

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 3 MONTH PERIOD
ENDED 31/03/2020
(IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING
STANDARD 34)
SEPTEMBER 2020



**HELLENIC
FINANCIAL
STABILITY FUND**

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STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

Amounts in '000€	Note	31/03/2020	31/12/2019
ASSETS			
Cash and balances with Banks	4	1,352,935	1,354,557
Financial assets at fair value through profit or loss	5	2,283,206	3,705,995
Property and equipment		898	617
Intangible assets		65	28
Accrued income receivable		8,111	-
Receivables from banks under liquidation	6	1,486,182	1,486,182
Other assets		178	310
Total Assets		5,131,575	6,547,689
LIABILITIES			
Other liabilities		1,937	1,370
Total Liabilities		1,937	1,370
EQUITY			
Capital		42,163,558	42,163,558
Accumulated losses		(37,033,920)	(35,617,239)
Total Equity		5,129,638	6,546,319
Total Liabilities & Equity		5,131,575	6,547,689

The Notes from pages 7 to 21 form an integral part of these interim financial statements

Athens, 22 September 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 3 MONTH PERIOD ENDED 31/03/2020

Amounts in '000€	Note	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Interest income	7	8,111	9,221
Personnel expenses	8	(1,241)	(1,077)
General administrative & other operating expenses	9	(675)	(1,191)
Gain/(loss) from financial instruments at fair value through profit or loss	10	(1,422,789)	268,020
Depreciation and amortization of property, equipment and intangible assets		(85)	(70)
Finance costs		(2)	(2)
Profit/(loss) for the period		(1,416,681)	274,901
Total comprehensive income/(expenses) for the period		(1,416,681)	274,901

The Notes from pages 7 to 21 form an integral part of these interim financial statements

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STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

Amounts in '000€	Capital	Accumulated losses	Total
Balance as of 01/01/2019	42,163,558	(37,020,514)	5,143,044
Profit for the period from 01/01/2019 to 31/03/2019	-	274,902	274,902
Balance as of 31/03/2019	42,163,558	(36,745,612)	5,417,946
Profit for the period from 01/04/2019 to 31/12/2019	-	1,128,373	1,128,373
Balance as of 31/12/2019	42,163,558	(35,617,239)	6,546,319
Loss for the period from 01/01/2020 to 31/03/2020	-	(1,416,681)	(1,416,681)
Balance as of 31/03/2020	42,163,558	(37,033,920)	5,129,638

The Notes from pages 7 to 21 form an integral part of these interim financial statements



STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

Amounts in '000€	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Cash flows used in operating activities		
Profit/(loss) for the period	(1,416,681)	274,901
Adjustments for non-cash items included in statement of comprehensive income and other adjustments:	1,415,334	(276,727)
Interest income	(8,111)	(9,221)
(Gain)/loss from financial instruments at fair value through profit or loss	1,422,789	(268,020)
Payroll provisions and accruals	568	442
Depreciation and amortization of property, equipment and intangible assets	85	70
Finance costs	2	2
Net decrease in operating assets:	132	107
Change in other assets	132	107
Net increase/(decrease) in operating liabilities:	(216)	259
Change in other liabilities	(216)	259
Net cash flows used in operating activities¹	(1,431)	(1,459)
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(149)	(34)
Net cash flows used in investing activities	(149)	(34)
Cash flows from financing activities		
Repayment of lease liabilities	(41)	(58)
Net cash flows used in financing activities	(41)	(58)
Net decrease in cash and cash equivalents	(1,621)	(1,552)
Cash and cash equivalents at the beginning of the period	1,354,557	1,168,057
Cash and cash equivalents at the end of the period	1,352,935	1,166,505

The Notes from pages 7 to 21 form an integral part of these interim financial statements

¹ As part of the indirect determination of cash flow, the changes in balance sheet items due to operating activities are adjusted by the effect of the adoption of IFRS 16 at 1st January 2020.

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.

As of the date of the issuance of the Fund’s interim condensed financial statements for the three month period ended 31 March 2020, the Executive Board and General Council comprised of the following members:

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

The interim financial statements were approved by the Fund’s General Council on 22 September 2020.



Note 2 | Summary of Significant Accounting Policies

2.1 Basis of preparation

The interim condensed financial statements of the Fund for the 3-month period ended 31/03/2020 (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 31/12/2019, 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 three month 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).

2.2 Adoption of International Financial Reporting Standards (IFRS)

2.2.1. New standards, amendments and interpretations to existing standards applied from 1 January 2020:

Definition of a business - Amendment to IFRS 3 (effective for annual periods beginning on or after January 1, 2020, as issued by the IASB). The IASB issued amendments to the definition of a business in IFRS 3 "Business Combination" to help entities to determine whether an acquired set of activities and assets is a business or not. The amendments 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 January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. The amendment has no impact on the Interim Financial Statements of the Fund.

Definition of materiality - Amendments to IAS 1 and IAS 8 (effective as of January 1, 2020). 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 purposes 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 the information or both. An entity will need to assess whether information, either individually or in combination with other information, is material in the context of the financial statements. The amendment has no material impact on the Interim Financial Statements of the Fund.

Conceptual framework. In March 2018, the IASB issued a revised version of the Conceptual Framework for Financial Reporting ("the Framework"), which will be effective for annual periods beginning on January 1, 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 overrides them. Preparers of the financial statements use the Framework as a point of reference to develop accounting policies in the 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 adoption of the revised conceptual framework did not have a material impact on the Interim Financial Statements. The amendments to existing standards and the conceptual framework effective from January 1, 2020 have been endorsed by the EU.



2.2.2. New standards and amendments to existing standards effective after 1st January 2020:

- **IFRS 16 (Amendment): Covid-19-Related Rent Concessions** (effective for annual periods beginning on or after 1 June 2020). The amendment provides lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would for changes which are not considered lease modifications. The amendments are mandatory for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or year-end financial statements not yet authorized for issue on 28 May 2020.

- **IFRS 4 (Amendment): Extension of the Temporary Exemption from Applying IFRS 9** (effective for annual periods beginning on or after 1 January 2021). The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

- **IAS 1 (Amendment): Classification of liabilities as current or non-current** (effective for annual periods beginning on or after 1 January 2022). The amendment clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- **IAS 1 (Amendment): Classification of liabilities as current or non-current – Deferral of Effective Date.** Classification of liabilities as current or non-current was issued in January 2020 and is effective for annual reporting periods beginning on or after 1 January 2022. However, in response to the Covid-19 pandemic, the IASB has deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from those amendments. Classification of Liabilities as Current or Non-current is now effective for annual reporting periods beginning on or after 1 January 2023.

- **Reference to the Conceptual Framework - Amendments to IFRS 3 Business Combinations** (effective for annual periods beginning on January 1, 2022, as issued by the IASB). The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- **Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16** (effective for annual periods beginning on January 1, 2022, as issued by the IASB). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss.

- **Onerous Contracts: Cost of Fulfilling a Contract - Amendment to IAS 37** (effective for annual periods beginning on January 1, 2022, as issued by the IASB). The amendments specify which costs a company includes when assessing whether a contract will be loss-making.

- **Annual Improvements to IFRS Standards 2018 - 2020 Cycle** (effective for annual periods beginning on January 1, 2022, as issued by the IASB). The amendments applicable to the HFSF are:

- **IFRS 9 Financial Instruments: Feed in "10 per cent" test for derecognition of financial liabilities.** The amendment clarifies which fees an entity included when it applies the "10 per cent" test in assessing whether to derecognize a financial liability. Only fees paid or received between the entity (the borrower) and the lender are included, including fees paid or received by either the entity or the lender on the other's behalf
- **IFRS 16: Lease Incentives.** The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor, in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The amendments to existing standards effective after 1st January 2020 have not been endorsed by the EU. The Fund is currently assessing the impact of the proposed amendments.



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 2019.



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

01/01/2020-31/03/2020				
Amounts in '000€	Systemic Banks	Banks under Liquidation	Other	Total
Interest income	-	-	8,111	8,111
Personnel expenses	(854)	(43)	(344)	(1,241)
General administrative & other operating expenses	(303)	(89)	(283)	(675)
Loss from financial instruments at FVTPL	(1,422,789)	-	-	(1,422,789)
Depreciation and amortization of property, equipment and intangible assets	(23)	(3)	(58)	(85)
Finance Cost	(2)	(0)	(0)	(2)
Profit/(Loss) for the period	(1,423,971)	(135)	7,424	(1,416,681)
31/03/2020				
Total segment assets	2,283,206	1,486,182	1,362,187	5,131,575
Total segment liabilities	(488)	(59)	(1,390)	(1,937)
01/01/2019-31/03/2019				
Amounts in '000€	Systemic Banks	Banks under Liquidation	Other	Total
Interest income	-	-	9,221	9,221
Personnel expenses	(753)	(35)	(289)	(1,077)
General administrative & other operating expenses	(807)	(23)	(361)	(1,191)
Gain from financial instruments at FVTPL	268,020	-	-	268,020
Depreciation and amortization of property, equipment and intangible assets	(23)	(3)	(44)	(70)
Finance Cost	(2)	-	-	(2)
Profit/(Loss) for the period	266,435	(61)	8,527	274,901
31/12/2019				
Total segment assets	3,705,995	1,486,182	1,355,512	6,547,689
Total segment liabilities	(532)	(58)	(780)	(1,370)



Note 4 | Cash and Balances with Banks

Amounts in '000€	31/03/2020	31/12/2019
Cash and balances with banks	30	13
Balances with Central Bank	24	28
Cash management account in BoG	1,352,882	1,354,516
Total	1,352,935	1,354,557

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€	31/03/2020	31/12/2019
Participation in the systemic banks	752,922	1,834,004
CoCos issued by Piraeus Bank	1,530,284	1,871,991
Total	2,283,206	3,705,995

Participation 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€	31/03/2020	31/12/2019
Alpha Bank	118,590	325,322
Eurobank	20,572	47,914
NBG	457,772	1,115,796
Piraeus Bank	155,988	344,972
Total	752,922	1,834,004

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 whole or in part 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 31/03/2020 and 31/12/2019 are presented as follows:

Amounts in '000€	Fair Value		Notional Amount	
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
CoCos issued by Piraeus Bank	1,530,284	1,871,991	2,040,000	2,040,000
Total	1,530,284	1,871,991	2,040,000	2,040,000

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

Amounts in '000€	CoCos of Piraeus Bank
Balance 1 January 2020	1,871,991
Unrealized loss recognized in the income statement	(341,707)
Balance 31 March 2020	1,530,284



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 31/03/2020 is presented in the following table:

Unobservable Inputs	Piraeus Bank
Volatility of CET1 ratio	45%
Long-term volatility of share price	60%
Correlation between CET1 and share price	90%
Correlation between interest rates and share price	40%

Implied volatilities of CET 1 ratio and long-term volatility of share price increased from 40% on 31/12/2019, to 45% on 31/03/2020 and from 50%, on 31/12/2019 to 60% on 31/03/2020, respectively, displaying the uncertainty as a result of the Covid-19 outbreak. Overall decrease in the share prices and CET 1 ratio resulted in a downward movement in the fair value estimate, exacerbated by the increased volatility due to the COVID-19 outbreak.

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 procedure.



Note 6 | Receivables from Banks under Liquidation

Up to 31/03/2020 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 €11,256 million were assessed as non-recoverable.

The funding gap, the cumulative impairment and the collections per bank under liquidation as of 31/03/2020 are presented in the following table:

Amounts in '000€				31/03/2020
Bank under Liquidation	Funding Gap	Cumulative Impairment	Cumulative Collections	Estimated Recoverable Amount
Achaiki Cooperative Bank	209,474	(117,941)	(53,500)	38,033
ATEbank	7,470,717	(5,911,133)	(513,500)	1,046,084
Dodecanese Cooperative Bank	258,548	(143,980)	(77,000)	37,567
Evia Cooperative Bank	105,178	(84,341)	(2,200)	18,638
First Business Bank	456,970	(405,957)	(13,500)	37,514
Hellenic Post Bank	3,732,554	(3,477,093)	(18,500)	236,961
Lamia Cooperative Bank	55,494	(29,050)	(14,100)	12,344
Lesvos-Limnos Cooperative Bank	55,517	(38,063)	(12,300)	5,154
Probank	562,734	(515,945)	(13,500)	33,288
Proton Bank	259,622	(244,614)	(8,491)	6,517
T-Bank	226,957	(223,604)	(3,353)	-
Western Macedonia Cooperative Bank	95,244	(64,162)	(17,000)	14,082
Total	13,489,008	(11,255,883)	(746,944)	1,486,182

Note 7 | Interest Income

A breakdown of the Fund's interest income for the 3-month period ended 31/03/2020 and 31/03/2019 is presented in the table below:

Amounts in '000€	01/01/2020 -31/03/2020	01/01/2019 - 31/03/2019
Interest income from cash management account	8,111	9,221
Total	8,111	9,221

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 8 | Personnel Expenses

The number of employees under payroll, including the members of the Executive Board, was 37 and 36 as of 31/03/2020 and 31/03/2019 respectively. The total personnel expenses for the 3-month period ended 31/03/2020 and 31/12/2019 are analyzed as follows:

Amounts in '000€	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Salaries	(1,063)	(916)
Employer's contribution	(178)	(161)
Total	(1,241)	(1,077)

The average number of employees, including the members of the Executive Board, for the 3-month period ended 31/03/2020 was 37 and 31/03/2019 was 36.

Note 9 | General Administrative and Other Operating Expenses

Amounts in '000€	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Utilities and rentals	(27)	(29)
General Council remuneration	(86)	(94)
Selection Panel remuneration	(7)	(28)
Lawyers' fees	(136)	(130)
Advisors' fees	(128)	(589)
Professionals' fees	(12)	(21)
Custody fees	(10)	(6)
Insurance fees	(129)	(110)
Other fees	(58)	(44)
Other expenses	(82)	(139)
Total	(675)	(1,191)



Note 10 | 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 3-month period ended 31/03/2020 and 31/03/2019 is presented in the table below. It is noted that the inputs in the valuation methodology were changed to incorporate Covid-19 outbreak and impacted the valuation loss of c.342m within the first quarter of 2020. For further details, please refer to note 5.

Amounts in '000€	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Gain/(loss) from shares		
Alpha Bank	(206,731)	22,669
Eurobank	(27,342)	8,854
NBG	(658,024)	168,478
Piraeus Bank	(188,985)	43,612
Subtotal	(1,081,082)	243,613
Gain/(loss) from CoCos		
Piraeus Bank	(341,707)	24,407
Subtotal	(341,707)	24,407
Total	(1,422,789)	268,020

Note 11 | 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 3-month period ended 31/03/2020 and 31/03/2019 and the outstanding balances as of 31/03/2020 and 31/12/2019 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 3 months of 2020 amounted to €206 thousand (first 3 months in 2019: €175 thousand). Furthermore, an amount of €23 thousand (first 3 months in 2019: €19 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 31/03/2020 amounted to € 752.9 million (31/12/2019: € 1,834.0 million) and the fair value of CoCos as of 31/03/2020 amounted to €1,530.3 million (31/12/2019: €1,871.9 million).

The custody fees, paid to the systemic banks, relating to shares held by HFSF, for the 3-month period ended 31/03/2020 and 31/03/2019 amounted to €9.6 thousand and €6.1 thousand respectively.

Other fees, paid to the National Bank of Greece, relating to lease agreement amounted to €0.9 thousand for the period ended 31/03/2020 and nil for the period ended 31/03/2019.



Note 12 | Risks and Responses related to Covid – 19 Outbreak

In the first quarter of 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has caused a significant global economic downturn which has adversely affected and is expected to continue to adversely affect all economic activities, including the banking sector. The COVID-19 pandemic has resulted in authorities implementing numerous measures attempting to contain the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter in place orders, and limitations on business activity, including closures.

It should be noted that Covid-19 outbreak impacted the financial assets at fair value through profit or loss, as presented in notes 5 and 10, for the first three months period of 2020.

Subsequently, the substantial uncertainties and risks for both macroeconomic environment and the ability of lots of businesses to operate under the restrictive measures adopted to contain the virus's expansion remain and may have an adverse effect in the banking sector. The lockdown in Greece started in mid-March 2020 and a gradual relief takes place according to the Greek government's plan from 4 May 2020 onwards. Greece's real GDP in 2020 is expected to recede significantly, with the notable negative economic impact expected within the first half of 2020. The European and Greek economy are expected to rebound in the second half of 2020, if the virus is contained.

The effects of covid-19 on the economic activity depend heavily on the timing of the curbing of its expansion and of total lift of lockdown measures, the nature and size of fiscal and monetary support measures, the virus' epidemiological behavior and the impact on consumer and investor behavior post-crisis in the second half of the year. A significantly adverse impact on certain sectors of the Greek economy is expected, including a) lower tourism revenues, b) reductions in the demand for the manufacturing sector's products, as a result of the slowdown in key markets, c) disruptions in the manufacturing sector's supply chains and d) decrease in shipping activity due to the expected decline in global trade.

The impact of Covid-19 on the Fund's financial results, potential risk areas are the followings:

1. Financial assets at fair value through profit or loss: The increasing uncertainty in the European and Greek economic environment as described above may lead to a significant decrease in the share price of the four systemic Banks in which HFSF participates and as a result to a loss of the Fund's financial assets at fair value through profit or loss, including Piraeus Bank's CoCos. It is noted that the effects of the pandemic in the share price of the four systemic Banks are presented in Note 5.
2. Receivables from banks under liquidation: The covid-19 outbreak may lead to an increase of the impairment of the receivables from Banks under liquidation due to the deterioration of the Greek economy and the expected decrease of individuals and businesses disposable income which may limit the collections of the loan portfolios. Moreover, the virus may lead to a delay in the implementation of the Special Liquidator's strategic plan due to lack of investment interest in the short term. At this point of time, all available information from the Single Liquidator, was taken into account and no further impairment was calculated.

On the other hand, it must be noted that the covid-19 outbreak did not directly affect the activities of HFSF. More specifically, since 13.03.2020 and according to the successful implementation of the Fund's Business Continuity Plan, all HFSF employees started working remotely and continued to do so until 30.04.2020. On 13.03.2020, a COVID-19 Steering Committee was also set up and convened frequently, monitored the developments and official guidelines & legislation and proposed the next actions.

However, there is a significant uncertainty regarding how the Covid-19 pandemic will continue to unfold, the duration of the pandemic and the extent of the global and Greek economy recovery.

Finally, on 13.04.2020, the Fund, in accordance with the Ministry of Finance, participated actively in the national effort to deal with the crisis, caused by the pandemic of coronavirus, and to protect the health of citizens. More specifically, recognizing the incalculable contribution of the medical and nursing staff of our country towards the society as a whole in the midst of the COVID-19 pandemic, as well as the need for immediate expansion of the health care system, three modern, fully equipped Intensive Care Units (ICUs) were immediately offered, including beds, respirators, equal number of monitors and other equipment, to strengthen the National Health System.



Note 13 | Post Balance Sheet Events

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

COVID-19 outbreak

For risks and uncertainties related with Covid-19, following the reporting date, please refer to Note 12.

Piraeus Bank hive-down

Piraeus Bank (PB) approved during its BoD meeting on August 27th 2020 the Draft Demerger Deed of "Piraeus Bank S.A" by way of hive-down of the banking activity sector and its contribution into the incorporation of a new banking entity, pursuant to the provisions of article 16 of L. 2515/1997 and articles 57 (par.3) & 59-74 of L. 4601/2019, and also approved the Explanatory Report of the Draft Demerger Deed and granted authorizations for the execution of the Draft Demerger Deed and its Explanatory Report and the performance of all actions for the completion of the demerger. It is noted that the CoCos will be held by Piraeus Financial Holdings, which will be listed company. It has to be noted that this corporate transformation is not expected to have material impact to the valuation of CoCos as the key parameters of the valuation technique (CET1 ratio, share price and market interest rates) are not affected by the Hive - down.

HFSF has no longer voting rights in Attica Bank

On 25.08.2020, 63.758.540 common shares of Attica Bank ("the Bank") corresponding to a 13.82% of the Bank's total share capital were transferred from the Electronic Unified Social Security Fund's [e-EFKA] (ex EFKA) portfolio to the Greek Engineers and Public Works Contractors Fund's (TMEDE) portfolio, pursuant to the Ministerial Decision no. Fin. 7023/491/27.08.2019 (Official Government Gazette no. B' 3399/05.09.2019).

Following this transfer, the percentage of the shares owned by e-EFKA dropped from 46,16% to 32.34% of the total share capital of the Bank (i.e. below 33% of the total share capital), while the percentage of the shares owned by TMEDE in the Bank corresponds to 46.32% of its total share capital.

The HFSF since 31.07.2018 and pursuant to the Special Agreement signed with EFKA exercised voting rights for shares of EFKA only for the percentage exceeding the 33% of the Bank's total share capital, namely for 13,161% (60,704,203 shares).

As a result of the aforementioned transfer, as from the date of the transfer (25.08.2020) the HFSF has no longer any voting rights in the Bank and the Special Agreement signed between EFKA (now e-EFKA) on 31.07.2018 is automatically deemed terminated.

Composition of the General Council and Audit Committee

On 10/04/2020, Mr. Paul Anne F Bodart was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Paul Arlman.

On July 1st, 2020, Mr. Sotirios Drekos was appointed by the General Council as External Expert of the Audit committee, replacing Mr. Marios Eleftheriadis.



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