:

No of Shares	Alpha	Eurobank*	NBG	Piraeus**
Shares held as of 31/12/2015	169,175,146	52,080,673	3,694,689,182	2,307,508,300
Additions	-	-	-	-
Disposals	-	-	-	-
<b>Shares held as of 30/06/2016</b>	<b>169,175,146</b>	<b>52,080,673</b>	<b>3,694,689,182</b>	<b>2,307,508,300</b>
<b>of which:</b>				
Shares with restricted voting rights	169,175,146	52,080,673	134,820,022	40,841,633
Shares with full voting rights	-	-	3,559,869,160	2,266,666,667
Participation with restricted voting rights	<b>11.01%</b>	<b>2.38%</b>	<b>1.47%</b>	<b>0.47%</b>
Participation with full voting rights	<b>0.00%</b>	<b>0.00%</b>	<b>38.92%</b>	<b>25.95%</b>

\*The total number of shares are freely transferrable (no warrants issued).

\*\* Out of the total number of shares held by the Fund, 3,082,353 shares, after the reverse split, correspond to the part of the share capital increase which pertained to the Cypriot banks (€ 524m) and are freely transferrable (no warrants issued).



HFSF's percentage participation in systemic banks as of 30/06/2016 and 31/12/2015 was as follows:

	Percentage Participation	
	30/06/2016	31/12/2015
Alpha	11.01%	11.01%
Eurobank	2.38%	2.38%
NBG	40.39%	40.39%
Piraeus	26.42%	26.42%

### Credit rating of the four banks

The long term credit ratings of the four banks as of the date of the approval of the interim financial statements, per international credit rating agency, are provided in the table below:

Banks	Fitch	S&P	Moody's
Alpha	RD	CCC+	Caa3
Eurobank	RD	CCC+	Caa3
NBG	RD	CCC+	Caa3
Piraeus	RD	CCC+	Caa3

### Contingent Convertible bonds (CoCos)

Following the recapitalization of NBG and Piraeus in December 2015 and in accordance with par.2 and 5c of Law 3864/2010 and Cabinet Act No 36/2015, HFSF contributed European Stability Mechanism (ESM) FRNs and in return received common shares (25% of the capital support) and CoCos (75% of the capital support). HFSF acquired from NBG the principal amount of € 2,029,200,000 denominated in 20,292 bonds of a nominal value of €100,000 each and from Piraeus the principal amount of € 2,040,000,000 denominated in 20,400 bonds of a nominal value of €100,000 each. CoCos were issued by Piraeus and NBG on 02/12/2015 and 09/12/2015 respectively at par and are perpetual without a fixed repayment date. CoCos are governed by Greek law, do not carry rights and constitute direct, unsecured and subordinated investments in the two banks, ranking at all times pari passu with common shareholders.

CoCos are hybrid securities that exhibit characteristics of both debt and equity. They are essentially another capital raising option, which enable banks to meet regulatory capital requirements, through strengthening their capital ratios. CoCos issued by NBG and Piraeus were taken into account in the Common Equity Tier 1 (CET1) ratio. The key features of CoCos are outlined below.

### Key features of CoCos

#### Maturity and interest

The CoCos do not have a maturity date (perpetual securities). They bear return at 8% per annum for the first seven years and thereafter the interest rate is set to 7-year Mid-Swap Rate plus margin. Payment of interest (whether in whole or in part) is entirely at the discretion of the bank's BoD. Any such interest elected not to be paid is cancelled and does not accumulate. However, if the bank does not pay all or any part of any scheduled interest payments more than once, then the CoCos are automatically converted into ordinary shares of the bank. The bank's BoD has the option, at its full discretion, to pay interest in the form of newly issued ordinary shares, the number of which shall be equal to the interest payment divided by the share's current price on the interest payment date. Any interest payment shall be subject to the operation of any applicable Maximum Distributable Amount as stands pursuant to Article 141 of the Capital Requirements Directive. A mandatory interest cancellation exists, if the





payment would cause the maximum distributable amount, then applicable, to be exceeded. If the bank decides not to pay the interest on CoCos, no dividend shall be paid.

The payment of coupon from CoCos lies to the banks' sole discretion, therefore the income from CoCos will be recognized in the statement of comprehensive income upon the Bank's BoD approval for payment. Up to 30/06/2016, the unrecognized accrued income of CoCos amounted to €189m.

### Conversion upon a trigger event

If the CET1 ratio of the bank, calculated on a consolidated or a solo basis, is lower than 7% or the bank misses a second coupon payment, the CoCos are automatically converted into ordinary shares. The number of ordinary shares is determined by dividing 116% of the nominal value of the then outstanding CoCos by the subscription price (€ 0.30) in the 2015 recapitalization. The same rule applies, if the HFSF decides to exercise its option on the 7th annual anniversary from the issuance date.

### Embedded Optionalities

The following options are embedded into CoCos:

- The bank's option to redeem the CoCos in cash, in whole or in part, at any time, at 100% of the principal, together with any accrued but unpaid interest, provided that all necessary regulatory approvals are obtained.
- The HFSF's option to convert the CoCos into the bank's ordinary shares in December 2022 .
- The Bank's option to cancel interest payment once, without resulting in a trigger event.
- The Bank's option to pay interest in common shares instead of cash.

### Fair value of CoCos

The notional amount and fair value of CoCos per bank is presented as follows:

<i>Amounts in €</i>	Notional Amount	Fair value	
	30/06/2016	30/06/2016	31/12/2015
CoCos issued by NBG	2,029,200,000	2,005,235,000	2,026,805,000
CoCos issued by Piraeus	2,040,000,000	2,004,397,000	2,034,679,000
<b>Total</b>	<b>4,069,200,000</b>	<b>4,009,632,000</b>	<b>4,061,484,000</b>

The valuation technique uses significant unobservable inputs and therefore the valuation of CoCos is categorized as Level 3 instrument within the fair value hierarchy.

### Description of the valuation technique and inputs used

CoCos are not traded in a market, therefore according to IFRS 13 the fair value must be estimated using a valuation technique that is appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

CoCos were valued using an option-style valuation technique which is considered the most appropriate and preferable methodology in order to value derivative instruments such as CoCos and is applied according to IFRS 13. Under this approach, the expected cash flows are projected under different sets of conditions to yield a range of possible outcomes, using a multivariate Monte Carlo Simulation ("MCS"). The multivariate MCS technique is considered an appropriate methodology for developing multiple scenarios that reflect the specific underlying characteristics of CoCos and applying decisions, as if rational investors made these, in order to derive the expected cash flow or value.

The key parameters of the valuation technique selected are CET1 ratio, share price and market interest rates. The valuation technique was calibrated so that the fair value of the CoCos equals the transaction price at initial recognition.



### CoCos' fair value movement

<i>Amounts in €</i>	<b>CoCos of NBG</b>	<b>CoCos of Piraeus</b>
<b>Balance 1 January 2016</b>	<b>2,026,805,000</b>	<b>2,034,679,000</b>
Unrealized loss recognized in the income statement	(21,570,000)	(30,282,000)
<b>Balance 30 June 2016</b>	<b>2,005,235,000</b>	<b>2,004,397,000</b>

### Significant unobservable inputs and sensitivity analysis of CoCos' fair value

Both market and unobservable inputs have been used in the valuation approach and several variables were taken into account as relevant. The quantitative information about the significant unobservable inputs as of 30/06/2016 is presented in the following table:

<b>Unobservable Inputs</b>	<b>NBG</b>	<b>Piraeus</b>
Volatility of CET1 ratio	47%	42%
Long-term volatility of share price	65%	65%
Correlation between CET1 and share prices	90%	90%
Correlation between interest rates and share prices	40%	40%

An increase/(decrease) in the volatility of CET1 ratio would result in a decrease/(increase) in the fair value of CoCos. A reasonable change in the volatility of CET1 ratio would not result in a significant change of the fair value of CoCos as of the reporting date.

A decrease in the long-term volatility of share price would result in an increase in the fair value of CoCos. A reasonable change in the long-term volatility of share price would not result in a significant change of the fair value of CoCos as of the reporting date.

A decrease in the correlation between share price and CET1 ratio would result in an increase in the fair value of CoCos. A reasonable change in the correlation between share price and CET1 ratio would not result in a significant change of the fair value of CoCos as of the reporting date.

An increase/(decrease) in the correlation between market interest rates and share price would result in a decrease/(increase) in the fair value of CoCos. A reasonable change in the correlation between market interest rates and share price would not result in a significant change of the fair value of CoCos as of the reporting date.

The combined effect of a reasonable change in the CET1 volatility and the share price volatility would not result in a material change in the fair value of the CoCos.

### Valuation process

The valuation of the CoCos was performed by an independent valuation expert using the assumptions approved by the HFSF's Management. HFSF reviewed the valuation method and the inputs used in accordance with the HFSF relative control procedures.



## Note 6 Receivables from Banks under Liquidation

According to par. 15 of art. 9 of Law 4051/2012, as amended by Law 4224/2013, the Fund became liable to pay until 31/12/2014 the amount that the HDIGF would have covered, in the context of the resolution of the financial institutions, as foreseen by par. 13 of art. 141 and par. 7 of art. 142 of Law 4261/2014. In this case, the Fund took over the rights of HDIGF as per par. 4 of art. 13A of Law 3746/2009. In this context, HFSF's receivables are a combination of its contribution of EFSF FRNs and cash, instead of the HDIGF, in order to cover the funding gap of financial institutions, which were resolved.

The liquidators of credit institutions under liquidation are nominated by the BoG and are subject to its monitor and control. On 04/04/2016, BoG appointed PQH Single Special Liquidation S.A. as Special Liquidator for all the banks under liquidation, aiming to ensure a more efficient management of their assets and a higher performance against the operational targets. PQH, jointly owned by PwC Business Solutions S.A., Qualco S.A. and Hoist Kredit Aktiebolag, replaced the previous liquidators and took up the management of all the banks under liquidation.

Further to that, the Fund's law, as amended by Law 4254/2014, explicitly states that the monitoring and supervision of the actions and decisions of the bodies of the special liquidation of the credit institutions do not fall within the functions of the Fund and therefore, the Fund has no involvement or control over the liquidation process and the recovery of any amounts, nevertheless the Fund maintains its own independent valuation estimates over amounts to be recovered.

Up to 30/06/2016 the total amount provided by the Fund to cover funding gap reached the amount of € 13,489m, out of which € 516m were recovered and € 11,036m were assessed as non-recoverable. During the 6 month period ended on 30/06/2016 the Fund recognized in the statement of comprehensive income an impairment loss of €85m and received the total amount of €30m.

The funding gap, the cumulative impairment and the collections per bank under liquidation as of 30/06/2016 are presented in the following table:

*Amounts in €*

Bank under Liquidation	Funding Gap	Cumulative Impairment	Cumulative Collections	Estimated Recoverable Amount
Achaiki Cooperative Bank	209,473,992	(107,300,654)	(48,000,000)	54,173,338
ATEbank	7,470,717,000	(5,705,136,184)	(345,000,000)	1,420,580,816
Dodecanese Cooperative Bank	258,547,648	(148,159,788)	(49,000,000)	61,387,860
Evia Cooperative Bank	105,178,136	(85,464,522)	(2,000,000)	17,713,614
First Business Bank	456,970,455	(414,178,813)	(7,500,000)	35,291,642
Hellenic Post Bank	3,732,554,000	(3,451,624,425)	(15,000,000)	265,929,575
Lamia Cooperative Bank	55,493,756	(30,221,547)	(10,000,000)	15,272,209
Lesvos-Limnos Cooperative Bank	55,516,733	(38,664,778)	(12,000,000)	4,851,955
Probank	562,733,502	(519,769,011)	(5,500,000)	37,464,491
Proton Bank	259,621,860	(244,760,837)	(5,018,676)	9,842,347
T-Bank	226,956,514	(224,944,714)	(2,011,800)	-
Western Macedonia Cooperative Bank	95,244,475	(65,549,884)	(15,000,000)	14,694,591
<b>Total</b>	<b>13,489,008,071</b>	<b>(11,035,775,157)</b>	<b>(516,030,476)</b>	<b>1,937,202,438</b>



The movement of the Fund's receivables, including impairment charges and collections, from the banks under liquidation for the 6 month period ended on 30/06/2016 is presented in the following table:

<i>Amounts in €</i>		<b>01/01/2016-30/06/2016</b>			
<b>Bank under Liquidation</b>	<b>Opening balance</b>	<b>Additions</b>	<b>Collections</b>	<b>Impairment charges</b>	<b>Closing balance</b>
Achaiki Cooperative Bank	54,173,338	-	-	-	54,173,338
ATEbank	1,509,712,229	-	(30,000,000)	(59,131,413)	1,420,580,816
Dodecanese Cooperative Bank	61,387,860	-	-	-	61,387,860
Evia Cooperative Bank	17,713,614	-	-	-	17,713,614
First Business Bank	35,291,642	-	-	-	35,291,642
Hellenic Post Bank	291,919,823	-	-	(25,990,247)	265,929,575
Lamia Cooperative Bank	15,272,209	-	-	-	15,272,209
Lesvos-Limnos Cooperative Bank	4,851,955	-	-	-	4,851,955
Probank	37,464,491	-	-	-	37,464,491
Proton Bank	9,842,347	-	-	-	9,842,347
T-Bank	-	-	-	-	-
Western Macedonia Cooperative Bank	14,694,591	-	-	-	14,694,591
<b>Total</b>	<b>2,052,324,099</b>	<b>-</b>	<b>(30,000,000)</b>	<b>(85,121,660)</b>	<b>1,937,202,438</b>

The movement of the Fund's receivables, including impairment charges and collections, from the banks under liquidation for the 6 month period ended on 30/06/2015 is presented in the following table:

<i>Amounts in €</i>		<b>01/01/2015 - 30/06/2015</b>			
<b>Bank under Liquidation</b>	<b>Opening balance</b>	<b>Additions</b>	<b>Collections</b>	<b>Impairment charges</b>	<b>Closing balance</b>
Achaiki Cooperative Bank	83,260,542	-	(10,000,000)	(1,225,255)	72,035,287
ATEbank	1,700,030,040	-	(95,000,000)	(30,033,538)	1,574,996,502
Dodecanese Cooperative Bank	117,531,421	-	(49,000,000)	(2,432,876)	66,098,545
Evia Cooperative Bank	28,252,922	-	(2,000,000)	(2,715,645)	23,537,277
First Business Bank	60,975,626	-	(7,500,000)	(1,714,535)	51,761,091
Hellenic Post Bank	367,047,367	-	(15,000,000)	(22,244,073)	329,803,294
Lamia Cooperative Bank	23,692,931	-	(4,000,000)	(1,017,183)	18,675,748
Lesvos-Limnos Cooperative Bank	20,548,979	-	(5,000,000)	(1,900,424)	13,648,555
Probank	96,954,709	-	(5,500,000)	(5,717,471)	85,737,238
Proton Bank	11,684,928	-	(694,410)	(1,148,171)	9,842,347
T-Bank	-	-	-	-	-
Western Macedonia Cooperative Bank	32,539,078	-	(15,000,000)	-	17,539,078
<b>Total</b>	<b>2,542,518,543</b>	<b>-</b>	<b>(208,694,410)</b>	<b>(70,149,171)</b>	<b>2,263,674,962</b>



#### Note 7 Derivative Financial Liability

Derivative financial liability line includes the warrants issued by the Fund and granted to the private investors participating in the capital increase of the 3 out of 4 systemic banks in 2013 according to Law 3864/2010 and Cabinet Act 38/2012.

The fair value of warrants per bank as of 30/06/2016 and 31/12/2015 is presented below:

<i>Amounts in €</i>	Fair value	
	30/06/2016	31/12/2015
Alpha's warrants	1,141,734	2,283,468
NBG's warrants	1,965,966	1,228,729
Piraeus' warrants	843,637	843,637
<b>Total</b>	<b>3,951,337</b>	<b>4,355,834</b>

#### Fair value of warrants

Warrants are freely transferrable securities which are listed for trading in the securities market of ATHEX. The fair values are determined by reference to the prices in the ATHEX unadjusted and therefore they are classified into Level 1.

#### Exercise of warrants

The warrants may be exercised semiannually with the first exercise date being six (6) months following the issuance and the expiry date being after fifty-four (54) months following the issuance. No warrants exercised in the 6 month period ended on 30/06/2016.

#### Movement of warrants

The number of warrants outstanding as of 30/06/2016 and 31/12/2015, the movement during the 6 month period ended on 30/06/2016 and the number of shares corresponding to 1 warrant (multiplier), if exercised, are presented below:

	Alpha	NBG	Piraeus
Warrants outstanding as of 31/12/2015	1,141,734,167	245,745,725	843,637,022
Warrants exercised	-	-	-
<b>Warrants outstanding as of 30/06/2016</b>	<b>1,141,734,167</b>	<b>245,745,725</b>	<b>843,637,022</b>
<b>Multiplier</b>	0.148173663047785	0.54861592129144	0.044757733395671

#### Note 8 Provisions and Other Liabilities

<i>Amounts in €</i>	30/06/2016	31/12/2015
Provisions	-	1,990,770
Creditors and suppliers	3,017,641	389,162
Taxes payable	189,967	208,939
Contributions payable to social security funds	49,166	96,051
Accrued expenses	316,290	1,200,984
<b>Total</b>	<b>3,573,064</b>	<b>3,885,906</b>

The amount included in the "provisions" line as of 31/12/2015 was settled in February 2016. The increase in "creditors and suppliers" line is mainly due to the advisory services provided to HFSF in relation to the sale of Finansbank by NBG, which was completed in June 2016.



## Note 9 Capital

<i>Amounts in €</i>	<b>Capital</b>
<b>Balance as of 21 July 2010</b>	-
Capital increase - Cash	1,500,000,000
<b>Balance as of 31 December 2011</b>	<b>1,500,000,000</b>
Capital increase - EFSF FRNs issued on 19/04/2012	25,000,000,000
Capital increase - EFSF FRNs issued on 19/12/2012	16,000,000,000
<b>Balance as of 31 December 2012</b>	<b>42,500,000,000</b>
Capital increase - EFSF FRNs issued on 31/05/2013	7,200,000,000
<b>Balance as of 31 December 2013</b>	<b>49,700,000,000</b>
-	-
<b>Balance as of 31 December 2014</b>	<b>49,700,000,000</b>
Capital decrease - EFSF FRNs returned on 27/02/2015	(10,932,903,000)
Capital increase - ESM FRNs granted on 01/12/2015	2,720,000,000
Capital increase - ESM FRNs granted on 08/12/2015	2,705,660,748
<b>Balance as of 31 December 2015</b>	<b>44,192,757,748</b>
-	-
<b>Balance as of 30 June 2016</b>	<b>44,192,757,748</b>

## Note 10 Interest Income

A breakdown of the Fund's interest income for the 6 month period ended on 30/06/2016 and 30/06/2015 is provided in the table below:

<i>Amounts in €</i>	<b>01/01/2016 - 30/06/2016</b>	<b>01/01/2015 - 30/06/2015</b>
Interest income from EFSF FRNs	-	9,033,084
Interest income from cash management account	6,475,133	2,804,338
<b>Total</b>	<b>6,475,133</b>	<b>11,837,422</b>

No interest income was recognized in 2016 from EFSF FRNs due to their re-delivery to the EFSF on 27/02/2015. The interest income from cash management account derives from the return of amounts placed on repos, reverse repos, buy/sell back, sell/buy back with counterparty the Greek State in accordance with par. 11 (g) of the art. 15 of Law 2469/1997.

## Note 11 Personnel Expenses

The number of directors and employees under payroll was 33 and 30 as of 30/06/2016 and 30/06/2015 respectively. The total personnel expenses for the 6 month period ended on 30/06/2016 and 30/06/2015 are analysed as follows:

<i>Amounts in €</i>	<b>01/01/2016 - 30/06/2016</b>	<b>01/01/2015 - 30/06/2015</b>
Salaries	(1,251,871)	(1,339,063)
Employer's contribution	(211,057)	(213,231)
<b>Total</b>	<b>(1,462,928)</b>	<b>(1,552,294)</b>

The average number of employees, including directors, during the 6 month period ended 30/06/2016 and 30/06/2015 was 32 for each period.





## Note 12 General Administrative and Other Operating Expenses

<i>Amounts in €</i>	01/01/2016 - 30/06/2016	01/01/2015 - 30/06/2015
Utilities and rentals	(126,184)	(171,476)
General Council remuneration	(160,000)	(161,976)
Selection Panel remuneration	(109,290)	-
Lawyers' fees	(44,058)	(115,865)
Audit firms' fees	(15,636)	(13,118)
Advisors' fees	(3,218,201)	(39,076)
Professionals' fees	(71,612)	(58,290)
Custody fees	(23,071)	(143,610)
Insurance fees	(185,447)	(178,833)
Other fees	(70,602)	(64,821)
Other expenses	(146,762)	(88,792)
<b>Total</b>	<b>(4,170,863)</b>	<b>(1,035,857)</b>

The increase in the operating expenses in the first half of 2016 versus the respective period in 2015 is attributed mainly to the advisory fees for services provided to HFSF in relation to projects undertaken by HFSF in line with the commitments of the MoU signed in August 2015 and the sale of Finansbank by NBG.

## Note 13 Gain/(Loss) from Financial Instruments at Fair Value through Profit or Loss

The figure includes the gains or losses resulting from the revaluation of the shares held in systemic banks and the warrants issued, the results from the disposals of the shares upon the exercise of the warrants and the revaluation of the CoCos issued by NBG and Piraeus.

The breakdown of the gain or loss by financial instrument during the 6 month period ended on 30/06/2016 and 30/06/2015 is presented in the table below.

<i>Amounts in €</i>	01/01/2016 - 30/06/2016	01/01/2015 - 30/06/2015
<b>Gain/(loss) from shares</b>		
Alpha	(147,182,375)	(1,234,977,386)
Eurobank	(25,519,530)	(223,946,896)
NBG	(557,898,066)	(545,974,419)
Piraeus	(269,978,471)	(2,082,908,935)
<b>Subtotal</b>	<b>(1,000,578,442)</b>	<b>(4,087,807,636)</b>
<b>Gain/(loss) from warrants</b>		
Alpha	1,141,734	519,502,018
NBG	(737,237)	(14,744,502)
Piraeus	-	50,618,896
<b>Subtotal</b>	<b>404,497</b>	<b>555,376,412</b>
<b>Gain/(loss) from CoCos</b>		
NBG	(21,570,000)	-
Piraeus	(30,282,000)	-
<b>Subtotal</b>	<b>(51,852,000)</b>	<b>-</b>
<b>Total</b>	<b>(1,052,025,945)</b>	<b>(3,532,431,224)</b>



#### Note 14 One-off Expense

Pursuant to the provisions of par. 7 art. 16c of Law 3864/2010, all financial institutions that have received a capital support from HFSF paid 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 19/03/2015, according to the art.35 of Law 4320/2015, HFSF transferred this amount and the relevant accrued interest totaling to € 555.9m from the HFSF account held in BoG to the Hellenic Republic.

#### Note 15 Commitments and Contingent Liabilities

**Commitments:** The Fund's commitments relate to the operational lease for its offices. The minimum future payments are presented in the table below (it is noted that the Fund may terminate the operating lease for its office following a three-month notice):

<i>Amounts in €</i>	<b>30/06/2016</b>	<b>31/12/2015</b>
No later than 1 year	162,473	162,473
Later than 1 year and no later than 5 years	-	81,236
<b>Total</b>	<b>162,473</b>	<b>243,709</b>

**Legal Proceedings:** No legal cases of third parties against the Fund exist at the issuance date of these interim financial statements that is probable to affect negatively the Fund's financial position.

**Undertakings deriving from FAFA:** Until the facility granted under the FAFA has been fully reimbursed, the Fund acts as a guarantor and has certain security related undertakings in the context of the facility agreement.

#### Note 16 Related Party Transactions

Related parties include the Fund's Management, close relatives to the Management, companies owned by the Management and credit institutions in which the Fund has substantial influence over the financial and operating policies.

The significant transactions entered into by the HFSF with related parties during the 6 month period ended on 30/06/2016 and 30/06/2015 and the balances outstanding as of 30/06/2016 and 30/06/2015 are presented below.

##### **Transactions with key management personnel**

The members of the Executive Board and the General Council, as well as close relatives or companies controlled individually or jointly by them, did not enter into transactions with the Fund. The gross remuneration paid in the first 6 months of 2016 amounted to € 318k (first 6 months of 2015: €412k). Furthermore, for the members of the Executive Board an amount of € 27k (first 6 months of 2015: € 28k) had been paid for social security contributions.

##### **Transactions and balances with systemic banks**

Following the contribution of EFSF FRNs to the systemic banks in the context of the pre-subscription agreements and subsequently due to the participation of the HFSF in the recapitalization of the banks in 2013 and 2015, the Fund considers the systemic banks to be related parties as defined in IAS 24.

The fair value of the shares held by the Fund as of 30/06/2016 amounted to € 1,383.6m (31/12/2015: € 2,384.2m) and the fair value of CoCos as of 30/06/2016 amounted to € 4,009.6m (31/12/2015: € 4,061.5m).

The custody fees, paid to the systemic banks, relating to shares held by HFSF, for the 6 month period ended on 30/06/2016 and 30/06/2015 amounted to € 23k and € 97k respectively.



#### **Transactions and balances relating to transitional credit institutions**

In the first half of 2015, the Fund received the amount of € 8.8m from Eurobank following the finalization of a contingency from the sale of New HPB to Eurobank that took place in 2013. Moreover, the amount provided regarding an obligation arising from the aforementioned sale, which amounted to € 1.99m as of 31/12/2015 after the reversal of the initial provision by 1.4m, was settled in February 2016.

#### **Note 17 Post Balance Sheet Events**

Following the reporting date of these interim financial statements, the following events related to the HFSF took place:

##### **Composition of the General Council**

On 18/07/2016, Mrs. Dagmar Valcárcel was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Wouter Devriendt who resigned on 30/04/2016. On 18/10/2016, Mr. Radován Jelasity was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Elias Karakitsos who resigned on 05/07/2016.

##### **Composition of the Executive Board**

Pursuant to Article 80 of Law 4413/2016 (Government Gazette A' 148), the Fund's Law 3864/2010 was amended and a procedure for the placement of members of the Executive Board with full powers and duties, has been introduced for the time needed until the appointment of new members according to the ordinary procedure of the Fund's Law. Therefore, following the resignation of Messrs. Aristides Xenofos (former CEO) and George Koutsos (former Deputy CEO) on 18/07/2016 and based on a proposal by the General Council to the Minister of Finance, Mr. Christoforos Stratos, member of the General Council, was appointed as CEO and Mr. Michael Haralabidis, senior HFSF Executive, was appointed as Deputy CEO on 23/08/2016 (YODD 444). Their appointment was in accordance to the agreement of the Euro Working Group and the non-binding opinion of the Selection Panel. During this period, Mr. Christoforos Stratos participated in the meetings of General Council with no voting right. Mr. Eric Turret and Mr. Frangetis have undertaken their duties, following their appointment, as Deputy CEO and executive member respectively, by the Minister of Finance on 27/10/2016.

##### **Systemic Banks' Board of Directors evaluation**

In line with the MoU signed on 19/08/2015, the HFSF, with the help of an independent international consultant with proven experience and know-how, introduced 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 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). The evaluation of the Boards and Committees of the systemic banks was completed in July 2016 and the results have been communicated to all parties involved.

##### **Analysis of non-regulatory constraints and impediments for the development of an NPL market**

As per the provisions of the MoU signed on 19/08/2015, the HFSF in cooperation with BoG, provided an analysis to identify non-regulatory constraints and impediments (e.g. administrative, economic, legal) to the development of a dynamic NPL market in Greece. Following the analysis, impediments were identified and grouped per broad areas of obstacles, i.e. legal and judicial, tax and accounting, administrative and other impediments. This study was effectively completed and presented to the Authorities, in October 2015.



Subsequently and as specified in the Supplemental MoU signed on 16/06/2016, the HFSF in cooperation with BoG, would have to update and propose concrete actions regarding all remaining non-regulatory impediments to the development of a dynamic NPL market by end of June 2016. The updated study was completed and the updated report was published on HFSF's site.

**Completion of ATE Insurance sale**

On 01/08/2016, Piraeus announced the completion of the agreement for the sale of 100% of the share capital of ATE Insurance to ERGO International AG, a subsidiary of Munich Re, following the fulfillment of all the conditions under the relevant agreement, as well as the receipt of all necessary approvals from the competent bodies, including the HFSF. ERGO International AG paid a consideration of €90.1m in cash for the total stake of Piraeus in the ATE Insurance share capital. Following the closing of the transaction and based on contractual agreement, the HFSF has a claim against Piraeus, from the proceeds of this transaction, deriving from the fact that HFSF had contributed to Piraeus Bank the funding gap corresponding to ATE Insurance, which cannot be reliably estimated.

**Income received from Piraeus' CoCos**

On 02/12/2016, the Fund received from Piraeus the amount of €165.9m relating to the annual coupon of CoCos.