

ANNUAL FINANCIAL REPORT 2016



**HELLENIC
FINANCIAL
STABILITY FUND**

FOR THE YEAR
ENDED 31.12.2016
SEPTEMBER 2017

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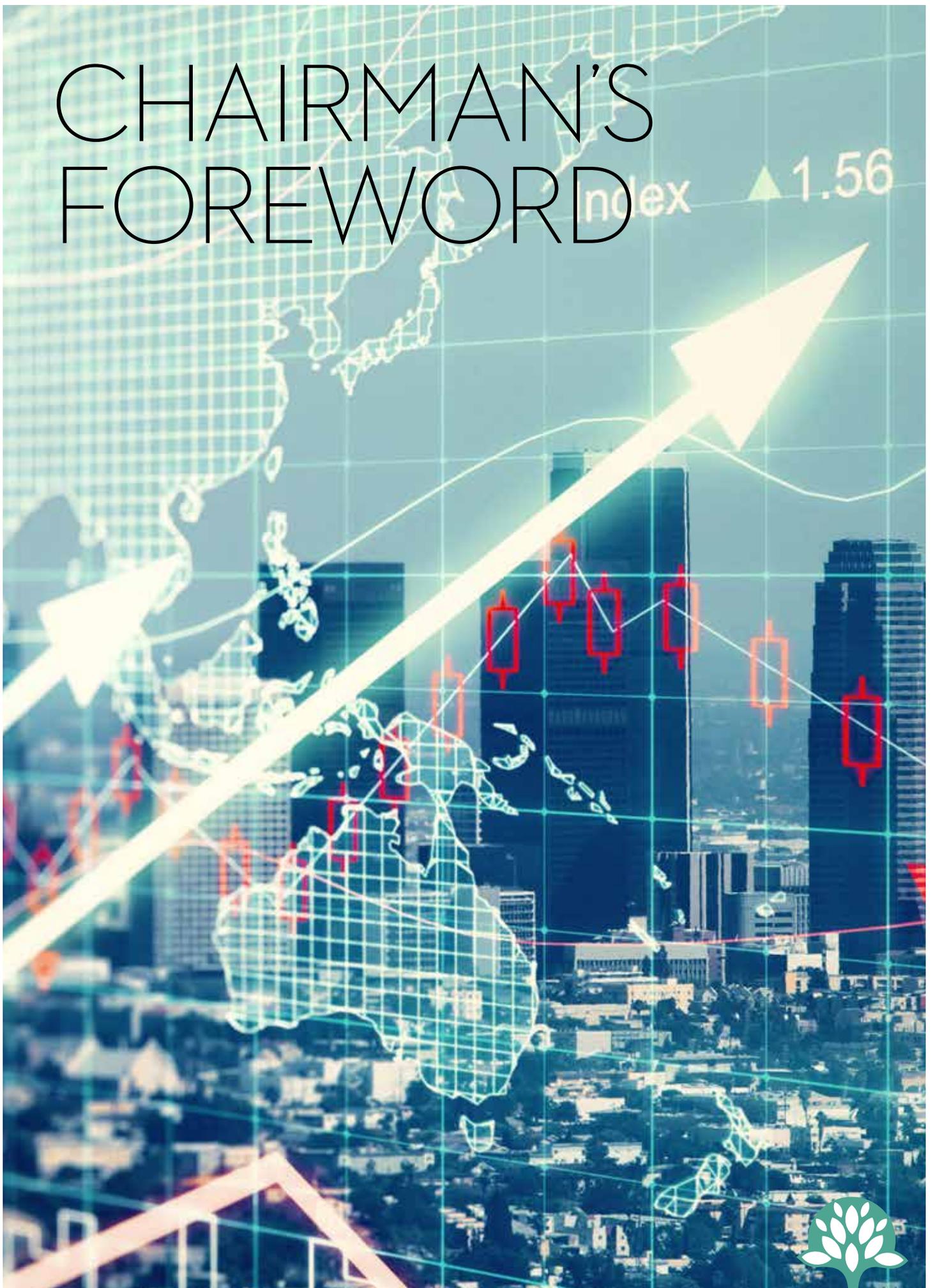


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CHAIRMAN'S FOREWORD

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This year was critical for the Hellenic Financial Stability Fund (HFSF) in regards to its mandate to contribute to the maintenance of the stability of the Greek banking system.

Within this period the Fund assisted the systemic banks in their key targets reinforcing the stability of the Greek banking system and helping banks in their effort to ensure long term viability. Main actions towards this direction included putting in place governance standards, ensuring banks are setting up efficient and adequate internal organization control systems and implementing strategies that will lead to the reduction of NPEs to more sustainable levels as agreed with the regulatory authorities.

In addition, the HFSF as part of its mandate to assist and monitor the banks' restructuring, as this is captured in the approved Restructuring Plans and the respective DG Comp commitments, has assisted banks to reduce their operating and funding costs as well as to complete their divestment commitments refocusing their resources into their core operations.

Finally, the Fund enabled the repayment of c. €2bn of CoCos from NBG following the completion of the divestment of Finansbank which led to the back to back reduction of the Hellenic Republic debt by the same amount.

In addition, the HFSF continues to exercise its rights stemming from the Relationship Framework Agreements (RFA), including active participation in all the BoDs of the systemic banks through its Representatives with a view to protect the public interest and maintain the independency of the credit institutions it participates in.

In 2016 the Greek economy showed signs of recovery, as a result of a milder than originally projected recession in the first half of 2016 and positive growth in the second half. In terms of macroeconomic indicators, GDP at constant 2010 prices increased by 0.3%, deflationary pressures were contained and unemployment decreased, though still remaining at very high levels.

With respect to the performance of Greek Banks HFSF participates in, a profitable bottom line result for 2016 was observed for the majority of the banks. This recovery came as a result of steady improvement of revenues driven mainly by falling funding costs as well as continued improvement in the cost of risk across all banks.

Concluding, I would like to take this opportunity to thank all my colleagues for their hard work over the year in successfully carrying out the mandate of the Fund and hope that 2017 will bring the much anticipated recovery in the financial services.

Chairman of HFSF

George Michelis



GENERAL COUNCIL AND EXECUTIVE BOARD REPORT



BUSINESS OVERVIEW



HFSF'S MANDATE

HFSF'S FOUNDING LAW

The Hellenic Financial Stability Fund (Fund or HFSF) was founded in July 2010 (under Law 3864/2010) as a private legal entity and does not belong to the public sector. It has administrative and financial autonomy, operates exclusively under the rules of the private economy and is governed by the provisions of the founding law as in force.

The purely private nature of the Fund is neither affected by its entire capital being subscribed by the Greek government, nor by the issuance of the relevant decisions by the Minister of Finance (MoF).

The Fund's Headquarters are in Athens and its duration is up to June 30th, 2020. By decisions of the Minister of Finance, the duration of the Fund may be extended, if deemed necessary for the fulfilment of its scope.

OBJECTIVE OF THE FUND

The purpose of the Fund is to contribute to the maintenance of the stability of the Greek banking system, for the sake of public interest and acts in line:

- a) with the relevant commitments under the Memorandum of Understanding (MoU),
- b) in compliance with the obligations arising from the Master Financial Facility Agreement (MFAFA) signed on 15/03/2012 and
- c) the new Financial Assistance Facility Agreement (new FAFA) signed on 19/08/2015.

THE FUND'S SCOPE OF WORK

Within the framework of accomplishing its objective, the Fund should manage its capital and its assets and exercise the rights in its capacity as shareholder in a way to protect the value of such assets, to minimize the risks for the Greek public and neither prevents nor distorts the competition in the banking sector.

In addition, the Fund may provide guarantees to States, international organizations or other recipients and generally, take any action required for the implementation of decisions of the Euro area bodies concerning the support of the Greek economy. The scope of the Fund does not include the provision of liquidity assistance, which is provided according to Law 3723/2008 or according to the operating framework of the Eurosystem and the Bank of Greece.



THE FUND'S TASKS

In pursuing this objective, the HFSF:

- i. Provides capital support to credit institutions according to the provisions of the present Law in compliance with EU state aid rules.
- ii. Monitors and assesses how credit institutions, to which capital support is provided by the Fund, comply with their restructuring plans, safeguarding at the same time the business autonomy of the credit institution. The Fund ensures that such credit institutions operate on market terms and that private sector participation in them is enhanced on the basis of transparent procedures and on the EU legislation on state aid.
- iii. Exercises its shareholding rights deriving from its participation in the credit institutions to which capital support is provided by the Fund, as these rights are defined in this law and in relationship framework agreements entered into with such credit institutions, according to paragraph 4 of Article 6 of this Law in compliance with the rules of prudent management of the assets of the Fund and in line with the rules of the European Union with respect to State aid and competition.
- iv. Disposes in whole or partially, of financial instruments issued by the credit institutions in which it participates, according to the provisions of Article 8.
- v. Provides loan to the Hellenic Deposit and Investment Guarantee Fund (HDIGF) for resolution purposes according to the provisions of article 16.
- vi. Facilitates the management of the non-performing loans of the credit institutions.
- vii. Enters into Relationship Framework Agreements (RFAs) or amended relationship framework agreements, as provided in paragraph 4 of article 6, with all credit institutions that are or have been beneficiaries of financial assistance by the European Financial Stability Fund (EFSF) and the European Stability Mechanism (ESM) in order to provide for the implementation of its objectives and rights, including special rights as defined in article 10, as long as the Fund hold shares or other capital instruments or the Fund monitors the restructuring plans of the above said credit institutions.



HFSF's resolution loan to HDIGV

From the date of the enactment of Law 4051/2012 (Government Gazette A 40/29.2.2012) as amended by Law 4224/2013, **the Fund covered the amount that the Hellenic Deposit & Investment Guarantee Fund (HDIGF) would have paid for the process of the resolution of the credit institutions in accordance to Law 4261/2014 until 31/12/2014.** Specifically the Fund was obliged to pay the amount as per paragraph 13 of article 141 and paragraph 7 of article 142 of the aforementioned law.

In this case, the Fund was obliged to acquire the right and the privilege of the HDIGF in accordance with the paragraph 4 of Article 13A of Law 3746/2009. The provision was amended in December 2014 by art.96 of the Law 4316/2014. According to Law 4340/2015 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 EU State aid rules.

The monitoring and supervision of the actions and decisions of the bodies of the special liquidation of the credit institutions do not fall within the functions of the Fund.

Formation of the Hellenic Company of Assets & Participations SA

The Hellenic Corporation of Assets and Participations was founded under the Law 4389/2016 (Government Gazette 94/27.05.2016).

Although HFSF is its direct subsidiary, the administrative autonomy and independence of the HFSF is not affected according to the provisions of the Law 4389/2016.



BUSINESS HIGHLIGHTS IN 2016

KEY MILESTONES

HFSF's role in the evaluation of Systemic Banks' Board of Directors and corporate governance framework.

In line with the requirements of the MoU signed on 19/08/2015, the HFSF's Law (3864/2010) was amended in November 2015, in order to empower the HFSF to evaluate the corporate governance framework of credit institutions, to which it has provided capital support.

In this context, HFSF, with the assistance of an international consulting firm, evaluated the Boards of Directors of the four Greek systemic banks. This evaluation resulted to the strengthening of the four banks' governance framework, by gradually implementing HFSF's recommendations on corporate governance improvement. In order to fulfil this project the HFSF was assisted, on a technical basis, by the European Bank for Reconstruction and Development (EBRD).

The project was funded by the HFSF and the European Union (EU) through the EU-EBRD Technical Cooperation Fund for International Financial Institutions Project Financing in Greece.

The evaluation of the boards and board's committees of the systemic banks was completed in July 2016 and the results have been communicated to all parties involved.

AS OF DECEMBER 31ST, 2016 THE FOLLOWING ACTIONS HAVE TAKEN PLACE:

44% OF TOTAL BOARD HEADCOUNT
(excluding State and HFSF Representatives)
HAVE BEEN REPLACED

58% OF TOTAL NON-EXECUTIVE
DIRECTORS
(excluding State and HFSF Representatives)
HAVE BEEN REPLACED

91% OF CURRENT BOARD MEMBERS
(excluding State and HFSF Representatives)
COMPLY WITH THE HFSF'S
LAW REQUIREMENTS



HFSF'S SIGNIFICANT ROLE IN THE RESOLUTION OF NON-PERFORMING LOANS (NPL)

In line with the MoU signed on 19/08/2015, the HFSF, with the help of an independent international consultant, presented an NPL resolution action plan to enhance coordination among banks and accelerate the restructurings of the large corporate NPLs.

The project evolved around the following five main axes:

- a. Identification and prioritization of obstacles for large corporate NPLs' restructuring
- b. Suggestions for a coordination framework among banks
- c. Definition of a high-level perimeter of distressed companies and economic sectors
- d. Assessment of current relevant capabilities in the banking sector
- e. Suggestions to expand capital markets' involvement

The project was completed and the relevant study was communicated to the Institutions, Ministry of Finance, Ministry of Economy and Bank of Greece (BoG) on 27/04/2016. Subsequently, HFSF presented the main findings of the study, to all stakeholders, including representatives of the competent Ministries, BoG and the systemic banks; within 2016, there has been ongoing communication between HFSF and the systemic banks concerning the adoption of HFSF's recommendations regarding the improvement of large corporates' NPLs resolution.

As per the provisions of the MoU signed on 19/08/2015, the HFSF in cooperation with BoG, conducted a study to identify non-regulatory constraints and impediments to the development of a dynamic NPL market in Greece.

During the study, impediments were identified, analyzed and grouped per broad category, i.e. legal and judicial, tax and accounting, administrative and other impediments. The study was completed and presented to the Authorities, in October 2015. Subsequently and as specified in the Supplemental MoU signed on 16/06/2016, the HFSF in cooperation with BoG, updated the aforementioned study, and proposed concrete actions regarding all remaining non-regulatory impediments to the development of a dynamic NPL market. The updated study was completed and the report was published on HFSF's web site in September 2016.



PROCEEDS RECEIVED

€2 billion of the Greek public debt was repaid following the Fund's initiative and the successful repayment of Cocos

NBG proceeded with the redemption of its CoCos in line with the Bank's commitment to its restructuring plan and following the approval given by SSM.

€334 million of income received by NBG's and Piraeus's bank from Cocos annual coupon

In December 2016 the Fund received proceeds from annual coupon amounting to €165.92m from Piraeus and €165.04m from NBG. Additionally, following the repayment of NBG's CoCos on 15/12/2016, the Fund received in cash from NBG the amount of €2.7m relating to the accrued income of CoCos for the period from 09-14/12/2016.

€30 million of receivables from banks under liquidation

During 2016, the Fund received €30 million from ATEbank under liquidation.



SIGNIFICANT EVENTS OCCURRED IN 2017

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

Return of €2billion to the Hellenic Republic following NBG's successful repayment of the CoCos

The HFSF following the repayment of €2billion of Contingent Convertible Bonds (CoCos) from National Bank of Greece, transferred these funds to the Hellenic Republic in February 2017 according to the procedure of art. 12, par. 6 of Law 3864/2010 and reduced its paid in capital by an equal amount. The successful implementation of the banks restructuring plan during 2016 led to the repayment of the financial assistance provided by the Fund, and the equivalent reduction of the Hellenic Republic's debt.

€139.8 MILLION COLLECTIONS FROM LIQUIDATIONS

In May of 2017 the Fund received a total amount of €139.8 million from the banks under liquidation. The amounts received per Bank under liquidation are presented in the following table:

AMOUNTS IN € MILLION	
Bank under Liquidation	Cumulative Collections in 2017
Achaiki Cooperative Bank	4.0
ATEbank	86.5
Dodecanese Cooperative Bank	23.0
Evia Cooperative Bank	0.2
First Business Bank	5.0
Hellenic Post Bank	3.5
Lamia Cooperative Bank	2.5
Lesvos-Limnos Cooperative Bank	0.3
Probank	8.0
Proton Bank	3.5
T-Bank	1.3
Western Macedonia Cooperative Bank	2.0
TOTAL	139.8



EXCHANGE OF ESM/EFSF NOTES

During January 2017, the HFSF entered into the ESM/ EFSF notes exchange transaction. This transaction is part of the short term debt relief measures. The HFSF undertook the role of coordinator in the implementation of the transaction until completion (expected within a year from inception i.e. end of December 2017/early 2018).

NPL MARKET IMPEDIMENTS

In June 2017, HFSF prepared a progress update on HFSF study on NPL Market Impediments , where 44% of the identified impediments were completed, in 23% some progress has been made but the issue has not been resolved and finally 33% of the identified issues have not been agreed or addressed satisfactorily. The views regarding the progress on the identified impediments represent to the best of HFSF's knowledge, the current framework and what has been legislated up to 31/5/2017. Any initiatives that are currently work in progress have not been taken into consideration. HFSF has collaborated with a specialized legal firm to follow up on the progress of the identified impediments. It should be noted that in several cases, the Authorities have a different perception regarding the existence or/and of the progress made on some of the impediments.



FINANCIAL OVERVIEW



KEY FINANCIAL INDICATORS

STATEMENT OF FINANCIAL POSITION		
AMOUNTS IN € MILLIONS	31/12/2016	31/12/2015
Cash and balances with Banks	2,737	349
Financial assets at fair value through profit or loss	3,767	6,446
Receivables from banks under liquidation	1,862	2,052
Other assets	10	-
TOTAL ASSETS	8,377	8,848
TOTAL LIABILITIES	(6)	(8)
NET ASSETS	8,371	8,839
Capital	44,193	44,193
TOTAL EQUITY	8,371	8,839

€2,388 million increase in cash and balances with banks compared to 2015 resulting from:

- i. €2,029m from the repayment of principal amount of CoCos
- ii. €334m relating to the income of CoCos
- iii. €30m collections from ATEbank under liquidation
- iv. €6.5m relating to the proceeds of the cash management account
- v. €11.5m outflows relating to various payments

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OF LOSS:

The balance includes the Fund's investments in the four systemic banks and the CoCos issued by Piraeus Bank. As of 31/12/2016 the market value of shares amounted to €1.8 billion versus €2.4 billion as of 31/12/2015. The decline is due to the continuous market volatility.

The valuation of CoCos amounted to €2.0 billion as of 31/12/2016 versus €4.1 billion as of 31/12/2015 due to the redemption of NBG's CoCos.



RECEIVABLES FROM BANKS UNDER LIQUIDATION:

The balance includes the estimated recoverable amount of the funding gap, which has been covered by the Fund instead of the HDIGF, and amounted to €1,862m as of 31/12/2016 versus €2,052m as of 31/12/2015.

During 2016 the Fund collected from the ATEbank under liquidation the amount of €30m and recognized in the statement of comprehensive income an impairment loss of €160m. The final liquidation proceeds may vary from the estimated recoverable amount as the liquidation process is a dynamic process and the proceeds are subject to factors beyond the liquidators control such as the macroeconomic outlook.

EQUITY:

During 2016, the loss amounted to €469m and the accumulated loss increased to €35,822m from €35,353m as of 31/12/2015. The capital amounted to €44,193m and remained unchanged as compared to 31/12/2015.

STATEMENT OF COMPREHENSIVE INCOME		
AMOUNTS IN € MILLIONS	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Interest income	16	18
Income from CoCos	334	-
Personnel expenses	(3)	(3)
General administrative & other operating expenses	(6)	(4)
Impairment of receivables from banks under liquidation	(160)	(282)
Loss from financial instruments at fair value through profit or loss	(650)	(9,334)
One-off expense	-	(556)
Loss for the period	(469)	(10,158)

€ 16 MILLION INTEREST INCOME:

Interest income amounted to €16m versus €18m in 2015. The interest income of 2016 represents the proceeds from the Fund's deposits in the cash management account.

Further information is provided in Note 13.

€ 334 MILLION INCOME FROM COCOS:

The Fund received in cash the total amount of €331m relating to the annual coupon of CoCos. In particular, the Fund received €166m from Piraeus Bank and €165m from NBG. Following the redemption of NBG's CoCos on 15/12/2016, the Fund received from NBG the amount of €3m in cash relating to the accrued income of CoCos for the period from 9-14/12/2016.

Further information is provided Note 14.

PERSONNEL EXPENSES:

During 2016, the personnel expenses amounted to €2.7m versus €2.8m in 2015.

Further information is provided in Note 15.



GENERAL ADMINISTRATIVE AND OTHER OPERATING EXPENSES:

In line with the commitments of the MoU signed in August 2015 the Fund had general administrative and operating expenses €5.9m including the advisory fees in relation to the sale of Finansbank and UBB by NBB and some additional projects undertaken by HFSF.

Further information is provided in Note 16.

IMPAIRMENT OF RECEIVABLES FROM BANKS UNDER LIQUIDATION:

The impairment loss of receivables from banks under liquidation amounted to €160m at 31/12/2016 versus €282m at 31/12/2015.

Further information is provided in Note 9.

SIGNIFICANT DECREASE OF LOSSES FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

THE LOSS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS DECREASED BY €8,685 MILLION:

The €650m loss in 2016, a decrease of €8,685m, compared to 2015 (2015: €9,334m) corresponds to the financial result from the revaluation of bank's shares, warrants and CoCos held by the Fund.

The €650m loss is due to the revaluation loss of the Fund's participations in the four systemic banks which is partly offset by the gain of the sales of shares and specifically:

- Significant decrease of €9,964m from the revaluation result of shares (2016: €631m loss, 2015: €10,594m loss)
- the revaluation result of warrants (2016: €0.5m loss, 2015: €1,268m gain)
- the revaluation result of CoCos (2016: €19m loss, 2015: €8m loss)

Further information is provided in Note 17.



OVERVIEW OF THE FUND'S PORTFOLIO

As of the end of December 2016, the HFSF participated in the systemic banks' share capital, holding a significant number of shares as per below:

NBG 40.39% Out of which 1.47% with restricted voting rights	Piraeus Bank 26.42% Out of which 0.47% with restricted voting rights	Alpha Bank 11.01% In full restricted voting rights	Eurobank 2.38% In full restricted voting rights
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During the course of 2016 there was no change in the HFSF's shareholdings. Due to market volatility the stock prices were down by c. 25% for NBG and Piraeus Bank, by 21% for Alpha Bank and by 35% for Eurobank year on year.

The HFSF has appointed a Representative to each Bank under Law 3864/2010 in order to ensure the exercising of its rights that stem from its shareholding to banks' share capital, the implementation of the Restructuring Plans and the Relationship Framework Agreement as in force. (The current Representatives for each Bank are presented in the below tables¹):

NBG Panagiota Iplixian	Piraeus Bank Aikaterini Beritsi	Alpha Bank Spyridon-Stavros A. Mavrogalos-Fotis	Eurobank Kenneth Howard Prince-Wright
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¹ Pre & Post events: In February 2017 Mr. Spyridon-Stavros A. Mavrogalos-Fotis substituted Mrs. Panagiota Iplixian. In March 2017 Mrs. Panagiota Iplixian substituted Mr. Panagiotis Leftheris, who was appointed on July 2016 in replacement of Mr. Charalampos Makkas.



The HFSF, as part of its mandate to monitor and evaluate the proper implementation of the approved Restructuring Plans and the respective DG Comp commitments, has assisted banks to:

- i. Put in place governance standards which ensures that banks' are setting up an efficient and adequate internal system.
- ii. Put in place their NPL reduction strategies and comply with the regulator's agreed targets aiming to reduce NPEs of Greek Banks by 2020 to more sustainable levels
- iii. Reduce banks' operating costs by c. €150 million in total within 2016 (Group data²)
- iv. Reduce banks' funding costs
- v. Complete their divestment commitments refocusing their resources into Greek banking operations
- vi. Enable the repayment of c. €2bn of CoCos from NBG following the divestment of Finansbank and the respective reduction of the Hellenic Republic debt by the same amount

²On a recurring basis and as reported by the Banks.



NATIONAL BANK OF GREECE

OVERVIEW

National Bank of Greece (NBG) is a Bank registered in Greece and its headquarters are located in Athens (www.nbg.gr).

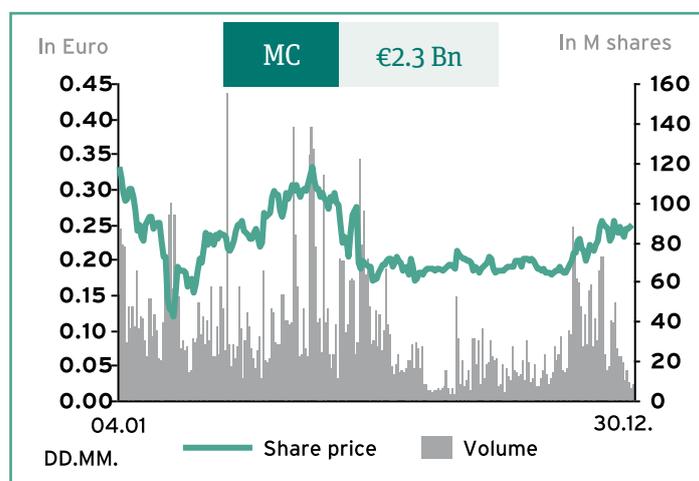
Its shares are listed on the Athens Exchange and on the New York Stock Exchange in the form of ADRs.

NBG and its subsidiaries provide a wide range of financial services including retail and commercial banking, asset management, brokerage, investment banking, insurance, real estate and other services.

The Group operates in Greece, United Kingdom, Bulgaria, Romania, Albania, Serbia, FYROM, Cyprus, Malta, Egypt, Australia and South Africa. The table and the graph below provide an overview of the key financial results for NBG and its share price performance for 2016, respectively:

Key financial figures ³	
Asset size figures	
Total assets (€ billion)	78.5
Gross Loans (€ billion)	46.9
Deposits (€ billion)	40.5
Equity (€ billion)	6.9
Liquidity	
Loans to Deposits Ratio (%)	88.0
Eurosystem Funding (€ billion)	12.3
o/w ELA exposure (€ billion)	5.6
Profitability	
NIM (bps)	283.0
Cost to Income Ratio (%)	57.0
Asset quality	
NPE Ratio (%)	43.6
NPE Coverage (%)	55.9
Cost of Risk (bps)	198.0
Capital	
CET1 (%)	16.3 ⁴

NBG'S SHARE PRICE PERFORMANCE⁵



³ As included in Bank's published financial statements for the year ended 31/12/2016.

⁴ Excludes the impact of the agreed sales of UBB, Interlease and SABA that will add c 106 bps

⁵ Source: Bloomberg.



PIRAEUS BANK

OVERVIEW

Piraeus Bank is a Bank registered in Greece and its headquarters are located in Athens (www.piraeusbankgroup.com).

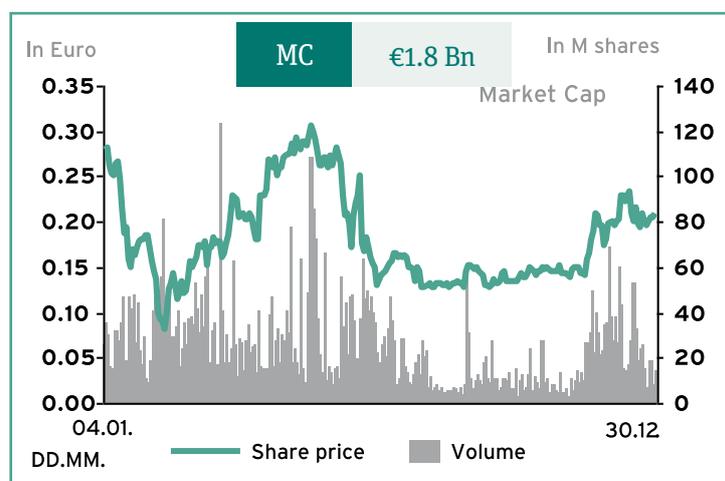
Its shares are listed on Athens Exchange. Piraeus Bank and its subsidiaries provide a wide range of financial services including retail and commercial banking, asset management, brokerage, investment banking, insurance, real estate and other services.

The Group operates in Greece, Romania, Bulgaria, Albania, Serbia, Ukraine, United Kingdom and Germany.

The table and the graph below provide an overview of the key financial results for Piraeus Bank and its share price performance for 2016, respectively:

Key financial figures ⁶	
Asset size figures	
Total assets (€ billion)	81.5
Gross Loans (€ billion)	64.9
Deposits (€ billion)	42.4
Equity (€ billion)	9.8
Liquidity	
Loans to Deposits Ratio (%)	113.0
Eurosystem Funding (€ billion)	20.9
o/w ELA exposure (€ billion)	11.9
Profitability	
NIM (bps)	268.0
Cost to Income Ratio (%)	56.0
Asset quality	
NPE Ratio (%)	52.0
NPE Coverage (%)	46.8
Cost of Risk (bps)	190.0
Capital	
CET1 (%)	17.0

PIRAEUS BANK'S SHARE PRICE PERFORMANCE⁷



⁶ As included in Bank's published financial statements for the year ended 31/12/2016.

⁷ Source: Bloomberg.



ALPHA BANK

OVERVIEW

Alpha Bank is a Bank registered in Greece and its headquarters are located in Athens

(www.alpha.gr).

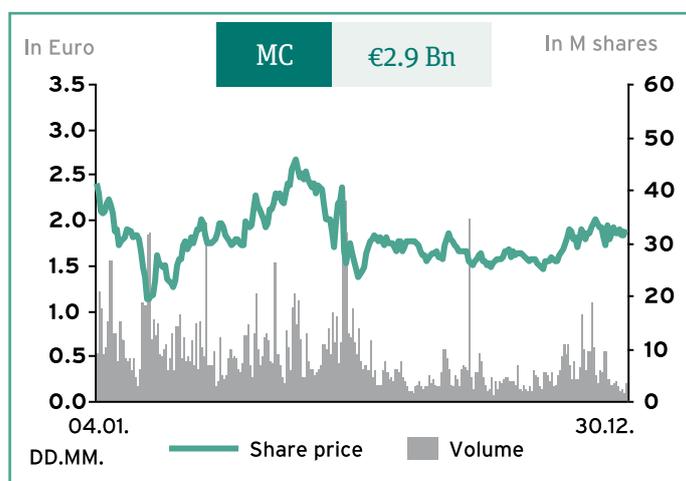
Its shares are listed in the Athens Exchange and in the form of American depository receipts (ADRs) in the New York Stock Exchange. Alpha Bank and its subsidiaries offer a wide range of services including corporate and retail banking, financial services, investment banking and brokerage services, insurance services, real estate management and other services.

The Group operates in Greece, Cyprus, Romania, Serbia, Albania and United Kingdom.

The table and the graph below provide an overview of the key financial results for Alpha Bank and its share price performance for 2016, respectively:

Key financial figures ⁸	
Asset size figures	
Total assets (€ billion)	64.9
Gross Loans (€ billion)	60.3
Deposits (€ billion)	32.9
Equity (€ billion)	9.1
Liquidity	
Loans to Deposits Ratio (%)	135.0
Eurosystem Funding (€ billion)	18.3
o/w ELA exposure (€ billion)	13.2
Profitability	
NIM (bps)	290.0
Cost to Income Ratio (%)	48.6
Asset quality	
NPE Ratio (%)	53.7
NPE Coverage (%)	49.0
Cost of Risk (bps)	201.0
Capital	
CET1 (%)	17.1

ALPHA BANK'S SHARE PRICE PERFORMANCE⁹



⁸As included in Bank's published financial statements for the year ended 31/12/2016.

⁹Source: Bloomberg.



EUROBANK

OVERVIEW

Eurobank Ergasias S.A. (Eurobank) is a Bank registered in Greece and its headquarters are located in Athens (www.eurobank.gr).

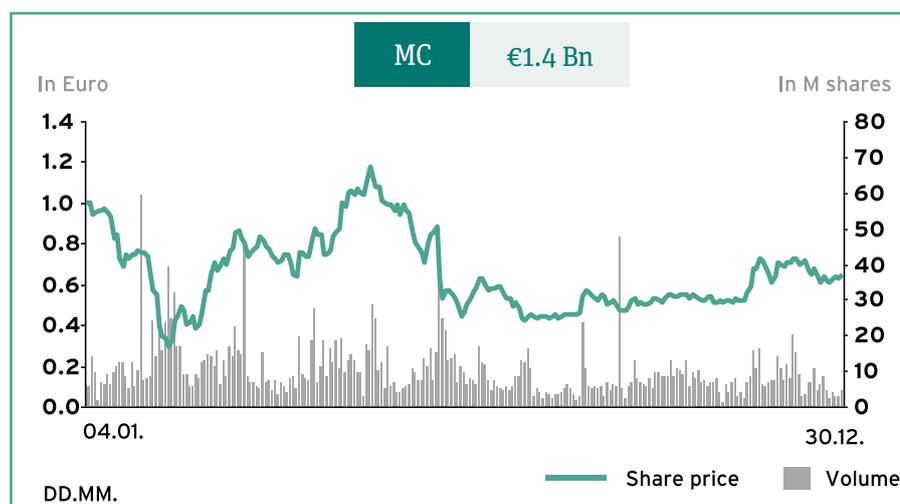
Its shares are listed on the Athens Exchange. Eurobank and its subsidiaries offer a wide range of services including: retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services.

The Group operates in Greece, Luxemburg, United Kingdom, Romania, Bulgaria, Serbia, Ukraine and Cyprus.

The table and the graph below provide an overview of the key financial results for Eurobank and its share price performance for 2016, respectively:

Key financial figures ¹⁰	
Asset size figures	
Total assets (€ billion)	66.4
Gross Loans (€ billion)	50.7
Deposits (€ billion)	34.0
Equity (€ billion)	7.4
Liquidity	
Loans to Deposits Ratio (%)	115.0
Eurosystem Funding (€ billion)	14.0
o/w ELA exposure (€ billion)	11.9
Profitability	
NIM (bps)	225.0
Cost to Income Ratio (%)	48.0
Asset quality	
NPE Ratio (%)	45.2
NPE Coverage (%)	50.7
Cost of Risk (bps)	196.0
Capital	
CET1 (%)	17.6

EUROBANK'S SHARE PRICE PERFORMANCE¹¹



¹⁰ As included in Bank's published financial statements for the year ended 31/12/2016.

¹¹ Source: Bloomberg.



HFSF'S CORPORATE GOVERNANCE



DECISION-MAKING BODIES

The decision-making bodies of the Fund are the General Council and the Executive Board.

General Council

The General Council consists of nine (9) non-executive members, seven (7) of which, including the Chairman, are persons with international experience in banking matters, one member represents the Ministry of Finance (MoF) and one member is nominated by the Bank of Greece (BoG).

Executive Board

The Executive Board consists of three (3) members, two (2) of which, including the Chief Executive Officer, are persons with international experience in banking matters or in matters relating to the resolution of credit institutions and one member is nominated by the BoG.

APPOINTMENTS

The members of the General Council, except for the representative of the Ministry of Finance and the nominee from the Bank of Greece, as well as the members of the Executive Board are pre-selected by the Selection Panel and appointed by a decision of the Minister of Finance, with the prior agreement of the Euro Working Group. The Selection Panel is composed of six (6) independent expert members, of recognized integrity, of which:

- Three (3), including the Chairman, are appointed by the European Commission, the European Central Bank and the European Stability Mechanism, respectively
- Two (2) by the Minister of Finance and
- One (1) by the Bank of Greece.

The responsibilities of the Selection Panel are described in the art. 4a of Law 3864/2010.

AUTONOMY STATUS

The members of the General Council and the Executive Board, except for the representative of the MoF in the General Council, enjoy full autonomy and do not seek or receive instructions from the Greek State or any other state body or institution, or financial institution supervised by the BoG.

With an aim of achieving its objective of contributing to the maintenance of stability in the Greek banking System, the Fund acts in line with the relevant commitments under the MoU and in compliance with the obligations arising from the new Financial Assistance Facility Agreement (new FAFA) signed on 19/08/2015. HFSF manages the capital and its assets and exercise its rights in its capacity as shareholder, in a way to protect the value of such assets, to minimize the risks for the Greek public and to neither prevent nor distort competition in the banking sector.



OBSERVERS

In accordance with HFSF's law the following persons have been appointed as observers and alternate observers to the Executive Board and the General Council:

- Mr. Peter Basch from February 2011, European Commission's (EC's) representative and his alternate Mr. Zoltan Petrov,
- Mr. Panagiotis Strouzas from November 2010, European Central Bank's (ECB's) representative and his alternate Mr. Maximilian Fandl,
- Mr. Mike Hesketh from November 2015 European Stability Mechanism's (ESM's) representative and his alternate Mr. Efstathios Sofos.



GENERAL COUNCIL

MEMBERS - TERM

The General Council consists of nine (9) non-executive members. Seven (7) of its members, including the Chairman, are persons with international experience in banking matters, one is representative of the Ministry of Finance (MoF) and one member is nominated by the Bank of Greece (BoG).

The members of the General Council are selected by a Selection Panel (Article 4A of Law 3864/2010) following a public call for expression of interest and are appointed by a decision of the Minister of Finance. Their appointment cannot extend beyond June 2020 (paragraph 6 of article 2 of Law 3868/2010 as amended).

RESPONSIBILITIES

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

In particular the General Council:

- i. Is informed by the Executive Board (EB) for its actions and monitors the compliance of the EB with the provisions of the present law and in particular with the principles enshrined in Article 2 of Law 3864/2010, as amended
- ii. Decides on the matters related to the provision of capital support, the exercise of voting rights and the disposal of the HFSF's participation.
- iii. Approves the general policies and, the by-laws and internal rules and the organizational structure (IROS) applicable to the administration and operations of the HFSF, including the HFSF's code of conduct for its members, the conflict of interest's policy, the insider trading policy and the information barriers policy.
- iv. Approves the appointment of the senior management of the HFSF, including Chief Financial Officer, the Chief Operations Officer, the Chief Internal Auditor, the Chief Risk Officer, the Chief Investment Officer, and the Chief Legal Counsel.
- v. Approves the HFSF's general terms and conditions of personnel's employment and the remuneration policy. The remuneration policy has to be competitive so as to attract and retain high-quality and expert candidates. The General Council takes into account the remuneration levels of staff of similar qualification in the Greek banking system.
- vi. Approves the annual budget of the HFSF.
- vii. Approves the annual report and other formal reports and the financial statements of the HFSF.
- viii. Approves the appointment of the external auditors of the HFSF
- ix. Approves the establishment of one or more advisory bodies, determines their terms and conditions of appointment of their members, as well as the terms of reference of such bodies.
- x. Establishes one or more committees consisting of members of the General Council and/or other persons, and defines their responsibilities.
- xi. Adopts the rules of procedure for the General Council and the HFSF's Procurement Regulation which regulates the procurement of goods and services, for any



procurement falling within the values provided in article 23 par. 2 case I.a and par. 4 of Law 4281/2014, as an exception from the relevant provisions and subsequent procurement rules of the said Law.

- xii. Takes the decisions and exercises such other powers and tasks as explicitly granted to the General Council by the present Law or any other law.

The Chief Executive Officer (CEO) is responsible to the General Council for the execution of General Council's decisions and for control of the administration and operations of the HFSF. The CEO or in his absence the other member that replaces him reports, as often as required to the General Council and not less than ten times each year.

COMPOSITION OF THE GENERAL COUNCIL

As of the date of the issuance of the Fund's Annual Financial Statements, the General Council comprise of the following members:

GENERAL COUNCIL*	POSITION
George Michelis	Non-Executive Chairman
Christoforos Stratos	Non-Executive Member
Steven Franck	Non-Executive Member
Jón Sigurgeisson	Non-Executive Member
Christof Gabriel Maetzeç	Non-Executive Member
Radován Jelasyty	Non-Executive Member
Marica S. Ioannou - Frangakis	Non-Executive Member, Representative of the MoF
Vasilios Spiliotopoulos	Non-Executive Member, nominated by the BoG

- * On 02/06/2016, Mr. Maetze Christof Gabriel was appointed as non-executive member of the General Council following the resignation of Mr. Pierre Mariani on 01/03/2016.
- * On 18/07/2016, Mrs. Dagmar Valcárcel was appointed as non-executive member of the General Council, replacing Mr. Wouter Devriendt who resigned on 30/04/2016. Mrs. Dagmar Valcárcel submitted her resignation effective on 01/09/2017.
- * On 18/10/2016, Mr. Radován Jelasyty was appointed as non-executive member of the General Council, replacing Mr. Elias Karakitsos who resigned on 05/07/2016.
- * On 22/03/2017, Marica S. Ioannou - Frangakis was appointed by the Minister of Finance as non-executive member of the General Council, representative of Minister of Finance, replacing Mrs. Kerasina Raftopoulou who resigned on 28/02/2017.

MEETINGS

The General Council meets as often as the business of the HFSF may require but not less frequently than ten times per calendar year. Meetings of the General Council are called and chaired by its Chairman. In his absence, the meetings are called by a member of the General Council, other than the representative of the Ministry of Finance and the person nominated by the Bank of Greece.

A quorum for the conduct of business at any meeting of the General Council shall consist of at least five (5) members of the General Council. Each member of the General Council has one vote. Save as otherwise provided in this Law, decisions are adopted by a majority of the members present at the meeting. In the event of a tied vote, the person chairing the meeting casts a tie-breaking vote.



The General Council convened 35 times during 2016 and the participation of each member is presented in the following table:

GENERAL COUNCIL		
Total Number of Meetings during 2016		35
Member of the General Council	Role in General Council	N° of participations in the General Council Meetings
George Michelis	Chairman	34/35
Vassilis Spiliotopoulos	Member	34/35
Christoforos Stratos	Member	35/35
Steven Franck	Member	35/35
Jón Sigurgeisson	Member	32/35
Christof Maetze	Member (since June 2 nd , 2016)	22/24
Dagmar Valcárcel	Member(since July 18 th , 2016)	15/16
Jelasiy Radován	Member(since October 18 th , 2016)	11/11
Kerasina Raftopoulou	Member	34/35
Elias Karakitsos	Member(until July 5 th , 2016)	15/15
Wouter Devrient	Member(until April 30 th , 2016)	6/7
Pierre Mariani	Member(until February 29 th , 2016)	2/3

VACANCY

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



AUDIT COMMITTEE

The Audit Committee operates in accordance with article 14 of Law 3864/2010 and the Fund's Internal Regulations.

The Audit Committee assists the General Council in fulfilling its oversight responsibilities for the financial reporting process, the internal audit performance, the external auditor's appointment, remuneration and independence and the process for monitoring compliance with laws and regulations and the code of conduct.

The audit committee consists of at least two (2) members of the General Council, one of which is the Chairman, and one external expert of recognized standing and experience in auditing.

As of the date of the issuance of Financial Statements, the Audit Committee* consisted of three members:

1. Mr. Steven Franck, Chairman
2. Mr. Christof Maetze, Member
3. Mr. Marios Eleftheriadis, External Expert

* Mr. Christoforos Stratos remained as Chairman of the Audit Committee until August 9th, 2016 while Mr. Steven Franck was appointed by the General Council as Chairman of the Audit Committee at the same date.

* Following the resignation of Mr. Wouter Devriendt on April 30th, 2016, Mr. Christof Maetze was appointed by the General Council as member of the Audit committee on August 9th, 2016.

* Mr. Marios Eleftheriadis replaced Mr. Kolokotronis Loizos who submitted his resignation on 31/12/2016.

The main responsibilities of the Audit Committee are to:

- **Supervise** the internal audit function
- **Make recommendations** on the appointment of external auditors, the audit fee and the scope of external audits
- **Review and consider** reports from the external auditors and the auditor's management letter
- **Consult** with the external auditors on the findings of their audits
- **Review the financial statements** before submission to the General Council for approval
- **Submit reports** to the General Council and the Executive Board on a regular basis, and
- **Regulate** any issue concerning its operation



MEETINGS

The Audit Committee meets regularly, at least four (4) times per year, and occasionally whenever necessary. Following relevant invitation, at the meetings of the Audit Committee, the Executive Board or Chief Officers of the Fund may be present. **Nine (9) Audit Committee meetings were held in 2016.**

The participation of the AC members in these meetings is presented in the following table:

MEMBER OF AUDIT COMMITTEE		
Total Number of Meetings during 2016		9
Member of the Audit Committee	Role in the Audit Committee	Number of Participations in the Audit Committee
Christoforos Stratos	Chairman (until August 28 th , 2016)	5/9
Steven Franck	Chairman (since August 28 th , 2016)	7/9
Wouter Devriendt	Member (until April 30 th , 2016)	2/9
Christof Maetze	Member (since August 28 th , 2016)	4/9
Kolokotronis Loizos	Member	9/9



EXECUTIVE BOARD

MEMBERS - TERM

The Executive Board consists of three (3) members, two of which, including the Chief Executive Officer, are persons with international experience in banking matters or in matters relating to the resolution of credit institutions and one of which is a person nominated by the Bank of Greece. One executive member is assigned the task to enhance the role of the Hellenic Financial Stability Fund (HFSF) in facilitating the resolution of NPLs of the credit institutions in which the Fund participates.

The members of the Executive Board are pre-selected by a Selection Panel (article 4A of Law 3864/2010) following a public call for expressions of interest and appointed by a decision of the Minister of Finance. Their appointment cannot extend beyond June 2020 (Paragraph 6 of article 2 of Law 3864/2010, as amended).

RESPONSIBILITIES

The Executive Board is charged with the preparation of the HFSF's tasks and the implementation of its decisions its competent bodies and conduct of its operations necessary for the administration and operation, as well as for the fulfilment of its objective.

The Executive Board has indicatively the following powers and tasks:

- i. Proposes to the General Council on the issues that the General Council decides according to Article 4 under the paragraph 9 of Law 3864/2010
- ii. Implements the decisions of the General Council taken either upon or without proposal from the Executive Board
- iii. Takes all actions required or deemed advisable for the administration or operations of the Fund, including the Fund's powers and responsibilities under Article 2 of Law 3864/2010, procurement of goods and services, entering into contractual commitments on behalf of the HFSF, appointing the staff and advisors of the Fund, and generally representing the HFSF
- iv. Delegates any of his powers or tasks to any of its members or to the HFSF's cadres, in accordance with the general terms and conditions adopted by the General Council and with due consideration to the avoidance of conflicts of interests, provided that the Chief Executive Officer shall primarily exercise his powers pursuant to the provisions of the HFSF Law. The Executive Board appoints a group to assist the tasks of the member of the Executive Board who has been assigned the task to enhance the role of the HFSF in facilitating the resolution of Non-Performing Loans
- v. Has such other powers and tasks as explicitly granted by this Law or any other law
- vi. Represents judicially and extra-judicially the HFSF and binds it towards any third party
- vii. Exercises any other power which is not expressly granted to the General Council



COMPOSITION OF THE EXECUTIVE BORD

As of the date of the issuance of this annual financial report, the Executive Board of the HFSF is comprised of the following members:

EXECUTIVE BOARD*	POSITION
Martin Czurda	Chief Executive Officer
Eric Tourret	Deputy Chief Executive Officer
Panagiotis Doumanoglou	Executive Member

- * On 23/08/2016, Mr. Christoforos Stratos and Mr. Michael Haralabidis were appointed as CEO and Deputy CEO, respectively, until the appointment of new members according to the ordinary procedure of the law of the Fund, following the resignation of the former CEO, Mr. Aristides Xenofos, and former Deputy CEO, Mr. George Koutsos on 18/07/2016. During this period, Mr. Christoforos Stratos participated in the meetings of General Council with no voting right.
- * Mr. Eric Tourret and Mr. Dimitris Frangetis have undertaken their duties, following their appointment, as Deputy CEO and executive member respectively, by the Minister of Finance on 27/10/2016.
- * On 03/05/2017 Mr. Panagiotis Doumanoglou was nominated by the BoG as executive member of the Executive Board, replacing Mr. Dimitris Frangetis who submitted his resignation effective as of 24/04/2017.
- * On 12/06/2017, Mr. Martin Czurda assumed his responsibilities, following his appointment as CEO by the Minister of Finance on 18/05/2017.

MEETINGS

The Executive Board meets as often as the business of the HFSF may require but not less than once a week. Meetings of the Executive Board are called by the Chief Executive Officer or, in his absence, by the person replacing him, who is the other member of the Executive Board, referred to in the second subparagraph of paragraph 3 of Article 4 of Law 3864/2010, as amended.

Two members constitute a quorum for Executive Board meetings. Each member of the Executive Board has one vote. Save as otherwise provided in this Law, decisions are adopted by a majority of two (2) members present at the meeting. During 2016, the Executive Board convened forty-two (42) times.

The participation of the EB members in these meetings is presented in the following table:

EXECUTIVE BOARD		
Total Number of Meetings during 2016		42
Member of Executive Board	Role in the Executive Board	Participations in the Executive Board Meetings
Eric Tourret	Deputy Chief Executive Officer (since 27 October 2016)	8/8
Frangetis Dimitrios	Member (since 27 October 2016)	8/8
Stratos Christoforos	Acting Chief Executive Officer (from 23 August 2016 until 16 October 2016)	10/10
Haralabidis Michael	Acting Chief Executive Officer (from 23 August 2016 until 16 October 2016)	10/10
Xenofos Aristides	Chief Executive Officer (up to 18 July 2016)	24/24
Koutsos George	Deputy Chief Executive Officer (up to 18 July 2016)	23/24
Gagales Anastasios	Member (up to 18 July 2016)	24/24



VACANCY

Any vacancy on the Executive Board shall be filled within sixty (60) days, that can be extended if needed for another thirty (30) days, by the appointment of a new member, under the provisions of article 4A, to serve the remaining term of the departed member. Appointments of member of the Executive Board including its respective remuneration require the prior agreement of the Euro Working Group Working Group.



EXECUTIVE BOARD'S CURRICULUM VITAE

AS OF THE DAY
OF PUBLICATION
OF THE REPORT

MARTIN CZURDA

ERIC TOURRET

PANAGIOTIS (TAKIS) DOUMANOGLOU



MARTIN CZURDA

Chief Executive Officer



Dr. Martin Czurda has vast experience in the banking sector having held senior positions in various international banking institutions.

In particular, end 2015 till 2016, Dr. Czurda was the Chairman of the Non-Executive Board at Swiss owned Valartis Bank AG, Austria appointed by a public trustee in order to sell the majority of the banking operations and wind up the remaining parts.

From 2013 to 2015, following the privatization of Austrian Anadi Bank AG (formerly Hypo Alpe-Adria-Bank AG) he has served as the Chief Executive Officer (CEO) for the new owners from India and UK. During this time, he reorganized the bank and transformed it from a non-viable credit institution to a private profitable bank.

He has also served as restructuring Chief Risk Officer (CRO) and Chief Financial Officer (CFO) at a Slovene bank in Vienna in 2012-2013, and from 2009 to 2012 he has been appointed CEO at a Russian/Dutch bank in Amsterdam with the mission to change the previous business model into a trade and commodity finance

bank profiting from the trade flows between Russia/CIS and Europe.

In the past he has acted as Non-Executive member in many organizations on the Board of Directors such as Austrian Hypo (Mortgage) Association, SREI Infrastructure Ltd and Amsterdam Trade Bank.

He has also served as Managing Director (MD), Division Head of Global Markets and Division Head of Financial Institutions at Raiffeisen Zentralbank, Vienna and started his commercial banking career with Bank Austria, Vienna.

Dr. Czurda holds a Doctorate Degree (Dr.) in Economics and a Master's Degree (M.A.) in Business Administrations from the University of Economics, Vienna, Austria.



ERIC TOURRET

**Deputy Chief
Executive Officer**



Mr. Eric Tourret has over 20 years of experience in the banking sector across Europe having held executive positions with consulting firms and financial institutions in Paris, London and Athens.

Prior to joining the HFSF, Mr. Tourret was a partner at Ernst & Young in Greece dedicated to the Financial Services Sector in charge of Transaction Advisory Services for the Central and Southeast Europe region. He has a wide experience in advising financial institutions on cross border transactions including acquisitions, mergers, restructuring, disposal of non core assets, resolution of non performing loans and post-merger integration.

Prior to his relocation in Greece in 2007, Mr. Tourret held the position of Director in Transaction Advisory Services at Ernst & Young in the UK advising financial institutions across Europe on mergers and acquisitions.

He also served as Vice President at JP Morgan in London and previously as Director in the financial services sector at Arthur Andersen in France and in the UK.

He started his career with the General Inspection of the National Confederation of Credit Mutuel in France.

Mr Tourret holds a Master of Science (M.Sc) in Audit and Finance from Lille Business School and a Master of Arts (M.A) in Business Management from Lille University (France).



PANAGIOTIS (TAKIS) DOUMANOGLOU

Member

Mr. Takis Doumanoglou has extensive experience in the banking and business sectors having held senior positions in leading private and public companies.

Mr. Doumanoglou holds a Bachelor of Science (BSc) in Economics from Athens Graduate School of Economic and Business Studies and a Master's of Business Administration (MBA) in Finance from the University of Pittsburgh, Pennsylvania, USA.



EXECUTIVE BOARD'S & GENERAL COUNCIL'S REMUNERATION

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

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

The members of the General Council and the Executive Board due to their relationship with the Fund, received remuneration for the year ended 31/12/2016, as listed in the table below.

GENERAL COUNCIL			
NAME	POSITION DURING 2016	PERIOD IN THE POSITION	REMUNERATION 01/01 - 31/12/2016 (€)
George Michelis	Chairman	01/01/2016 - 31/12/2016	107,762
Steven Franck	Member	01/01/2016 - 31/12/2016	40,199
Christoforos Stratos	Member	01/01/2016 - 31/12/2016	32,683
Jón Sigurgeisson	Member	01/01/2016 - 31/12/2016	37,199
Christof Gabriel Maetze	Member	02/06/2016 - 31/12/2016	27,699
Kerasina Raftopoulou	Member, Representative of the MoF	01/01/2016 - 31/12/2016	37,199
Vassilios Spiliotopoulos	Member, appointed by the BoG	01/01/2016 - 31/12/2016	37,199
Dagmar Valcárcel	Member	18/07/2016 - 31/12/2016	19,949
Elias Karakitsos	Member, appointed by the BoG	01/01/2016 - 05/07/2016	15,000
Pierre Mariani	Former Member	01/01/2016 - 29/02/2016	5,000
Wouter Devriendt	Former Member	01/01/2016 - 30/04/2016	10,000



EXECUTIVE BOARD'S & GENERAL COUNCIL'S REMUNERATION

EXECUTIVE BOARD			
NAME	POSITION DURING 2016	PERIOD IN THE POSITION	REMUNERATION* 01/01 - 31/12/2016 (€)
Eric Turret	Deputy Chief Executive Officer	02/11/2016- 31/12/2016	31,862
Dimitrios Frangetis	Former Executive Member	31/10/2016- 31/12/2016	27,930
Christoforos Stratos	Former Interim Chief Executive Officer	23/08/2016 - 16/10/2016	32,083
Michail Charalabidis	Former Interim Deputy Chief Executive Officer	23/08/2016 - 16/10/2016	25,972
Aristides Xenofos	Former Chief Executive Officer	01/01/2016 - 18/07/2016	74,661
George Koutsos	Former Deputy Chief Executive Officer	01/01/2016 - 18/07/2016	66,191
Anastasios Gagales	Former Executive Member	01/01/2016 - 18/07/2016	58,300

* As far as executive members are concerned, the amount of the €49,302 has been paid by the Fund as social security contribution (not included in the above table).



FUND'S PERSONNEL

As of 01/02/2013, according to Law 3864/2010 as amended, the General Council approves the appointment of the Fund's senior management and the Fund's general terms and conditions of employment, including the remuneration policy. The staff of the Fund is hired by decision of the Executive Board following an invitation to express interest and an assessment of candidates' qualifications.

The majority of the Fund's personnel has a private law employment agreement of a definite period of three years, with a renewal option. There are also lawyers working on a "paid assignment" basis. Secondment of civil servants is also allowed to the Fund.

The remuneration of the staff is determined by a decision of the Executive Board in accordance with the approved remuneration policy of the HFSF. On 31/12/2016 Fund's personnel (including Executive Board members) amounted to 32.

OVERALL,

85% OF THE
HFSF PERSONNEL
HOLDS A POST GRADUATE
DEGREE



HFSF'S RISK MANAGEMENT

The HFSF acknowledges its exposure to risk as a result of its participation in the credit institutions which received capital support (Supported Credit Institutions, "SCIs") and as a result of its internal operations, and the need for the effective management of these risks. Risk management¹² and control are an integral part of the Fund's commitment to achieve its objectives.

The Risk Management Policy is approved by the HFSF's Executive Board (EB) and the General Council (GC). It is endorsed and maintained by the HFSF's Chief Risk Officer ("CRO") and is reviewed regularly. This Risk Policy is in accordance with all amendments following the HFSF's foundation Law and as currently in effect.

RISK MANAGEMENT PRINCIPLES

The HFSF actively manages the risks that it faces, internally as an organisation and has put in place business and operational risk management arrangements so that the HFSF's stakeholders can be reassured that the HFSF is operating within a risk-controlled framework.

The HFSF's organizational structure aims at adopting best practices in terms of ensuring existence of clear lines of responsibilities, efficient segregation of duties and prevention of conflict of interests at all levels, including the General Council and the Executive Board, as well as among Divisions, at an operational, tactical and strategic level.

RISK GOVERNANCE FRAMEWORK

At the top of the pyramid, is the General Council which is charged with the ultimate responsibility and has the oversight for the proper operation and fulfilment of the objective of the Fund. The HFSF's General Council has the responsibility of maintaining a sound system of governance and internal controls that supports the achievement of the HFSF's objectives. The Executive Board is charged with the implementation of the Fund's tasks and the conduct of its operations.

The HFSF's senior management is responsible for developing and maintaining processes, methodologies and systems to ensure effective and efficient operations, prompt identification and adequate control of risks, prudent conduct of business, accurate disclosures both internally and externally, and compliance with internal and external rules.

The HFSF develops appropriate "Relationship Framework Agreements" (RFAs) that officially govern the Fund's relationship and interaction with each particular SCI. These RFAs establish clear guidelines on when and how HFSF will proceed to agreed actions as a method of protecting its investment and fulfil its objectives.

¹² Risk management comprises of the set of strategies, policies, processes, organizational structures & technological infrastructures that an institution shall develop in order to identify, estimate, monitor and control on an on-going basis its exposures to risks that arise from its activities.



The HFSF designs and implements an appropriate framework for the regular monitoring and assessment of the SCIs during the Stewardship phase of its involvement. During the Stewardship phase, the HFSF monitors and assesses:

- a. The orderly implementation of the agreed restructuring plan that the SCI submitted to HFSF as part of its application to HFSF for the provision of capital support.
- b. The SC'Is risk & capital strategy implementation.
- c. The actions undertaken by the SCI in order to comply with the targets, limits and guidelines set by the HFSF.
- d. The system of corporate governance and the organisation structure of the SCI.
- e. The establishment by the SCI of a robust risk & capital management framework according to best banking practices, with special focus on risk governance, capital adequacy and liquidity management.
- f. The enhancement of the SCI's internal control framework in line with best banking practices.
- g. The SCI's Troubled Assets' Management framework. More specifically, the HFSF:
 - Approves the Banks' Group Strategy, Policy and Governance for NPL management.
 - Monitors the Banks' performance against targets set for NPL resolution (e.g. by the BoG/SSM), as well as progress on key initiatives undertaken by them.
 - Holds regular (monthly and/or quarterly) meetings between the Banks' management and the HFSF in order to review the Banks' NPL strategy and objectives, as well as operational targets set by the supervisory authorities.
 - Monitors KPIs introduced in the RFAs, in order to oversee effectiveness and efficiency of the Bank's NPL management framework and NPL resolution.



INTERNAL CONTROL ENVIRONMENT

FRAMEWORK

The General Council and Executive Board are responsible for the development of an efficient and effective System of Internal Controls (SICs) in order to ensure the achievement of the Fund's objectives. The SIC constitutes the totality of detailed key controls and processes which track continuously every activity, contributing to the effective operation of the Fund.

The General Council, with the support of the Audit Committee, has the ultimate responsibility for adoption of appropriate principles and policies to ensure the effective and consistent application of the SICs.

The Executive Board is responsible for the development and implementation of appropriate control mechanisms and procedures depending on the scope, the risks and the nature of work of the Fund's departments as well as the evaluation of weaknesses arising and the necessary remedial actions.

The SIC, the design of which is in a continuous development, aims at addressing risks to a reasonable level and not necessarily eliminating them.

AUDIT COMMITTEE - INTERNAL AUDIT

The Fund's Audit Committee is responsible for monitoring the adequacy and effectiveness of the SICs of the Fund, based on the reports received from the Internal Audit Department and the external auditors.

By decision of the General Council a person with specific competences and auditing experience is appointed as Chief Internal Auditor of the Internal Audit Department of the Fund, with a fixed term contract, extending until the Fund's termination date. **The Internal Auditor does not form part of the official hierarchy, enjoys full independence in the accomplishment of his/her duties and the internal audit plan and time budget is approved by the Audit Committee. The Internal Auditor reports, through the Audit Committee, to the HFSF's General Council and directly to the Executive Board for administrative matters.**

The Internal Audit (IA) Function of the HFSF is an independent and objective, assurance and consulting activity designed to ensure compliance with the policies and procedures so as to add value and improve the organization's operational effectiveness. It helps the organization accomplish its objectives by:

- a. bringing a systematic, disciplined approach in evaluating the effectiveness of risk management, control and governance processes
- b. recommending appropriate measures to improve their efficiency and effectiveness
- c. monitoring the implementation of corrective actions.



FINANCIAL REPORTING

The Audit Committee has the oversight of Internal Controls over Financial Reporting (ICFR) and monitors the adequacy and effectiveness of the ICFR based on the reports received from the internal audit department and the external auditors. The Audit Committee supervises the preparation of annual financial statements of the Fund in accordance with the International Financial Reporting Standards and advises the Fund's General Council accordingly.

The system of ICFR consists of all the accounting policies and procedures designed to prevent mis-statements and safeguard the integrity of the input data, the accuracy and validity of the report output.

The ICFR include, inter alia, the following controls:

- Adequate segregation of duties
- Performance of appropriate reconciliations of systems, reports and accounts
- Review of the recorded transactions and the prepared financial reports for accuracy and completeness in compliance with the four eyes principle
- End of month processes and review of relative accounting entries
- Review of valuation of assets and liabilities
- Review of completeness and accuracy of disclosures and Preparation of IFRS checklists
- Procedures to identify related parties

Finance Division is responsible for the preparation of the financial statements in compliance with IFRS, regulatory and other ad hoc financial reporting requirements. The IFRS financial statements are approved by the Executive Board, and the General Council, following the preapproval of the Audit Committee. Annual IFRS financial statements are audited and semi-annual IFRS financial statements are reviewed by the statutory Auditor.

The Internal Audit Department evaluates the design and operating effectiveness of ICFR by performing periodic and ad hoc risk-based audits.

ETHICAL STANDARDS

The importance of HFSF's mandate and its role in the banking system, requires for strict loyalty and confidentiality standards as well as adequate safeguards of independence standards for HFSF personnel. The HFSF has designed a system of **Internal Control over Ethical Standards** (hereinafter "ICES"), which include relevant policies, manuals and procedures.

These systems of Internal Controls enable the Fund to carry on its activities based on high ethical standards, and the Fund's current legislation.

HFSF taking into account the provisions of the establishing Law 3864/2010 has also adopted a strict **Code of Conduct**, which provides guidance and sets ethical conventions, standards and benchmarks. The Code of Conduct is applicable to all HFSF's personnel, which have the responsibility to contribute to the good governance of the Fund and to help maintain its reputation.

Based on the Code of Conduct **the HFSF personnel**, acts honestly, with integrity, independently, impartially, with discretion and without regard to self-interest, avoiding any situation liable to give rise to a personal conflict of interests.



STATEMENT OF THE GENERAL COUNCIL & THE EXECUTIVE BOARD

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

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

1. The Financial Statements of the Hellenic Financial Stability Fund for the financial year ended 31/12/2016, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, present a true and fair view in the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement of the Fund.
2. The General Council's and Executive Board's report presents in a true manner the evolution, the performance, the position of the Fund and the significant events that took place in the 12 month period ended 31/12/2016 that affected the Fund's annual financial statements for the year ended 31/12/2016.

Athens, 12 September, 2017

The Chief Executive Officer	The Deputy Chief Executive Officer	The Member of the Executive Board
Martin Czurda	Eric Turret	Panagiotis Doumanoglou
The Chairman of the General Council	The Member of the General Council	The Member of the General Council
George Michelis	Christoforos Stratos	Steven Franck
The Member of the General Council	The Member of the General Council	The Member of the General Council
Jón Sigurgeisson	Radován Jelasity	Christof Gabriel Maetze
The Member of the General Council, Representative of the MoF		The Member of the General Council, appointed by the BoG
Marica S. Ioannou - Frangakis		Vassilios Spiliotopoulos





KPMG Certified Auditors AE
3 Stratigou Tombra Street
Aghia Paraskevi
153 42 Athens, Greece
Telephone +30 210 6062100
Fax +30 210 6062111

Independent Auditor's Report (Translated from the original in Greek)

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

Auditor's Report on the Financial Statements

We have audited the accompanying Financial Statements of Hellenic Financial Stability Fund, Private Legal Entity (the "Fund") which comprise the Statement of Financial Position as of 31 December 2016, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing which have been incorporated in Greek legislation. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Hellenic Financial Stability Fund, Private Legal Entity as of 31 December 2016 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

- a) We verified that the contents of the General Council and Executive Board Report are consistent and correspond with the accompanying Financial Statements with applicable laws and regulations.

Based on the knowledge acquired during our audit, relating to the Fund and its environment, we have not identified any material misstatements in the General Council and Executive Board Report.

- b) Total Equity of the Fund as of 31 December 2016 is less than the half (1/2) of the share capital however due to Fund's special nature and purpose as described in its founding law 3864/2010 the requirements of article 47 of C.L. 2190/1920 are not applicable.

Athens, 12 September 2017

KPMG Certified Auditors AE
AM SOEL 114

Anastasios Panayides, Certified Auditor Accountant
AM SOEL 37581

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

Amounts in €	Note	31/12/2016	31/12/2015
ASSETS			
Cash and balances with Banks	5	2,737,181,817	349,303,992
Financial assets at fair value through profit or loss	6	3,767,338,955	6,445,659,710
Property and equipment	7	69,127	83,381
Intangible assets	8	34,555	19,707
Accrued income receivable		9,676,335	-
Receivables from banks under liquidation	9	1,862,011,241	2,052,324,099
Other assets		280,931	296,063
Total Assets		8,376,592,961	8,847,686,952
LIABILITIES			
Derivative financial liabilities	10	4,847,325	4,355,834
Provisions and other liabilities	11	1,029,707	3,885,906
Total Liabilities		5,877,032	8,241,740
EQUITY			
Capital	12	44,192,757,748	44,192,757,748
Accumulated losses		(35,822,041,819)	(35,353,312,536)
Total Equity		8,370,715,929	8,839,445,212
Total Liabilities & Equity		8,376,592,961	8,847,686,952

The Notes from pages 55 to 91 form an integral part of these annual financial statements

Athens, 12 September, 2017

The Chief
Executive Officer

The Deputy
Chief Executive Officer

The Chief Financial
& Operating Officer

Martin Czurda

Eric Tourret

Evangelia D. Chatzitsakou

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME

Amounts in €	Note	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Interest income	13	16,151,469	18,232,929
Income from CoCos	14	333,666,997	-
Personnel expenses	15	(2,678,537)	(2,796,535)
General administrative & other operating expenses	16	(5,881,598)	(3,486,154)
Impairment of receivables from banks under liquidation	9	(160,312,857)	(281,500,034)
Loss from financial instruments at fair value through profit or loss	17	(649,609,576)	(9,334,234,512)
Gain from disposal of investments		-	1,421,415
Depreciation and amortization of property, equipment and intangible assets		(75,961)	(84,884)
One-off expense	18	-	(555,886,748)
Other income/(expenses)		10,780	300
Loss for the period		(468,729,283)	(10,158,334,223)
Other comprehensive income/ (expenses) for the period		-	-
Total comprehensive income/ (expenses) for the period		(468,729,283)	(10,158,334,223)

The Notes from pages 55 to 91 form an integral part of these annual financial statements

Athens, 12 September, 2017

The Chief
Executive Officer

The Deputy
Chief Executive Officer

The Chief Financial
& Operating Officer

Martin Czurda

Eric Tourret

Evangelia D. Chatzitsakou



STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

Amounts in €	Capital	Accumulated losses	Total
Balance as of 01/01/2015	49,700,000,000	(25,194,916,813)	24,505,083,187
Capital Decrease	(10,932,903,000)	-	(10,932,903,000)
Capital Increase	5,425,660,748	-	5,425,660,748
Capital increase expenses	-	(61,500)	(61,500)
Loss for the year from 01/01/2015 to 31/12/2015	-	(10,158,334,223)	(10,158,334,223)
Balance as of 01/01/2016	44,192,757,748	(35,353,312,536)	8,839,445,212
Loss for the year from 01/01/2016 to 31/12/2016	-	(468,729,283)	(468,729,283)
Balance as of 31/12/2016	44,192,757,748	(35,822,041,819)	8,370,715,929

The Notes from pages 55 to 91 form an integral part of these annual financial statements



STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

Amounts in €	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Cash flows from operating activities		
Loss for the period	(468,729,283)	(10,158,334,223)
Adjustments for non-cash items included in statement of comprehensive income and other adjustments:	466,736,375	9,615,598,999
Income from CoCos	(333,666,997)	-
Accrued interest income	(9,676,335)	-
Impairment of receivables from banks under liquidation	160,312,857	281,500,034
(Gain)/loss from financial instruments at fair value through profit or loss	649,609,576	9,334,234,512
(Gain)/loss from disposal of investments	-	(1,421,415)
Payroll provisions and accruals	81,313	1,200,984
Depreciation and amortization of property, equipment and intangible assets	75,961	84,884
Net (increase)/decrease in operating assets:	30,015,132	212,920,513
Change in receivables from banks under liquidation	30,000,000	208,694,410
Change in accrued interest receivable	-	4,201,252
Change in other assets	15,132	24,851
Net increase/(decrease) in operating liabilities:	(885,242)	(85,402)
Change in other liabilities	(885,242)	(85,402)
Net cash from operating activities	27,136,982	(329,729,309)
Cash flows from investing activities		
Redemption of CoCos	2,029,200,000	-
Income from CoCos	333,666,997	-
Proceeds received from warrants exercised	2,669	184,083
Proceeds/(payments) from disposal of investments	(1,990,770)	8,814,170
Purchase of property, equipment and intangibles assets	(76,553)	(26,030)
Net cash from investing activities	(2,360,802,343)	8,972,223
Cash flows from financing activities		
Capital increase costs	(61,500)	-
Net cash from financing activities	(61,500)	-
Net increase/(decrease) in cash and cash equivalents	2,387,877,825	(320,757,086)
Cash and cash equivalents at the beginning of the period	349,303,992	670,061,078
Cash and cash equivalents at the end of the period	2,737,181,817	349,303,992

The Notes from pages 55 to 91 form an integral part of these annual financial statements

NOTES TO THE ANNUAL 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 4340/2015, the Fund's tenure has been extended up to 30/06/2020. By decisions of the Minister of Finance, the duration of the Fund may be extended further, if deemed necessary for the fulfilment of its scope.

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 annual financial statements, the Executive Board and General Council comprised of the following:

Executive Board*	Position
Martin Czurda	Chief Executive Officer
Eric Turret	Deputy Chief Executive Officer
Panagiotis Doumanoglou	Executive Member
General Council**	Position
George Michelis	Chairman
Christoforos Stratos	Member
Steven Franck	Member
Jón Sigurgeisson	Member
Christof Gabriel Maetze	Member
Radován Jelasity	Member
Marica S. Ioannou - Frangakis	Member, Representative of the MoF
Vassilios Spiliotopoulos	Member, appointed by the BoG

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

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

* On 03/05/2017 Mr. Panagiotis Doumanoglou was nominated by the BoG as executive member of the Executive Board, replacing Mr. Dimitris Frangetis who submitted his resignation effective as of 24/04/2017.

* On 12/06/2017, Mr. Martin Czurda assumed his responsibilities, following his appointment as CEO by the Minister of Finance on 18/05/2017.

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

** On 18/07/2016, Mrs. Dagmar Valcárcel was appointed as non-executive member of the General Council, replacing Mr. Wouter Devriendt who resigned on 30/04/2016. Mrs. Dagmar Valcárcel submitted her resignation effective on 01/09/2017.

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

** On 22/03/2017, Mrs. Marica S. Ioannou - Frangakis was appointed by the Minister of Finance as non-executive member of the General Council, representative of Minister of Finance, replacing Mrs. Kerasina Raftopoulou who resigned on 28/02/2017.

The statutory auditor of the financial statements is Mr. Anastasios Panayides, RN SOEL 37581
The annual financial statements were approved by the Fund's General Council on 12 September.



Note 2 | Summary of Significant Accounting Policies

2.1 Basis of preparation

The Fund's financial statements for the year ended 31/12/2016 (the "financial statements") have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("E.U."). The amounts are presented in Euro rounded to the first decimal, unless otherwise stated. Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current period.

The financial statements have been prepared under the historical cost convention, except for financial assets held at fair value through profit or loss and derivative liabilities (warrants) which have been measured at fair value. The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The use of available information and the application of judgment and assumptions are inherent in the formation of estimates in the following areas: impairment of investment securities, assessment of the recoverability of receivables from entities under liquidation, valuation of financial instruments not quoted in active markets and contingencies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Financial Statements cover the financial year from 01/01/2016 up to 31/12/2016.

The Fund's Management has reviewed the accounting policies and believes that the accounting policies adopted are the most appropriate for the circumstances of the Fund.

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 share 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 stabilize 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 Financial assets at fair value through profit or loss

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

The shares are recognized in FVTPL to eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise since the related derivatives (i.e. warrants) issued by the Fund are designated as fair value through profit or loss. The fair value designation, once made, is irrevocable. CoCos received under the recapitalization of NBG and Piraeus Bank are hybrid securities which combine a host contract with an embedded derivative not closely related, causing the cash flows of the instrument to be modified according to a variable. The host contract behaves more like equity rather than debt, as there is no predetermined maturity and its economic characteristics and risks are those of an equity instrument. The embedded derivative is the issuer's option to redeem the instrument in cash, at any time, at 100% of the notional amount and is not clearly and closely related to the host contract's economic characteristics and risks. HFSF designates the entire contract at FVTPL at initial recognition and not bifurcate the host contract.

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

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

2.3 Derivative financial liabilities

Derivative financial liabilities include the warrants issued by the Fund in the context of the systemic bank's recapitalization, which were given to private investors participating in the capital increase of the systemic Bank according to provisions of Law 3864/2010 and Cabinet Act 38/2012. The Fund designates at initial recognition respective derivative financial liabilities as at fair value through profit or loss and subsequently are re-measured at their fair value with gains/(losses) recognised in the Statement of Comprehensive Income.

Each warrant incorporates the right of its holder to purchase from HFSF shares, acquired by HFSF due to its participation in the aforementioned capital increase of the systemic bank.

The warrants do not provide voting rights to holders or owners thereof. The warrants may be exercised by the holders every six months, with the first exercise date being six months following their issuance and the last exercise date being fifty-four (54) months following their issuance.

Gains and losses realised on exercise or redemption and unrealised gains and losses from changes in the fair value are included in the financial line of "Gains/(losses) from financial instruments at FVTPL" in the statement of comprehensive income.



2.4 Investment Securities

Investment securities are initially recognised at fair value (including transaction costs) and are classified as available-for-sale or loans-and-receivables based on the securities' characteristics and management intention on purchase date. Investment securities are recognized on the trade date, which corresponds to the date during which the Fund commits to buy or sell the asset.

Available for sale investment securities are measured subsequently to initial recognition at fair value. In the case that the fair value of equity instruments cannot be reliably and subjectively measured, then these securities are recognized at cost. Unrealized gains and losses arising from changes in the fair value of available for sale investment securities are reported in other comprehensive income (OCI), until such investment is sold, collected or otherwise disposed of in any other way, or until such investment is determined to be impaired.

When an available for sale investment security is disposed or impaired, the accumulated unrealized gain or loss included in other comprehensive income is transferred from equity to the income statement for the period and reported as "gains/(losses) from investment securities". Gains and losses on disposal are determined using the moving weighted average cost method.

AFS equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment at the end of the reporting period.

Loans and receivables investment securities consist of non-derivative investment securities with fixed or determinable payments that are not quoted in an active market.

Loan and receivable investment securities are carried at amortised cost using the effective interest rate method, less any provision for impairment. Amortised cost is calculated by taking into account any fees, points paid or received, transaction costs and any discount or premium on acquisition.

Impairment: The Fund assesses at each reporting date whether there is objective evidence that an investment security or a group of such securities are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Fund about the loss events.

Impairment of Available-for-sale financial assets: In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the Income statement) is removed from equity and recognized in the Statement of Comprehensive Income. Once an impairment loss has been recognized on an equity instrument, a reversal of that impairment is not permitted. For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The cumulative loss (measured as the difference between the amortised cost and the recoverable amount, less any impairment loss on that receivable) is removed from other comprehensive income and recognized in the Income statement.

Impairment of loans and receivables investment securities is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the



original effective interest rate. In circumstances in which there is a range of possible amounts, a loss equal to the best estimate within that range is recognized. If, in a subsequent period, the fair value of a loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the statement of comprehensive income. Interest earned while holding investment securities is reported as “interest income”.

2.5 Fair value of Financial Instruments

The Fund measures the fair value of its financial instruments based on a framework for measuring fair value that categorizes financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as discussed below.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include financial securities and derivative contracts that are traded in an active exchange market. An active market, is a market in which transactions for assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis and are characterized with low bid/ask spreads.

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include financial instruments with quoted prices that are traded less frequently than exchange-traded instruments, as well as financial instruments without quoted prices and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

2.6 Receivables from Banks under liquidation

According to par. 15 of article 9 of Law 4051/2012 (A' 40) as amended by Law 4224/2013, the Fund is obliged to contribute up to 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 takes over the rights of the HDIGF as per par. 4 of art. 13A of Law 3746/2009. In this context, the HFSF's receivables include the funding gap the HFSF contributed the financial institutions which were resolved instead of HDIGF.

The decision for the resolution of a credit institution is made by the Bank of Greece (BoG). BoG decides the initial funding gap of the resolved financial institution and six months after determines the final funding gap. Upon the initial decision of the funding gap the Fund is obliged to pay the two thirds (2/3) of the amount and upon its finalisation the Fund pays the difference to the final amount. The amount paid is recorded under the financial statements line (“F/S line”) “Receivables from the banks under liquidation” and for the remaining one third (1/3) which is considered as the best estimate a provision is recognized by the Fund.



In case that BoG announces the final funding gap up to the date of the Fund's issuance of financial statements, the event is considered adjusting and a liability is recognised.

Impairment of Receivables from Banks under liquidation

The Fund assesses at each reporting date whether there is objective evidence that the receivables from banks under liquidation are impaired.

A receivable from banks under liquidation is impaired if and only if there is objective evidence of impairment as a result of one or more events that occurred and this event has impact on the estimated cash flows of the receivable that can be reliably estimated. Impairment is recognised if there is objective evidence that the Fund will not be able to receive the full amount. Objective evidence that a receivable is impaired includes observable data that come to the attention of the Fund about the following loss events:

- a. adverse economic and financial performance,
- b. existence of losses of the banks under liquidation,
- c. the existence of qualification of the audit opinion of the banks' under liquidation financial statements that might adversely affect the receivables and
- d. legal constraints arising from liquidation process, which proves that the receivables may not be recoverable.

The impairment loss is reported through financial line "Impairment of receivables from banks under liquidation" in the statement of comprehensive income. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the "Impairment of investments and receivables and provision charges for funding gap" account. The amount of the reversal is recognized in the Statement of Comprehensive Income. Subsequent recoveries are credited to the "Impairment of receivables from banks under liquidation" account in the Statement of Comprehensive Income.

2.7 Recognition of deferred profit or loss on the transaction date

There are cases where the fair value of financial instruments is determined through the use of valuation models, which are based on prices or ratios, which are not always available in the market. In these cases, initially, the financial instrument is recognized by the Fund at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. Such a difference between the transaction price and the model value is commonly referred to as "Day 1 profit or loss". The Fund does not recognize that initial difference, immediately in the income statement.

Deferred Day 1 profit or loss is amortised over the life of the instrument. Any unrecognized Day 1 profit or loss is immediately recognized in the statement of comprehensive income if the fair value of the financial instrument in question can be determined either by using market observable model inputs or by reference to a quoted price for the same product in an active market or upon settlement. After entering into a transaction, the Fund measures the financial instrument at fair value, adjusted for the deferred Day 1 profit or loss. Subsequent changes in fair value are recognized immediately in the statement of comprehensive income without reversal of deferred Day 1 profits and losses.

2.8 Derecognition

2.8.1. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either (a) has



transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

2.8.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income statement.

2.9 Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments using the effective interest rate method. Interest income includes interest coupons earned from floating income investments and interest-bearing cash balances with the BoG.

Fees and direct costs relating to acquiring a security are deferred and amortised to interest income over the life of the instrument using the effective interest rate method.

2.10 Income from CoCos

The payment of coupon from CoCos lies to the banks' sole discretion, therefore the income from CoCos is recognized in the statement of comprehensive income upon the Bank's BoD approval for payment.

2.11 Fees and commissions

Fees and commissions are generally recognized on an accrual basis over the period the service is provided. Commissions and fees arising from regulatory framework are recognised upon completion of the underlying transaction.

2.12 Property and Equipment

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Fund for use in the supply of services or for administrative purposes. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition.

Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalized, only when it is probable that they will result in future economic benefits to the Fund beyond those originally anticipated for the asset, otherwise they are expensed as incurred.

Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognized. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated, but its useful life is reassessed. Property and equipment are depreciated on a straight-line basis over their estimated useful lives. The estimated useful life of property and equipment relating to leasehold improvements and transportation means is until 30/06/2020 and for furniture and equipment up to 3 years.

At each reporting date the Fund assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the Fund estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recognized in profit / (loss) for the year.



2.13 Intangible assets

Intangible assets includes costs that are directly associated with identifiable and unique software products that are anticipated to generate future economic benefits beyond one year. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Intangible assets are amortized using the straight-line method over the useful life of the asset and up to 30/06/2020.

2.14 Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of past events and it is probable that Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and the uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

2.15 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board of the Fund, which is the chief operating decision maker responsible for the allocation of resources between the Fund's operating segments and the assessment of their performance. It is noted that the methods used to measure operating segments for the purpose of reporting to the Executive Board are not different from those required by the IFRS. Income and expenses directly associated with each segment are included in determining business segment performance.

2.16 Related Party Transactions

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

2.17 Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise of cash in hand, sight deposits in banks and deposits in the Central Bank, but excludes EFSF FRNs which are medium to long-term notes and are not considered as cash equivalents.

2.18 Operating Lease as a Lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

2.19 Tax Regime

Law 3864/2010 establishes that the Fund shall enjoy all the administrative, financial and judicial immunities applicable to the government, being exempted from any direct or indirect taxes, contributions in favour of third parties and duties of any nature, excluding VAT.

2.20 Adoption of International Financial Reporting Standards (IFRS)

New standards, amendments and interpretations to existing standards applied from 1 January 2016

- **IAS 1 (Amendments) Disclosure initiative** (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 1 clarify that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements. An entity need not provide a specific disclosure provided by an IFRS if the information resulting from that disclosure is not material. In the statement of comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method based on whether or not it



will be reclassified subsequently to profit or loss. There was no impact from the amendment of IAS 1 in the HFSF's financial statements.

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

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

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

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

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

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. There was no impact from the amendment of IFRS 11 in the HFSF's financial statements.



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

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

Specifically:

- For “market condition”, the amendment indicates that is a performance condition that relates to the market price or value of the entity’s equity instruments or the equity instruments of another entity in the same group. A market condition requires the counterparty to complete a specified period of service.
- For “performance condition”, the amendment specifies that the period over which the performance target is achieved should not extend beyond the service period and that it is defined by reference to the entity’s own operations or activities of another entity in the same group.

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

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

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

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

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

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

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

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



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

(1) Servicing contracts

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

(2) Interim financial statements

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

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

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

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

New standards, amendments and interpretations to existing standards effective after 2016.

- **IAS 7 (Amendments) Disclosure Initiative** (effective for annual periods beginning on or after 1 January 2017). The amendment requires that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Fund has not applied these amendments, but they are not expected to have a material impact on its financial statements.

- **IAS 12 (Amendments) Recognition of Deferred Tax Assets for Unrealised Losses** (effective for annual periods beginning on or after 1 January 2017, as issued by the EU). This amendment clarifies the following aspects: Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

- **IAS 40 (Amendment) Transfers to Investment Property** (effective for annual periods beginning on or after 1 January 2018 as issued by the IASB). It amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57 (a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.



- IFRS 2 (Amendment) Clarification and Measurement of share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018 as issued by the IASB). The amendment clarifies the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

- IFRS 4 (Amendment) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 as issued by the IASB, overlay approach to be applied when IFRS 9 is first applied). The amendment provides two options for entities that issued insurance contracts within the scope of IFRS 4. An option (overlay approach) that permits entities to reclassify from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial asset. An optional temporary exemption (deferral approach) from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4.

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018 as issued by the IASB). IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended (a) in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and (b) in November 2013 to include the new general hedge accounting model. In July 2014, the final version of IFRS 9, which supersedes all previous versions, was issued mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI, unless the asset is designated at "fair value through profit or loss under the fair value option. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at FVTPL, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.
- Put in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. With the exception of purchased or originated credit-impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:



- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
 - full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).
- A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15. Purchased or originated credit-impaired financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, an entity would recognise changes in lifetime expected losses since initial recognition as a loss allowance with any changes recognised in profit or loss. Under the requirements, any favourable changes for such assets are an impairment gain even if the resulting expected cash flows of a financial asset exceed the estimated cash flows on initial recognition.
 - The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of risk components that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Fund has not applied this standard and is not expecting to have material impact of IFRS 9 on the financial statements.

- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018 as issued by the IASB). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a five-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Fund has not applied this standard and is not expecting to have material impact on the financial statements.

-IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. 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 recognises a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. After lease commencement, a lessee shall measure the right-of-use 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 payable 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 recognise assets held under a finance lease as a receivable at an amount equal to the net investment in the lease. A lessor recognises 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 recognises 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 right-of-use asset at the proportion of the previous carrying amount that relates to the right of use retained. Accordingly, the seller only recognises 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 has not applied this standard and is currently evaluating the impact of IFRS 16 on financial statements.

- **Annual Improvements to IFRSs 2014-2016 Cycle** (effective for annual periods beginning on or after 1 January 2017 and on or 1 January 2018, as issued by IASB). The amendments impact the following standards:

IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose (effective for annual periods beginning on or after 1 January 2018, as issued by IASB).

IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2017, as issued by IASB).

IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition (effective for annual periods beginning on or after 1 January 2018, as issued by IASB).

The Fund has not applied these amendments and is not expecting to have material impact to the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund's financial statements.



Note 3 | Critical Accounting Estimates and Assumptions in the Application of Accounting Principles

The preparation of financial statements in accordance with IFRS requires that the management makes judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expense in the financial statements. The management believes that the judgments, estimates and assumptions used in the preparation of the financial statements are appropriate given the factual circumstances as of 31/12/2016.

The most significant areas, for which judgments, estimates and assumptions are required in applying the Fund's accounting policies, are the following:

Recoverability of receivables

The Fund assesses at each reporting date whether there is objective evidence that a receivable may not be recoverable. The Fund makes judgments as to whether there is any observable data indicating there is measurable variation in the estimated future cash flows from the receivables. This evidence may include observable data indicating that there has been an adverse economic and financial performance, existence of losses of the banks under liquidation, the existence of qualification in the audit opinion on the financial statements of the banks' under liquidation financial statements that might adversely affect the receivables and legal constraints arising from the liquidation process, which proves that the receivables may not be recoverable. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimated and realized losses.

The liquidator of credit institutions under liquidation are nominated by the Bank of Greece ("BoG") and are subject to its monitor and control. The officers and the staff of the credit institutions under liquidation have to cooperate with the liquidator and follow the instructions of the BoG. Further to that, L. 4172/2013 provides for a Special Liquidation Committee responsible for deciding upon major issues on the liquidation process which is nominated by the BoG. 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.

The recent L. 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 responsibility of the Fund and the decision making bodies of the Fund shall have no authority with respect to acts or omissions of the bodies accountable for the special liquidation proceedings of credit institutions. Therefore, the Fund has no involvement or control over the liquidation process and the recovery of any amounts, but nevertheless maintains its own independent valuation estimates over amounts to be recovered.

Fair value of financial instruments

For financial assets and financial liabilities traded in active markets, the determination of their fair value is based on quoted, market prices. Valuation techniques were used for the determination of the fair value of the EFSF and ESM Notes either disclosed in the financial statements of the Fund or contributed in kind in the context of banks recapitalization process. Similarly, CoCos issued by Piraeus Bank were valued using an option-style valuation technique in accordance with IFRS 13. Under this approach the expected cash flows are projected by developing multiple scenarios that reflect on the specific underlying characteristics of CoCos and applying decisions as if these were made by rational investors. Both market and unobservable inputs have been used in the valuation approach and several variables were taken into account as relevant. Management believes that the fair value assessment is prudent and reflective of the underlying economics.



Note 4 | 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.

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

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

Analysis by Operating Segment

Amounts in €	01/01/2016-31/12/2016			
	Systemic Banks	TCIs & Banks under Liquidation	Other	Total
Interest income	-	-	16,151,469	16,151,469
Income from CoCos	333,666,997	-	-	333,666,997
Personnel expenses	(1,716,663)	(263,510)	(698,364)	(2,678,537)
General administrative & other operating expenses	(4,137,011)	(182,845)	(1,561,742)	(5,881,598)
Impairment of receivables from banks under liquidation	-	(160,312,857)	-	(160,312,857)
Loss from financial instruments at FVTPL	(649,609,576)	-	-	(649,609,576)
Depreciation and amortization	(53,173)	(15,192)	(7,596)	(75,961)
Other income / (expenses)	-	-	10,780	10,780
Profit/(Loss) for the period	(321,849,426)	(160,774,404)	13,894,547	(468,729,283)
				31/12/2016
Total segment assets	3,767,338,955	1,862,011,241	2,747,242,765	8,376,592,961
Total segment liabilities	(5,479,253)	(73,248)	(324,531)	(5,877,032)



Amounts in €

1/1/2015-31/12/2015

	Systemic Banks	TCLs & Banks under Liquidation	Other	Total
Interest income	-	-	18,232,929	18,232,929
Personnel expenses	(1,485,663)	(492,217)	(818,655)	(2,796,535)
General administrative & other operating expenses	(1,822,145)	(209,665)	(1,454,344)	(3,486,154)
Impairment of receivables from banks under liquidations	-	(281,500,034)	-	(281,500,034)
Loss from financial instruments at FVTPL	(9,334,234,512)	-	-	(9,334,234,512)
Gain from disposal of investments	-	1,421,415	-	1,421,415
Depreciation and amortization of property, equipment and intangible assets	(59,419)	(16,977)	(8,488)	(84,884)
One-off expense	(555,600,000)	-	(286,748)	(555,886,748)
Other income			300	300
Profit/(Loss) for the period	(9,893,201,739)	(280,797,478)	15,664,994	(10,158,334,223)
				31/12/2015
Total segment assets	6,445,659,710	2,052,324,099	349,703,143	8,847,686,952
Total segment liabilities	(5,792,589)	(1,991,272)	(457,879)	(8,241,740)



Note 5 | Cash and Balances with Banks

Amounts in €	31/12/2016	31/12/2015
Cash and balances with banks	10,118	16,843
Balances with Central Bank	144,946	2,077,526
Cash management account in BoG	2,737,026,753	347,209,623
Total	2,737,181,817	349,303,992

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

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

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

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

Note 6 | Financial Assets at Fair Value through Profit or Loss

The balance includes the Fund’s participations in the four systemic banks and the CoCos issued by Piraeus Bank, as presented in the following table:

Amounts in €	31/12/2016	31/12/2015
Participations in the systemic banks	1,753,576,955	2,384,175,710
CoCos issued by Piraeus Bank	2,013,762,000	4,061,484,000
Total	3,767,338,955	6,445,659,710

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 €	Fair value	Fair value hierarchy			Fair value
	31/12/2016	Level 1	Level 2	Level 3	31/12/2015
Alpha Bank	321,432,777	321,432,777	-	-	421,246,114
Eurobank	33,592,034	33,592,034	-	-	54,163,900
NBG	916,282,909	916,282,909	-	-	1,267,278,389
Piraeus Bank	482,269,235	482,269,235	-	-	641,487,307
Total	1,753,576,955	1,753,576,955	-	-	2,384,175,710

Movement of shares

The movement of the Fund's participations in the systemic banks during 2016 is presented in the table below:

No of Shares	Alpha Bank	Eurobank*	NBG	Piraeus Bank**
Shares held as of 31/12/2015	169,175,146	52,080,673	3,694,689,182	2,307,508,300
Additions	-	-	-	-
Disposals	-	-	(35)	-
Shares held as of 31/12/2016	169,175,146	52,080,673	3,694,689,147	2,307,508,300
of which:				
Shares with restricted voting rights	169,175,146	52,080,673	134,819,987	40,841,633
Shares with full voting rights	-	-	3,559,869,160	2,266,666,667
Participation with restricted voting rights	11.01%	2.38%	1.47%	0.47%
Participation with full voting rights	0.00%	0.00%	38.92%	25.95%

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

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

In December 2016, NBG's seventh warrants exercise took place. There were 64 warrants exercised and 35 shares exchanged, resulting to the Fund receiving €2,669. The Fund realized gain amounting to €417 from the exercise of warrants reflecting the difference between the warrant's exercise price (€76.2673) and the share's issue price (€64.35 as adjusted after the reverse split).

The Fund's cumulative gain from all warrants' exercises that have taken place amounted to € 11.9m as of 31/12/2016.

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

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



Credit rating of the four banks

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

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

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 (€0.30) in the recapitalization of 2015. The same rule applies, if the HFSF decides to exercise its option on the 7th annual anniversary from the issuance date.



Embedded Optionalities

The following options are embedded into CoCos:

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

Annual Income from CoCos and Redemption of NBG's CoCos

In December 2016 the Fund received in cash the total amount of €330.96m relating to the annual coupon of CoCos issue by NBG and Piraeus Bank. Specifically, the Fund received from Piraeus Bank the amount of €165.92m on 02/12/2016 and from NBG the amount of €165.04m on 09/12/2016.

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. Following the redemption, the Fund received in cash the principal amount of €2,029m and the amount of €2.7m relating to the accrued income for the period from 09/12/2016 to 14/12/2016.

Additionally, the Fund recognized in 2016 a net gain of €2.4m corresponding to the reversal of the valuation loss recognized in 2015 in relation to CoCos issued by NBG and therefore since the initial recognition of the CoCos there is no accumulated effect except for the income received.

Fair value of CoCos

The notional amount and fair value of CoCos per bank as of 31/12/2016 and 31/12/2015 are presented as follows:

Amounts in €	Notional Amount		Fair Value	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
CoCos issued by NBG	-	2,029,200,000	-	2,026,805,000
CoCos issued by Piraeus Bank	2,040,000,000	2,040,000,000	2,013,762,000	2,034,679,000
Total	2,040,000,000	4,069,200,000	2,013,762,000	4,061,484,000

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 €	CoCos of NBG	CoCos of Piraeus Bank
Balance 1 January 2016	2,026,805,000	2,034,679,000
Unrealized loss recognized in the income statement of 2016	-	(20,917,000)
Reversal of loss recognized in the income statement of 2015	2,395,000	-
Redemption of CoCos	(2,029,200,000)	-
Balance 31 December 2016	-	2,013,762,000

Significant unobservable inputs and sensitivity analysis of CoCos' fair value

Both market and unobservable inputs have been used in the valuation approach and several variables were taken into account as relevant. The quantitative information about the significant unobservable inputs as of 31/12/2016 is presented in the following table:

Unobservable Inputs	Piraeus Bank
Volatility of CET1 ratio	42%
Long-term volatility of share price	50%
Correlation between CET1 and share prices	90%
Correlation between interest rates and share prices	40%

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

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

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

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

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

Valuation process

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



Note 7 | Property and Equipment

Amounts in €	Vehicles & equipment	Leasehold improvements	Total
Balance 1 January 2015	182,218	157,209	339,427
Additions	9,609	-	9,609
Disposals and write-offs	(59)	-	(59)
Balance 31 December 2015	191,768	157,209	348,977
Accumulated depreciation	(113,186)	(90,107)	(203,293)
Depreciation charge	(36,154)	(26,149)	(62,303)
Balance - 31 December 2015	(149,340)	(116,256)	(265,596)
Net book value 31 December 2015	42,428	40,953	83,381
Balance 1 January 2016	191,768	157,209	348,977
Additions	35,350	-	35,350
Disposals and write-offs	(822)	-	(822)
Balance 31 December 2016	226,296	157,209	383,505
Accumulated depreciation	(149,340)	(116,256)	(265,596)
Depreciation charge	(22,893)	(26,199)	(49,092)
Disposals and write-offs	310	-	310
Balance - 31 December 2016	(171,923)	(142,455)	(314,378)
Net book value 31 December 2016	54,373	14,754	69,127

Note 8 | Intangible Assets

Amounts in €	Software
Balance 1 January 2015	60,928
Additions	16,480
Balance 31 December 2015	77,408
Accumulated depreciation	(35,120)
Depreciation charge	(22,581)
Balance 31 December 2015	(57,701)
Net book value 31 December 2015	19,707
Balance 1 January 2016	77,408
Additions	41,717
Balance 31 December 2016	119,125
Accumulated depreciation	(57,701)
Depreciation charge	(26,869)
Balance 31 December 2016	(84,570)
Net book value 31 December 2016	34,555



Note 9 | 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 31/12/2016 the total amount provided by the Fund to cover funding gap reached the amount of €13,489m, out of which €516m were recovered and €11,110m were assessed as non-recoverable. During 2016 the Fund recognized in the statement of comprehensive income an impairment loss of €160m and received the total amount of €30m from ATEbank under liquidation.

The funding gap, the cumulative impairment and the collections per bank under liquidation as of 31/12/2016 are presented in the following table:

Amounts in €

Bank under Liquidation	Funding Gap	Cumulative Impairment	Cumulative Collections	Estimated Recoverable Amount
Achaiki Cooperative Bank	209,473,992	(107,300,654)	(48,000,000)	54,173,338
ATEbank	7,470,717,000	(5,747,296,497)	(345,000,000)	1,378,420,503
Dodecanese Cooperative Bank	258,547,648	(148,159,788)	(49,000,000)	61,387,860
Evia Cooperative Bank	105,178,136	(85,464,522)	(2,000,000)	17,713,614
First Business Bank	456,970,455	(414,178,813)	(7,500,000)	35,291,642
Hellenic Post Bank	3,732,554,000	(3,484,655,309)	(15,000,000)	232,898,691
Lamia Cooperative Bank	55,493,756	(30,221,547)	(10,000,000)	15,272,209
Lesvos-Limnos Cooperative Bank	55,516,733	(38,664,778)	(12,000,000)	4,851,955
Probank	562,733,502	(519,769,011)	(5,500,000)	37,464,491
Proton Bank	259,621,860	(244,760,837)	(5,018,676)	9,842,34
T-Bank	226,956,514	(224,944,714)	(2,011,800)	-
Western Macedonia Cooperative Bank	95,244,475	(65,549,884)	(15,000,000)	14,694,591
Total	13,489,008,071	(11,110,966,354)	(516,030,476)	1,862,011,241



The movement of the Fund's receivables, including impairment charges and collections, from the banks under liquidation during 2016 is presented in the following table:

Amounts in €					01/01/2016 - 31/12/2016
Bank under Liquidation	Opening balance	Additions	Collections	Impairment charges	Closing balance
Achaiki Cooperative Bank	54,173,338	-	-	-	54,173,338
ATEbank	1,509,712,229	-	(30,000,000)	(101,291,726)	1,378,420,503
Dodecanese Cooperative Bank	61,387,860	-	-	-	61,387,860
Evia Cooperative Bank	17,713,614	-	-	-	17,713,614
First Business Bank	35,291,642	-	-	-	35,291,642
Hellenic Post Bank	291,919,823	-	-	(59,021,131)	232,898,691
Lamia Cooperative Bank	15,272,209	-	-	-	15,272,209
Lesvos-Limnos Cooperative Bank	4,851,955	-	-	-	4,851,955
Probank	37,464,491	-	-	-	37,464,491
Proton Bank	9,842,347	-	-	-	9,842,347
T-Bank	-	-	-	-	-
Western Macedonia Cooperative Bank	14,694,591	-	-	-	14,694,591
Total	2,052,324,099		(30,000,000)	(160,312,857)	1,862,011,241

The movement of the Fund's receivables, including impairment charges and collections, from the banks under liquidation during 2015 is presented in the following table:

Amounts in €					01/01/2015 - 31/12/2015
Bank under Liquidation	Opening balance	Additions	Collections	Impairment charges	Closing balance
Achaiki Cooperative Bank	83,260,542	-	(10,000,000)	(19,087,204)	54,173,338
ATEbank	1,700,030,040	-	(95,000,000)	(95,317,811)	1,509,712,229
Dodecanese Cooperative Bank	117,531,421	-	(49,000,000)	(7,143,561)	61,387,860
Evia Cooperative Bank	28,252,922	-	(2,000,000)	(8,539,308)	17,713,614
First Business Bank	60,975,626	-	(7,500,000)	(18,183,984)	35,291,642
Hellenic Post Bank	367,047,367	-	(15,000,000)	(60,127,544)	291,919,823
Lamia Cooperative Bank	23,692,931	-	(4,000,000)	(4,420,722)	15,272,209
Lesvos-Limnos Cooperative Bank	20,548,979	-	(5,000,000)	(10,697,024)	4,851,955
Probank	96,954,709	-	(5,500,000)	(53,990,218)	37,464,491
Proton Bank	11,684,928	-	(694,410)	(1,148,171)	9,842,347
T-Bank	-	-	-	-	-
Western Macedonia Cooperative Bank	32,539,078	-	(15,000,000)	(2,844,487)	14,694,591
Total	2,542,518,543		(208,694,410)	(281,500,034)	2,052,324,099



Note 10 | Derivative Financial Liabilities

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

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

Amounts in €	Fair value	
	31/12/2016	31/12/2015
Alpha Bank's warrants	2,283,468	2,283,468
NBG's warrants	1,720,220	1,228,729
Piraeus Bank's warrants	843,637	843,637
Total	4,847,325	4,355,834

Fair value of warrants

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

Exercise of warrants

The warrants may be exercised semiannually with the first exercise date being six (6) months following the issuance and the expiry date being after fifty-four (54) months following the issuance. As of the date of the issuance of the Fund's annual financial statements, there is one remaining exercise for the warrants before being cancelled.

Movement of warrants

The number of warrants outstanding as of 31/12/2016 and 31/12/2015, the movement in 2016 and the number of shares corresponding to 1 warrant (multiplier), if exercised, are presented below:

	Alpha Bank	NBG	Piraeus Bank
Warrants outstanding as of 31/12/2015	1,141,734,167	245,745,725	843,637,022
Warrants exercised	-	(64)	-
Warrants outstanding as of 31/12/2016	1,141,734,167	245,745,661	843,637,022
Multiplier	0.148173663047785	0.54861592129144	0.044757733395671



Note 11 | Provisions and Other Liabilities

Amounts in €	31/12/2016	31/12/2015
Provisions	-	1,990,770
Creditors and suppliers	584,409	389,162
Taxes payable	264,805	208,939
Contributions payable to social security funds	99,180	96,051
Accrued expenses	81,313	1,200,984
Total	1,029,707	3,885,906

The amount included in the “provisions” line as of 31/12/2015 was settled in February 2016.

Note 12 | Capital

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

Following the return of notional amount of redeemed CoCos to Hellenic Republic on 20/02/2017, HFSF proceeded with the reduction of the paid in capital by the amount of €2,029,200,000 in the first quarter of 2017.



Note 13 | Interest Income

A breakdown of the Fund's interest income for the year ended 31/12/2016 and 31/12/2015 is provided in the table below:

Amounts in €	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Interest income from EFSF FRNs	-	9,033,084
Interest income from cash management account	16,151,469	9,199,845
Total	16,151,469	18,232,929

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

Note 14 | Income from CoCos

The income from CoCos per bank for the year ended 31/12/2016 is provided in the table below:

Amounts in €	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Income from CoCos issued by NBG	167,747,065	-
Income from CoCos issued by Piraeus Bank	165,919,932	-
Total	333,666,997	-

The income from NBG's CoCos comprises the annual coupon and the accrued interest for the period from 09/12/2016 to 14/12/2016, whereas the income from CoCos issued by Piraeus Bank comprises of the annual coupon. Following the repayment of CoCos by NBG on 15/12/2016, no such income from NBG will be recognized in the next years.

Note 15 | Personnel Expenses

The number of employees under payroll, including the members of the Executive Board, was 32 and 31 as of 31/12/2016 and 31/12/2015 respectively. The total personnel expenses for the year ended 31/12/2016 and 31/12/2015 are analysed in the table below:

Amounts in €	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Salaries	(2,279,724)	(2,393,673)
Employer's contribution	(398,813)	(402,862)
Total	(2,678,537)	(2,796,535)

The average number of employees, including the members of the Executive Board, for the year ended 31/12/2016 and 31/12/2015 was 32 and 31 respectively.



Note 16 | General Administrative and Other Operating Expenses

Amounts in €	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Utilities and rentals	(255,686)	(327,104)
General Council remuneration	(369,828)	(334,476)
Selection Panel remuneration	(170,170)	-
Lawyers' fees	(100,170)	(586,431)
Audit firms' fees	(46,636)	(50,369)
Advisors' fees	(4,043,200)	(1,197,251)
Professionals' fees	(111,396)	(115,026)
Custody fees	(43,264)	(184,660)
Insurance fees	(332,864)	(387,807)
Other fees	(142,061)	(111,592)
Other expenses	(266,323)	(191,438)
Total	(5,881,598)	(3,486,154)

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



Note 17 | Gain/(Loss) from Financial Instruments at Fair Value through Profit or Loss

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

The breakdown of the gain or loss by financial instrument for the year ended on 31/12/2016 and 31/12/2015 is presented in the table below.

Amounts in €	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Gain/(loss) from shares		
Alpha Bank	(99,813,334)	(3,537,451,136)
Eurobank	(20,571,866)	(919,744,696)
NBG	(350,992,812)	(2,381,890,787)
Piraeus Bank	(159,218,073)	(3,755,086,973)
Subtotal	(630,596,085)	(10,594,173,592)
Gain/(loss) from warrants		
Alpha Bank	-	1,070,959,621
NBG	(491,491)	38,091,025
Piraeus Bank	-	158,604,434
Subtotal	(491,491)	1,267,655,080
Gain/(loss) from CoCos		
NBG	2,395,000	(2,395,000)
Piraeus Bank	(20,917,000)	(5,321,000)
Subtotal	(18,522,000)	(7,716,000)
Total	(649,609,576)	(9,334,234,512)

Following the sale of 35 shares of NBG in the context of warrants exercise, the Fund's realised gain in 2016 amounted to €2,657 and it is recognized in the gain/loss from shares of NBG in the above table. After the repayment of CoCos by NBG the net gain of €2.4m corresponds to the reversal of the valuation loss recognized in 2015 in relation to CoCos issued by NBG and therefore since the initial recognition of the CoCos there is no accumulated effect except for the income received.



Note 18 | One-off Expense

Pursuant to the provisions of par. 7 art. 16c of Law 3864/2010, all financial institutions that have received a capital support from HFSF paid an one-off amount totaling €555.6m, which was recognised in 2012 Financial Statements as one-off income fee and actually received by the Fund in December 2012. On 19/03/2015, according to the art.35 of Law 4320/2015, HFSF transferred this amount and the relevant accrued interest totaling to €555.9m from the HFSF account held in BoG to the Hellenic Republic.

Note 19 | Commitments, Contingent Liabilities and Contingent Assets

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

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

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 received a consideration of €90.1m in cash subject to adjustments under the terms of 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 20 | 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 year ended on 31/12/2016 and 31/12/2015 and the balances outstanding as of 31/12/2016 and 31/12/2015 are presented below.

Transactions with key management personnel

The members of the Executive Board and the General Council, as well as close relatives or companies controlled individually or jointly by them, did not enter into transactions with the Fund.

The gross remuneration paid in 2016 amounted to €686.8k (2015: €759.5k). Furthermore, for the members of the Executive Board an amount of €49.3k (2015: €58.6k) 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.



In the context of NBG's and Piraeus Bank's recapitalization in 2015, HFSF contributed to the banks's share capital ESM notes in order to fully cover the capital needs under the adverse scenario of NBG and Piraeus Bank. The fair value of the ESM notes amounted to €2,706m and €2,720m for NBG and Piraeus Bank respectively. In return, the Fund received the amount of € 677m and €680m in NBG's and Piraeus Bank's common shares respectively and the amount of €2,029m and €2,040m in the form of Contingent Convertible bonds ("CoCos"), issuance of NBG and Piraeus Bank respectively. HFSF also received the amount of €391.5m in common shares of NBG, after the mandatory conversion of the bank's preference shares.

In December 2016 the Fund received in cash the total amount of €330.96m relating to the annual coupon of CoCos issued by NBG and Piraeus Bank. Specifically, the Fund received from Piraeus Bank the amount of €165.92m on 02/12/2016 and from NBG the amount of €165.04m on 09/12/2016. 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. Following the redemption, the Fund received in cash the principal amount of €2,029m and the amount of €2.7m relating to the accrued income for the period from 09/12/2016 to 14/12/2016. Additionally, the Fund recognized in 2016 a net gain of €2.4m corresponding to the reversal of the valuation loss recognized in 2015 in relation to CoCos issued by NBG and therefore since the initial recognition of the CoCos there is no accumulated effect except for the income received.

The fair value of the shares held by the Fund as of 31/12/2016 amounted to €1,753.6m (31/12/2015: €2,384.2m) and the fair value of CoCos as of 31/12/2016 amounted to €2,013.8m (31/12/2015: €4,061.5m).

The custody fees, paid to the systemic banks, relating to shares held by HFSF, for the year ended on 31/12/2016 and 31/12/2015 amounted to €43.3k and €138.3k respectively.

Transactions and balances relating to transitional credit institutions

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

Note 21 | Independent Auditor's Fees

KPMG Certified Auditors SA and Deloitte Certified Public Accountants SA have served as the independent statutory auditor for the year ended 31/12/2016 and 31/12/2015 respectively. The following table presents the aggregate fees (excluding VAT) for professional audit and other services rendered to the Fund by the aforementioned auditing firms.

Amounts in €	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Audit and review fees for statutory audit of financial statements	37,000	40,000
Other audit related fees	-	-
Total	37,000	40,000



Note 22 | Risk Management

The HFSF has organized its risk management function, in accordance with its statutory provisions and international best practices. Roles and responsibilities are clearly identified, whereas potential risks, to which the HFSF is exposed to in the course of fulfilling its mandate, are identified, assessed, monitored and effectively mitigated.

During 2016, the HFSF, was exposed to the following risks:

a. Investment Risk

As a result of its participation in the Supported Credit Institutions ("SCIs"), the HFSF undertakes (directly) investment risk and it is exposed (indirectly) to all banking risks that an SCI assumes. As such, the value of the HFSF's investment is directly related to the risk-return profile assumed by the SCIs.

For the purposes of HFSF, investment risk is defined as the risk that:

- An adverse deviation from the approved SCI's business/restructuring plans occurs, and/or
- The HFSF's investments in SCIs do not yield the expected return.

It is acknowledged that an adverse deviation from an approved SCI restructuring plan may result from two main sources:

- **Factors internal to the SCI:** refers to business/restructuring plan potential deviations due to:
 - Failure of SCI's management to successfully implement internal strategies/measures to comply with the agreed restructuring plan, and/or
 - Failure of the SCI's risk management, corporate & risk governance and/or internal control framework;
 - Failure of SCI's management to successfully implement Non Performing Exposures (NPE) strategies and fulfil the agreed operational targets.
- **Factors external to the SCI:** refers to adverse business/restructuring plan or/and NPE strategies deviations due to adverse realisation of macroeconomic projections, changes in legal/judicial system and/or the occurrence of an unforeseeable event that significantly affects the SCI's valuation.

In particular, investment risk definition includes the following categories of investment risk sources:

- **Equity Price Risk** - refers to potential losses arising from adverse movements related to shares owned in systemic banks, warrants and Contingent Convertibles (CoCos) valuation. The HFSF's price risk is mainly attributable to:
 - The value of the Fund's equity participations in the four systemic banks.
 - The value of the warrants that the HFSF has issued with the HFSF's shares in the systemic banks as the underlying assets.
 - The potential conversion to equity, the HFSF is exposed to variations in the share prices of the issuing banks, as this would influence the value of their claim when conversion occurs. This equity risk from the potential conversion is reflected in the CoCos valuation.
- **Optionality Risk** - refers to potential losses from cancelation of CoCos interest payment. Such payments (either in whole or in part) are entirely at the issuer's discretion. Any such interest elected not to be paid shall be cancelled and shall not accumulate or be payable at any time thereafter. The risk of coupon cancellation is reflected in the value of CoCos. It also refers to potential losses in case of debt to equity (e.g. CoCos) conversion event is triggered.
- **Interest Rate Risk** - refers to potential losses from adverse movements in interest rates. The HFSF is exposed to interest rate risk in the following ways:
 - In case of no conversion, CoCos are similar to a fixed income instruments and their fair value is sensitive to interest rate movements.
 - Coupon income expected from CoCos.
 - Interest income expected from Cash Management Account (CMA) at the Bank of Greece (BoG).
 - Interest income expected from its deposits at interest bearing account held in BoG.



b. Recovery Risk

Recovery risk is defined as the risk of the Fund will not recover its claims against entities under liquidation. These claims arose due to the HFSF's payment, on behalf of the Hellenic Deposit Insurance Guarantee Fund (TEKE), of funding gaps created as a result of specific credit institutions' resolution process. The HFSF's payment of funding gaps is obligatory according to Laws 4051/2012 and 3601/2007. According to the HFSF Law, 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. The decision making bodies of the Fund have no authority with respect to acts or omissions of the bodies accountable for the special liquidation proceedings of credit institutions. Consequently, the HFSF does not possess any kind of control or influence on the management of liquidation entities. Given the volatile nature of market conditions, as well as, the operational capacity of liquidation entities, the Fund acknowledges that there is a risk of not recovering any and all such claims in full.

c. Liquidity Risk

Liquidity risk is related to the Fund's potential inability to meet its liabilities when they come due, or to meet its commitments to make payments. The HFSF is monitoring its liquidity position on a regular basis. The Fund is not exposed to material liquidity risk.

d. Operational Risk

As a result of its operations in the course of achieving its objectives, the Fund is also exposed to operational and reputational risk:

Operational risk is defined as the risk of direct or indirect financial loss or reputational damage resulting from inadequate or failed internal processes, people and systems or from external events. In particular, this definition includes the following categories of operational risk sources:

- **Processes** - refers to losses or reputational damage incurred due to a deficiency in an existing process or procedure, or the absence of a process or procedure documentation. Losses or reputational damage in this category can result from human error, failure to follow an existing procedure or the absence of an adequate process. Process-related losses are unintentional.
- **People** - refers to losses or reputational damage associated with intentional violation of internal policies by current or former employees.
- **Systems** - reflects losses or reputational damage caused by breakdowns in existing systems or technology. Losses in this category are unintentional. If intentional technology-related losses occur, they would be categorized in either the People or External events category.
- **Models** - refers to potential errors of CoCos valuation model producing inaccurate outputs leading to wrong risk estimates and/or misstatements in the HFSF's Financial Statements.
- **External events** - reflects to losses occurring as a result of natural or man-made external forces, or the direct result of a third party's action.

At the HFSF, operational risk definition includes Legal & Compliance and IT risks, in line with best practices.

- **Legal and compliance risk** is the risk of loss or reputational damage arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, internal by-laws, or ethical standards.
- **IT risk** is the risk of loss arising from inadequate information technology and processing in terms of manageability, exclusivity, integrity, controllability and continuity, or arising from an inadequate IT strategy and policy or from inadequate use of the institution's information technology

Lastly, within the Fund it is acknowledged that, **reputational risk** may also be present, defined as the risk arising from adverse perception of the image of the HFSF, whether true or not, on the part of the HFSF's stakeholders, contractual counterparties, the public or the regulatory authorities. At the HFSF, reputational risk could emerge from operational risk, investment risk and/or other external actions and events.



Note 23 | Post Balance Sheet Events

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

Return of €2Bn to the Hellenic Republic in February 2017 following NBC's successful repayment of the CoCos

The HFSF following the repayment of €2Bn of Contingent Convertible Bonds (CoCos) from National Bank of Greece, transferred these funds to the Hellenic Republic according to the procedure of art. 12, par. 6 of Law 3864/2010 and reduced its paid in capital by an equal amount. The successful implementation of the banks restructuring plan during 2016 led to the repayment of the financial assistance provided by the Fund, and the equivalent reduction of the Hellenic Republic's debt.

Collections from liquidations

In May of 2017 the Fund received a total amount of €139.8m from the banks under liquidation. The amounts received per Bank under liquidation are presented in the following table:

Amounts in €	
Bank under Liquidation	Cumulative Collections in 2017
Achaiki Cooperative Bank	4,000,000
ATE Bank	86,500,000
Dodecanese Cooperative Bank	23,000,000
Evia Cooperative Bank	200,000
First Business Bank	5,000,000
Hellenic Post Bank	3,500,000
Lamia Cooperative Bank	2,500,000
Lesvos-Limnos Cooperative Bank	300,000
Probank	8,000,000
Proton Bank	3,472,051
T-Bank	1,341,200
Western Macedonia Cooperative Bank	2,000,000
Total	139,813,251

Exchange of ESM/EFSF notes

During January 2017, the HFSF entered into the ESM/ EFSF notes exchange transaction. This transaction is part of the short term debt relief measures and the HFSF undertook the role of coordinator in the implementation of the transaction until completion (expected within a year from inception i.e. end of December 2017/early 2018).

Composition of the General Council and Executive Board

On 22/03/2017, Mrs. Marica S. Ioannou - Frangakis was appointed by the Minister of Finance as non-executive member of the General Council, representative of Minister of Finance, replacing Mrs. Kerasina Raftopoulou who resigned on 28/02/2017.

On 03/05/2017 Mr. Panagiotis Doumanoglou was nominated by the BoG as executive member of the Executive Board, replacing Mr. Dimitris Frangetis who submitted his resignation effective as of 24/04/2017.

On 12/06/2017, Mr. Martin Czurda assumed his responsibilities, following his appointment as CEO by the Minister of Finance on 18/05/2017.

On 01/09/2017, Mrs. Dagmar Valcárcel, non-executive member of the General Council, submitted her resignation.



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