Ταμείο Χρηματοπιστωτικής Σταθερότητας
Hellenic Financial Stability Fund

March 26th, 2015

ANNOUNCEMENT

Clarifications regarding the return of the unutilized EFSF Bonds

In response to the recent media coverage regarding the return of the unutilized EFSF bonds, the HFSF wishes to provide the following clarifications.

The HFSF was founded in 2010 in the context of the Economic Adjustment Programme for Greece and received an initial capital of €1,500 m in cash. Following the Eurogroup decision of 21 February 2012, EFSF contributed to HFSF a total of €48,200 m in the form of EFSF bonds.

In addition to the capital contributions, HFSF has received cash inflows of €2,124 m from: (i) underwriting fees from the banks, (ii) interest from deposits with the Bank of Greece, (iii) coupon payments from EFSF bonds, (iv) exercise of warrants from investors, (v) proceeds from liquidations and (vi) a one-off fee paid by the Greek systemic banks.

In accordance with its scope, HFSF has used for bank recapitalisation and resolution purposes a total of €39,952 m, of which: €37,267 m in bonds, €1,500 m in cash from its original paid-in capital and €1,185 m from its own cash inflows.

HFSF's Sources & Uses of funds since inception - until 26.03.2015 (figures in € mn)			
SOURCES		USES	
Capital injection in cash	1,500	Greek banks - cash from capital	1,500
Cash inflows	1,568	Greek banks - cash from other sources	1,185
One-off Fee	556	One-off Fee paid to the State	556
		Operating expenses	39
		HFSF cash account	344
Total Cash Inflows	*3,624*	*Total Cash Outflows*	*3,624*
Capital injection in EFSF bonds	48,200	Greek banks - EFSF bonds used	37,267
		EFSF bonds redelivered	10,933
Total Sources	**51,824**	**Total Uses**	**51,824**

At the Eurogroup of 20 February 2015, it was decided that all unutilized EFSF bonds held by the HFSF had to be returned to EFSF. The amount of these unutilized bonds was €10,933 m (the difference between €48,200 m of EFSF received and €37,267 m of EFSF bonds used).

The MFFA was amended on 27 February 2015 upon execution of the Third Amendment Agreement to give effect to the aforementioned Eurogroup decision. HFSF was therefore obliged to deliver all unutilized EFSF bonds to the EFSF by 28 February 2015. The delivery of anything less than the full amount of €10,933 m would have been a material breach of the MFFA and the Eurogroup decision.

The CEO of the HFSF, Ms A. Sakellariou, stated that "the allocation of the HFSF's resources was appropriate based on prudent treasury management practices, given the coupon payments received from the EFSF bonds versus the low or zero interest income from deposits at the Bank of Greece. The return of the unutilized bonds was an explicit Eurogroup requirement which reduced by the same amount State debt whilst maintaining the ability to re-borrow this amount for the same purpose, namely bank recapitalisation and resolution. Given their exclusive use, the return of the unutilized bonds has not reduced the availability of resources for bank recapitalisation and resolution. Within the context of the mandatory return of the bonds and with due regard to public interest, we have brought to the attention of the EFSF that the unutilized bonds exceeded in value the difference between the total capital contributed and the total funds used for bank recapitalisation and resolution. Consequently, a legitimate request has been put forward for differentiating and reinstating the amount of €1.185 m that would re-enact the situation that would have resulted if the relevant disbursements had been funded using exclusively EFSF bonds."

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Hellenic Financial Stability Fund (HFSF)

The Hellenic Financial Stability Fund (HFSF) was founded in July 2010 under the law 3864/2010 as a private legal entity it does not belong to the public sector and has administrative and financial autonomy. The objective of the HFSF shall be to contribute to the maintenance of the stability of the Greek banking system, for the sake of public interest. The HFSF shall act in line with the relevant commitments of the Greek Republic under Law 4046/2012 (A' 28).

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