

# CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 9 MONTH PERIOD  
ENDED 30/09/2019  
(IN ACCORDANCE WITH  
INTERNATIONAL ACCOUNTING  
STANDARD 34)

FEBRUARY 2020



**HELLENIC  
FINANCIAL  
STABILITY FUND**

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# STATEMENT OF FINANCIAL POSITION

## STATEMENT OF FINANCIAL POSITION

Amounts in '000€	Note	30/09/2019	31/12/2018
<b>ASSETS</b>			
Cash and balances with Banks	4	1,177,638	1,168,057
Financial assets at fair value through profit or loss	5	3,592,797	2,415,368
Property and equipment	6	682	187
Intangible assets		12	25
Accrued income receivable		8,013	-
Receivables from banks under liquidation	7	1,559,855	1,559,855
Other assets		381	256
<b>Total Assets</b>		<b>6,339,378</b>	<b>5,143,749</b>
<b>LIABILITIES</b>			
Other liabilities	8	1,672	704
<b>Total Liabilities</b>		<b>1,672</b>	<b>704</b>
<b>EQUITY</b>			
Capital	9	42,163,558	42,163,558
Accumulated losses		(35,825,852)	(37,020,513)
<b>Total Equity</b>		<b>6,337,706</b>	<b>5,143,045</b>
<b>Total Liabilities &amp; Equity</b>		<b>6,339,378</b>	<b>5,143,749</b>

The Notes from pages 8 to 28 form an integral part of these interim financial statements

Athens, 18 February 2020

The Chairman of the General  
Council

Andreas Verykios

The Chief  
Executive Officer

Martin Czurda

The Deputy Chief  
Executive Officer

Ilias Xirouhakis

The Chief Financial  
Officer

Evangelia D. Chatzitsakou



# STATEMENT OF COMPREHENSIVE INCOME

## STATEMENT OF COMPREHENSIVE INCOME FOR THE 9 MONTH PERIOD ENDED 30/09/2019

Amounts in '000€	Note	01/01/2019 - 30/09/2019	01/01/2018 - 30/09/2018
Interest income	10	23,525	25,379
Personnel expenses	11	(2,721)	(2,503)
General administrative & other operating expenses	12	(3,303)	(3,346)
Gain/(loss) from financial instruments at fair value through profit or loss	13	1,177,428	(967,172)
Depreciation and amortization of property, equipment and intangible assets		(220)	(63)
Other income/(expenses)		(43)	17
Finance costs		(6)	-
<b>Profit/(loss) for the period</b>		<b>1,194,660</b>	<b>(947,688)</b>
<b>Total comprehensive income/(expenses) for the period</b>		<b>1,194,660</b>	<b>(947,688)</b>

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# STATEMENT OF COMPREHENSIVE INCOME

## STATEMENT OF COMPREHENSIVE INCOME FOR THE 3 MONTH PERIOD ENDED 30/09/2019

Amounts in '000€	01/07/2019 - 30/09/2019	01/07/2018 - 30/09/2018
Interest income	8,014	8,797
Personnel expenses	(787)	(720)
General administrative & other operating expenses	(869)	(1,100)
Gain/(loss) from financial instruments at fair value through profit or loss	166,343	(704,423)
Depreciation and amortization of property, equipment and intangible assets	(75)	(24)
Other income/(expenses)	1	-
Finance costs	(2)	-
<b>Profit/(loss) for the period</b>	<b>172,625</b>	<b>(697,470)</b>
<b>Total comprehensive income/(expenses) for the period</b>	<b>172,625</b>	<b>(697,470)</b>

The Notes from pages 8 to 28 form an integral part of these interim financial statements



# STATEMENT OF CHANGES IN EQUITY

## STATEMENT OF CHANGES IN EQUITY

Amounts in '000€	Capital	Accumulated losses	Total
<b>Balance as of 01/01/2018</b>	<b>42,163,558</b>	<b>(35,650,931)</b>	<b>6,512,626</b>
Loss for the period from 01/01/2018 to 30/09/2018	-	(947,688)	(947,688)
<b>Balance as of 30/09/2018</b>	<b>42,163,558</b>	<b>(36,598,619)</b>	<b>5,564,939</b>
Loss for the period from 01/10/2018 to 31/12/2018	-	(421,894)	(421,894)
<b>Balance as of 31/12/2018</b>	<b>42,163,558</b>	<b>(37,020,513)</b>	<b>5,143,045</b>
Profit for the period from 01/01/2019 to 30/09/2019	-	1,194,660	1,194,660
<b>Balance as of 30/09/2019</b>	<b>42,163,558</b>	<b>(35,825,852)</b>	<b>6,337,706</b>

The Notes from pages 8 to 28 form an integral part of these interim financial statements



# STATEMENT OF CASH FLOWS

## STATEMENT OF CASH FLOWS

Amounts in '000€	01/01/2019 - 30/09/2019	01/01/2018 - 30/09/2018
<b>Cash flows from operating activities</b>		
<b>Profit/(loss) for the period</b>	<b>1,194,660</b>	<b>(947,688)</b>
<b>Adjustments for non-cash items included in statement of comprehensive income and other adjustments:</b>	<b>(1,200,370)</b>	<b>942,130</b>
Interest income	(23,525)	(25,379)
(Gain)/loss from financial instruments at fair value through profit or loss	(1,177,428)	967,172
(Gain)/Loss from disposal of fixed assets	(7)	(1)
Payroll provisions and accruals	365	276
Depreciation and amortization of property, equipment and intangible assets	220	63
Finance costs	6	-
<b>Net (increase)/decrease in operating assets:</b>	<b>(139)</b>	<b>91,353</b>
Change in receivables from banks under liquidation	-	91,100
Change in other assets	(139)	253
<b>Net increase/(decrease) in operating liabilities:</b>	<b>109</b>	<b>399</b>
Change in other liabilities	109	399
<b>Interest received</b>	<b>15,512</b>	<b>30,984</b>
<b>Net cash from operating activities</b>	<b>9,774</b>	<b>10,965</b>
<b>Cash flows from investing activities</b>		
Proceeds received from warrants exercised	-	64
(Purchase)/disposal of property, equipment and intangibles assets	(48)	(102)
<b>Net cash from investing activities</b>	<b>(48)</b>	<b>38</b>
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(144)	-
<b>Net cash from financing activities</b>	<b>(144)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,581</b>	<b>117,142</b>
Cash and cash equivalents at the beginning of the period	1,168,057	1,036,068
<b>Cash and cash equivalents at the end of the period</b>	<b>1,177,638</b>	<b>1,153,209</b>

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# 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:

<b>Executive Board*</b>	<b>Position</b>
<b>Martin Czurda</b>	<b>Chief Executive Officer</b>
<b>Ilias Xirouhakis</b>	<b>Deputy Chief Executive Officer</b>
<b>Marica S. Ioannou - Frangakis</b>	<b>Executive Member</b>
<b>General Council**</b>	<b>Position</b>
<b>Andreas Verykios</b>	<b>Chairman</b>
<b>Marco Giovanni Mazzucchelli</b>	<b>Member</b>
<b>Christof Gabriel Maetze</b>	<b>Member</b>
<b>Konstantinos Tsatsaronis</b>	<b>Member</b>
<b>Panagiotis Tridimas</b>	<b>Member, Representative of the MoF</b>
<b>Vassilios Spiliotopoulos</b>	<b>Member, appointed by the BoG</b>

\* On 09/05/2019 Mr. Ilias Xirouhakis resigned from his position as executive member of the Executive Board and assumed his responsibilities as Deputy CEO and executive member of the Executive Board, replacing Mr. Eric Touret.

\* On 09/05/2019 Mrs. Marica S. Ioannou - Frangakis, was nominated by the BoG as executive member of the Executive Board, replacing Mr. Ilias Xirouhakis.

\*\* Mr. Jón Sigurgeirsson, non-executive member of the General Council, submitted his resignation which was effective as of 15/01/2019.

\*\* Mrs. Marica S. Ioannou - Frangakis, non-executive member of the General Council, submitted her resignation which was effective as of 09/05/2019.

\*\* On 09/05/2019, Mr. Konstantinos Tsatsaronis was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Jón Sigurgeirsson.

\*\* On 22/10/2019, Mr. Panagiotis Kyriakopoulos was appointed by the Minister of Finance as non-executive member of the General Council, representative of Ministry of Finance, replacing Mrs. Marica S. Ioannou - Frangakis who resigned on 09/05/2019.

\*\* Mr. Radován Jelasity, non-executive member of the General Council, submitted his resignation which was effective as of 31/10/2019.

\*\* On 17/12/2019, Mr. Marco Giovanni Mazzucchelli was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Radovan Jelasity.

\*\* Mr. Paul Arlman, non-executive member of the General Council, submitted his resignation which was effective as of 31/12/2019.

\*\* On 24/01/2020, Mr. Panagiotis Kyriakopoulos resigned from his position as non-executive member of the General Council.

\*\* On 17/02/2020, Mr. Panagiotis Tridimas was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Panagiotis Kyriakopoulos.

The interim financial statements were approved by the Fund's General Council on 18 February 2020.



## Note 2 | Summary of Significant Accounting Policies

### 2.1 Basis of preparation

The interim condensed financial statements of the Fund for the 9-month period ended 30/09/2019 (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 31/12/2018, 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 the 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 thousand 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 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 may ultimately 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 2019:**

**-IFRS 16 (new standard) "Leases"** On January 1, 2019 the Fund adopted IFRS 16. 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 a right-of-use ("RoU") asset and a corresponding financial liability on the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

#### **Identifying a lease**

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### **Accounting by lessees**

Upon lease commencement, a lessee recognizes a RoU asset and a lease liability. The RoU asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Subsequently, a lessee shall measure the RoU asset at cost less accumulated depreciation and accumulated impairment, except for certain cases for which fair value or the revaluation model applies. The lease liability is initially measured at the present value of the lease payments over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

#### **Accounting by lessors**

Lessors shall classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

Upon lease commencement, a lessor shall recognize assets held under a finance lease as a receivable at an amount equal to the net investment in the lease. A lessor recognizes finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, on another systematic basis if more representative of the pattern in which benefit from use of the underlying asset is diminished.

#### **Sale and leaseback transactions**

To determine whether the transfer of an asset is accounted for as a sale an entity applies the requirements of IFRS 15 for determining when a performance obligation is satisfied. If an asset transfer satisfies IFRS 15's requirements to be accounted for as a sale the seller measures the RoU asset at



the proportion of the previous carrying amount that relates to the right of use retained. Accordingly, the seller only recognizes the amount of gain or loss that relates to the rights transferred to the buyer. If the fair value of the sale consideration does not equal the asset's fair value, or if the lease payments are not market rates, the sales proceeds are adjusted to fair value, either by accounting for prepayments or additional financing.

The Fund, which acts only as a lessee, applied the modified retrospective approach, where the RoU asset is set equal to the amount of the lease liability adjusted by the amount of the prepaid or accrued lease payments upon adoption, and did not restate the comparative information. The Fund applied the practical expedient to grandfather the lease definition on transition to IFRS 16 and not reassess whether a contract is or contains a lease. Therefore, at transition date (i.e. 1 January 2019), the Fund applied IFRS 16 solely to contracts that were previously identified as leases based on IAS 17 and IFRIC 4.

The Fund has elected to take a recognition exemption for short-term leases and leases of low-value items, for which lease payments are recognized as operating expenses on a straight-line basis over the lease term.

The impact from the adoption of IFRS 16 on the Interim Financial Statements of the Fund was not material. As at 31 December 2018, the Fund had operating lease commitments of €246 thousand. Since all of these arrangements relate to leases other than short-term leases and leases of low-value assets, IFRS 16 increased the assets and liabilities of the Fund by €613 thousand as at 1 January 2019. Refer to Note 17 for more details on the impact of the first time adoption of IFRS 16 as at 1 January 2019.

The Fund's RoU assets and lease liabilities are included in line items "Property and equipment" (Note 6) and "Other liabilities" (Note 8), respectively.

- **IAS 19 (Amendment) "Plan Amendment, Curtailment or Settlement"**. The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendment has no impact on the Interim Financial Statements of the Fund.

- **IFRS 9 (Amendment) "Prepayment Features with Negative Compensation"**. 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. The amendment has no impact on the Interim Financial Statements of the Fund.

- **IAS 28 (Amendment) "Long-Term Interests in Associates and Joint Ventures"**. 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 amendment has no impact on the Interim Financial Statements of the Fund.

- **Annual Improvements to IFRSs 2015-2017 Cycle. The amendments impact the following standards:**

**IFRS 3 "Business Combinations"**. Amended to clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

**IFRS 11 "Joint Arrangements"**. Amended to clarify 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"**. Clarified to state that a company accounts for all income tax consequences of dividend payments in the same way.

**IAS 23 "Borrowing costs"**. Clarified to provide that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The aforementioned amendments did not have any impact on the Fund's Interim 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 2019:

- **IFRS 9, IAS 39 and IFRS 7 (Amendments) "Interest rate benchmark reform"** (effective for annual periods beginning on or after 1 January 2020). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

- **IFRS 3 (Amendments) "Definition of a Business"** (effective for annual periods beginning on 1 January 2020, as issued by the IASB). The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements or processes and continuing to produce outputs, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods.

- **IAS 1 and IAS 8 (Amendments) "Definition of Materiality"** (effective for annual periods beginning on 1 January 2020, as issued by the IASB). In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

### 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 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 were similar to those applied in the annual financial statements for the year ended 31 December 2018.



## 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 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

	01/01/2019-30/09/2019			
Amounts in '000€	Systemic Banks	Banks under Liquidation	Other	Total
Interest income	-	-	23,525	<b>23,525</b>
Personnel expenses	(1,933)	(86)	(701)	<b>(2,721)</b>
General administrative & other operating expenses	(2,300)	(66)	(937)	<b>(3,303)</b>
Gain from financial instruments at FVTPL	1,177,428	-	-	<b>1,177,428</b>
Depreciation and amortization of property, equipment and intangible assets	(76)	(10)	(133)	<b>(220)</b>
Other income/(expenses)	(51)	-	8	<b>(43)</b>
Finance Cost	(5)	(1)	(1)	<b>(6)</b>
<b>Profit/(Loss) for the period</b>	<b>1,173,063</b>	<b>(163)</b>	<b>21,761</b>	<b>1,194,660</b>
				30/09/2019
<b>Total segment assets</b>	3,592,797	1,559,855	1,186,726	<b>6,339,378</b>
<b>Total segment liabilities</b>	<b>(767)</b>	<b>(26)</b>	<b>(879)</b>	<b>(1,672)</b>
				01/01/2018 30/09/2018
Interest income	-	-	25,379	<b>25,379</b>
Personnel expenses	(1,822)	(92)	(589)	<b>(2,503)</b>
General administrative & other operating expenses	(2,250)	(54)	(1,042)	<b>(3,346)</b>
Loss from financial instruments at FVTPL	(967,172)	-	-	<b>(967,172)</b>
Depreciation and amortization of property, equipment and intangible assets	(47)	(6)	(9)	<b>(63)</b>
Other income	-	-	17	<b>17</b>
<b>Profit/(Loss) for the period</b>	<b>(971,291)</b>	<b>(152)</b>	<b>23,755</b>	<b>(947,688)</b>
				31/12/2018
<b>Total segment assets</b>	2,415,368	1,559,855	1,168,526	<b>5,143,749</b>
<b>Total segment liabilities</b>	<b>(332)</b>	<b>(14)</b>	<b>(357)</b>	<b>(704)</b>





## Note 4 | Cash and Balances with Banks

Amounts in '000€	30/09/2019	31/12/2018
Cash and balances with banks	23	16
Balances with Central Bank	56	36
Cash management account in BoG	1,177,559	1,168,005
<b>Total</b>	<b>1,177,638</b>	<b>1,168,057</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 4549/2018, the Fund is obliged to deposit any cash balances that are not necessary for covering the current cash needs in a cash management account in BoG. 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:

Amounts in '000€	30/09/2019	31/12/2018
Participation in the systemic banks	1,723,326	717,546
CoCos issued by Piraeus Bank	1,869,471	1,697,822
<b>Total</b>	<b>3,592,797</b>	<b>2,415,368</b>

### 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.





Amounts in '000€	30/09/2019	31/12/2018
Alpha Bank	289,795	186,092
Eurobank	46,248	28,124
NBG	1,031,926	406,416
Piraeus Bank	355,356	96,915
<b>Total</b>	<b>1,723,326</b>	<b>717,546</b>

### Movement of shares

The movement of the Fund's participation in the systemic banks during the 9-month period ended on 30/09/2019 is presented in the table below:

No of Shares	Alpha Bank*	Eurobank*	NBG*	Piraeus Bank*
Shares held as of 01/01/2019	169,174,167	52,080,673	369,468,775	115,375,400
Additions	-	-	-	-
Disposals	-	-	-	-
<b>Shares held as of 30/09/2019</b>	<b>169,174,167</b>	<b>52,080,673</b>	<b>369,468,775</b>	<b>115,375,400</b>
of which:				
Shares with restricted voting rights	169,174,167	52,080,673	13,481,860	2,042,067
Shares with full voting rights	-	-	355,986,915	113,333,333
<b>Participation with restricted voting rights</b>	<b>10.96%</b>	<b>1.40%</b>	<b>1.47%</b>	<b>0.47%</b>
<b>Participation with full voting rights</b>	<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 for Eurobank & the warrants expired and cancelled for Alpha Bank, NBG and Piraeus Bank).

HFSF's percentage participation in systemic banks as of 30/09/2019 and 31/12/2018 was as follows:

Percentage Participation	30/09/2019	31/12/2018
Alpha Bank	10.96%	10.96%
Eurobank <sup>1</sup>	1.40%	2.38%
NBG	40.39%	40.39%
Piraeus Bank	26.42%	26.42%

1 Following the merger between Eurobank and Grivalia Properties REIC on 23.05.2019, HFSF's participation changed to 1,40%.



### 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	CCC+	B	Caa1
Eurobank	CCC+	B	Caa1
NBG	CCC+	B	Caa1
Piraeus Bank	CCC	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 outstanding CoCos by the subscription price as defined in the CoCos' issuance Programme. The same rule applies, if 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 €2,029 million.

## Fair value of CoCos

The notional amount and fair value of CoCos per bank as of 30/09/2019 and 31/12/2018 are presented as follows:

Amounts in '000€	Fair Value		Notional Amount	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
CoCos issued by Piraeus Bank	1,869,471	1,697,822	2,040,000	2,040,000
<b>Total</b>	<b>1,869,471</b>	<b>1,697,822</b>	<b>2,040,000</b>	<b>2,040,000</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

Amounts in '000€	CoCos of Piraeus Bank
<b>Balance 1 January 2019</b>	<b>1,697,822</b>
Unrealized gain recognized in the income statement	171,649
<b>Balance 30 September 2019</b>	<b>1,869,471</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 30/09/2019 is presented in the following table:

Unobservable Inputs	Piraeus Bank
Volatility of CET1 ratio	40%
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 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 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.

#### 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 | Property and equipment

01/01/2019-30/09/2019

Amounts in 000€	Vehicles & equipment	Leasehold improvements	Right-of use Asset	Total
<b>Balance 1 January 2018</b>	<b>311</b>	<b>157</b>	-	<b>468</b>
Additions	52	82	-	134
Disposals and write-offs	(2)	-	-	(2)
<b>Balance 31 December 2018</b>	<b>360</b>	<b>239</b>	-	<b>599</b>
<b>Accumulated depreciation</b>	<b>(199)</b>	<b>(157)</b>	-	<b>(357)</b>
Depreciation charge	(44)	(13)	-	(57)
Disposals and write-offs	2	-	-	2
<b>Balance - 31 December 2018</b>	<b>(242)</b>	<b>(170)</b>	-	<b>(413)</b>
<b>Net book value 31 December 2018</b>	<b>118</b>	<b>69</b>	-	<b>187</b>
<b>Balance 1 January 2019</b>	<b>360</b>	<b>239</b>	-	<b>599</b>
Impact of IFRS 16	-	-	627	627
<b>Balance at January 1, 2019 adjusted for impact of IFRS 16</b>	<b>360</b>	<b>239</b>	<b>627</b>	<b>1,224</b>
Additions	23	22	19	63
Disposals and write-offs	(25)	-	-	(25)
<b>Balance 30 September 2019</b>	<b>358</b>	<b>261</b>	<b>646</b>	<b>1,265</b>
<b>Accumulated depreciation</b>	<b>(242)</b>	<b>(170)</b>	-	<b>(413)</b>
Depreciation charge	(34)	(42)	(120)	(195)
Disposals and write-offs	25	-	-	25
<b>Balance 30 September 2019</b>	<b>(251)</b>	<b>(212)</b>	<b>(120)</b>	<b>(583)</b>
<b>Net book value 30 September 2019</b>	<b>107</b>	<b>49</b>	<b>526</b>	<b>682</b>

As of 30/09/2019, HFSF's property and equipment amounted to €682 thousand (31/12/2018: €187 thousand). The increase is mainly due to the IFRS 16 adoption (Note 2.2.1 and Note 17) which resulted in the recognition of a RoU asset amounting to €627 thousand as of 01/01/2019 for the Fund's leases. The RoU was set equal to the amount of the lease liability adjusted by the amount of the prepaid or accrued lease payments upon adoption according to the principles of the standard. As of 30/09/2019, the unamortized amount of the RoU was €526 thousand (31/12/2018: Nil).



## Note 7 | 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 30/09/2019 the total amount provided by the Fund to cover funding gap reached the amount of €13,489 million, out of which €747 million were recovered and €11,182 million were assessed as non-recoverable.

The funding gap, the cumulative impairment and the collections per bank under liquidation as of 30/09/2019 are presented in the following table:

Amounts in '000€				30/09/2019
Bank under Liquidation	Funding Gap	Cumulative Impairment	Cumulative Collections	Estimated Recoverable Amount
Achaiki Cooperative Bank	209,474	(119,993)	(53,500)	<b>35,980</b>
ATEbank	7,470,717	(5,823,745)	(513,500)	<b>1,133,472</b>
Dodecanese Cooperative Bank	258,548	(148,160)	(77,000)	<b>33,388</b>
Evia Cooperative Bank	105,178	(85,465)	(2,200)	<b>17,514</b>
First Business Bank	456,970	(397,622)	(13,500)	<b>45,848</b>
Hellenic Post Bank	3,732,554	(3,484,655)	(18,500)	<b>229,399</b>
Lamia Cooperative Bank	55,494	(30,222)	(14,100)	<b>11,172</b>
Lesvos-Limnos Cooperative Bank	55,517	(38,665)	(12,300)	<b>4,552</b>
Probank	562,734	(519,769)	(13,500)	<b>29,464</b>
Proton Bank	259,622	(244,761)	(8,491)	<b>6,370</b>
T-Bank	226,957	(223,604)	(3,353)	-
Western Macedonia Cooperative Bank	95,244	(65,550)	(17,000)	<b>12,695</b>
<b>Total</b>	<b>13,489,008</b>	<b>(11,182,209)</b>	<b>(746,944)</b>	<b>1,559,855</b>



The movement of the Fund's receivables, including impairment charges and collections, from the banks under liquidation during the 9-month period ended 30/09/2019 is presented in the following table:

Amounts in '000€					01/01/2019-30/09/2019
Bank under Liquidation	Opening balance	Additions	Collections	Impairment charges	Closing balance
Achaiki Cooperative Bank	35,980	-	-	-	<b>35,980</b>
ATEbank	1,133,472	-	-	-	<b>1,133,472</b>
Dodecanese Cooperative Bank	33,388	-	-	-	<b>33,388</b>
Evia Cooperative Bank	17,514	-	-	-	<b>17,514</b>
First Business Bank	45,848	-	-	-	<b>45,848</b>
Hellenic Post Bank	229,399	-	-	-	<b>229,399</b>
Lamia Cooperative Bank	11,172	-	-	-	<b>11,172</b>
Lesvos-Limnos Cooperative Bank	4,552	-	-	-	<b>4,552</b>
Probank	29,464	-	-	-	<b>29,464</b>
Proton Bank	6,370	-	-	-	<b>6,370</b>
T-Bank	-	-	-	-	<b>-</b>
Western Macedonia Cooperative Bank	12,695	-	-	-	<b>12,695</b>
<b>Total</b>	<b>1,559,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,559,855</b>

The movement of the Fund's receivables from the banks under liquidation during the 9-month period ended 30/09/2018 is presented in the following table:

Amounts in '000€					01/01/2018-30/09/2018
Bank under Liquidation	Opening balance	Additions	Collections	Impairment charges	Closing balance
Achaiki Cooperative Bank	37,480	-	(1,500)	-	<b>35,980</b>
ATEbank	1,215,472	-	(82,000)	-	<b>1,133,472</b>
Dodecanese Cooperative Bank	38,388	-	(5,000)	-	<b>33,388</b>
Evia Cooperative Bank	17,514	-	-	-	<b>17,514</b>
First Business Bank	46,848	-	(1,000)	-	<b>45,848</b>
Hellenic Post Bank	229,399	-	-	-	<b>229,399</b>
Lamia Cooperative Bank	12,772	-	(1,600)	-	<b>11,172</b>
Lesvos-Limnos Cooperative Bank	4,552	-	-	-	<b>4,552</b>
Probank	29,464	-	-	-	<b>29,464</b>
Proton Bank	6,370	-	-	-	<b>6,370</b>
T-Bank	-	-	-	-	<b>-</b>
Western Macedonia Cooperative Bank	12,695	-	-	-	<b>12,695</b>
<b>Total</b>	<b>1,650,955</b>	<b>-</b>	<b>(91,100)</b>	<b>-</b>	<b>1,559,855</b>

During the second semester of 2018, the Fund collected from the banks under liquidation the amount of €91.1m.



## Note 8 | Other Liabilities

Amounts in '000€	30/09/2019	31/12/2018
Creditors and suppliers	563	183
Lease liabilities	493	-
Taxes payable	170	301
Contributions payable to social security funds	80	142
Accrued expenses	365	79
<b>Total</b>	<b>1,672</b>	<b>704</b>

The accrued expenses as of 30/09/2019 mainly include payroll related accruals.

As of 30/09/2019, "Other Liabilities" include an amount of €493 thousand which corresponds to the net present value of the future lease payments as a result of IFRS 16 adoption by the Fund on 01/01/2019 (Note 2.2.1 and Note 17). The new standard provides a single lessee accounting model, requiring lessees to recognise a right-of-use asset and a corresponding financial liability on the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The lease liability is initially measured at the present value of the lease payments over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. The Fund, which acts only as a lessee, applied the modified retrospective approach, where the RoU asset is set equal to the amount of the lease liability adjusted by the amount of the prepaid or accrued lease payments upon adoption, and did not restate the comparative information. IFRS 16 increased the assets and liabilities of the Fund by €613 thousand as at 1 January 2019. Refer to Note 17 for more details on the impact of the first time adoption of IFRS 16 as at 1 January 2019.

## Note 9 | Capital

Amounts in '000€	Capital
<b>Balance as of 21 July 2010</b>	-
Capital increase - Cash	1,500,000
<b>Balance as of 31 December 2010 &amp; 2011</b>	<b>1,500,000</b>
Capital increase - EFSF FRNs issued on 19/04/2012	25,000,000
Capital increase - EFSF FRNs issued on 19/12/2012	16,000,000
<b>Balance as of 31 December 2012</b>	<b>42,500,000</b>
Capital increase - EFSF FRNs issued on 31/05/2013	7,200,000
<b>Balance as of 31 December 2013 &amp; 2014</b>	<b>49,700,000</b>
Capital decrease - EFSF FRNs returned on 27/02/2015	(10,932,903)
Capital increase - ESM FRNs granted on 01/12/2015	2,720,000
Capital increase - ESM FRNs granted on 08/12/2015	2,705,661
<b>Balance as of 31 December 2015 &amp; 2016</b>	<b>44,192,758</b>
Capital decrease - Cash returned on 20/02/2017	(2,029,200)
<b>Balance as of 31 December 2017, 2018 &amp; 30 September 2019</b>	<b>42,163,558</b>





## Note 10 | Interest Income

A breakdown of the Fund's interest income for the 9-month period ended 30/09/2019 and 30/09/2018 is presented in the table below:

Amounts in '000€	01/01/2019 - 30/09/2019	01/01/2018 - 30/09/2018
Interest income from cash management account	23,525	25,379
<b>Total</b>	<b>23,525</b>	<b>25,379</b>

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 37 and 34 as of 30/09/2019 and 30/09/2018 respectively. The total personnel expenses for the 9-month period ended 30/09/2019 and 30/09/2018 are analysed as follows:

Amounts in '000€	01/01/2019 - 30/09/2019	01/01/2018 - 30/09/2018
Salaries	(2,257)	(2,096)
Employer's contribution	(464)	(407)
<b>Total</b>	<b>(2,721)</b>	<b>(2,503)</b>

The average number of employees, including the members of the Executive Board, for the 9-month period ended 30/09/2019 was 36 and 30/09/2018 was 33.

## Note 12 | General Administrative and Other Operating Expenses

Amounts in '000€	01/01/2019 - 30/09/2019	01/01/2018 - 30/09/2018
Utilities and rentals*	(95)	(212)
General Council remuneration	(250)	(259)
Selection Panel remuneration	(42)	(76)
Lawyers' fees	(454)	(68)
Audit firms' fees	(12)	(12)
Advisors' fees	(1,605)	(1,960)
Professionals' fees	(44)	(65)
Custody fees	(25)	(37)
Insurance fees	(337)	(324)
Other fees	(145)	(108)
Other expenses	(294)	(226)
<b>Total</b>	<b>(3,303)</b>	<b>(3,346)</b>

\* The Utilities and rentals were decreased due to the adoption of IFRS 16.



## 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 9-month period ended 30/09/2019 and 30/09/2018 is presented in the table below.

Amounts in '000€	01/01/2019 - 30/09/2019	01/01/2018 - 30/09/2018
<b>Gain/(loss) from shares</b>		
Alpha Bank	103,703	(92,707)
Eurobank	18,124	(10,468)
NBG	625,511	(532,035)
Piraeus Bank	258,441	(137,233)
<b>Subtotal</b>	<b>1,005,779</b>	<b>(772,443)</b>
<b>Gain/(loss) from warrants</b>		
Alpha Bank	-	-
NBG	-	-
Piraeus Bank	-	844
<b>Subtotal</b>	<b>-</b>	<b>844</b>
<b>Gain/(loss) from CoCos</b>		
Piraeus Bank	171,649	(195,572)
<b>Subtotal</b>	<b>171,649</b>	<b>(195,572)</b>
<b>Total</b>	<b>1,177,428</b>	<b>(967,172)</b>

## Note 14 | Contingent Liabilities and Contingent Assets

**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 €90.1m 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 9-month period ended 30/09/2019 and 30/09/2018 and the outstanding balances as of 30/09/2019 and 31/12/2018 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 9 months of 2019 amounted to €591 thousand (first 9 months of 2018: €664 thousand). Furthermore, an amount of €68 thousand (first 9 months of 2018: €73 thousand) 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 30/09/2019 amounted to €1,723.3 million (31/12/2018: € 717.5 million) and the fair value of CoCos as of 30/09/2019 amounted to € 1,869.5 million (31/12/2018: €1,697.8 million).

The custody fees, paid to the systemic banks, relating to shares held by HFSF, for the 9-month period ended 30/09/2019 and 30/09/2018 amounted to €25.5 thousand and €36.7 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:

### Composition of the General Council and Executive Board

On 31/10/2019, Mr. Radovan Jelasity resigned from his position as non-executive member of the General Council.

On 22/10/2019, Mr. Panagiotis Kyriakopoulos was appointed by the Minister of Finance as non-executive member of the General Council, representative of Ministry of Finance, replacing Mrs. Marica S. Ioannou - Frangakis who resigned on 09/05/2019.

On 17/12/2019, Mr. Marco Giovanni Mazzucchelli was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Radovan Jelasity.

On 31/12/2019, Mr. Paul Arlman resigned from his position as non-executive member of the General Council.

On 24/01/2020, Mr. Panagiotis Kyriakopoulos resigned from his position as non-executive member of the General Council.

On 17/02/2020, Mr. Panagiotis Tridimas was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Panagiotis Kyriakopoulos.

### Income received from CoCos issued by Piraeus Bank

In December 2019 the Fund received in cash the total amount of €165.5m relating to the annual coupon of CoCos issued by Piraeus Bank.

### Sale of Unsecured loans from PQH (Aeolus)

In December 2019 PQH signed the sale purchase agreement with Intrum Hellas DAC, a Special Purpose Company of Intrum Group, an international management services provider for the unsecured portfolio of Loans of c. €1 bn nominal value. Currently, the impact to the HFSF's Financial Statements as of 30/09/2019 cannot be reliably estimated.



## Note 17 | Transition to IFRS 16 Leases as of 1 January 2019

### Impact upon transition to IFRS 16

The impact from the adoption of IFRS 16 on the Interim Financial Statements of the Fund was not material. As at 31 December 2018, the Fund had operating lease commitments of €246 thousand. Since all of these arrangements relate to leases other than short-term leases and leases of low-value assets, IFRS 16 increased the assets and liabilities of the Fund by €613 thousand as at 1 January 2019 (Note 2.2.1).

The Fund's RoU assets and lease liabilities are included in line items "Property and equipment" (Note 6) and "Other liabilities" (Note 8), respectively.

The table below presents a reconciliation of the operating lease commitments for the Fund, as of 31 December 2018 to the recognized lease liabilities as of 1 January 2019.

### Reconciliation of Fund's Lease Liabilities

Amounts in '000€	
<b>Operating lease commitments as of 31 December 2018</b>	<b>246</b>
Relief option for short-term leases and low-value assets	-
Extension options reasonably certain to be exercised	405
Consumer Price Index (CPI) adjustment	(20)
<b>Gross lease liabilities as of 1 January 2019</b>	<b>631</b>
Discounting	(18)
<b>Lease liabilities as of 1 January 2019</b>	<b>613</b>

The lease liabilities were discounted at the Fund's IBR as of 1 January 2019. The discount rate was 1.554%.



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