

ANNUAL FINANCIAL REPORT 2018



**HELLENIC
FINANCIAL
STABILITY FUND**

FOR THE YEAR
ENDED 31.12.2018
JUNE 2019

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CHAIRMAN'S FOREWORD

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In 2018, the Hellenic Financial Stability Fund (HFSF) completed successfully a series of initiatives that were primarily aimed at ensuring the stability of the Greek banking system and adding to the value of its investments in Greek systemic banks.



At the same time, Greek systemic banks continued their efforts to strengthen their organic profitability, to reduce operating costs as well as the high amount of non-performing loans.

Following the completion of the stress tests by the European Central Bank in May 2018, the Greek systemic banks were characterized as adequately capitalized. In addition, Eurosystem funding fell notably; their dependence on the emergency liquidity assistance (ELA) declined sharply at the end of 2018¹, while their liquidity was considerably strengthened. The growing confidence in the prospects of Greek banks contributed as per the above-mentioned, with evidence the continued return of deposits and the increasing access of Greek banks to the interbank and capital markets. During 2018 efforts towards the further reduction of the operating costs continued by rationalizing the branch network and the Voluntary Exit Schemes, the results of which are expected to become visible in the next few years.

On the other hand, the profitability of Greek banks remains weak, while the high stock of non-performing loans significantly restricts their lending activity. The non-performing loans constitutes the main challenge for the Greek banks, and in this respect the HFSF has designed the Hellenic Asset Protection Scheme (H-APS)² as an optimal solution.

In addition, the HFSF has successfully completed the divestment exit strategy of its shares in the Greek systemic banks, which sets the conditions and the process of the divestment framework concerning the return of banks to the private sector³.

The contribution of the HFSF towards the further enhancement of the corporate governance of banks was also significant, with initiatives such as the issue of guidelines for the selection and appointment of the members of the Boards and the encouragement towards banks to set up Ethics Committees at the level of the Boards.

The HFSF continues to successfully carry out both its institutional role, as derived from the Relationship Framework Agreements with systemic banks, and its position as a shareholder, fully exercising its rights and actively participating in the meetings of the Boards of Directors of the banks, through its representatives. Finally, the HFSF closely monitors the timetable for the implementation of the restructuring plans of the systemic banks, while two banks have already completed their commitments.

In the forthcoming years, the HFSF as major shareholder of the banks, aims to play an active role by supporting the systemic banks in their strategic transformation with the ultimate goal of increasing the value of its investments and the maintenance of the financial stability.

Chairman of HFSF

Andreas Verykios

¹ Dependence on the emergency liquidity assistance was reduced to zero in March 2019.

² The Hellenic Asset Protection Scheme has been submitted by the Ministry of Finance to DG Comp and European Stability Mechanism for consideration in February 2019

³ The HFSF divestment strategy has been sent to the MinFin at the end of November 2018.



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 December 31st, 2022. 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:

- i. with the relevant commitments under the Memorandum of Understanding (MoU),
- ii. in compliance with the obligations arising from the Master Financial Facility Agreement (MFAFA) signed on 15/03/2012 and
- iii. 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 such a way, as to protect the value of such assets, to minimize the risks for the Greek public and neither prevent nor distort 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:

- a. **Provides capital support to credit institutions** according to the provisions of the present Law in compliance with EU state aid rules.
- b. **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.
- c. **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.
- d. **Disposes in whole or partially, of financial instruments issued by the credit institutions in which it participates**, according to the provisions of Article 8.
- e. **Provides loan to the Hellenic Deposit and Investment Guarantee Fund (HDIGF) for resolution purposes** according to the provisions of article 16.
- f. **Facilitates the management of the non-performing loans** of the credit institutions.
- g. **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.
- h. **Exercises its shareholding rights deriving from the transfer to it of the common shares or cooperative shares in credit institutions**, according to the last subpar. of par. 6 of art. 27A of L.4172/2013 (A' 167), as these rights are defined in this Law and in the relationship framework agreements of the previous subparagraph g, 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. The previous subparagraph g is applicable proportionally also for the common shares or cooperative shares of this subparagraph.
- i. **Exercises the voting rights** deriving from the participation of entities of the General Government in the share capital of credit institutions, which is assigned to it either by virtue of legislative or regulatory provisions, or by virtue of decisions of the competent each time administrative bodies of the said entities, according to this Law and special agreements entered into with the above entities for this purpose.



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 (Government Gazette A 134/1.11.2015) and Law 4346/2015 (Government Gazette A 152/20.11.2015) the Fund may grant a resolution loan as defined in the new FAFA of 19/08/2015 to the HDIGF for the purposes of funding bank resolution costs, subject to the provisions of the aforementioned facility agreement and in line with the EU State aid rules.

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 2018

KEY MILESTONES

HFSF's strategic initiative – Hellenic Asset Protection Scheme

The need for a systemic structural solution to address both the reduction of NPLs as well as the root causes is of paramount importance for the Greek banking system and a top priority for HFSF.

As such, HFSF has explored a number of potential options for the acceleration of the NPL resolution. Provided that the underlying objective is to ensure that conditions triggering State Aid are ruled out and that Banks will be able to achieve accounting derecognition and Significant Risk Transfer (SRT), it was decided that the most beneficial approach for all stakeholders, at this time, would include off balance sheet protection, i.e. the proposed solution of a Hellenic -Asset Protection Scheme (H-APS).

The proposed a H-APS will be a voluntary scheme for banks, to be implemented on a complementary basis to other NPL strategic initiatives, so that it will help banks gradually wind down their NPLs. H-APS foresees securitisations of NPL/NPEs partly backed by the Hellenic Republic (senior tranche). Support is provided in the form of a guarantee (on the performance of a specific NPE portfolio) on a selected portfolio and perimeter of assets.

The project was revived in 2018 in cooperation with the Ministry of Finance, with the overarching aim being, to:

- ✓ Reduce banks' NPLs at an affordable cost and strengthen their balance sheet in the short term, while in parallel, minimise capital impact¹ and
- ✓ Support the real economy and shield the financial stability of the banking system, by boosting the development of an NPL market of size in the longer term.

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

As a result of 2016 review, banks have notably improved their governance, succeeding to attract new highly skilled and experienced board members, as well as, gradually implementing the Fund's recommendations on corporate governance improvement.

On 6th of March 2018, HFSF published its revised Guidelines on the Board of Directors' selection and appointment process in order to assist banks to improve their Board nomination policies, whilst ensuring a formal and transparent selection and appointment process for Board members.

¹ Through better pricing due to the guarantee that would potentially improve portfolio sale price.



As of December 10, 2018, and since the enactment of the amended HFSF Law in November 2015, 67% of total Board members & 79% of total non-executive directors have been replaced respectively; while banks have succeeded in bringing international experience in their Boards by having c.71% of foreign NEDs.

HFSF's priority in the establishment of a Board of Directors Ethics Committee in Systemic Banks

HFSF took the initiative in proposing the establishment of a Board Ethics Committee at the four systemic Banks in 2018. By December 2018, NBG and Piraeus Banks had established their Board Ethics Committees.

Eurobank and Alpha Bank are still in the evaluation phase in establishing an Ethics Committee, following HFSF's presentation in their respective Boards in December 2018; the main roles and responsibilities of an Ethics Committee, may be outlined as follows:

- Safeguard bank's reputation, ensure prudent decision making;
- Review and approve the set of policies which form the core ethics policies of the bank and reflect its values and ethics mentality;
- Have the overview of the key policies in ethics, compliance (e.g. code of conduct, conflict of interests, whistle blowing) and responsible banking, their implementation and the general compliance culture of the Bank.
- Monitor the Whistleblowing and customer complaint policies & procedures (via Compliance).
- Review major cases of misconduct and conflicts of interests related to BoD's members and Senior Management;
- Review of internal forensic investigations and litigation cases;
- Oversee Bank's Corporate Social Responsibility (CSR) and Responsible Banking policies, environmental policies and other related projects and activities of the Bank;
- Promote best practices and ethical behaviour considering the interests of customers, personnel and eventually of the society;
- Support on request, Risk Committee in monitoring material legal and reputational risks.

PROCEEDS RECEIVED

€91million of receivables
from banks under liquidation

During 2018, the Fund received €91.1 million
from banks under liquidation.



EXERCISE OF WARRANTS

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

AMENDMENTS TO THE HFSF LAW

On 14/06/2018, some articles of HFSF Law 3864/2010 were amended according to article 114 of L. 4559/2018. The main amendments were the extension of the Fund's mandate from June 2020 to end-2022 and the widening of its objectives through the ipso jure transfer of any future ordinary shareholdings of the state in banks to the Fund. Specifically, following potential conversions of deferred tax credits (DTCs) the HFSF will receive all ownership rights, including voting rights, to the bank shares that the Greek State would receive, while the economic benefit from the shares, including any proceeds from their sale, will be retransferred to the State, upon request.

Moreover, according to article 114 of Law 4549/2018, a new subparagraph in paragraph 2, article 2 of Law 3864/2010 (Objective of the Fund) has been inserted providing that the HFSF exercises the voting rights deriving from the participation of entities of the General Government in the share capital of credit institutions, which are assigned to it either by virtue of legislative or regulatory provisions, or by virtue of decisions of the competent each time collective administrative bodies of the said entities, according to this Law and special agreements entered into with the above entities for this purpose.

The unofficial codification of HFSF Law as well as the detailed recent amendments of L. 4559/2018 are presented in the Fund's website (http://hfsf.gr/en/hfsf_law.htm).

Amendment of L. 4549/2018

According to article 114 of Law 4549/2018, a new paragraph in article 70 of Law 4387/2016 (Assets of EFKA) has been inserted providing that the voting rights deriving from the common shares of EFKA in credit institutions, are exercised by the HFSF, if the participation of EFKA in the share capital of the said credit institutions exceeds 33%, per credit institution, and only for the exceeding percentage. As a result of this amendment, HFSF obtained the voting rights corresponding to 13.16% of Attica Bank's share capital. Based on the special agreement between EFKA and HFSF signed on 31.07.2018, the ownership of the 13.16% of common shares and all other rights besides the voting rights remain with EFKA while HFSF acts as a common shareholder during the exercise of its voting rights and undertakes no other obligation and obtains no other right besides what corporate law provides for common shareholders during the exercise of their voting rights.



4th MFAFA Amendment

In line with the EFSF Board of Directors approval (November 2018) of the implementation of a set of medium-term debt relief measures for Greece agreed at the Eurogroup meeting of June 22nd, 2018 the MFAFA was amended accordingly so as to provide for (i) a mechanism abolishing the step up interest rate margin related to the DBB Instalment applicable only in the event that Greece (a) continued the implementation of the key reforms under the ESM programme and (b) was in compliance with the each time as the case may be agreed reform measures and policy commitments during the post programme surveillance period and (ii) the reprofiling of the loans both in terms of interest payment deferral and extension of maturities. Such amendment agreement (the 4th Amendment) was executed on December 21st, 2018.

Cancellation of Piraeus Bank's CoCos interest payment

On 28/11/2018, Piraeus Bank's Board of Directors considering also the Bank's strategy to safeguard capital and build up further buffers vs capital requirement levels, exercised its discretion, explicitly provided under the terms of the CoCos Programme, to cancel the interest payment of the year 2018. It is further noted that, such a non payment results in cancellation of the respective amount, which under the CoCos Programme, is no longer considered as due and payable by the Bank. For further information related to the main terms of the CoCos in note 6.

Completion of ESM/EFSSF bonds exchange

In January 2018 the exchange of €29.6 billion of ESM/EFSSF Notes held by the four systemic banks as agreed with ESM was completed. This transaction is part of the short-term debt relief measures. The Fund undertook the role of the coordinator in the implementation of the transactions up to the completion of the exchange of the ESM bonds.



SIGNIFICANT EVENTS OCCURRED IN 2019

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

Banks' NPL Management/Facilitation

HELLENIC-ASSET PROTECTION SCHEME (H-APS)

Within January & February 2019, HFSF continued coordinating the four systemic banks in an effort to get the banks' feedback on the HFSF's proposed pricing methodology for the H-APS. The four systemic banks prepared an all-encompassing presentation focusing on the proposed pricing methodology of the guarantee fee based on a universe of Greek Bonds which was based on HFSF's methodology. On the 14th of February the Ministry of Finance sent to HFSF the presentation with the final pricing methodology for HFSF's comments, before this was sent to DG Comp on the 15th of February.

Banks' Corporate Governance

CORPORATE GOVERNANCE RECOMMENDATIONS

The HFSF in close cooperation with the systemic Banks has started the Q1 2019 review of all four Banks' progress towards the implementation of the recommendations for the improvement of Greek systemic banks' corporate governance arrangements, as these have been identified during the HFSF's evaluation of the Banks' governance framework and Boards' performance. Over the coming two months, HFSF will review provided evidence by Banks, where required discuss with Banks in meetings the requirements and facilitate Banks's efforts in planning corrective actions.

BOARD OF DIRECTORS ETHICS COMMITTEE

Following the establishment of a Board of Directors' Ethics Committee in NBG and Bank of Piraeus in 2018, the HFSF concentrated its effort to guide and assist the other systemic banks towards implementation of such a committee. Late January 2019, HFSF has presented to the BoD of Alpha Bank the benefits of a BoD Ethics Committee establishment. Regarding Eurobank, following HFSF's presentation last year to the bank's BoD, the Bank will proceed following the assumption of duties of its new Chairman of the Board.



FINANCIAL OVERVIEW



KEY FINANCIAL INDICATORS

STATEMENT OF FINANCIAL POSITION		
AMOUNTS IN € MILLIONS	31/12/2018	31/12/2017
Cash and balances with Banks	1,168	1,036
Financial assets at fair value through profit or loss	2,415	3,812
Receivables from banks under liquidation	1,560	1,651
Other assets	-	14
TOTAL ASSETS	5,144	6,515
TOTAL LIABILITIES	1	2
Capital	42,164	42,164
TOTAL EQUITY	5,143	6,513

€ 132 MILLION INCREASE IN CASH AND BALANCES WITH BANKS AS COMPARED TO 31/12/2017 RESULTING FROM:

- € 91m collections from banks under liquidation
- € 49m relating to the proceeds of the cash management account
- € 8m 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 31/12/2018 the market value of shares amounted to € 0.7 billion versus € 1.9 billion as of 31/12/2017.

The value of Piraeus Bank CoCos amounted to € 1.7 billion as of 31/12/2018 versus € 1.9 billion as of 31/12/2017 based on the valuation performed by an independent valuation expert.

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 € 1,560m as of 31/12/2018 versus €1,651m as of 31/12/2017.

During 2018, the Fund collected from the banks under liquidation the amount of €91.1m. **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 2018, the loss amounted to €1,370m and the accumulated loss increased to € 37,021m from € 35,651m as of 31/12/2017. **The capital amounted to € 42,164m as of 31/12/2018.**

STATEMENT OF COMPREHENSIVE INCOME		
AMOUNTS IN € MILLIONS	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Interest income	34	35
Income from CoCos	-	165
Personnel expenses	(3)	(3)
General administrative & other operating expenses	(4)	(5)
Impairment of receivables from banks under liquidation	-	(71)
Gain/(Loss) from financial instruments at fair value through profit or loss	(1,396)	50
Profit/(Loss) for the period	(1,370)	171

€34 MILLION INTEREST INCOME:

Interest income amounted to €34m versus €35m in 2017. The interest income of 2018 represents the proceeds from the Fund's deposits in the cash management account.

Further information is provided in Note 13.

NO INCOME FROM COCOS:

The Fund did not receive the annual coupon of CoCos from Piraeus Bank.

Further information is provided in Note 14.

PERSONNEL EXPENSES:

During 2018, the personnel expenses amounted to €3.2m versus € 2.9m in 2017.

Further information is provided in Note 15.

GENERAL ADMINISTRATIVE AND OTHER OPERATING EXPENSES:

The Fund had general administrative and operating expenses €4.1m including the advisory fees in relation to the sales of NBG's and Piraeus's subsidiaries and some additional projects undertaken by HFSF.

Further information is provided in Note 16.

IMPAIRMENT OF RECEIVABLES FROM BANKS UNDER LIQUIDATION:

The impairment Gain/(Loss) of receivables from banks under liquidation amounted to nil at 31.12.2018 versus € 71m loss at 31.12.2017.

Further information is provided in Note 9.



Losses from financial instruments at fair value through profit or loss

THE LOSS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AMOUNTED TO €1.4 BILLION:

The €1.4bn loss in 2018 corresponds to the financial result from the revaluation of bank's shares, warrants and CoCos held by the Fund.

The €1.4bn loss is mainly due to the revaluation loss of the Fund's participation in the four systemic banks and the valuation of CoCos and specifically:

- a. the revaluation result of shares (2018: €1,162m loss, 2017: €126m gain)
- b. the revaluation result of warrants (2018: €0.8m gain , 2017: €4m gain)
- c. the revaluation result of CoCos (2018: € 235m loss, 2017: € 80m loss)

Further information is provided in Note 17.



OVERVIEW OF THE FUND'S PORTFOLIO

As of the end of December 2018, 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 10.96% In full restricted voting rights	Eurobank 2.38%* In full restricted voting rights
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*Following the merger between Eurobank and Grivalia Properties REIC, on 23.05.2019, HFSF's participation changed to 1.40% (Note 22).

During the course of 2018 there was no change in the HFSF's shareholdings. Due to market volatility the stock prices were down by 73 % for Piraeus Bank, by 66% for NBG, by 38% for Alpha Bank and by 36% 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 Relationship Framework Agreement as in force. The current Representatives for each Bank are presented in the below tables²:

NBG Mr. Periklis Drougas	Piraeus Bank Mr. Per Anders Fasth	Alpha Bank Mr. Frederic-Jan Umbgrove	Eurobank Ms. Aikaterini Beritsi
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² Pre & Post events:
In July 2018 Mr. Periklis Drougas replaced Mr. Christoforos Koufalias



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:

1. Enhance governance standards which ensure that banks' are setting up an efficient and adequate internal control system.
2. 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.
3. Reduce banks' funding costs.
4. Optimize generating costs by streamlining the banks' platforms and operations.
5. Complete their divestment commitments refocusing their resources into Greek banking operations.



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.

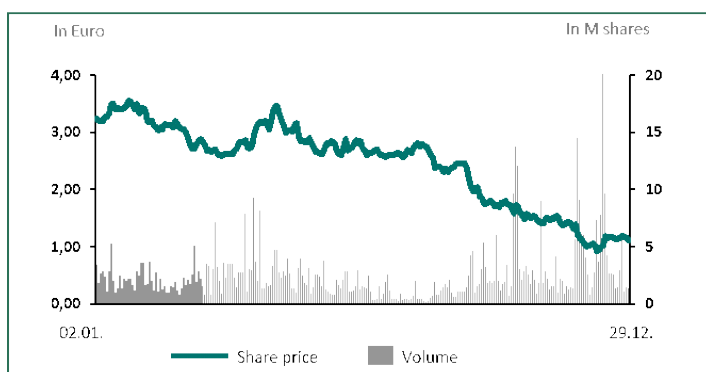
NBG and its subsidiaries provide a wide range of financial services including retail and commercial banking, asset management, brokerage, investment banking, insurance, real estate and other services.

The Group operates in Greece, United Kingdom, Romania, FYROM, Cyprus, Malta, Egypt, Bulgaria and Australia.

The table and the graph below provide an overview of the key financial results for NBG and its share price performance for 2018, respectively:

Key financial figures ³	
Asset size figures	
Total assets (€ billion)	65.1
Gross Loans (€ billion)	39.6
Deposits (€ billion)	43.0
Equity (€ billion)	5.6
Liquidity	
Loans to Deposits Ratio (%)	70.0
Eurosystem Funding (€ billion)	2.3
o/w ELA exposure (€ billion)	0.0
Profitability	
NIM (%)	2.67
Recurring Cost to Income Ratio (%)	66.6
Asset quality	
NPE Ratio (%)	40.9
NPE Coverage (%)	59.1
Cost of Risk (%)	113.0
Capital	
CET1 (%)	16.1

NBG'S SHARE PRICE PERFORMANCE⁴



³ As included in Bank's published financial information for the year ended 31/12/2018

⁴ 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, Bulgaria, 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 2018, respectively:

Key financial figures ⁵	
Asset size figures	
Total assets (€ billion)	61.9
Gross Loans (€ billion)	53.1
Deposits (€ billion)	44.7
Equity (€ billion)	7.5
Liquidity	
Loans to Deposits Ratio (%)	85.0
Eurosystem Funding (€ billion)	3.2
o/w ELA exposure (€ billion)	0.0
Profitability	
NIM (%)	2.4
Recurring Cost to Income Ratio (%)	53.5
Asset quality	
NPE Ratio (%)	53.1
NPE Coverage (%)	48.8
Cost of Risk (%)	157.0
Capital	
CET1 (%)	13.7

PIRAEUS BANK'S SHARE PRICE PERFORMANCE⁶



⁵ As included in Bank's published financial information for the year ended 31/12/2018

⁶ Source: Bloomberg.



ALPHA BANK

OVERVIEW

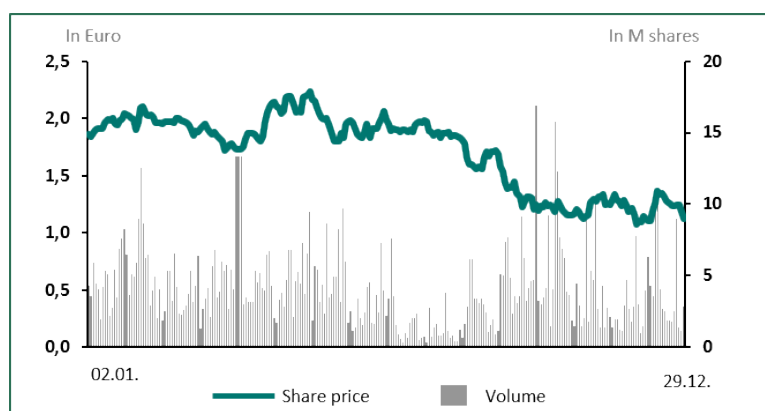
Alpha Bank is a Bank registered in Greece and its headquarters are located in Athens (www.alpha.gr).

Its shares are listed in the Athens Exchange and in the form of American depositary 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, 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 2018, respectively:

Key financial figures ⁷	
Asset size figures	
Total assets (€ billion)	61.0
Gross Loans (€ billion)	52.5
Deposits (€ billion)	38.7
Equity (€ billion)	8.1
Liquidity	
Loans to Deposits Ratio (%)	104.0
Eurosystem Funding (€ billion)	3.4
o/w ELA exposure (€ billion)	0.3
Profitability	
NIM (%)	2.9
Recurring Cost to Income Ratio (%)	53.4
Asset quality	
NPE Ratio (%)	48.9
NPE Coverage (%)	48.0
Cost of Risk (%)	296.0
Capital	
CET1 (%)	17.4

ALPHA BANK'S SHARE PRICE PERFORMANCE⁸



⁷ As included in Bank's published financial information for the year ended 31/12/2018

⁸ Source: Bloomberg



EUROBANK

OVERVIEW

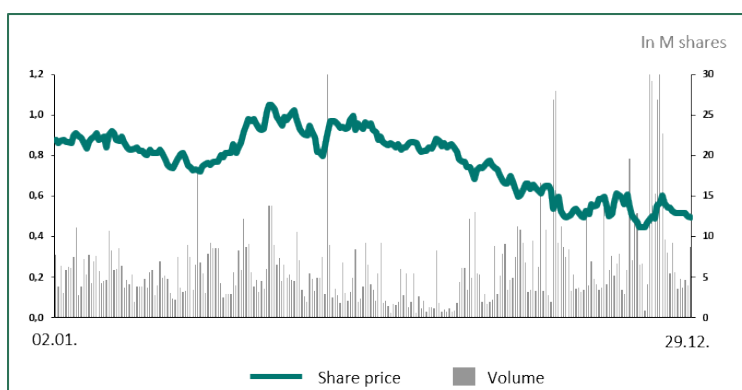
Eurobank Ergasias S.A. (Eurobank) is a Bank registered in Greece and its headquarters are located in Athens (www.eurobank.gr).

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, Bulgaria, Serbia, and Cyprus.

The table and the graph below provide an overview of the key financial results for Eurobank and its share price performance for 2018, respectively:

Key financial figures ⁹	
Asset size figures	
Total assets (€ billion)	58.0
Gross Loans (€ billion)	45.0
Deposits (€ billion)	39.1
Equity (€ billion)	5.0
Liquidity	
Loans to Deposits Ratio (%)	92.6
Eurosystem Funding (€ billion)	2.0
o/w ELA exposure (€ billion)	0.5
Profitability	
NIM (%)	2.5
Recurring Cost to Income Ratio (%)	47.6
Asset quality	
NPE Ratio (%)	37.0
NPE Coverage (%)	53.2
Cost of Risk (%)	168.0
Capital	
CET1 (%)	14.2

EUROBANK'S SHARE PRICE PERFORMANCE¹⁰



⁹ As included in Bank's published financial information for the year ended 31/12/2018

¹⁰ 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 seven (7) **non-executive members**, five (5) of which, including the Chairman, are selected as 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 selected as 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 except for the nominee from the Bank of Greece are 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 for the sake of public interest, the Fund acts in line with the relevant commitments under the MoU of 15.3.2012 and of 19.8.2015 and in compliance with the obligations arising from the Master Financial Facility Agreement of 15.3.2012 and the Financial Facility Agreement of 19.8.2015.

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 Bosch, European Commission's (EC's) representative and his alternate Mr. Zoltan Petrov.
- Mr. Panagiotis Strouzas, European Central Bank's (ECB's) representative and his alternate Mr. Maximilian Fandl.
- Mr. Efsthathios Sofos, European Stability Mechanism's (ESM's) representative. Mr. Mike Hesketh served as an observer on behalf of European Stability Mechanism up to May 1, 2019 and Mr. Efsthathios Sofos as his alternate.



GENERAL COUNCIL

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:

- 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.
- Decides on the matters related to the provision of capital support, the exercise of voting rights and the disposal of the HFSF's participation.
- 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.
- 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.
- 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.
- Approves the annual budget of the HFSF.
- Approves the annual report and other formal reports and the financial statements of the HFSF.
- Approves the appointment of the external auditors of the HFSF.
- 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.
- Establishes one or more committees consisting of members of the General Council and/or other persons, and defines their responsibilities.
- 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.
- Takes the decisions and exercises such other powers and tasks as explicitly granted to the General Council by Law 3864/2010 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
Andreas Verykios	Chairman
Paul Arlman	Member
Christof Gabriel Maetze	Member
Radován Jelasity	Member
Konstantinos Tsatsaronis	Member
Vassilios Spiliotopoulos	Member, appointed by the BoG

- * On 26/01/2018, Mr. Paul Arlman was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mrs. Dagmar Valcárcell.
- * On 15/06/2018, Mr. Andreas Verykios was appointed by the Minister of Finance as non-executive chairman of the General Council, replacing Mr. George Michelis
- * Mr. Jón Sigurgeisson, non-executive member of the General Council, submitted his resignation which was effective as of 15/01/2019.
- * Mrs. Marica S. Ioannou - Frangakis, non-executive member of the General Council, submitted her resignation which was effective as of 09/05/2019.
- * On 09/05/2019, Mr. Konstantinos Tsatsaronis was appointed by the Minister of Finance as non-executive member of the General Council, replacing Mr. Jón Sigurgeisson .

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 consists of at least five (5) members of the General Council. Each member of the General Council has one vote. Save as otherwise provided in Law 3864/2010, 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 20 times during 2018 and the participation of each member is presented in the following table:

GENERAL COUNCIL		
Total Number of Meetings during 2018		20
Member of the General Council	Role in General Council	N° of participations in the General Council Meetings
Andreas Verykios**	Chairman	13/20
Michelis George**	Chairman (until June 14th,2019)	7/20
Paul Arlman**	Member (since January 26th, 2018)	17/20
Jón Sigurgeisson**	Member (until January 15th,2019)	20/20
Christof Gabriel Maetze	Member	20/20
Radován Jelasity	Member	17/20
Marica S. Ioannou - Frangakis **	Member Representative of the MoF (until May 9th,2019)	19/20
Vassilios Spiliotopoulos	Member appointed by the BoG	20/20

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

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

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

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

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

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.**



AUDIT COMMITTEE

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

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 the Fund's Financial Statements, the Audit Committee consisted of three members:

1. Mr. Christof Maetze, Chairman
2. Mr. Vassilios Spiliotopoulos*, Member
3. Mr. Marios Eleftheriadis, External Expert

* Following the resignation of Mr. Jón Sigurgeisson, former AC member, on January 15th, 2019, Mr. Vassilios Spiliotopoulos was appointed by the General Council as member of the Audit committee.

The purpose of the Audit Committee is to assist the General Council in fulfilling its oversight responsibilities by providing advice and/or opinions for the:

- financial reporting process and integrity of financial information
- statutory audit process including audit scope, timing and audit results
- selection, appointment, compensation and dismissal of the statutory auditor
- independence of the statutory auditor and in particular the appropriateness of the provision of on-audit services
- system of internal control
- Internal Audit Function's activity and performance
- compliance with applicable laws, regulations and the HFSF's code of conduct



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. **Seven (7) Audit Committee meetings were held in 2018.**

The participation of the AC members during 2018 is presented in the following table:

AUDIT COMMITTEE		
Total Number of Meetings during 2018		7
Member of the Audit Committee	Role in the Audit Committee	Number of Participations in the Audit Committee
Christof Maetze	Chairman	7/7
Jón Sigurgeisson	Member	7/7
Marios Eleftheriadis	Member	7/7



EXECUTIVE BOARD

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 Law 3864/2010 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 BOARD

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
Ilias Xirouhakis	Deputy Chief Executive Officer
Marica S. Ioannou - Frangakis	Executive Member

- * On 09/01/2018 Mr. Ilias Xirouhakis was nominated by the BoG as executive member of the Executive Board, replacing Mr. Panagiotis Doumanoglou
- * On 17/09/2018, Mr. Eric Touret resigned from his position as Deputy CEO and executive member of the Executive Board
- * On 09/05/2019 Mr. Ilias Xirouhakis resigned from his position as executive member of the Executive Board and assumed his responsibilities as Deputy CEO and executive member of the Executive Board, replacing Mr. Eric Touret
- * On 09/05/2019 Mrs. Marica S. Ioannou - Frangakis, was nominated by the BoG and assumed her responsibilities on 13/05/2019 as executive member of the Executive Board, replacing Mr. Ilias Xirouhakis.

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 2018, the Executive Board convened forty-nine (48) times.

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

EXECUTIVE BOARD		
Total Number of Meetings during 2018		48
Member of Executive Board	Role in the Executive Board	Participations in the Executive Board Meetings
Martin Czurda	Chief Executive Officer	46/48
Eric Touret	Deputy Chief Executive Officer (until 17 September 2018)	31/48
Ilias Xirouhakis	Member (since 9 January 2018)	45/48

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.



EXECUTIVE BOARD'S CURRICULUM VITAE

AS OF THE DAY OF PUBLICATION
OF THE REPORT

MARTIN CZURDA
ILIAS XIROUHAKIS
MARICA IOANNOU – FRANGAKIS



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.



ILIAS XIROUHAKIS

**Deputy Chief
Executive Officer**



Mr. Ilias Xirouhakis has 25 years of experience in senior management positions of financial companies in Greece and abroad. Several of the companies he has worked are Global Leaders in their areas of activity.

He is a graduate of the London Metropolitan University, with a Bachelor of Arts (Honors) degree in economics and business. He holds a Masters degree in Economics from the Exeter University of the United Kingdom, specializing in the Union's monetary policy and the common currency.

He has also a Master of Business Administration (MBA) in Banking Management specializing in Risk Management (Credit & Operations) and Electronic Payment Systems from the same University.



MARICA IOANNOU FRANGAKIS

Member



Mrs. Marica Frangakis has worked in the financial sector for many years. In 1978 she was appointed to the Research and Planning Division of the Agricultural Bank of Greece becoming involved in the negotiations leading to Greece's accession to the then Common Market. In this respect, she was seconded to the General Directorate of Agriculture of the European Commission.

In 1984 she became Head of the Forecasting Department of the Research and Planning Division, while in 1989 she was appointed to the Privatisation Unit of the Agricultural Bank of Greece's Governor's Office, where she remained until 1993.

In 1993, Mrs. Frangakis transferred to Ethniki Kefalaïou SA, an affiliate of the National Bank of Greece Group, dealing with assets and liabilities management where she remained until 2010. She was in charge of the Division dealing with the operation and sale of companies placed under restructuring &/or liquidation.

From 2015 to 2017 she served as a non-executive member of the Board of Directors of ALPHA Bank, representing the State (L.3723/2008). In early 2017 she resigned in order to join the General Council of the Hellenic Financial Stability Fund, as a representative of the Ministry of Finance.

As of May 2019, she is a member of the Executive Board of the HFSF, nominated by the Bank of Greece.

Mrs. Frangakis is a member of the Board of the "Nicos Poulantzas Institute" and of the Steering Committee of the EuroMemo Group.

She holds a BSc Degree in Analytical and Descriptive Economics from the London School of Economics (LSE), University of London and a master's degree (MA) in Development Economics from the University of Sussex, United Kingdom.



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:

1. 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,
2. Is such that qualified and expert persons can be recruited and retained by the Fund and
3. 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 31/12/2018, as listed in the table below.

GENERAL COUNCIL			
NAME	POSITION DURING 2018	PERIOD IN THE POSITION	REMUNERATION* 01/01 - 31/12/2018 (€)
Andreas Verykios	Chairman	15/06/2018 - 31/12/2018	76,222
George Michelis	Chairman	01/01/2018 - 14/06/2018	54,667
Jón Sigurgeisson	Member	01/01/2018 - 31/12/2018	46,000
Vassilios Spiliotopoulos	Member, appointed by the BoG	01/01/2018 - 31/12/2018	40,000
Christof Gabriel Maetze	Member	01/01/2018 - 31/12/2018	46,000
Marica S. Ioannou-Frangakis	Member Representative of the MoF	01/01/2018 - 31/12/2018	40,000
Paul Arlman	Member	26/01/2018 - 31/12/2018	34,656
EXECUTIVE BOARD			
NAME	POSITION DURING 2018	PERIOD IN THE POSITION	REMUNERATION** 01/01 - 31/12/2018 (€)
Martin Czurda	Chief Executive Officer	01/01/2018 - 31/12/2018	271,205
Eric Turret	Deputy Chief Executive Officer	01/01/2018 - 17/09/2018	133,298
Ilias Xirouhakis	Member	12/01/2018 - 31/12/2018	145,444

* As far as General Council members are concerned, the amount of € 33,138 has been paid by the Fund as social security contribution in accordance with the tax law (not included in the above table).

** As far as Executive Board members are concerned, the amount of € 61,422 has been paid by the Fund as social security contribution (not included in the above table). The remuneration of the executive board members is cleared in order to reconcile with the approved remuneration according to the Government Gazette.



FUND'S PERSONNEL

HFSF is following Law 3864/2010 and its amendments when proceed in employing, on the basis of merit, talented individuals who possess relevant skills, experiences and attitudes, as per Fund Law. The majority of the Fund's personnel have a private law employment fixed term contract which coincides with the term of the Fund at the time of the signing of these contracts. In accordance with article 5 of Law 3864/2010, Fund's personnel is working under three types of employment arrangements: Definitive term private law employment contracts, paid assignment contracts for lawyers and secondment agreements, which are possible for employees from the Public Sector, Public Legal Entities, Private Legal Entities of the public sector, as well as employees from the BoG.

As of 01/02/2013, according to Law 3864/2010 as amended, the General Council approved 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.

HFSF considers its employees as the major asset and actions and efforts are undertaken to create a good working environment based on the Fund's Values that are the underlying factors that guide decisions and actions. Overall HFSF is an experts Hub and all hiring meet the following minimum requirements of core skills and competences.

CORE SKILLS:

1. Meets the values of HFSF:

- **Professional Excellence**
Strong technical skills and competencies
- **Independence**
Objectivity and freedom from external influences in decision making
- **Integrity**
Consistent, reliable and transparent behaviour and decision making

2. Meets the minimum education at bachelor level.



CORE COMPETENCES:

- Communication
- Working with people
- Drive for adapting and responding to change

The remuneration of the staff is determined by a decision of the Executive Board in accordance with the approved remuneration policy of the HFSF. The policy is aligned with HFSF strategy and long-term interests as shareholder of Greek systemic banks with a specific mission to contribute to the improvement and sustainability of stability in the Greek banking sector for the sake of public interest and be consistent with our core values (banking expertise, integrity and independence).

THE FUND'S HEADCOUNT TOTALS

34 EMPLOYEES

(not including 3 Executive Board Member)

14 FEMALE | 20 MALE

(with the average age of 44 years old)

71% HFSF PERSONNEL HOLD 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 management¹¹ 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 organization 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.

¹¹ 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's 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 to review the adequacy and the effectiveness of HFSF's corporate governance, compliance, internal quality control and risk management systems via the coordination and oversight of the audit efforts.

By decision of the General Council a person with specific competences and auditing experience is appointed as Head 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 31/12/2018, 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 31/12/2018 that affected the Fund's annual financial statements for the year ended 31/12/2018.

Athens, 28 June 2019

The Chief
Executive Officer

The Deputy Chief
Executive Officer

The Member
of the Executive Board

Martin Czurda

Ilias Xirouhakis

Marica S. Ioannou - Frangakis

The Chairman of
the General Council

The Member of
the General Council

Andreas Verykios

Christof Gabriel Maetze

The Member of
the General Council

The Member of
the General Council

Radován Jelasity

Paul Arlman

The Member of the General Council,

The Member of
the General Council,
appointed by the BoG

Konstantinos Tsatsaronis

Vassilios Spiliotopoulos





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

Independent Auditors' Report **(Translated from the original in Greek)**

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

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Hellenic Financial Stability Fund, Private Legal Entity (the "Fund") which comprise the Statement of Financial Position as at 31 December 2018, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of Hellenic Financial Stability Fund, Private Legal Entity as at 31 December 2018 and 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 and in accordance with L 3864/2010 (as applicable).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), which have been incorporated in Greek legislation. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the ethical requirements that are relevant to the audit of the financial statements in Greece and we have fulfilled our ethical responsibilities in accordance with the requirements of the applicable legislation and the aforementioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with L. 3864/2010 (as applicable), 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs which have been incorporated in Greek legislation will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, which have been incorporated in Greek legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on Other Legal and Regulatory Requirements

1. General Council and Executive Board Report

We verified that the contents of the General Council's and Executive Board's Report are consistent and correspond with the 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's Report.

2. Net Assets and Relevant Requirements of L. 4548/2018

Total Equity of the Fund as of 31 December 2017 is less than the half (1/2) of the share capital however due to the Fund's special nature and purpose as described in its founding Law 3864/2010 (as applicable) the requirements of par. 4 of article 119 of L. 4548/2018 are not applicable.

Athens, 28 June 2019

KPMG Certified Auditors AE
AM SOEL 114

Nikolaos Vouniseas, Certified Auditor Accountant
AM SOEL 18701

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

	Note	31/12/2018	31/12/2017
ASSETS			
Cash and balances with Banks	5	1,168,057,065	1,036,067,798
Financial assets at fair value through profit or loss	6	2,415,368,136	3,812,667,727
Property and equipment	7	186,866	111,214
Intangible assets	8	25,454	25,150
Accrued income receivable		-	14,402,243
Receivables from banks under liquidation	9	1,559,854,992	1,650,954,992
Other assets		256,320	324,442
Total Assets		5,143,748,832	6,514,553,566
LIABILITIES			
Derivative financial liabilities	10	-	843,637
Other liabilities	11	703,937	1,083,452
Total Liabilities		703,937	1,927,089
EQUITY			
Capital	12	42,163,557,748	42,163,557,748
Accumulated losses		(37,020,512,853)	(35,650,931,271)
Total Equity		5,143,044,895	6,512,626,477
Total Liabilities & Equity		5,143,748,832	6,514,553,566

The Notes from pages 55 to 93 form an integral part of these annual financial statements

Athens, 28 June 2019

The Chairman of the General Council

Andreas Verykios

The Chief Executive
Officer

Martin Czurda

The Deputy
Chief Executive Officer

Ilias Xirouhakis

The Chief Financial
Officer

Evangelia D. Chatzitsakou

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME

Amounts in €	Note	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Interest income	13	34,274,038	35,218,317
Income from CoCos	14	-	165,466,644
Personnel expenses	15	(3,239,845)	(2,909,872)
General administrative & other operating expenses	16	(4,147,435)	(4,828,332)
Impairment (charges)/reversals of receivables from banks under liquidation	9	-	(71,242,999)
Gain/(loss) from financial instruments at fair value through profit or loss	17	(1,396,391,694)	49,472,406
Depreciation and amortization of property, equipment and intangible assets		(93,186)	(71,222)
Other income/(expenses)		16,541	5,605
Profit/(Loss) for the year		(1,369,581,582)	171,110,548
Total comprehensive income/ (expenses) for the year		(1,369,581,582)	171,110,548

The Notes from pages 55 to 93 form an integral part of these annual financial statements.

Athens, 28 June 2019

The Chairman of the General Council

Andreas Verykios

The Chief Executive
Officer

Martin Czurda

The Deputy
Chief Executive Officer

Ilias Xirouhakis

The Chief Financial
Officer

Evangelia D. Chatzitsakou



STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

	Capital	Accumulated losses	Total
Balance as of 01/01/2017	44,192,757,748	(35,822,041,819)	8,370,715,929
Capital Decrease	(2,029,200,000)	-	(2,029,200,000)
Gain for the year from 01/01/2017 to 31/12/2017	-	171,110,548	171,110,548
Balance as of 01/01/2018	42,163,557,748	(35,650,931,271)	6,512,626,477
Loss for the year from 01/01/2018 to 31/12/2018	-	(1,369,581,582)	(1,369,581,582)
Balance as of 31/12/2018	42,163,557,748	(37,020,512,853)	5,143,044,895

The Notes from pages 55 to 93 form an integral part of these annual financial statements

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

Amounts in €	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Cash flows from operating activities		
Gain/(Loss) for the year	(1,369,581,582)	171,110,548
Adjustments for non-cash items included in statement of comprehensive income and other adjustments:	1,362,289,220	(178,320,734)
Income from CoCos	-	(165,466,644)
Interest Income	(34,274,038)	(35,218,317)
Impairment charges/(reversals) of receivables from banks under liquidation	-	71,242,999
(Gain)/loss from financial instruments at fair value through profit or loss	1,396,391,694	(49,472,406)
(Gain)/Loss from disposal of fixed assets	(541)	-
Payroll provisions and accruals	78,919	522,412
Depreciation and amortization of property, equipment and intangible assets	93,186	71,222
Net (increase)/decrease in operating assets:	91,168,121	139,769,740
Change in receivables from banks under liquidation	91,100,000	139,813,251
Change in other assets	68,121	(43,511)
Net increase/(decrease) in operating liabilities:	(458,433)	(468,667)
Change in other liabilities	(458,433)	(468,667)
Interest received	48,676,282	30,492,410
Net cash from operating activities	132,093,608	162,583,296
Cash flows from investing activities		
Income from CoCos	-	165,466,644
Proceeds received from warrants exercised	64,260	139,946
(Purchase)/disposal of property, equipment and intangibles assets	(168,601)	(103,905)
Net cash from investing activities	(104,341)	165,502,685
Cash flows from financing activities		
Capital decrease	-	(2,029,200,000)
Net cash from financing activities	-	(2,029,200,000)
Net increase/(decrease) in cash and cash equivalents	131,989,266	(1,701,114,019)
Cash and cash equivalents at the beginning of the year	1,036,067,798	2,737,181,817
Cash and cash equivalents at the end of the year	1,168,057,065	1,036,067,798

The Notes from pages 55 to 93 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 4549/2018, the Fund's tenure has been extended up to 31/12/2022. By decisions of the Minister of Finance, the duration of the Fund may be extended further, if deemed necessary for the fulfilment of its scope.

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

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



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

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

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

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

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

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

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

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

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

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

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

The statutory auditor of the financial statements is Mr. Nikolaos Vouniseas, RN SOEL 18701.

The annual financial statements were approved by the Fund's General Council on 28 June 2019.



Note 2 | Summary of Significant Accounting Policies

2.1 Basis of preparation

The Fund's financial statements for the year ended 31/12/2018 (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: assessment of the recoverability of receivables from entities under liquidation, valuation of financial instruments 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 01/01/2018 up to 31/12/2018. 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.'s (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 Banks' shares and the contingent convertible bonds (CoCos) issued by the Banks obtained as a result of the recapitalization process which the Fund has designated at initial recognition as financial assets at fair value through profit or loss.

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

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

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

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

2.3 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) recognized 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 realized on exercise or redemption and unrealized 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 Classification and measurement of financial assets

2.4.1 Initial recognition

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

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

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

2.4.2 Classification of financial assets

The Fund classifies its financial assets as:

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

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

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

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

2.4.2.1 Business model assessment

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

- **Held to collect contractual cash flows:** The Fund's objective is to hold the financial assets and collect the contractual cash flows. All the assets in this business model give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets classified in this business model are measured at amortized cost.
- **Held to collect contractual cash flows and sell:** The objective of this business model is to meet everyday liquidity needs and such objective is achieved by both collecting contractual cash flows and selling financial instruments. Assets within this business model are not sold with the intention of short-term profit taking, however frequent sales may occur and such sales may be significant in value. All the assets in this business model give rise to cash flows that are SPPI. The financial instruments in this business model are accounted for at FVTOCI.



- **Held for trading:** Under this business model, the Fund actively manages the instruments in order to realize fair value gains arising from changes in credit spreads and yield curves. The assets in this business model are accounted for at FVTPL.
- **Held and managed on a fair value basis:** Refers to assets that are managed by the Fund on a fair value basis without the intent to sell them in the near future. The assets in this business model are accounted for at FVTPL.

2.4.2.2 Contractual cash flow characteristics

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

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

2.4.3 Measurement of financial assets

2.4.3.1 Financial assets measured at amortised cost

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

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

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

Subsequent to initial recognition, the financial asset is measured at amortised cost using the effective interest rate ("EIR") method for the allocation and recognition of interest revenue in line item "interest income" of the income statement over the relevant period. The amortised cost is the amount at which the financial asset is measured at initial recognition minus any principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount is the amortised



cost of a financial asset before adjusting for any loss allowance. Interest income on financial assets is calculated on the gross carrying amount if the asset is classified in stage 1 or 2. When a financial asset becomes credit-impaired (classified in stage 3), interest income is calculated on the amortised cost (i.e. the gross carrying amount adjusted for the impairment allowance).

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

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

2.4.3.2 Financial assets measured at FVTOCI

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

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

2.4.3.3 Equity instruments designated at FVTOCI

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

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

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

2.4.3.4 Financial assets measured at FVTPL

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

2.4.4. Reclassification of financial assets

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



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

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

2.4.5. Impairment

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

ECL are recognized on the following basis:

- 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring. Financial instruments in this category are referred to as instruments in stage 1. For instruments with a remaining maturity of less than 12 months, ECL are determined for this shorter period.
- Lifetime ECL are recognized if a significant increase in credit risk (SICR) is detected subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. Financial instruments in this category are referred to as instruments in stage 2.
- Lifetime ECL are always recognized for credit-impaired financial assets, referred to as instruments in stage 3. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

2.5 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 was 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 31/12/2022.

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

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether: a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and b) the arrangement conveys a right to use the asset. 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)

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

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

Classification and measurement

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

- i. The entity's business model for managing the financial assets. Three categories of Business Models are defined:
 - Hold to collect contractual cash flows
 - Hold to collect and sell
 - Other



and

- ii. The contractual cash flow characteristics of the financial assets.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the instrument is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

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

Impairment

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

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

Hedging

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

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

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

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



- **IFRS 7 “Financial Instruments: Disclosures”** The Standard was updated in line with IFRS 9, Financial Instruments. The Fund adopted the revised standard on 1 January 2018. Given that the first quarter of 2018 includes the date of initial application of IFRS 9, the Fund provides in Note 4.3 the IFRS 9 applicable transition disclosures as set out by IFRS 7 in the first quarter of 2018. A full set of disclosures as required by the revised IFRS 7 is also included in the financial statements.

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

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

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

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

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

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

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

- **IFRS 15 (Amendment) Clarifications to IFRS 15 Revenue from Contracts with Customers.** The amendment clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts. The amendment did not have any impact on the Fund's financial statements.

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

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

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



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

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

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

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

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

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

Identifying a lease

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

Accounting by lessees

Upon lease commencement, a lessee recognizes a 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. Subsequently, 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 over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

Accounting by lessors

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

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



Sale and leaseback transactions

To determine whether the transfer of an asset is accounted for as a sale an entity applies the requirements of IFRS 15 for determining when a performance obligation is satisfied. If an asset transfer satisfies IFRS 15's requirements to be accounted for as a sale the seller measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right of use retained. Accordingly, the seller only recognizes the amount of gain or loss that relates to the rights transferred to the buyer. If the fair value of the sale consideration does not equal the asset's fair value, or if the lease payments are not market rates, the sales proceeds are adjusted to fair value, either by accounting for prepayments or additional financing.

The Fund has not applied this standard and is currently assessing its impact on the financial statements. However, given the fact that the only lease agreement for the use of a high-value asset and duration for more than 12 months, under which the Fund acts as lessee, is the lease agreement for the use of its headquarters, IFRS 16 is not expected to have a material impact on the financial statements. More specifically, based on initial calculations, IFRS 16 is expected to increase the Fund's assets and liabilities by c. €600 thousand. Existing operating lease commitments are set out in Note 18.

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

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

New Standards (effective after 2019)

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, as issued by the IASB). IFRS 17 has been issued in May 2017 and supersedes IFRS 4. On 14 November 2018, the IASB tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2022. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard and its objective is to ensure that an entity provides relevant information that faithfully represents those contracts. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost. The standard has not yet been endorsed by the EU.

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

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

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

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



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

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

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

IAS 28 (Amendment) Long-Term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments clarify that companies account for long-term interests in an associate or joint venture—to which the equity method is not applied - using IFRS 9. The amendments have not yet been endorsed by the EU.

Definition of Materiality - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The amendment clarifies the definition of “material” and aligns the definition used in the Conceptual Framework and the standards themselves.

Conceptual Framework

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



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 31/12/2018. 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 but are taken care of by the Special Liquidator 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's 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.

Banks under Liquidation: This segment includes the banks which have been placed under liquidation and the Fund has provided for their funding gap on behalf of the HDIGF, in accordance with the Law 4051/2012 as amended by Law 4224/2013.

Other: This segment includes the Fund's results relating to internal operations and procedures which ensure the appropriate design and implementation of the Fund's policies and principles. It also includes the cash and balances with banks and the interest income derived from cash and balances with banks.

Analysis by Operating Segment

Amounts in €		01/01/2018 - 31/12/2018		
	Systemic Banks	Banks under Liquidation	Other	Total
Interest income	-	-	34,274,038	34,274,038
Personnel expenses	(2,242,920)	(117,166)	(879,759)	(3,239,845)
General administrative & other operating expenses	(2,619,636)	(74,974)	(1,452,825)	(4,147,435)
Loss from financial instruments at FVTPL	(1,396,391,694)	-	-	(1,396,391,694)
Depreciation and amortization of property, equipment and intangible assets	(69,890)	(9,319)	(13,978)	(93,186)
Other income			16,541	16,541
Profit / (Loss) for the period	(1,401,324,140)	(201,459)	31,944,017	(1,369,581,582)
31/12/2018				
Total segment assets	2,415,368,136	1,559,854,992	1,168,525,705	5,143,748,832
Total segment liabilities	(332,474)	(13,969)	(357,495)	(703,937)



Amounts in €

01/01/2017 - 31/12/2017

	Systemic Banks	Banks under Liquidation	Other	Total
Interest income	-	-	35,218,317	35,218,317
Income from CoCos	165,466,644	-	-	165,466,644
Personnel expenses	(1,822,804)	(297,259)	(789,810)	(2,909,872)
General administrative & other operating expenses	(3,146,789)	(99,421)	(1,582,123)	(4,828,332)
Impairment (charges)/reversals of receivables from banks under liquidation	-	(71,242,999)	-	(71,242,999)
Gain / (loss) from financial instruments at FVTPL	49,472,406	-	-	49,472,406
Depreciation and amortization	(49,855)	(14,244)	(7,122)	(71,222)
Other income	-	-	5,605	5,605
Profit / (Loss) for the period	209,919,603	(71,653,923)	32,844,868	171,110,548

31/12/2017

Total segment assets	3,812,667,727	1,650,954,992	1,050,930,847	6,514,553,566
Total segment liabilities	(1,461,223)	(63,153)	(402,712)	(1,927,089)



Note 5 | Cash and Balances with Banks

Amounts in €	31/12/2018	31/12/2017
Cash and balances with banks	16,056	23,739
Balances with Central Bank	35,670	245,002
Cash management account in BoG	1,168,005,339	1,035,799,057
Total	1,168,057,065	1,036,067,798

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

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

According to the Law 4549/2018, the Fund is obliged to deposit in a cash management account in BoG any cash balances that are not necessary for covering the current cash needs. The cash balance in the cash management account is at all times available to be utilized by the Fund in order to fulfil its purposes.

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

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

The balance includes the Fund’s participation in the four systemic banks and the contingent convertible bonds (“CoCos”) issued by Piraeus Bank, as presented in the following table:

Amounts in €	31/12/2018	31/12/2017
Participation in the systemic banks	717,546,136	1,879,390,727
CoCos issued by Piraeus Bank	1,697,822,000	1,933,277,000
Total	2,415,368,136	3,812,667,727

Shares in systemic banks

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

Fair value of shares

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



	Fair value Level 1	Fair value
Amounts in €	31/12/2018	31/12/2017
Alpha Bank	186,091,584	302,314,236
Eurobank	28,123,563	44,268,572
NBG	406,415,653	1,178,605,394
Piraeus Bank	96,915,336	354,202,524
Total	717,546,136	1,879,390,727

Movement of shares

The movement of the Fund's participation in the systemic banks during the 12-month period ended on 31/12/2018 is presented in the table below:

No of Shares	Alpha Bank*	Eurobank*	NBG**	Piraeus Bank***
Shares held as of 01/01/2018	169,174,167	52,080,673	369,468,775	115,375,415
Additions	-	-	-	-
Disposals	-	-	-	(15)
Shares held as of 31/12/2018	169,174,167	52,080,673	369,468,775	115,375,400
of which:				
Shares with restricted voting rights	169,174,167	52,080,673	13,481,860	2,042,067
Shares with full voting rights	-	-	355,986,915	113,333,333
Participation with restricted voting rights	10.96%	2.38%****	1.47%	0.47%
Participation with full voting rights	0.00%	0.00%	38.92%	25.95%

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

** After the reverse split in September of 2018 the number of shares held by the Fund changed from 3,694,687,756 to 369,468,775 shares. The total number of NBG's shares are freely transferrable (warrants expired and cancelled).

*** Out of the total number of shares held by the Fund, 3,082,353 shares (after the reverse split) correspond to the part of the share capital increase which pertained to the Cypriot banks (€ 524m) and are freely transferrable (no warrants issued), as of January 1, 2018. Following the 5th January 2018, date that the unexercised warrants were cancelled, the total number of Piraeus Bank's shares are freely transferrable.

**** Following the merger between Eurobank and Grivalia Properties REIC, on 23.05.2019, HFSF's participation changed to 1.40% (Note 22).

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

On 02/01/2018, the ninth and last exercise of Piraeus Bank's warrants took place. There were 7,136 warrants exercised and 15 shares exchanged, resulting to the Fund receiving €64,260 and recognizing a gain amounting to €64,208. The outstanding warrants were automatically expired and cancelled.



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

Percentage Participation	31/12/2018	31/12/2017
Alpha Bank	10.96%	10.96%
Eurobank ¹²	2.38%	2.38%
NBG	40.39%	40.39%
Piraeus Bank	26.42%	26.42%

Credit rating of the four banks

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

Banks	Fitch	S&P	Moodys
Alpha Bank	CCC+	B-	Caa1
Eurobank	CCC+	B-	Caa1
NBG	CCC+	B-	Caa1
Piraeus Bank	CCC	B-	Caa2

Contingent Convertible bonds (CoCos)

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

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

Key features of CoCos

Maturity and interest

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



¹² Following the merger between Eurobank and Grivalia Properties REIC, on 23.05.2019, HFSF's participation changed to 1.40% (Note 22).

the interest payment date. Any interest payment shall be subject to the operation of any applicable Maximum Distributable Amount as stands pursuant to Article 141 of the Capital Requirements Directive. A mandatory interest cancellation exists, if the payment would cause the maximum distributable amount, then applicable, to be exceeded. If the bank decides not to pay the interest on CoCos, no dividend shall be paid. The payment of coupon from CoCos lies to the banks' sole discretion, therefore the income from CoCos will be recognized in the statement of comprehensive income upon the Bank's BoD approval for payment.

Conversion upon a trigger event

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

Embedded Optionalities

The following options are embedded into CoCos:

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

Redemption of NBG's CoCos

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

Fair value of CoCos

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

Amounts in €	Fair Value		Notional Amount	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
CoCos issued by Piraeus Bank	1,697,822,000	1,933,277,000	2,040,000,000	2,040,000,000
Total	1,697,822,000	1,933,277,000	2,040,000,000	2,040,000,000

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

Description of the valuation technique and inputs used

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

CoCos were valued using an option pricing model which is considered the most appropriate and preferable methodology to value derivative instruments such as CoCos according to IFRS 13. Under this approach, the 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 selected valuation model are CET1 ratio, share price and market interest rates. Unobservable inputs were calibrated to ensure that the valuation is consistent with previous valuations and the initial transaction.



CoCos' fair value movement

Amounts in €

CoCos of Piraeus Bank

Balance 1 January 2018	1,933,277,000
Unrealized loss recognized in the income statement	(235,455,000)
Balance 31 December 2018	1,697,822,000

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 31/12/2018 is presented in the following table:

Unobservable Inputs

Piraeus Bank

Volatility of CET1 ratio	40%
Long-term volatility of share price	50%
Correlation between CET1 and share 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 decrease/(increase) in the fair value of CoCos. A reasonable change in the long-term volatility of share price would not result in a significant change of the fair value of CoCos as of the reporting date.

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

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

Valuation process

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



Note 7 | Property and Equipment

Amounts in €	Vehicles & equipment	Leasehold improvements	Total
Balance 1 January 2017	225,871	157,209	383,080
Additions	84,792	-	84,792
Disposals and write-offs	-	-	-
Balance 31 December 2017	310,663	157,209	467,872
Accumulated depreciation	(171,500)	(142,454)	(313,954)
Depreciation charge	(27,961)	(14,743)	(42,704)
Disposals and write-offs	-	-	-
Balance - 31 December 2017	(199,461)	(157,197)	(356,658)
Net book value 31 December 2017	111,202	12	111,214
Balance 1 January 2018	310,663	157,209	467,872
Additions	51,547	82,044	133,591
Disposals and write-offs	(2,064)	-	(2,064)
Balance 31 December 2018	360,147	239,253	599,400
Accumulated depreciation	(199,461)	(157,197)	(356,658)
Depreciation charge	(44,401)	(13,071)	(57,472)
Disposals and write-offs	1,595	-	1,595
Balance - 31 December 2018	(242,266)	(170,268)	(412,534)
Net book value 31 December 2018	117,880	68,985	186,866

Note 8 | Intangible Assets

	Software
Balance 1 January 2017	119,125
Additions	19,113
Disposals and write-offs	-
Balance 31 December 2017	138,238
Accumulated depreciation	(84,570)
Depreciation charge	(28,518)
Balance 31 December 2017	(113,088)
Net book value 31 December 2017	25,150
Balance 1 January 2018	138,238
Additions	36,019
Disposals and write-offs	-
Balance 31 December 2018	174,257
Accumulated depreciation	(113,088)
Depreciation charge	(35,715)
Balance 31 December 2018	(148,803)
Net book value 31 December 2018	25,454



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 but are taken care of by the Special Liquidator 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 31/12/2018 the total amount provided by the Fund to cover funding gap reached the amount of €13,489 million, out of which €747 million were recovered and €11,182 million were assessed as non-recoverable.

The funding gap, the cumulative impairment and the collections per bank under liquidation as of 31/12/2018 are presented in the following table:

Bank under Liquidation	Funding Gap	Cumulative Impairment	Cumulative Collections	Estimated Recoverable Amount
Achaiki Cooperative Bank	209,473,992	(119,993,500)	(53,500,000)	35,980,492
ATEbank	7,470,717,000	(5,823,744,540)	(513,500,000)	1,133,472,460
Dodecanese Cooperative Bank	258,547,648	(148,159,788)	(77,000,000)	33,387,860
Evia Cooperative Bank	105,178,136	(85,464,521)	(2,200,000)	17,513,615
First Business Bank	456,970,455	(397,622,124)	(13,500,000)	45,848,331
Hellenic Post Bank	3,732,554,000	(3,484,655,308)	(18,500,000)	229,398,692
Lamia Cooperative Bank	55,493,756	(30,221,548)	(14,100,000)	11,172,208
Lesvos-Limnos Cooperative Bank	55,516,733	(38,664,777)	(12,300,000)	4,551,956
Probank	562,733,502	(519,769,011)	(13,500,000)	29,464,491
Proton Bank	259,621,860	(244,760,837)	(8,490,727)	6,370,297
T-Bank	226,956,514	(223,603,514)	(3,353,000)	-
Western Macedonia Cooperative Bank	95,244,475	(65,549,884)	(17,000,000)	12,694,591
Total	13,489,008,071	(11,182,209,352)	(746,943,727)	1,559,854,992



The movement of the Fund's receivables, including impairment charges and collections, from the banks under liquidation as of 31/12/2018 is presented in the following table:

01/01/2018-31/12/2018

Bank under Liquidation	Opening balance	Additions	Collections	Impairment charges	Closing balance
Achaiki Cooperative Bank	37,480,492	-	(1,500,000)	-	35,980,492
ATEbank	1,215,472,460	-	(82,000,000)	-	1,133,472,460
Dodecanese Cooperative Bank	38,387,860	-	(5,000,000)	-	33,387,860
Evia Cooperative Bank	17,513,615	-	-	-	17,513,615
First Business Bank	46,848,331	-	(1,000,000)	-	45,848,331
Hellenic Post Bank	229,398,692	-	-	-	229,398,692
Lamia Cooperative Bank	12,772,208	-	(1,600,000)	-	11,172,208
Lesvos-Limnos Cooperative Bank	4,551,956	-	-	-	4,551,956
Probank	29,464,491	-	-	-	29,464,491
Proton Bank	6,370,297	-	-	-	6,370,297
T-Bank	-	-	-	-	-
Western Macedonia Cooperative Bank	12,694,591	-	-	-	12,694,591
Total	1,650,954,992	-	(91,100,000)	-	1,559,854,992

The movement of the Fund's receivables from the banks under liquidation during the 12-month period ended 31/12/2017 is presented in the following table:

01/01/2017 -31/12/2017

Bank under Liquidation	Opening balance	Additions	Collections	Impairment reversals	Closing balance
Achaiki Cooperative Bank	54,173,338	-	(4,000,000)	(12,692,846)	37,480,492
ATEbank	1,378,420,503	-	(86,500,000)	(76,448,043)	1,215,472,460
Dodecanese Cooperative Bank	61,387,860	-	(23,000,000)	-	38,387,860
Evia Cooperative Bank	17,713,615	-	(200,000)	-	17,513,615
First Business Bank	35,291,641	-	(5,000,000)	(16,556,690)	46,848,331
Hellenic Post Bank	232,898,692	-	(3,500,000)	-	229,398,692
Lamia Cooperative Bank	15,272,208	-	(2,500,000)	-	12,772,208
Lesvos-Limnos Cooperative Bank	4,851,956	-	(300,000)	-	4,551,956
Probank	37,464,491	-	(8,000,000)	-	29,464,491
Proton Bank	9,842,347	-	(3,472,051)	-	6,370,297
T-Bank	-	-	(1,341,200)	(1,341,200)	-
Western Macedonia Cooperative Bank	14,694,591	-	(2,000,000)	-	12,694,591
Total	1,862,011,242	-	(139,813,251)	(71,242,999)	1,650,954,992



Note 10 | Derivative Financial Liabilities

Derivative financial liabilities at 31/12/2018 include the warrants issued by the Fund and granted to the private investors participating in the capital increase of the 3 out of 4 systemic banks in 2013 (Alpha Bank, NBG and Piraeus Bank) according to Law 3864/2010 and Cabinet Act 38/2012.

Fair value of warrants

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

Final exercise date and cancellation of warrants

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

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

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

Movement of warrants

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

	Alpha Bank	NBG	Piraeus Bank
Warrants outstanding as of 01/01/2018	-	-	843,637,022
Warrants exercised	-	-	7,136
Warrants expired and cancelled	-	-	843,629,886
Warrants outstanding as of 31/12/2018	-	-	-
Multiplier	-	-	-



Note 11 | Other Liabilities

	31/12/2018	31/12/2017
Creditors and suppliers	182,710	179,580
Taxes payable	300,758	255,240
Contributions payable to social security funds	141,551	126,220
Accrued expenses	78,919	522,412
Total	703,937	1,083,452

The accrued expenses as of 31/12/2017 included increased accrued advisors' fees for services relating to Banks' divestments.

Note 12 | Capital

Amounts in €	Capital
Balance as of 31 December 2016	44,192,757,748
Capital decrease - Cash returned on 20/02/2017	(2,029,200,000)
- Balance as of 31 December 2017	42,163,557,748
- Balance as of 31 December 2018	42,163,557,748

Note 13 | Interest Income

Fund's interest income for the 12-month period ended 31/12/2018 and 31/12/2017 is presented in the table below:

	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Interest income from cash management account	34,274,038	35,218,317
Total	34,274,038	35,218,317

The interest income from cash management account derives from the return of amounts placed on repos, reverse repos, buy/sell back, sell/buy back with counterparty the Greek State in accordance with par. 11 (h) of the art. 15 of Law 2469/1997.



Note 14 | Income from CoCos

The income from CoCos for the year ended 31/12/2018 is provided in the table below:

	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Income from CoCos issued by Piraeus Bank	-	165,466,644
Total	-	165,466,644

On 28/11/2018, Piraeus Bank's Board of Directors considering also the Bank's strategy to safeguard capital and build up further buffers vs capital requirement levels, exercised its discretion, explicitly provided under the terms of the CoCos Programme, to cancel the interest payment of the year 2018.

Note 15 | Personnel Expenses

The number of employees under payroll, including the members of the Executive Board, was 35 and 30 as of 31/12/2018 and 31/12/2017 respectively. The total personnel expenses for the 12-month period ended 31/12/2018 and 31/12/2017 are analysed as follows:

	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Salaries	(2,707,166)	(2,431,099)
Employer's contributions to the National Social Security Fund	(532,679)	(478,773)
Total	(3,239,845)	(2,909,872)

The average number of employees, including the members of the Executive Board, for the year ended 31/12/2018 and 31/12/2017 was 33 and 31 respectively.

Note 16 | General Administrative and Other Operating Expenses

	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Utilities and rentals	(278,940)	(261,977)
General Council remuneration	(370,683)	(488,538)
Selection Panel remuneration	(104,000)	(154,280)
Lawyers' fees	(266,292)	(95,833)
Audit firms' fees	(37,200)	(41,453)
Advisors' fees	(2,079,287)	(2,918,997)
Professionals' fees	(83,311)	(88,706)
Custody fees	(42,387)	(51,559)
Insurance fees	(432,449)	(369,216)
Other fees	(144,799)	(112,558)
Other expenses	(308,087)	(245,215)
Total	(4,147,435)	(4,828,332)

The advisors' fees include mainly fees for services provided relating to Banks' divestments and Bank's portfolio sales.



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 Piraeus Bank.

The breakdown of the gain or loss by financial instrument for the 12-month period ended 31/12/2018 and 31/12/2017 is presented in the table below.

Amounts in €	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Gain/(loss) from shares		
Alpha Bank	(116,222,653)	(19,091,398)
Eurobank	(16,145,009)	10,676,538
NBG	(772,189,742)	262,435,289
Piraeus Bank	(257,222,928)	(128,066,711)
Subtotal	(1,161,780,331)	125,953,718
Gain/(loss) from warrants		
Alpha Bank	-	2,283,468
NBG	-	1,720,220
Piraeus Bank	843,637	-
Subtotal	843,637	4,003,688
Gain/(loss) from CoCos		
Piraeus Bank	(235,455,000)	(80,485,000)
Subtotal	(235,455,000)	(80,485,000)
Total	(1,396,391,694)	49,472,406

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



Note 18 | 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):

	31/12/2018	31/12/2017
No later than 1 year	164,014	176,918
Later than 1 year and no later than 5 years	82,007	245,142
Total	246,022	422,060

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

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

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

Note 19 | 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 12-month period ended 31/12/2018 and 31/12/2017 and the outstanding balances as of 31/12/2018 and 31/12/2017 are presented below.

Transactions with key management personnel

The members of the Executive Board and the General Council, as well as close relatives or companies controlled individually or jointly by them, did not enter into transactions with the Fund. The gross remuneration paid in the first 12 months of 2018 amounted to €887.5 thousand (first 12 months of 2017: €889.8 thousand). Furthermore, an amount of €94.6 thousand (first 12 months of 2017: €106.8 thousand) had been paid for social security contributions.

Transactions and balances with systemic banks

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

The fair value of the shares held by the Fund as of 31/12/2018 amounted to €717.5 million (31/12/2017: €1,879.4 million) and the fair value of CoCos as of 31/12/2018 amounted to €1,697.8 million (31/12/2017: €1,933.3 million).

The custody fees, paid to the systemic banks, relating to shares held by HFSF, for the 12-month period ended 31/12/2018 and 31/12/2017 amounted to €42.4 thousand and €51.6 thousand respectively.



Note 20 | Independent Auditor's Fees

KPMG Certified Auditors SA has served as the independent statutory auditor for the year ended 31/12/2018 and 31/12/2017 respectively. The following table presents the aggregate fees (excluding VAT) for professional audit services rendered to the Fund by the aforementioned audit firm.

Amounts in €	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Audit and review fees for statutory audit of financial statements	30,000	30,000
Total	30,000	30,000

Note 21 | 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 2018, 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 Fund's equity participation 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 cancellation 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 22 | Post Balance Sheet Events

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

Grivalia absorption by Eurobank

On April 5, 2019, the Extraordinary General Meeting of the Eurobank's shareholders resolved - among others the approval of the merger by absorption of Grivalia Properties REIC ("Grivalia") by the Bank, the approval of Draft Merger Agreement and the increase of the Bank's share capital by €197,307,596.46. The Merger was approved on 17.05.2019 with the decision of the Ministry of Finance and Development No 1547823-1/17.05.2019, and was registered, on the same day, in the General Commercial Registry, with Registration Number 1743324. Following the above, Eurobank's total share capital amounts to €853,107,225.96 divided into 3,709,161,852 common voting shares of nominal value of €0.23 each. The share exchange ratio was 15.80000000414930 new Eurobank ordinary registered shares for every 1 Grivalia ordinary registered share, while Eurobank shareholders retained the number of Eurobank ordinary shares they possessed before the Merger. The trading of new shares was initiated on May 23, 2019 and the HFSF's participation changed from 2.38% to 1.40%. However, based on the agreement signed on February 22, 2019 between HFSF and Eurobank, HFSF will continue to have and maintain the same rights as the ones it currently enjoys under the HFSF law, the RFA and the EFSF/ESM agreement.

Composition of the General Council and Executive Board

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

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

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

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

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



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