



**Report of the Hellenic Financial Stability Fund
for the period July - December 2015**

1. Supported Financial Institutions

a) Issues related to all systemic banks

i) EBA / SSM Comprehensive Assessment : AQR and Stress Test Results

On Saturday 31 October 2015 the ECB, the EBA and the Bank of Greece announced the results of the Comprehensive Assessment. This exercise comprised both an Asset Quality Review (AQR) and a Stress Test in which the capital adequacy of banks under review was tested under two different stress scenarios, and measured against minimum threshold levels in each scenario.

The Asset Quality Review (AQR) was a point-in-time assessment of the accuracy of the carrying value of banks' assets as of 30 June 2015 and provided a starting point for the stress test and the Stress Test provided a forward-looking examination of the resilience of banks' solvency to two hypothetical scenarios, also reflecting new information arising from the AQR.

Under the baseline stress scenario, the aggregate shortfall for the four systemic Greek Banks amounts to €4,391m (Alpha: €263m, Eurobank €339m, NBG €1,576m, and Piraeus €2,213m), and under the adverse stress scenario the aggregate shortfall for the four systemic Greek Banks amounts to €14,400m (Alpha: €2,743m, Eurobank €2,122m, NBG €4,602m, and Piraeus €4,933m). The final capital needs will be mitigated by the subsequent LME results and capital actions approved by the SSM and DGComp.

ii) Calling of EGMs for the recapitalization process

In November 2015 the HFSF, considering that a) the SCIs would be up to the total amount of the capital shortfall identified by the Supervisory Authority as per the Comprehensive Assessment and the subsequent results published on 31.10.2015, b) the capital shortfall identified by the Supervisory Authority should be covered until the 11th of December, 2015, and c) the Banks requests comply with the provisions of article 6 par. 1 of HFSF law, provided its consent to the calling of the EGMs to decide upon the CIs in which HFSF acts as a backstop, as per the requests of the banks

iii) Approval of the Restructuring Plans

In November 2015 the HFSF approved Alpha Bank's, Eurobank's, National Bank of Greece and Piraeus Bank's Final Restructuring Plan for submission to the MoF/DG Comp.

b) Issues per systemic bank

i) NBG

In October 2015 the HFSF approved an LME for NBG. On the 2nd of November 2015 the Bank invited security holders to exchange any of the selected range of securities for a number of New Shares to be delivered following the completion of the SCI.

In November 2015 based on the results of the book building process performed by the bank for the private placement of new common shares, HFSF accepted the subscription offer price of € 0.02 per share or € 0.3 following the 15-to-1 reverse stock split. In December 2015 NBG also run a Greek retail offering at the same offer price.

In December 2015 the HFSF contributed ESM notes in order to fully cover the capital needs under the adverse scenario of NBG. The fair value of the ESM notes, as determined based on two independent valuation reports amounted to € 2,706 for NBG. In return, the Fund received the amount of € 677m in NBG's shares and the amount of € 2,029m in the form of CoCos, issuance of NBG.

In December 2015 the HFSF provided its consent to NBG for the sale of f NBG's 99.81% stake in Finansbank A.Ş. together with other minor direct and indirect interests to Qatar National Bank (QNB). The agreed consideration for the transaction amounts to €2,750 million. In addition, QNB will repay upon closing the \$910 million of subordinated debt that NBG has extended to Finansbank, increasing the liquidity position of the NBG group by approximately €3.5 billion.

ii) Piraeus Bank

In September 2015 Piraeus Bank submitted to the HFSF its proposal regarding an LME. The Fund approved the LME and in October 2015 Piraeus Bank invited security holders to exchange any of the selected range of securities for a number of New Shares and/or for a cash consideration to be delivered following the completion of the SCI.

In November 2015 based on the results of the book building process performed by the bank for the private placement of new common shares, HFSF accepted the subscription offer price of € 0.003 per share or € 0.3 following the 100-to-1 reverse stock split.

In December 2015 the HFSF contributed ESM notes in order to fully cover the capital needs under the adverse scenario of Piraeus. The fair value of the ESM notes, as determined based on two independent valuation reports amounted to € 2,720m for Piraeus. In return, the Fund received the amount of € 680m in Piraeus' shares and the amount of € 2,040m in the form of CoCos, issuance of Piraeus.

iii) Alpha Bank

In October 2015 the HFSF approved an LME for Alpha. In November 2015 the Bank invited security holders to exchange any of the selected range of securities for a number of New Shares to be delivered following the completion of the SCI.

In October 2015 the HFSF approved the sale of Alpha Bank Bulgaria to Eurobank following a preliminary agreement signed between the two Banks, regarding the acquisition, in July 2015. The completion of the transaction was announced on the 6th of November 2015.

In November 2015 based on the results of the book building process performed by the bank for the private placement of new common shares, HFSF accepted the subscription offer price of € 0.04 per share or € 2 following the 50-to-1 reverse stock split.

iv) Eurobank

In October 2015 the HFSF approved an LME for Eurobank. In November 2015 the Bank invited security holders to exchange any of the selected range of securities for a number of New Shares to be delivered following the completion of the SCI.

In October 2015 the HFSF approved the acquisition of Alpha Bank Bulgaria from Eurobank following a preliminary agreement signed between the two Banks, regarding the acquisition, in July 2015. The completion of the transaction was announced on the 6th of November 2015.

In November 2015 based on the results of the book building process performed by the bank for the private placement of new common shares, HFSF accepted the subscription offer price of € 0.01 per share or € 1 following the 100-to-1 reverse stock split.

In December 2015 Eurobank announced it has reached an agreement with Fairfax Financial Holdings Limited to sell 80% of Eurolife ERB Insurance Group Holdings S.A. following a competitive bidding process, in which a number of international parties participated. Under the terms of the transaction, Fairfax will acquire 80% of Eurolife from Eurobank for a cash consideration of €316 million, while Eurobank will retain a 20% stake in Eurolife.

2. HFSF internal issues (Share Capital Increase, Law Amendments, Financial Statements, Employments)

i) Management Changes

On July 16, 2015 Mr. Aristides Xenofos was appointed as the CEO of HFSF, replacing Mrs. Anastasia Sakellariou who submitted her resignation to the Minister of Finance in May 2015.

ii) Financial Assistance Facility Agreement

Upon the ratification of the draft FAFA together with the draft MoU by the Greek Parliament on August 19, 2015 the HFSF proceeded with the signing of the Financial Assistance Facility Agreement, between ESM, the Hellenic Republic, HFSF and BoG.

iii) New hiring in Risk Management Division

In August 2015 the HFSF proceeded with the hiring of one Senior Risk Officer, enhancing the RMD capabilities in credit risk and troubled loans management and one Junior Risk Officer replacing one officer who resigned in January 2015.

iv) HFSF acting CIO

Following the resignation of Mrs. Angelika Akouri, HFSF CIO in September 2015 the Fund's General Council appointed Mr. Dimitris Kourkoulakos as the HFSF acting CIO.

v) HFSF 2015 Interim Financial Statements

In September 2015 the HFSF performed a review of all the major policies and procedures. The revised policies and procedures, along with all the new policies and procedures were subsequently approved by the HFSF General Council.

vi) HFSF's Capital Increase through ESM Notes

Due to the HFSF's participation in the recapitalization of NBG and Piraeus, Hellenic Republic contributed the necessary capitals in the form of ESM notes disbursed following the approval of ESM, increasing equally HFSF's capital. Since the capital increase of HFSF was in kind, the ESM notes were valued in accordance with article 9 of Company Law 2190/1920 for their registration in HFSF's books based on two independent valuation reports. The nominal amount of the difference between the fair value of the received ESM notes and the actual amount contributed by HFSF to the two banks shall be redelivered to ESM.

vii) HFSF's Law amendments

HFSF's Law was revised by Law 4340/2015 (Government Gazette A 134/1.11.2015) and Law 4346/2015 (Government Gazette A 152/20.11.2015) in order to reflect the Fund's new roles and extended operations stemming from the new FAFA and new MoU commitments. According to the amendments, HFSF shall act in line with the obligations arising from the new FAFA and with the commitments under the new MoU and its new operations include the facilitation of NPLs management and the provision of a resolution loan to HDIGF for the purposes of funding bank resolution costs. The Fund's capital derives from the funds raised from the EU and the IMF financial support mechanism and the funds raised under the new FAFA and it can be reduced by transferring the proceeds in an independent entity upon the request of the MoF, provided a request from the EFSF or the ESM has been received. A new appointment procedure of the General Council and Executive Board members is placed according to which a selection panel is established which selects the members, proposes their remuneration and performs their annual evaluation. The Fund, with the assistance of an independent consultant, shall evaluate the corporate governance arrangements of credit institutions with which the Fund has signed Relationship Framework Agreements (RFAs). In this context HFSF shall evaluate the BoD of the banks and its committees based on the process and specific criteria provided in the HFSF's law and RFAs. HFSF will cover the capital shortfall determined by a competent authority in case of a precautionary recapitalization and in order to cover the residual amount of the shortfall after any private sector participation or any amount coming from the implementation of the burden sharing measures. In case of a credit institution's resolution, the Fund may act as an entity providing capital in compliance with BRRD (Banking Recovery and Resolution Directive) rules. A new RFA has been signed between HFSF and the credit institutions before any capital injection. Finally the Fund's duration has been extended until June 2020.