

INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTH PERIOD
ENDED 30/06/2018
(IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING
STANDARD 34)
NOVEMBER 2018



**HELLENIC
FINANCIAL
STABILITY FUND**

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STATEMENT OF THE GENERAL COUNCIL & 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, to the best of our knowledge, declare that:

The interim condensed Financial Statements of the Hellenic Financial Stability Fund for the six month period ended 30/06/2018, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, present 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.

Athens, 20 November 2018

The Chief Executive Officer

Martin Czurda

The Member of the Executive Board

Ilias Xirouhakis

The Chairman of the General Council

Andreas Verykios

The Member of the General Council

Christof Gabriel Maetze

The Member
of the General Council

Jón Sigurgeisson

The Member of the General Council

Radován Jelasyty

The Member
of the General Council

Paul Arlman

The Member of the General Council,
Representative of the MoF

Marica S. Ioannou - Frangakis

The Member of the General Council,
appointed by the BoG

Vassilios Spiliotopoulos

KPMG Certified Auditors AE
3 Stratigou Tombra Street
Aghia Paraskevi
153 42 Athens, Greece
Telephone +30 210 6062100
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 condensed Statement of Financial Position of Hellenic Financial Stability Fund, Private Legal Entity (the "Fund") as of 30 June 2018 and the related condensed 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 condensed interim financial information. 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, as incorporated in Greek Law, 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 condensed interim financial information as at 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Athens, 20 November 2018

KPMG Certified Auditors AE
AM SOEL 114

Nikolaos Vouniseas, Certified Auditor Accountant
AM SOEL 18701

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STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

	Note	30/06/2018	31/12/2017
ASSETS			
Cash and balances with Banks	4	1,047,042,749	1,036,067,798
Financial assets at fair value through profit or loss	5	3,549,010,780	3,812,667,727
Property and equipment		130,719	111,214
Intangible assets		21,184	25,150
Accrued income receivable		16,582,239	14,402,243
Receivables from banks under liquidation	6	1,650,954,992	1,650,954,992
Other assets		162,028	324,442
Total Assets		6,263,904,691	6,514,553,566
LIABILITIES			
Derivative financial liabilities	7	-	843,637
Other liabilities	8	1,496,392	1,083,452
Total Liabilities		1,496,392	1,927,089
EQUITY			
Capital	9	42,163,557,748	42,163,557,748
Accumulated losses		(35,901,149,450)	(35,650,931,271)
Total Equity		6,262,408,299	6,512,626,477
Total Liabilities & Equity		6,263,904,691	6,514,553,566

The Notes from pages 10 to 35 form an integral part of these interim financial statements

Athens, 20 November 2018

The Chairman of the General Council

Andreas Verykios

The Chief
Executive Officer

The Member
of the Executive Board

The Chief Financial Officer

Martin Czurda

Ilias Xirouhakis

Evangelia D. Chatzitsakou



STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTH PERIOD ENDED 30/06/2018

	Note	01/01/2018 - 30/06/2018	01/01/2017 - 30/06/2017
Interest income	10	16,582,239	20,816,074
Personnel expenses	11	(1,782,447)	(1,549,350)
General administrative & other operating expenses	12	(2,246,318)	(2,124,012)
Impairment (charges)/reversals of receivables from banks under liquidation		-	1,341,200
Gain/(Loss) from financial instruments at fair value through profit or loss	13	(262,749,050)	295,831,682
Depreciation and amortization of property, equipment and intangible assets		(38,867)	(39,859)
Other income/(expenses)		16,265	(562)
Profit/(Loss) for the period		(250,218,178)	314,275,173
Total comprehensive expenses for the period		(250,218,178)	314,275,173

The Notes from pages 10 to 35 form an integral part of these interim financial statements

Athens, 20 November 2018

The Chairman of the General Council

Andreas Verykios

The Chief
Executive Officer

Martin Czurda

The Member
of the Executive Board

Ilias Xirouhakis

The Chief Financial Officer

Evangelia D. Chatzitsakou



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3 MONTH PERIOD ENDED 30/06/2018**

	Note	01/04/2018 - 30/06/2018	01/04/2017 - 30/06/2017
Interest income	10	8,007,799	7,563,261
Personnel expenses	11	(761,354)	(713,899)
General administrative & other operating expenses	12	(1,263,010)	(1,500,789)
Impairment (charges)/reversals of receivables from banks under liquidation		-	1,341,200
Gain from financial instruments at fair value through profit or loss	13	75,763,334	505,678,763
Depreciation and amortization of property, equipment and intangible assets		(21,716)	(17,648)
Other income/(expenses)		16,265	(562)
Profit for the period		81,741,318	512,350,326
Total comprehensive income for the period		81,741,318	512,350,326

The Notes from pages 10 to 35 form an integral part of these interim financial statements

Athens, 20 November 2018

The Chairman of the General Council

Andreas Verykios

The Chief
Executive Officer

The Member
of the Executive Board

The Chief Financial Officer

Martin Czurda

Ilias Xirouhakis

Evangelia D. Chatzitsakou



STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

	Capital	Accumulated losses	Total
Balance as of 01/01/2017	44,192,757,748	(35,822,041,819)	8,370,715,929
Capital decrease	(2,029,200,000)	-	(2,029,200,000)
Profit for the period from 01/01/2017 to 30/06/2017	-	314,275,173	314,275,173
Balance as of 30/06/2017	42,163,557,748	(35,507,766,646)	6,655,791,102
Loss for the period from 01/07/2017 to 31/12/2017	-	(143,164,625)	(143,164,625)
Balance as of 01/01/2018	42,163,557,748	(35,650,931,271)	6,512,626,477
Loss for the period from 01/01/2018 to 30/06/2018	-	(250,218,178)	(250,218,178)
Balance as of 30/06/2018	42,163,557,748	(35,901,149,450)	6,262,408,299

The Notes from pages 10 to 35 form an integral part of these interim financial statements



STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

	01/01/2018 - 30/06/2018	01/01/2017 - 30/06/2017
Cash flows from operating activities		
Profit/(Loss) for the period	(250,218,178)	314,275,173
Adjustments for non-cash items included in statement of comprehensive income and other adjustments:	246,647,924	(316,797,439)
Interest income	(16,582,239)	(20,816,074)
Impairment charges/(reversals) of receivables from banks under liquidation	-	(1,341,200)
(Gain)/Loss from financial instruments at fair value through profit or loss	262,749,050	(295,831,682)
(Gain)/Loss from disposal of fixed assets	(264)	-
Payroll provisions and accruals	442,510	1,151,659
Depreciation and amortization of property, equipment and intangible assets	38,867	39,858
Net (increase)/decrease in operating assets:	162,414	139,979,465
Change in receivables from banks under liquidation	-	139,813,251
Change in other assets	162,414	166,214
Net increase/(decrease) in operating liabilities:	(29,570)	(514,259)
Change in other liabilities	(29,570)	(514,259)
Interest received	14,402,243	30,492,409
Net cash from operating activities	10,964,832	167,435,349
Cash flows from investing activities		
Proceeds received from warrants exercised	64,260	-
Purchase of property, equipment and intangible assets	(54,141)	(17,258)
Net cash from investing activities	10,119	(17,258)
Cash flows from financing activities		
Capital decrease	-	(2,029,200,000)
Net cash from financing activities	-	(2,029,200,000)
Net increase/(decrease) in cash and cash equivalents	10,974,951	(1,861,781,909)
Cash and cash equivalents at the beginning of the period	1,036,067,798	2,737,181,817
Cash and cash equivalents at the end of the period	1,047,042,749	875,399,908

The Notes from pages 10 to 35 form an integral part of these interim financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS



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). 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 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 4549/2018, the Fund's tenure has been extended up to 31/12/2022. 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.

The Fund began its operations 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 maintainance 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.



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

Executive Board*	Position
Martin Czurda	Chief Executive Officer
Ilias Xirouhakis	Executive Member
General Council**	Position
Andreas Verykios	Chairman
Paul Arlman	Member
Jón Sigurgeisson	Member
Christof Gabriel Maetze	Member
Radován Jelasity	Member
Marica S. Ioannou - Frangakis	Member, Representative of the MoF
Vassilios Spiliotopoulos	Member, appointed by the BoG

* On 09/01/2018 Mr. Ilias Xirouhakis was nominated by the BoG as executive member of the Executive Board, replacing Mr. Panagiotis Doumanoglou

* On 17/09/2018, Mr. Eric Touret resigned from his position as Deputy CEO and executive member of the Executive Board

** On 26/01/2018, Mr. Paul Arlman was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mrs. Dagmar Valcárcell.

** On 15/06/2018, Mr. Andreas Verykios was appointed by the Minister of Finance as non-executive chairman of the General Council, replacing Mr. George Michelis.

The interim financial statements were approved by the Fund's General Council on 20 November 2018.



Note 2 | Summary of Significant Accounting Policies

2.1 Basis of preparation

The interim condensed financial statements of the Fund for the six month period ended 30/06/2018 (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 31/12/2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as endorsed by the EU.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, except for the adoption of new and amended standards as set out in Note 2.2 below.

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). Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current period. Management believes that such adjustments do not have a material impact in the presentation of financial information.

The interim financial statements have been prepared under the historical cost convention, except for financial assets held at fair value through profit or loss 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.

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 aim 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.

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 Bank”), Eurobank Ergasias S.A. (hereinafter “Eurobank”), National Bank of Greece S.A. (hereinafter “NBG”) and Piraeus Bank S.A. (hereinafter “Piraeus Bank”). More specifically, under the recapitalization of 2013, the Fund obtained the majority of the common shares with restricted voting rights in Alpha Bank, NBG and Piraeus Bank, 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 contrast, 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 Bank covering the additional capital that was not covered by private investors, whereas Eurobank and Alpha Bank covered their capital needs solely from private investors. Consequently, the Fund became the major shareholder with full voting rights in NBG and Piraeus Bank and HFSF's participation in Alpha Bank 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 European Stability Mechanism, the Hellenic Republic, the BoG and HFSF. In pursuing its objective, HFSF among others, (i) monitors and assess how the credit institutions, to which capital support is provided by the HFSF, comply with their restructuring plans, (ii) exercises its shareholding rights in compliance with the rules of prudent management of its assets and in compliance with State aid and Competition rules of the European Union, (iii) ensures that the Bank operates on market terms, and (iv) that in due time the Bank returns to private ownership in an open and transparent manner.

HFSF retains temporary control, aiming to contribute in the maintenance of the stability of the Greek Banking Sector. In this context, the Fund is exempted from the financial consolidation of NBG and Piraeus Bank financial statements and instead the Fund measures its investments at fair value through profit or loss.

2.2 Adoption of International Financial Reporting Standards (IFRS)

2.2.1. New standards, amendments and interpretations to existing standards applied from 1 January 2018:

- **IFRS 9 "Financial Instruments"** On 1 January 2018, the Fund adopted IFRS 9, Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and changes the requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. IFRS 9 also introduces a forward-looking expected credit loss (ECL) approach, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach compared with the incurred-loss impairment approach for financial instruments under IAS 39. An indication of the new requirements is presented below:

Classification and measurement

Financial instruments shall be classified, after initial recognition, at either amortized cost or at fair value. The criteria that should be considered for the initial classification of the financial assets are the following:

- i. The entity's business model for managing the financial assets.
Three categories of Business Models are defined:
 - Hold to collect contractual cash flows
 - Hold to collect and sell
 - Otherand
- ii. The contractual cash flow characteristics of the financial assets.
A financial asset shall be measured at amortized cost if both of the following conditions are met:
 - the instrument is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
 - Hold to collect and sell
 - the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

If an instrument meets the above criteria but is held with the objective of both selling and collecting contractual cash flows it shall be classified as measured at fair value through other comprehensive income.

Financial assets that are not included in any of the above two categories are mandatorily measured at fair value through profit or loss.



In addition, IFRS 9 permits, at initial recognition, equity instruments to be classified at fair value through other comprehensive income. The option precludes equity instruments held for trading. Moreover, with regards to embedded derivatives, if the hybrid contract contains a host that is within the scope of IFRS 9, the embedded derivative shall not be separated and the accounting treatment of the hybrid contract should be based on the above requirements for the classification of the financial instruments.

With regards to the financial liabilities, the main difference is that the change in the fair value of a financial liability initially designated at fair value through profit or loss shall be recognised in profit or loss with the exception of the effect of change in the liability's credit risk which shall be recognised directly in other comprehensive income.

Impairment

Contrary to IAS 39, under which an entity recognizes only incurred credit losses, the new standard requires the recognition of expected credit losses. In particular, on initial recognition of an asset, 12-month expected credit losses are recognized.

However, in case the credit risk of the issuers has increased significantly since initial recognition as well as in cases of purchased or originated credit impaired assets lifetime expected credit losses are recognized.

Hedging

The new requirements for hedge accounting are more aligned with the entity's risk management. The main changes in relation to the current requirements of IAS 39 are summarized below:

- more items become eligible for participating in a hedging relationship either as hedging instruments or as hedged items,
- the requirement for hedge effectiveness tests to be within the range of 80%-125% is removed. Hedge effectiveness test is performed progressively only and under certain circumstances a qualitative assessment is considered adequate,
- in case that a hedging relationship ceases to be effective but the objective of risk management regarding the hedging relationship remains the same, the entity shall rebalance the hedging relationship in order to satisfy the hedge effectiveness criteria.

It is noted that the new requirements for hedge accounting do not include those that relate to macro hedging, since they have not been finalized yet.

The classification and measurement of the Fund's financial instruments was not affected by the new principles of IFRS 9, consequently there was no impact from the adoption of the new standard in the Interim Financial Statements. Further information on the accounting policies and critical judgments applied by the Fund in order to comply with the requirements of IFRS 9, are included in Note 2.3.

- IFRS 7 "Financial Instruments: Disclosures" The Standard was updated in line with IFRS 9, Financial Instruments. The Fund adopted the revised standard on 1 January 2018. Given that the first quarter of 2018 includes the date of initial application of IFRS 9, the Fund provides in Note 2.3 the IFRS 9 applicable transition disclosures as set out by IFRS 7 in the first quarter of 2018. A full set of disclosures as required by the revised IFRS 7 will be provided in the Fund's annual financial statements as of and for the year ending 31 December 2018.

- IFRS 15 "Revenue from Contracts with Customers" IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 replaces the revenue recognition guidance included in IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

- Identify the contract with the customer
- Identify the performance obligations in the contracts
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.



Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

There was no impact from the adoption of IFRS 15 in the Interim Financial Statements of the Fund.

- IFRS 4 (Amendment) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

The amendments introduce two approaches. The amended standard will: a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued and b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply IAS 39. There was no impact from the amendment of IFRS 4 in the Interim Financial Statements of the Fund as the issuance of insurance contracts is not included in the Fund’s activities.

- IFRS 15 (Amendment) Clarifications to IFRS 15 Revenue from Contracts with Customers.

The amendment clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts. The amendment did not have any impact on the Fund’s financial statements.

- IFRS 2 (Amendment) Classification and Measurement of Share-based Payment Transactions.

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendment did not have an impact on the Fund’s financial statements, as share-based payment transactions are not applicable in case of the Fund.

- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”. The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. There was no impact from the aforementioned interpretation on the Interim Financial Statements of the Fund.

- IAS 40 (Amendment) “Transfers to Investment Property”. It amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57 (a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list. The amendment did not have any impact on the Fund’s financial statements.

- IAS 1 (Amendment) “Presentation of Financial Statements”. Interest income and interest expense, calculated using the effective interest method, on financial instruments measured at amortised cost and financial assets measured at fair value through other comprehensive income shall be presented in the notes separately from interest income and expense on financial instruments measured at fair value through profit or loss. The amendment did not have an impact on the Fund’s financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle. The amendments impact the following standards:

IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose



IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

The aforementioned amendments did not have any impact on the Fund's financial statements as they relate to issues that are not applicable in case of HFSF.

2.2.2. New standards, amendments and interpretations to existing standards effective after 2018:

The Fund has not early adopted the following amendments and interpretations, however they are not expected to have a material impact on the Fund's financial statements.

- **IFRS 16 Leases** (effective for annual periods beginning on or after 1 January 2019). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessees recognise a right of use asset and a corresponding financial liability on the balance sheet. The asset is amortised over the length of the lease, and the financial liability is measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17.

The Fund has not applied this standard and is currently assessing its impact on the financial statements. However, given the fact that the only lease agreement for the use of a high-value asset and duration for more than 12 months, under which the Fund acts as lessee, is the lease agreement for the use of its headquarters, IFRS 16 is not expected to have a material impact on the financial statements. Existing operating lease commitments are set out in Note 14.

- **IFRIC 23 Uncertainty over Income Tax Treatments** (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. IFRIC 23 applies to all aspects of income tax accounting where there is such uncertainty, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The interpretation has not yet been endorsed by the EU.

- **IAS 19 (Amendment) Plan Amendment, Curtailment or Settlement** (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments have not yet been endorsed by the EU.

- **IFRS 9 (Amendment) Prepayment Features with Negative Compensation** (effective for annual periods beginning on or after 1 January 2019). The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss.

- **IAS 28 (Amendment) Long-Term Interests in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments clarify that companies account for long-term interests in an associate or joint venture—to which the equity



method is not applied—using IFRS 9. The amendments have not yet been endorsed by the EU.

- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments introduce key changes following the publication of the results of the IASB's 2015-17 cycle of the annual improvements project. The topics addressed by these amendments, which have not yet been endorsed by the EU, are set out below:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: It is clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party remeasures the entire previously held interest in the assets and liabilities of the joint operation at fair value.
- If a party obtains joint control, then the previously held interest is not remeasured.

IFRS 11 Joint Arrangements: It is clarified that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business

IAS 12 Income Taxes: It is clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, depending on where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.

IAS 23 Borrowing costs: It is clarified that any borrowing originally made to develop a qualifying asset should be treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Conceptual Framework

In March 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the "Framework"), which becomes effective in annual periods beginning on 1 January 2020. The Framework sets out the fundamental concepts of financial reporting that guide the IASB in developing IFRS Standards. The Framework underpins existing IFRS Standards but does not override them. Preparers of financial statements use the Framework as a point of reference to develop accounting policies in rare instances where a particular business transaction is not covered by existing IFRS Standards. The IASB and the IFRS Interpretations Committee will begin to use the new Framework immediately in developing new, or amending existing, financial reporting standards and interpretations. The Fund is currently assessing the effect of the amended Framework on its accounting policies

2.3 Update to significant accounting policies disclosed in Note 2 to the annual financial statements of HFSF related to IFRS 9

The adoption of IFRS 9 Financial Instruments resulted in changes to the Fund's accounting policies related to financial instruments applicable from 1 January 2018. The accounting policies set out below replace items 2 and 4 in Note 2 to the annual Financial Statements of the Fund for the year ended 31 December 2017. As permitted by the transition provisions of IFRS 9, the Fund elected not to restate comparative period information, and the accounting policies as set out in Note 2 of the Fund's financial statements for the year ended December 31, 2017 apply to comparative periods.

"2.2 Financial assets at fair value through profit or loss

This category includes the Banks' shares and the contingent convertible bonds (CoCos) issued by the Banks obtained as a result of the recapitalization process which the Fund has designated at initial recognition as financial assets at fair value through profit or loss.



The shares, as quoted equity instruments, are recognized in fair value. Given the Fund's objective, these shares are held in a business model whose objective is only their future selling and the collection of any cash flows is not integral to achieving the business model's objective; instead, it is incidental to it. Based on that and in order to also eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise since the related derivatives (i.e. warrants) issued by the Fund are designated as fair value through profit or loss instruments, the fair value option for these shares is also through profit or loss. The fair value designation, once made, is irrevocable.

CoCos received under the recapitalization of NBG and Piraeus Bank are hybrid securities which combine a host contract with an embedded derivative not closely related, causing the cash flows of the instrument to be modified according to a variable. The host contract, which is an asset, behaves more like equity rather than debt, as there is no predetermined maturity and its economic characteristics and risks are those of an equity instrument. The embedded derivative is the issuer's option to redeem the instrument in cash, at any time, at 100% of the notional amount and is not clearly and closely related to the host contract's economic characteristics and risks. HFSF designates the entire contract at FVTPL at initial recognition and not bifurcate the host contract given that the interest amounts are not consideration for the time value of money on the principal amount outstanding and as a result do not meet the definition of SPPI.

Financial assets at fair value through profit or loss are initially recognised at fair value and subsequently re-measured at fair value.

Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in the fair value are included in "Gains/(losses) from financial instruments at FVTPL".

2.4 Classification and measurement of financial assets

2.4.1 Initial recognition

The Fund recognises financial assets in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Upon initial recognition the Fund measures financial assets at fair values. Financial instruments not measured at fair value through profit or loss are initially recognised at fair value plus transaction costs and minus income or fees that are directly attributable to the acquisition or issue of the financial instrument.

It is noted that financial instruments are recognized in the statement of financial position at the trade date, which corresponds to the date during which the Fund commits to buy or sell the asset.

2.4.2 Classification of financial assets

The Fund classifies its financial assets as:

- Financial assets measured at amortised cost.
- Financial assets measured at fair value through other comprehensive income ("FVTOCI") with cumulative gains and losses reclassified to profit and loss on derecognition.
- Equity instruments designated as measured at FVTOCI with gains and losses remaining in other comprehensive income ("OCI") without recycling to profit or loss on derecognition.
- Financial assets at fair value through profit and loss ("FVTPL").

Except for financial instruments that are designated at initial recognition as at FVTPL, such assets are classified at amortised cost or FVTOCI on the basis of:

- a) the Fund's business model for managing the financial asset and
- b) the contractual cash flow characteristics of the financial asset.

IFRS 9 precludes the separation of any embedded derivatives from a hybrid contract when the host contract is a financial asset within its scope. Instead, the entire hybrid financial asset is classified into one of the categories listed above.



2.4.2.1 Business model assessment

The business models reflect how the Fund manages its financial assets in order to generate cash flows. This assessment is performed on the basis of scenarios that the Fund reasonably expects to occur. The assessment is based on all relevant and objective information that is available at the time of the business model assessment. The following business models have been identified for the financial assets:

- **Held to collect contractual cash flows:** The Fund's objective is to hold the financial assets and collect the contractual cash flows. All the assets in this business model give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets classified in this business model are measured at amortised cost.
- **Held to collect contractual cash flows and sell:** The objective of this business model is to meet everyday liquidity needs and such objective is achieved by both collecting contractual cash flows and selling financial instruments. Assets within this business model are not sold with the intention of short-term profit taking, however frequent sales may occur and such sales may be significant in value. All the assets in this business model give rise to cash flows that are SPPI. The financial instruments in this business model are accounted for at FVTOCI.
- **Held for trading:** Under this business model, the Fund actively manages the instruments in order to realise fair value gains arising from changes in credit spreads and yield curves. The assets in this business model are accounted for at FVTPL.
- **Held and managed on a fair value basis:** Refers to assets that are managed by the Fund on a fair value basis without the intent to sell them in the near future. The assets in this business model are accounted for at FVTPL.

2.4.2.2 Contractual cash flow characteristics

The Fund assesses the characteristics of its financial assets' contractual cash flows at initial recognition in order to determine whether they are SPPI. This is referred to as the "SPPI test". Interest amount within a basic lending arrangement, is typically the consideration for the time value of money and the credit risk. Interest may also include consideration for other basic lending risks such as liquidity and costs (e.g. administration associated with holding the financial asset for a particular period of time), as well as a profit margin. Interest may also be negative if the Fund decides to effectively pay a fee for the safekeeping of its money for a particular period of time. The Fund considers that an originated or a purchased financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form and irrespective if it was purchased at a deep discount.

In addition, in determining whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, it is assessed whether time value of money element has been modified. Time value of money is the element of interest that provides consideration for only the passage of time. That is, the time value of money element does not provide consideration for other risks or costs associated with holding the financial asset. However, in some cases, the time value of money element may be modified. That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate or if a financial asset's interest rate is periodically reset to an average of particular short- and long-term interest rates. In such cases, the Fund assesses the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. The objective of the assessment is to determine how different the contractual (undiscounted) cash flows could be from the (undiscounted) cash flows that would arise if the time value of money element was not modified (benchmark test). The effect of the modified time value of money element must be considered in each reporting period and cumulatively over the life of the instrument. If the Fund concludes that the contractual (undiscounted) cash flows could be significantly different from the (undiscounted) benchmark cash flows, the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.



2.4.3 Measurement of financial assets

2.4.3.1 Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it is held in a business model that has an objective to hold financial assets to collect contractual cash flows and the contractual terms of the financial asset result in cash flows that pass the SPPI test.

The financial assets classified within this category, mainly include the following asset classes:

- Cash and balances with central bank
- Sight and time deposits with banks
- Securities purchased under agreements to resell
- Other receivables due from banks
- Debt securities
- Other receivables included in line item "other assets"

Subsequent to initial recognition, the financial asset is measured at amortised cost using the effective interest rate ("EIR") method for the allocation and recognition of interest revenue in line item "interest income" of the income statement over the relevant period. The amortised cost is the amount at which the financial asset is measured at initial recognition minus any principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income on financial assets is calculated on the gross carrying amount if the asset is classified in stage 1 or 2. When a financial asset becomes credit-impaired (classified in stage 3), interest income is calculated on the amortised cost (i.e. the gross carrying amount adjusted for the impairment allowance).

The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's gross carrying amount. When calculating the EIR, the Fund estimates the expected cash flows by considering all the contractual terms of the financial instrument (e.g. prepayment, extension, call and similar options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts. Fees that are an integral part of the EIR of a financial instrument are treated as an adjustment to the EIR.

Except for purchased or originated financial assets that are credit-impaired ("POCI") on initial recognition, expected credit losses ("ECL") are not considered in the calculation of the EIR. For a POCI financial asset, the credit-adjusted EIR is applied when calculating the interest revenue and it is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's amortised cost. The Fund includes the initial ECL in the estimated cash flows when calculating the credit-adjusted EIR for such assets.

2.4.3.2 Financial assets measured at FVTOCI

A financial asset is measured at FVTOCI if it is held in a business model that has an objective to hold financial assets to collect contractual cash flows and sell the assets and the contractual terms of the financial asset result in cash flows that pass the SPPI test.

After initial recognition, investments in financial assets are measured at fair value in the statement of financial position (with no deduction for sale or disposal costs) with unrealized gains and losses reported in OCI, until such investments are derecognised (i.e. when sold or collected). Upon derecognition, the cumulative gains or losses previously recognised in OCI are reclassified from equity to the income statement, as a reclassification adjustment.



2.4.3.3 Equity instruments designated at FVTOCI

After initial recognition, investments in equity instruments designated at FVTOCI are measured at fair value, with no deduction for sale or disposal costs. With the exception of dividends received, the associated gains and losses is recognised in OCI. Amounts presented in OCI are not subsequently recycled to the income statement, instead the cumulative gain or loss is transferred within equity from accumulated OCI to retained earnings.

Dividends are recognised in “dividend income” line item of the income statement when all of the following criteria are met:

- the Fund’s right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Fund
- the amount of the dividend can be measured reliably
- the dividend clearly does not represent a recovery of part of the cost of the investment.

2.4.3.4 Financial assets measured at FVTPL

After initial recognition, financial assets that are classified as at FVTPL are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from fair value remeasurement are recognised in their entirety in “Gain/(loss) from financial instruments at fair value through profit or loss”.

2.4.4. Reclassification of financial assets

The Fund reclassifies all affected financial assets only when the Fund changes its business model for managing financial assets. The reclassification is applied prospectively from the reclassification date which is the first day of the first quarterly reporting period following the change in the business model.

Changes in the Fund’s business models are rare due to the Fund’s specific objective (i.e. the contribution to the maintenance of the stability of the Greek banking system, for the sake of public interest) and the specifically determined Fund’s operations as set out in L. 3864/2010 and L. 4046/2012, both as in force, which are not affected significantly by external or internal changes. Consequently, reclassification of financial assets is not expected.

Investments in equity instruments that are designated as at FVTOCI, or any financial assets or liabilities that are designated at FVTPL, cannot be reclassified because the election to designate them as at FVTOCI or FVTPL respectively, at initial recognition, is irrevocable.

2.4.5. Impairment

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs and minus income or fees that are directly attributable to the acquisition or issue of the financial instrument and subsequently measured at amortised cost using the effective interest rate method (if these are payable after one year), unless the effect of discounting is not material, less an allowance for expected credit losses (“ECL”). ECL represent the difference between contractual cash flows and those that the Fund expects to receive.

ECL are recognized on the following basis:

- 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring. Financial instruments in this category are referred to as instruments in stage 1. For instruments with a remaining maturity of less than 12 months, ECL are determined for this shorter period.



- Lifetime ECL are recognized if a significant increase in credit risk (SICR) is detected subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. Financial instruments in this category are referred to as instruments in stage 2.

- Lifetime ECL are always recognized for credit-impaired financial assets, referred to as instruments in stage 3. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

POCIs are classified as credit impaired. An instrument is POCl if it has been purchased with a material discount to its par value that reflects the incurred credit losses or is originated with a defaulted counterparty.

For POCl financial assets, the Fund recognises adverse changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in the income statement. POCl are initially recognised at fair value with interest income subsequently being recognised based on a credit-adjusted EIR. POCl may also include financial instruments that are newly recognised following a substantial modification and remain a separate category until maturity. Any favourable changes for POCl assets are impairment gain even if the resulting expected cash flows exceed the estimated cash flows on initial recognition.

ECL are recognised in the income statement with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortised cost on the statement of financial position. ECL are recognised within the income statement in "other impairment charges". "

2.4 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 December 2017.

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 Bank, Eurobank, NBG and Piraeus Bank.

Banks under Liquidation: This segment includes 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 cash and balances with banks.

Analysis by Operating Segment

01/01/2018-30/06/2018

	Systemic Banks	Banks under Liquidation	Other	Total
Interest income	-	-	16,582,239	16,582,239
Personnel expenses	(1,147,056)	(191,455)	(443,936)	(1,782,447)
General administrative & other operating expenses	(1,502,096)	(55,556)	(688,666)	(2,246,318)
Loss from financial instruments at FVTPL	(262,749,050)	-	-	(262,749,050)
Depreciation and amortization of property, equipment and intangible assets	(27,207)	(7,773)	(3,887)	(38,867)
Other income	-	-	16,265	16,265
Profit/(Loss) for the period	(265,425,409)	(254,784)	15,462,015	(250,218,178)

30/06/2018

Total segment assets	3,549,010,781	1,650,954,992	1,063,938,918	6,263,904,691
Total segment liabilities	(1,073,055)	(60,071)	(363,266)	(1,496,392)

01/01/2017-30/06/2017

	Systemic Banks	Banks under Liquidation	Other	Total
Interest income	-	-	20,816,074	20,816,074
Personnel expenses	(971,845)	(151,209)	(426,296)	(1,549,350)
General administrative & other operating expenses	(1,302,904)	(45,593)	(775,515)	(2,124,012)
Impairment (charges)/reversals of receivables from banks under liquidation	-	1,341,200	-	1,341,200
Gain from financial instruments at FVTPL	295,831,682	-	-	295,831,682
Depreciation and amortization of property, equipment and intangible assets	(27,901)	(7,972)	(3,986)	(39,859)
Other expenses	-	-	(562)	(562)
Profit for the period	293,529,032	1,136,426	19,609,714	314,275,173

31/12/2017

Total segment assets	3,812,667,727	1,650,954,992	1,050,930,847	6,514,553,566
Total segment liabilities	(1,461,223)	(63,153)	(402,713)	(1,927,089)



Note 4 | Cash and Balances with Banks

	30/06/2018	31/12/2017
Cash and balances with banks	40,776	23,739
Balances with Central Bank	100,672	245,002
Cash management account in BoG	1,046,901,301	1,035,799,057
Total	1,047,042,749	1,036,067,798

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 4549/2018, 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 (h) 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 participation in the four systemic banks and the contingent convertible bonds (“CoCos”) issued by Piraeus Bank, as presented in the following table:

	30/06/2018	31/12/2017
Participation in the systemic banks	1,679,179,780	1,879,390,727
CoCos issued by Piraeus Bank	1,869,831,000	1,933,277,000
Total	3,549,010,780	3,812,667,727

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 Bank 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.



	Fair value	Fair value hierarchy	Fair value
	30/06/2018	Level 1	31/12/2017
Alpha Bank	323,968,530	323,968,530	302,314,236
Eurobank	46,612,202	46,612,202	44,268,572
NBG	971,702,880	971,702,880	1,178,605,394
Piraeus Bank	336,896,168	336,896,168	354,202,524
Total	1,679,179,780	1,679,179,780	1,879,390,727

Movement of shares

The movement of the Fund's participation in the systemic banks during the 6-month period ended on 30/06/2018 is presented in the table below:

No of Shares	Alpha Bank*	Eurobank*	NBG*	Piraeus Bank**
Shares held as of 01/01/2018	169,174,167	52,080,673	3,694,687,756	115,375,415
Additions	-	-	-	-
Disposals	-	-	-	(15)
Shares held as of 30/06/2018	169,174,167	52,080,673	3,694,687,756	115,375,400
of which:				
Shares with restricted voting rights	169,174,167	52,080,673	134,818,596	2,042,067
Shares with full voting rights	-	-	3,559,869,160	113,333,333
Participation with restricted voting rights	10.96%	2.38%	1.47%	0.47%
Participation with full voting rights	0.00%	0.00%	38.92%	25.95%

* The total number of shares are freely transferrable (no warrants issued for Eurobank & the warrants expired and cancelled for Alpha & NBG).

** 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), as of January 1, 2018. Following the 5th January 2018, date that the unexercised warrants were cancelled, the total number of Piraeus Bank's shares are freely transferrable.

The Fund's cumulative gain from all warrants' exercises that have taken place up to 02/01/2018, i.e. the last exercise date, amounted to €11.9 million.

On 02/01/2018, the ninth and last exercise of Piraeus Bank's warrants took place. There were 7,136 warrants exercised and 15 shares exchanged, resulting to the Fund receiving €64,260. The outstanding warrants were automatically expired and cancelled.

HFSF's percentage participation in systemic banks as of 30/06/2018 and 31/12/2017 was as follows:

Percentage Participation	30/06/2018	31/12/2017
Alpha Bank	10.96%	10.96%
Eurobank	2.38%	2.38%
NBG	40.39%	40.39%
Piraeus Bank	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 financial statements, per international credit rating agency, are provided in the table below:

Banks	Fitch	S&P	Moody's
Alpha Bank	RD	B-	Caa2
Eurobank	RD	B-	Caa2
NBG	RD	B-	Caa2
Piraeus Bank	RD	B-	Caa2

Contingent Convertible bonds (CoCos)

Following the recapitalization of NBG and Piraeus Bank 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 Bank 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 Bank 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 Bank 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.

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 recapitalization of 2015. 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.

Redemption of NBG's CoCos

On 15/12/2016, NBG proceeded with the redemption of the principal amount of its CoCos in line with the Bank's commitment to its restructuring plan and following approval given by SSM and the Fund received in cash the amount of €2,029m.

Fair value of CoCos

The notional amount and fair value of CoCos per bank as of 30/06/2018 and 31/12/2017 are presented as follows:

	Fair Value		Notional Amount	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
CoCos issued by Piraeus Bank	1,869,831,000	1,933,277,000	2,040,000,000	2,040,000,000
Total	1,869,831,000	1,933,277,000	2,040,000,000	2,040,000,000

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

CoCos of Piraeus Bank

Balance 1 January 2018	1,933,277,000
Unrealized loss recognized in the income statement	(63,446,000)
Balance 30 June 2018	1,869,831,000



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 30/06/2018 is presented in the following table:

Unobservable Inputs	Piraeus Bank
Volatility of CET1 ratio	42%
Long-term volatility of share price	50%
Correlation between CET1 and share price	90%
Correlation between interest rates and share price	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.

An increase/(decrease) in the long-term volatility of share price would result in an decrease/(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 liquidator of credit institutions under liquidation is nominated by the BoG and is 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, based on data provided by the liquidator.



Up to 30/06/2018 the total amount provided by the Fund to cover funding gap reached the amount of €13,489m, out of which € 656m were recovered and € 11,182m were assessed as non-recoverable.

The funding gap, the cumulative impairment and the collections per bank under liquidation as of 30/06/2018 are presented in the following table:

Bank under Liquidation	Funding Gap	Cumulative Impairment	Cumulative Collections	Estimated Recoverable Amount
Achaiki Cooperative Bank	209,473,992	(119,993,500)	(52,000,000)	37,480,492
ATEbank	7,470,717,000	(5,823,744,540)	(431,500,000)	1,215,472,460
Dodecanese Cooperative Bank	258,547,648	(148,159,788)	(72,000,000)	38,387,860
Evia Cooperative Bank	105,178,136	(85,464,521)	(2,200,000)	17,513,615
First Business Bank	456,970,455	(397,622,124)	(12,500,000)	46,848,331
Hellenic Post Bank	3,732,554,000	(3,484,655,308)	(18,500,000)	229,398,692
Lamia Cooperative Bank	55,493,756	(30,221,548)	(12,500,000)	12,772,208
Lesvos-Limnos Cooperative Bank	55,516,733	(38,664,777)	(12,300,000)	4,551,956
Probank	562,733,502	(519,769,011)	(13,500,000)	29,464,491
Proton Bank	259,621,860	(244,760,837)	(8,490,727)	6,370,296
T-Bank	226,956,514	(223,603,514)	(3,353,000)	-
Western Macedonia Cooperative Bank	95,244,475	(65,549,884)	(17,000,000)	12,694,591
Total	13,489,008,071	(11,182,209,352)	(655,843,727)	1,650,954,992

There was no movement in the Fund's receivables from the banks under liquidation during the 6-month period ended 30/06/2018.

The movement of the Fund's receivables from the banks under liquidation during the 6-month period ended 30/06/2017 is presented in the following table:

Amounts in €					01/01/2017-30/06/2017
Bank under Liquidation	Opening balance	Additions	Collections	Impairment charges	Closing balance
Achaiki Cooperative Bank	54,173,338	-	(4,000,000)	-	50,173,338
ATEbank	1,378,420,503	-	(86,500,000)	-	1,291,920,503
Dodecanese Cooperative Bank	61,387,860	-	(23,000,000)	-	38,387,860
Evia Cooperative Bank	17,713,614	-	(200,000)	-	17,513,614
First Business Bank	35,291,642	-	(5,000,000)	-	30,291,642
Hellenic Post Bank	232,898,691	-	(3,500,000)	-	229,398,691
Lamia Cooperative Bank	15,272,209	-	(2,500,000)	-	12,772,209
Lesvos-Limnos Cooperative Bank	4,851,955	-	(300,000)	-	4,551,955
Probank	37,464,491	-	(8,000,000)	-	29,464,491
Proton Bank	9,842,347	-	(3,472,051)	-	6,370,296
T-Bank	-	-	(1,341,200)	1,341,200	-
Western Macedonia Cooperative Bank	14,694,591	-	(2,000,000)	-	12,694,591
Total	1,862,011,241	-	(139,813,251)	1,341,200	1,723,539,190



Note 7 | Derivative Financial Liabilities

Derivative financial liabilities include 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 (Alpha Bank, NBG and Piraeus Bank) according to Law 3864/2010 and Cabinet Act 38/2012.

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.

Final exercise date and cancellation of warrants

In accordance with the provisions of Law 3864/2010 and Cabinet Act 38/2012, in combination with Cabinet Act 6/2013, the warrants which have not been exercised until the ninth and final exercise shall automatically expire and be cancelled by the HFSF. The date for the final exercise of Piraeus Bank was the 2nd January of 2018 in the context of which 7,136 warrants have been exercised and the outstanding warrants on 5th January 2018 automatically expired and were cancelled. The unexercised warrants of Alpha Bank and NBG were expired and cancelled within December 2017.

Following the above, the fair value of Piraeus Bank's warrants as of 30/06/2018 and 31/12/2017 is presented below:

	Fair value	
	30/06/2018	31/12/2017
Piraeus Bank's warrants	-	843,637
Total	-	843,637

Movement of warrants

The number of outstanding warrants as of 30/06/2018 and 31/12/2017, the movement during the 6-month period ended 30/06/2018 and the number of shares corresponding to 1 warrant (multiplier), if exercised, are presented below:

	Alpha Bank	NBG	Piraeus Bank
Warrants outstanding as of 01/01/2018	-	-	843,637,022
Warrants exercised	-	-	7,136
Warrants expired and cancelled	-	-	843,629,886
Warrants outstanding as of 30/06/2018	-	-	-
Multiplier	-	-	-



Note 8 | Other Liabilities

	30/06/2018	31/12/2017
Creditors and suppliers	635,634	179,580
Taxes payable	309,719	255,240
Contributions payable to social security funds	108,529	126,220
Accrued expenses	442,510	522,412
Total	1,496,392	1,083,452

Note 9 | Capital

	Capital
Balance as of 21 July 2010	-
Capital increase - Cash	1,500,000,000
Balance as of 31 December 2010 & 2011	1,500,000,000
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
Balance as of 31 December 2012	42,500,000,000
Capital increase - EFSF FRNs issued on 31/05/2013	7,200,000,000
Balance as of 31 December 2013 & 2014	49,700,000,000
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
Balance as of 31 December 2015 & 2016	44,192,757,748
Capital decrease - Cash returned on 20/02/2017	(2,029,200,000)
Balance as of 31 December 2017 & 30 June 2018	42,163,557,748



Note 10 | Interest Income

A breakdown of the Fund's interest income for the 6-month period ended 30/06/2018 and 30/06/2017 is presented in the table below:

	01/01/2018 - 30/06/2018	01/01/2017 - 30/06/2017
Interest income from cash management account	16,582,239	20,816,074
Total	16,582,239	20,816,074

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 (h) of the art. 15 of Law 2469/1997.

Note 11 | Personnel Expenses

The number of employees under payroll, including the members of the Executive Board, was 33 and 32 as of 30/06/2018 and 30/06/2017 respectively. The total personnel expenses for the 6-month period ended 30/06/2018 and 30/06/2017 are analysed as follows:

	01/01/2018 - 30/06/2018	01/01/2017 - 30/06/2017
Salaries	(1,506,594)	(1,293,558)
Employer's contribution	(275,853)	(255,792)
Total	(1,782,447)	(1,549,350)

The average number of employees, including the members of the Executive Board, for the 6-month period ended 30/06/2018 and 30/06/2017 was 32.

Note 12 | General Administrative and Other Operating Expenses

	01/01/2018 - 30/06/2018	01/01/2017 - 30/06/2017
Utilities and rentals	(131,599)	(136,819)
General Council remuneration	(164,330)	(279,549)
Selection Panel remuneration	(70,000)	(102,360)
Lawyers' fees	(30,380)	(54,671)
Audit firms' fees	(6,200)	(6,200)
Advisors' fees	(1,327,480)	(1,108,557)
Professionals' fees	(43,944)	(41,092)
Custody fees	(26,281)	(24,344)
Insurance fees	(214,758)	(183,477)
Other fees	(68,950)	(60,936)
Other expenses	(162,396)	(126,007)
Total	(2,246,318)	(2,124,012)



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 Piraeus Bank.

The breakdown of the gain or loss by financial instrument for the 6-month period ended 30/06/2018 and 30/06/2017 is presented in the table below.

	01/01/2018 - 30/06/2018	01/01/2017 - 30/06/2017
Gain/(loss) from shares		
Alpha Bank	21,654,293	43,985,538
Eurobank	2,343,630	17,447,025
NBG	(206,902,514)	314,048,578
Piraeus Bank	(17,242,096)	13,845,050
Subtotal	(200,146,687)	389,326,191
Gain/(loss) from warrants		
Alpha Bank	-	-
NBG	-	491,491
Piraeus Bank	843,637	-
Subtotal	843,637	491,491
Gain/(loss) from CoCos		
Piraeus Bank	(63,446,000)	(93,986,000)
Subtotal	(63,446,000)	(93,986,000)
Total	(262,749,050)	295,831,682

Following the sale of 15 shares of Piraeus Bank in the context of warrants exercise, the Fund received the amount of €64,260 which is recognized in the line "gain/loss from shares of Piraeus Bank" in the above table.

Note 14 | Commitments, Contingent Liabilities and Contingent Assets

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):

	30/06/2018	31/12/2017
No later than 1 year	175,836	176,918
Later than 1 year and no later than 5 years	164,015	245,142
Total	339,851	422,060



Legal Proceedings: No legal cases of third parties against the Fund exist at the issuance date of these 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.

Sale of ATE Insurance: On 01/08/2016, the sale of 100% of ATE Insurance to ERGO International AG was completed by Piraeus Bank and the Bank received a consideration of €90.1 million in cash subject to adjustments under the terms of the SPA. HFSF is of the opinion that it has a claim towards the Bank on the net proceeds of this transaction deriving from the contribution of the funding gap corresponding to ATE Insurance

Note 15 | 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 30/06/2018 and 30/06/2017 and the outstanding balances as of 30/06/2018 and 31/12/2017 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 2018 amounted to €447k (first 6 months of 2017: €420k). Furthermore, an amount of €51k (first 6 months of 2017: €52k) 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 30/06/2018 amounted to €1,679.2 million (31/12/2017: €1,879.4 million) and the fair value of CoCos as of 30/06/2018 amounted to €1,869.8 million (31/12/2017: €1,933.3 million).

The custody fees, paid to the systemic banks, relating to shares held by HFSF, for the 6-month period ended 30/06/2018 and 30/06/2017 amounted to €26.3 thousand and €24.3 thousand respectively.

Note 16 | Post Balance Sheet Events

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

Collections from liquidations

On 07/09/2018, the Fund received a total amount of €91.1 million from the banks under liquidation.

The amount received per Bank under liquidation are presented in the following table:

Bank under Liquidation	Amounts in €
Achaiki Cooperative Bank	1,500,000
ATEbank	82,000,000
Dodecanese Cooperative Bank	5,000,000
First Business Bank	1,000,000
Lamia Cooperative Bank	1,600,000
Total	91,100,000



Execution of voting rights agreement with Single Social Security Entity (EFKA)

On 31/07/2018, the HFSF and the Single Social Security Entity signed the voting rights agreement, following and in compliance with the article 114 of L.4549/14.06.2018, according to which a new paragraph in article 70 of Law 4387/2016 (Assets of EFKA) has been inserted providing that the voting rights deriving from the common shares of EFKA in credit institutions, are exercised by the HFSF, if the participation of EFKA in the share capital of the said credit institutions exceeds 33%, per credit institution, and only for the exceeding percentage. The General Council approved the agreement and delegated the Executive Board members to execute accordingly. The agreement defines the relationship between the HFSF and the Single Social Security Entity. It is noted that following the signing of this agreement, the HFSF holds 13.16% of the voting rights of Attica bank and it is able to execute its voting right. The shares of Attica Bank remain with the Single Social Security Entity and there is no change in the HFSF's shareholding.

Composition of the General Council and Executive Board

On 17/09/2018, Mr. Eric Touret resigned from his position as Deputy CEO and executive member of the Executive Board.



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