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EFG NEW EUROPE FUNDING III LIMITED

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Report and financial statements

for the period from 25 November 2010 to 31 December 2011

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Board of Directors and Other Officers

Board of Directors

M. Louis
D. Shacallis
C. Kokologiannis
E. Giannopoulou (resigned on 2 May 2012)

Company Secretary

D. Shacallis

Independent auditors

PricewaterhouseCoopers Ltd
Julia House
3 Themistocles Dervis Street
1066 Nicosia
Cyprus

Registered office

41 Arch. Makariou III Avenue
1065 Nicosia
Cyprus

Report of the Board of Directors

The Board of Directors presents its report together with the audited financial statements of EFG NEW EUROPE FUNDING III LIMITED for the period ended 31 December 2011.

Principal activities

The principal activities of the Company are to invest into debt and equities securities and into portfolio of loans, both performing and non performing, granted to Ukrainian clients originated by Eurobank Ergasias subsidiary in Ukraine.

Review of developments, position and performance of the Company's business

The main financial highlights for the period are as follows:

	Period from 25 November 2010 to 31 December 2011
	€
Operating loss	(2.934.761)
Operating expenses including Impairment losses on loans and advances	(5.216.181)
Loss from operations before taxation	(8.150.942)
Net loss for the period	(8.371.674)

	2011
	€
Loans and advances to customers	62.240.207
Debt securities lending portfolio	5.474.989.472
Held-to-maturity investments	673.295.460
Total assets	6.215.876.339

Impact of the economic crisis and situation in Greece

Since late 2009, fears of a European sovereign debt crisis developed among investors as a result of the rising government debt levels, together with a wave of downgrading of government debt in some European states. Concerns intensified in early 2010 making it difficult for some countries in the euro area to re-finance their government debt without external assistance. The three countries most affected by this were Greece, Ireland and Portugal.

On the Greek debt front, a new funding program was agreed with the European Commission, the ECB and the Eurozone member-states, in the Eurogroup meeting held on 21 February 2012. The new program aimed to bring the country's public debt-to-GDP below the 120.0% by 2020, target envisioned in the European Council session held on 26 and 27 October 2011 via Private Sector's Involvement (PSI) in the reduction of Greek debt.

Following the Eurogroup meeting held on 26 November 2012 further initiatives were introduced to support Greece to bring public debt to a sustainable path and facilitate a gradual return to market financing. Target for debt-to-GDP ratio was amended to 124% in 2020 and substantially lower than 110% in 2022.

Impact of the economic crisis and situation in Greece (cont'd)

The funding program is expected to have a significant beneficial effect on the country's solvency outlook. This is due, not only to the reduction of public debt, but also to the expected decline of interest expenditure from 2012 onwards. The funding program constitutes a credible opportunity for the Greek economy to remove uncertainty surrounding it from the middle of 2010 onwards, regarding both sustainability of fiscal position as well as preservation of the country's Eurozone participation.

In addition, the Eurogroup has confirmed that the necessary elements have been put in place for Member States to carry out the relevant national procedures to allow for the support by European Financial Stability Fund (EFSF), including the necessary financing for recapitalisation of Greek banks (including Eurobank Ergasias S.A.) following their participation in the recent sovereign debt restructuring (PSI).

Given the severity of the impact of the Greek Government Bond exchange program (PSI+), on 21 February 2012 the Euro Area finance ministers allocated a total of € 50 bn of the second support program for Greece specifically for the recapitalisation of the Greek banking system. These funds are directed to the Hellenic Financial Stability Fund (HFSF) whose mandate has been extended and enhanced accordingly. € 23 bn of these funds were remitted to Greece in April 2012, € 16 bn in December 2012 and the final € 11 bn is expected in January 2013.

Position of the Group

Eurobank Ergasias S.A. was significantly affected by the impairment charge on Greek Government bonds (due to its participation in the PSI+).

Eurobank Ergasias S.A. was confirmed as a viable bank and has received the Hellenic Financial Stability Fund's (HFSF) commitment for capital support, which once received, would bring its total Capital Adequacy ratio above the regulatory minimum. Furthermore, following the Presidential Decree published on 30.04.2012 (implementing Law 3864/2012 ruling HFSF's role and responsibilities), the relevant framework was established for HFSF to advance its contribution for participating in the capital support of viable banks, to the banks themselves.

The Bank of Greece (BoG) notified the Bank on 8 November 2012 that capital needs of the Group were assessed at the level of € 5,839 million, in order to be able to achieve the level of EBA Core Tier I capital of 9% throughout the period to end of 2014. The Bank, the HFSF and the European Financial Stability Facility ("EFSF") signed on 28 May 2012 and on 21 December 2012 a trilateral presubscription agreement for the advance to the Bank of EFSF notes of face value of € 3.97 bn and € 1.34 bn respectively (total € 5.31 bn) as advance payment of its participation in the future share capital increase of the Bank. In addition, HFSF provided to the Bank a commitment letter for additional capital support of € 0.53 bn up to the total level of recapitalisation needs of € 5,839 million.

Proforma with the full recapitalisation amount of € 5,839 million, on 30 September 2012 the Group's regulatory capital stands at € 4.7 bn, the EBA Core Tier I capital at € 4.4 bn, its Capital Adequacy ratio at 11.8% and the EBA Core Tier I ratio at 10.9%.

Management of Eurobank Ergasias S.A. has reasonable expectations that the planned recapitalization will be completed successfully in cooperation with the Bank of Greece and the HFSF.

Principal risks and uncertainties

The Company considers risk management to be a major process and a major factor contributing to the stability of the Company's performance. The financial risks which are managed and monitored are credit risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Note 4 of the financial statements.

Future developments

The ultimate parent entity Eurobank Ergasias S.A. has confirmed its current policy as being one of continued financial support for the Company and its intention to continue this support to enable the Company to perform its operations in the foreseeable future.

It is expected that the nature of the activities of the Company will remain unchanged during 2012.

Results

The Company's results for the year are set out on page 7. The net loss for the period is carried forward.

Share capital

Authorised capital

Under its Memorandum the Company fixed its share capital at 1000 ordinary shares of nominal value of €1 each.

On 13 December 2010 the Company increased its share capital from 1000 ordinary shares of nominal value of €1 each to 90000 ordinary shares of nominal value of €1 each.

Issued capital

Upon incorporation on 25 November 2010 the Company issued to the subscribers of its Memorandum of Association 1000 ordinary shares of €1 each at par.

On 13 December 2010 the Company issued 100 ordinary shares of €1 each at a premium of €189 per share.

Board of Directors

The members of the Company's Board of Directors at 31 December 2011 and at the date of this report are presented on page 1. Mr. Michalis Kramvis and Ms. Stella Kammitsi who were appointed directors at the date of incorporation resigned on 16 December 2010 and on the same date Mr. Michalis Louis, Mr. Demetris Shacallis, Mr. Charalambos Kokologiannis and Mrs. Elli Anastasia Giannopoulou were appointed in their place. Mrs Elli Anastasia Giannopoulou resigned on 2 May 2012.

Branches

The Company did not operate through any branches during the accounting period.

Events after the balance sheet date

In February 2012, the entity sold its entire portfolio of Greek government bonds (which constitutes the greatest proportion of reported Debt securities lending portfolio and Held-to-maturity investments balances) to Eurobank Ergasias S.A. (the ultimate parent company) and repaid related funding granted by Eurobank Private Bank Luxembourg. Due to the lien agreement with Eurobank Ergasias S.A. (for details refer to note 19) the entity incurred no loss from the above transactions.

In February 2012, in the context of a group reorganisation, the entity purchased a 100% shareholding of ERB Hellas (Cayman Islands) Ltd, a group related company, incorporated in the Cayman islands.

On 5 October 2012, the National Bank of Greece (NBG) announced its intention to launch a voluntary exchange offer to acquire all Eurobank's shares offering 58 new shares of NBG for every 100 shares of Eurobank tendered. NBG also stated that, Eurobank shareholders holding 43.6% of Eurobank's ordinary share capital have committed to tender their shares in the tender offer. The offer is subject to regulatory approvals. On 23 November 2012, the General Meeting of the shareholders of NBG, approved the increase of NBG's share capital, and the issue of new ordinary shares to be offered to Eurobank's ordinary shareholders who will accept NBG's voluntary tender offer at the said exchange ratio. The Bank announced that the exchange offer falls within the context of the on-going consolidation of the Greek banking system.

On 11 January 2013, after Greek Capital Market Committee approval of the relevant offering documentation, NBG published the prospectus of the Voluntary Tender Offer (VTO), stating as offering's acceptance period for Eurobank's shareholders the period from 11 January 2013 to 15 February 2013.

On the same day, the Board of Directors of Eurobank Ergasias S.A., having been informed of the terms and conditions of the VTO submitted by NBG to Eurobank shareholders, convened and produced a reasoned opinion on the VTO.

The Bank's Board of Directors having considered the content of the VTO information memorandum, the reports provided by the Bank's financial advisors Deutsche Bank AG, London Branch and Goldman Sachs International, as well as the fairness opinion on the exchange ratio of the Bank's financial advisor Barclays Bank PLC (acting through its investment bank), concluded in summary as follows:

The Offer Consideration:

(a) satisfies the requirements of the Law taking also into account the explanatory note of the Hellenic Capital Markets Commission, dated December 19th 2008;
(b) falls within the range of exchange ratios calculated based on internationally recognised methodologies; and
(c) is fair from a financial point of view.

Events after the balance sheet date (cont'd)

Furthermore, the Bank's Board of Directors stated that through the Tender Offer, the Shareholders are given the opportunity to eventually become shareholders of the enlarged scheme having systemic presence in most of the Southeastern European countries, and that the creation of the new group is expected to allow the optimal utilization of the comparative advantages of the two organisations.

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Ltd, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Demetris Shacallis
Director

Nicosia, 22 January 2013

Independent auditor's report
To the Members of EFG New Europe Funding III Limited

Report on the financial statements

We have audited the accompanying financial statements of EFG New Europe Funding III Limited (the "Company"), which comprise the statement of financial position as at 31 December 2011, and the statements of income, comprehensive income, changes in equity and cash flows for the period from 25 November 2010 (date of incorporation) to 31 December 2011, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of EFG New Europe Funding III Limited as at 31 December 2011, and of its financial performance and its cash flows for the period from 25 November 2010 (date of incorporation) to 31 December 2011, in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

PricewaterhouseCoopers Ltd, Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus
P O Box 21612, CY-1591 Nicosia, Cyprus
T: +357 - 22 555 000, F:+357 - 22 555 001, www.pwc.com/cy

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PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No. 143594). A list of the company's directors including for individuals the present name and surname, as well as any previous names and for legal entities the corporate name, is kept by the Secretary of the company at its registered office at 3 Themistocles Dervis Street, 1066 Nicosia and appears on the company's web site. Offices in Nicosia, Limassol, Larnaca and Paphos.

Emphasis of matter

Without qualifying our opinion, we draw attention to the disclosures made in Note 2.2 regarding the Company's ability to continue as a going concern. This includes reference to the impact of the impairment losses resulting from the Greek sovereign debt restructuring on the Parent Company's (Eurobank Ergasias S.A.) regulatory capital, the planned actions to restore the capital adequacy and the existing political and economic uncertainties that could adversely affect the going concern assumption of the Parent Company and therefore the Company. Along with the other matter as set forth in Note 2.2, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Parent's Company's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as going concern.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.

In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Androulla S Pittas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 22 January 2013

Income statement
for the period from 25 November 2010 to 31 December 2011

	Note	Period from 25 November 2010 to 31 December 2011 €
Interest income	5	**169.479.117**
Interest expense	6	**(150.623.655)**
Net interest income		**18.855.462**
Fee and commission income		**1.129.759**
Fee and commission expense		**(20.911.145)**
Net interest, fee and commission expense		**(925.924)**
Gains less losses from investment securities	7	**(262.725)**
Net trading loss	8	**(1.940.598)**
Other income		**194.486**
Operating loss		**(2.934.761)**
Impairment losses on loans and advances	12	**(5.149.316)**
Operating expenses	9	**(66.865)**
Loss from operations before taxation		**(8.150.942)**
Income tax	10	**(220.732)**
Net loss for the period		**(8.371.674)**

Statement of comprehensive income
for the period from 25 November 2010 to 31 December 2011

The Company has no income other than what is included in the Income Statement account above, therefore no separate statement of Comprehensive income has been prepared.

Notes on pages 13 to 44 form an integral part of these financial statements.

Statement of financial position at 31 December 2011

	Note	2011 €
Assets		
Cash at bank		**38.394**
Derivative financial instruments	11	**87.560**
Loans and advances to customers	12	**62.240.207**
Debt securities lending portfolio	13	**5.474.989.472**
Held-to-maturity investments	14	**673.295.460**
Other assets	15	**5.225.246**
Total assets		**6.215.876.339**
Equity and liabilities		
Equity		
Ordinary share capital	16	**1.100**
Share premium	16	**18.900**
Retained earnings		**(8.371.674)**
Total equity		**(8.351.674)**
Liabilities		
Loans payable	17	**6.180.042.765**
Derivative financial instruments	11	**39.637.403**
Other liabilities	18	**4.547.845**
Total liabilities		**6.224.228.013**
Total liabilities and equity		**6.215.876.339**

On 22 January 2013 the Board of Directors of EFG New Europe Funding III Limited authorized these financial statements for issue.

C. Kokologiannis, Director

D. Shacallis, Director

Notes on pages 13 to 44 form an integral part of these financial statements.

Statement of changes in equity
for the period from 25 November 2010 to 31 December 2011

	Share capital	Share premium	Retained earnings	Total
	€	€	€	€
Issue of share capital	1.100	18.900	-	20.000
Total comprehensive income for the period	-	-	(8.371.674)	(8.371.674)
	1.100	**18.900**	**(8.371.674)**	**(8.351.674)**

Notes on pages 13 to 44 form an integral part of these financial statements.

Statement of cash flows for the period from 25 November 2010 to 31 December 2011

	Period from 25 November 2010 to 31 December 2011 €
Cash flows from operating activities	
Loss for the period before taxation	**(8.150.942)**
Adjustments for:	
Impairment losses on loans and advances	**5.149.316**
Foreign exchange adjustments on Debt securities lending portfolio	**(7.892.700)**
Change in fair value due to hedging on Debt securities lending portfolio	**(23.767.661)**
Amortisation of premium/ discount & Inflation linked bonds adjustment on Debt securities lending portfolio	**(49.048.606)**
Adjustment due to fair value hedging discontinuance on Debt securities lending portfolio	**(45.922.977)**
Amortisation of adjustment due to fair value hedging discontinuance on Debt securities lending portfolio	**485.328**
Accrued interest on Debt securities lending portfolio	**(85.407.108)**
Amortisation of premium/ discount on Held-to-maturity investments	**(1.431.614)**
Accrued interest on Held-to-maturity investments	**(15.634.718)**
Accrued interest on Loans payable	**52.167.467**
Cash flows used in operations before working capital changes	**(179.454.215)**
Net decrease in Derivative financial instruments	**39.549.843**
Net increase in Loans and advances to customers	**(67.389.523)**
Net increase in Other assets	**(5.225.246)**
Net increase in Other liabilities	**4.547.845**
Cash flows used in operations	**(207.971.296)**
Tax paid	**(220.732)**
Net cash flows used in operating activities	**(208.192.028)**
Cash flows from investing activities	
Purchases and redemptions of Debt securities lending portfolio	**(5.263.435.748)**
Purchases and redemptions of Held-to-maturity investments	**(656.229.128)**
Net cash flows used in investing activities	**(5.919.664.876)**
Cash flows from financing activities	
Proceeds from issue of ordinary shares	**20.000**
Proceeds from Loans	**6.127.875.298**
Net cash flows from financing activities	**6.127.895.298**
Net increase in cash and cash equivalents	**38.394**
Cash and cash equivalents at beginning of period	**-**
Cash and cash equivalents at end of period	**38.394**

Notes on pages 13 to 44 form an integral part of these financial statements.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

1 General

EFG NEW EUROPE FUNDING III LIMITED was registered in Cyprus on 25 November 2010 as a private limited liability Company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 41 Arch. Makariou III Avenue, 1065, Nicosia, Cyprus.

Principal activities

The principal activities of the Company are to invest into debt and equities securities and into portfolio of loans, both performing and non performing, granted to Ukrainian clients originated by Eurobank Ergasias subsidiary in Ukraine.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the Company's first accounting period.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. In particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these financial statements.

2.2 Going concern basis

Financial statements are prepared on the principle of going concern which implies that the Company will continue operations in the foreseeable future. The Company has shown negative capital for the period, however the Directors of the Company have the support of the ultimate parent company Eurobank Ergasias S.A. The ultimate parent company has confirmed the continuing support, which includes possibilities to refinance existing borrowings and receive additional borrowings so that to ensure that the Company will continue operations in the foreseeable future. In making its assessment of the Company's ability to continue as a going concern, the directors have taken into consideration the impact of the position of the Group:

Position of the Group

Eurobank Ergasias S.A. was significantly affected by the impairment charge on Greek Government bonds (due to its participation in the PSI+).

Eurobank Ergasias S.A. was confirmed as a viable bank and has received the Hellenic Financial Stability Fund's (HFSF) commitment for capital support, which once received, would bring its total Capital Adequacy ratio above the regulatory minimum. Furthermore, following the Presidential Decree published on 30.04.2012 (implementing Law 3864/2012 ruling HFSF's role and responsibilities), the relevant framework was established for HFSF to advance its contribution for participating in the capital support of viable banks, to the banks themselves.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.2 Going concern basis (cont'd)

The Bank of Greece (BoG) notified the Bank on 8 November 2012 that capital needs of the Group were assessed at the level of € 5,839 million, in order to be able to achieve the level of EBA Core Tier I capital of 9% throughout the period to end of 2014. The Bank, the HFSF and the European Financial Stability Facility ("EFSF") signed on 28 May 2012 and on 21 December 2012 a trilateral presubscription agreement for the advance to the Bank of EFSF notes of face value of € 3.97 bn and € 1.34 bn respectively (total € 5.31 bn) as advance payment of its participation in the future share capital increase of the Bank. In addition, HFSF provided to the Bank a commitment letter for additional capital support of € 0.53 bn up to the total level of recapitalisation needs of € 5,839 million.

Proforma with the full recapitalisation amount of € 5,839 million, on 30 September 2012 the Group's regulatory capital stands at € 4.7 bn, the EBA Core Tier I capital at € 4.4 bn, its Capital Adequacy ratio at 11.8% and the EBA Core Tier I ratio at 10.9%.

Management of Eurobank Ergasias S.A. has reasonable expectations that the planned recapitalization will be completed successfully in cooperation with the Bank of Greece and the HFSF.

2.3 Adoption of new and revised International Financial Reporting Standards

(a) Amended and new standards and interpretations effective in 2011
- IAS 24, Amendment - Related Party Disclosures
- IAS 32, Amendment - Classification of Rights Issues
- IFRIC 14, Amendment - Prepayments of a Minimum Funding Requirement
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to various Standards that form part of IASB's 2010 Annual Improvement Project.

(b) Standards and interpretations issued but not yet effective
- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income (effective 1 January 2013, not yet endorsed by EU)
- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets (effective 1 January 2012, not yet endorsed by EU)
- IAS 19, Amendment - Employee Benefits (effective 1 January 2013, not yet endorsed by EU)
- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2013, not yet endorsed by EU)
- IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2013, not yet endorsed by EU)
- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014, not yet endorsed by EU)
- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013, not yet endorsed by EU)
- IFRS 7, Amendment -Disclosures, Transfers of Financial Assets (effective 1 January 2012)
- IFRS 9, Financial Instruments (effective 1 January 2015, not yet endorsed by EU)
- IFRS 9 and IFRS 7, Amendment - Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.3 Adoption of new and revised International Financial Reporting Standards (cont'd)

- IFRS 10, Consolidated Financial Statements (effective 1 January 2013, not yet endorsed by EU)
- IFRS 11, Joint Arrangements (effective 1 January 2013, not yet endorsed by EU)
- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2013, not yet endorsed by EU)
- IFRS 13, Fair Value Measurement (effective 1 January 2013, not yet endorsed by EU)

IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalised yet and as a result, it is not practicable to quantify its impact. The application of the other above mentioned standards and interpretations is not expected to have a material impact on the Company's financial statements in the period of the initial application.

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2.4 Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€) which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.5 Derivative financial instruments and hedging activities

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps and other derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as hedges of the exposure to changes in the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.5 Derivative financial instruments and hedging activities (cont'd)

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged item for which the effective interest method is not used remains until the disposal of the equity security.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement. The fair values of derivative instruments held for trading and used for hedging purposes are disclosed in Note 11.

2.6 Interest income and expense

Interest income and expenses for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement on an accruals basis, using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7 Fee and commissions

Fees and commissions are generally recognised in the income statement on an accruals basis.

2.8 Financial assets and liabilities

2.8.1 Financial assets

The Company classifies its financial assets in the following IAS39 categories: loans and receivables and held-to-maturity investments.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.8 Financial assets and liabilities (cont'd)

2.8.1 Financial assets (cont'd)

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company upon initial recognition designates as at fair-value-through-profit-or-loss and those that the Company upon initial recognition designates as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

(ii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

(iii) Accounting treatment

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Loans originated by the Company are recognised when cash is advances to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

2.8.2 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished by the Company under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Company retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Company retains a portion of the risks.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.9 Impairment of financial assets

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

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio; or
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

(i) Assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held to maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.9 Impairment of financial assets (cont'd)

(i) Assets carried at amortised cost (cont'd)

rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. Impairment charges relating to loans and advances to customers are classified in "impairment losses on loans and advances".

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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.10 Financial liabilities

The Company measures its financial liabilities at amortised cost. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

2.11 Trade payables

Trade payables are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2.12 Securities lending

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.13 Taxation

(i) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense for the period in which profits arise.

The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to items recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

Notes to the financial statements
for the period from 25 November 2010 to 31 December 2011

2 Principal accounting policies (cont'd)

2.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.16 Related party transactions

Related parties include fellow subsidiaries, directors and key management personnel, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All transactions entered into with related parties are in the normal course of business and on an arm's length basis.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and bank overdrafts.

2.18. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share Capital.

3 Critical accounting estimates and judgments

In the process of applying the Company's accounting policies, the Company's management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

3 Critical accounting estimates and judgments (cont'd)

(a) Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the statement of income, the Company makes judgments as to whether there is any observable data indicating there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating

that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Initial recognition of acquisition of debt securities lending and held to maturity portfolio from group entities

The Company acquired the entire portfolio of debt securities lending and held to maturity investments from Group companies and at the same time the ultimate parent company Eurobank Ergasias S.A provided a credit enhancement to the Company in the form of a lien arrangement in relation to these debt securities.

The consideration paid by the Company to group entities for the acquisition of these debt securities consisted of the fair value of the securities acquired as well as a consideration for the fair value of the financial guarantee provided by the ultimate parent company in relation to these securities.

As both transactions, the acquisition of the debt securities from group companies and the provision of the financial guarantee by the ultimate parent company were entered into at the same time and in contemplation of one another, the management has concluded that it would

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

3 Critical accounting estimates and judgments (cont'd)

(c) Initial recognition of acquisition of debt securities lending and held to maturity portfolio from group entities (cont'd)

be more appropriate on initial recognition to recognise the fair value of the financial guarantee as a single asset together with the underlying debt securities it relates to and classified as debt securities lending portfolio and held to maturity investments as this would reflect the commercial substance of the transactions. As a result, the subsequent measurement of the financial guarantee forming part of these securities has been amortised on the same basis as
the underlying debt securities it relates to and has been reported as an adjustment to interest income.

Had the two transactions not been treated as a single transaction, the Company would have recognised the debt securities and the financial guarantee as two separate assets and would reported these separately. The debt securities would have been reported at their fair value on initial recognition and the financial guarantee would have been recognised as a prepayment asset which would be amortised over the life of the guarantee which is equivalent to the expected life of the guaranteed debt instruments. The financial guarantee asset would be tested for impairment under IAS36 and the amortisation and potential impairment charges would be accounted for as a reduction of interest income. However, no P&L impact would have been reported for the period due to the presentation of two separated assets.

(d) Tax

The Company is subject to income tax in Cyprus, the country in which it operates. In order to establish the current and deferred tax, as presented in the Statement of Financial Position, significant assumptions are required. For specific transactions and calculations the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Financial risk management

4.1 Use of financial instruments

By their nature the Company's activities are principally related to the use of financial instruments including derivatives.

4.2 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance, financial position and cash flows.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are recognised for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company's portfolio, could result in losses that are different from those provided for at the balance sheet date. Therefore, exposure to credit risk is carefully managed. Risk is minimised by adoption of appropriate procedures and controls for the evaluation of the quality of the credit facilities held.

(a) Credit risk measurement and management - investment securities and derivatives

The Company holds lien agreements issued by Eurobank Ergasias S.A. for all investment securities held, whereby the latter guarantees to the Company, that in case of any default by the issuer of the investment securities, the Company can set off the receivable amounts with the equivalent funds placed by Eurobank Private Bank Luxembourg. As a result, the Company considers that it is not exposed to any credit risk exposure in relation to the investment in securities as these are guaranteed by Eurobank Ergasias S.A. with cash balances in place to cover the entire carrying amount of these investment securities. All derivative financial instruments held by the Company are with Eurobank Ergasias S.A., and as such the Company considers that these carry the credit risk of Eurobank Ergasias S.A. Therefore, as this is the ultimate parent entity of the Company, the Company does not have any specific policies in place to monitor this credit risk.

(b) Credit risk measurement – Loans and advances

Various credit rating systems are applied for the assessment and measurement of credit risk. These systems assign a specific rating to every borrower/counterparty which reflects the creditworthiness of the particular borrower and consequently the ability to repay funds on a timely manner. Credit rating takes under consideration various quantitative and qualitative factors. Rating systems are periodically reviewed and adapted to particular market conditions, products or borrowers.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

Risk limit control and mitigation policies – Collateral

A range of policies and practices are employed to mitigate credit risk. The most traditional of these is the taking of security, which is common practice. The Company applies guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

- Cash deposits and other cash equivalents;
- Mortgages over residential properties;
- Charges over business assets such as accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Lien agreement from ultimate parent company.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The size and concentration of the Company's exposure to credit risk can be obtained directly from the Statement of Financial Position and Notes of the financial statements which describe the analysis of the Company's loan portfolio and financial instruments.

4.2.1.1 Maximum exposure to credit risk before collateral held

	2011 €
Loans and advances to customers:	
Mortgage loans	40.015.915
Small business	22.045.912
Corporate portfolio	5.809.269
Less: Provision for impairment losses	(5.630.889)
Derivative financial instruments	87.560
Held-to-maturity investments	673.295.460
Debt securities lending portfolio	5.474.989.472
Other assets	5.225.246
	6.215.837.945

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.2 Loans and advances to customers

Loans and advances are summarized as follows:

	2011 €
Neither past due nor impaired	75.334
Past due but not impaired	713.654
Impaired:	67.082.108
- collectively assessed	39.551.220
- individually assessed	27.530.888
Gross loans and advances	67.871.096
Less: allowance for impairment	(5.630.889)
Net loans and advances	62.240.207
Included in gross loans and advances are:	
Past due more than 90 days	67.136.933
Of which non-performing loans	67.082.108

(a) Loans and advances neither past due nor impaired

	2011 €
Grades:	
Satisfactory risk	75.334
Watch list and special mention	-
Total loans and advances neither past due nor impaired	75.334

(b) Loans and advances past due, but not impaired

	31 December 2011				
	Mortgage €	Small Business €	Consumer €	Corporate Portfolio €	Total €
Past due up to 29 days	338.314	197.859	-	-	536.173
Past due 30 – 89 days	46.291	76.368	-	-	122.659
Past due 90 – 180 days	4.756	50.066	-	-	54.822
Total loans and advances past due, but not impaired	389.361	324.293	-	-	713.654

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.2 Loans and advances to customers (cont'd)

(c) Impaired loans and advances collectively assessed

The breakdown of the gross amount of collectively assessed loans and advances by class is as follows:

	31 December 2011				
	Mortgage €	Small Business €	Consumer €	Corporate Portfolio €	Total €
Collectively assessed loans	39.551.220	-	-	-	39.551.220

(d) Impaired loans and advances individually assessed

The breakdown of the gross amount of individually assessed loans and advances by class, along with the fair value of related collateral held by the Company as security, are as follows:

	31 December 2011				
	Mortgage €	Small Business €	Consumer €	Corporate Portfolio €	Total €
Individually assessed loans	-	21.721.619	-	5.809.269	27.530.888

(e) Non-performing loans

Non-performing loans are defined as the loans delinquent for a given period determined in accordance with the Company's policy.

	2011 €
Mortgage lending	39.551.220
Small business lending	21.721.619
Corporate portfolio lending	5.809.269
Total non-performing loans	67.082.108

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.3 Debt securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2011:

	31 December 2011		
	Held to maturity securities €	Debt securities lending €	Total €
Aaa	-	-	-
Aa1 to Aa3	-	-	-
A1 to A3	-	-	-
Lower than A3	673.295.460	5.474.989.472	6.148.284.932
Unrated	-	-	-
Total debt securities	673.295.460	5.474.989.472	6.148.284.932

4.2.1.4 Concentration of credit risk

(a) Geographical sectors

The following table breaks down the Company's main credit exposure at their gross carrying amounts, as categorized by geographical region as at 31 December 2011. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties:

	31 December 2011		
	Greece €	Ukraine €	Total €
Loans and advances to customers:			
Mortgage lending	-	40.015.915	40.015.915
Small business lending	-	22.045.912	22.045.912
Corporate portfolio lending	-	5.809.269	5.809.269
Debt securities lending portfolio	5.474.989.472	-	5.474.989.472
Held-to-maturity investments	673.295.460	-	673.295.460
Derivative financial instruments	87.560	-	87.560
Other assets	680.879	4.544.367	5.225.246
Total concentration of credit risk – geographical sectors	6.149.053.371	72.415.463	6.221.468.834

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.4 Concentration of credit risk (cont'd)

(b) Industry sectors

The following table breaks down the Company's main credit exposure at their gross carrying amounts, as categorized by the industry sectors of its counterparties as of 31 December 2011.

	31 December 2011					
	Commerce and services €	Private individuals €	Manufacturing €	Construction €	Other €	Total €
Loans and advances to customers:						
Mortgage lending	-	40.015.915	-	-	-	40.015.915
Small business lending	22.045.912	-	-	-	-	22.045.912
Corporate portfolio lending	3.675.234	-	-	2.134.035	-	5.809.269
Debt securities lending portfolio	-	-	-	-	5.474.989.472	5.474.989.472
Held-to-maturity investments	-	-	-	-	673.295.460	673.295.460
Derivative financial instruments	-	-	-	-	87.560	87.560
Other assets	-	-	-	-	5.225.246	5.225.246
Total concentration of credit risk – industry sectors	25.721.146	40.015.915	-	2.134.035	6.153.597.738	6.221.468.834

4.2.2 Market risk

The Company takes on exposure to market risks. Market risks arise from exposure on interest rate and currency products or combination of them, all of which are exposed to general and specific market movements. Specifically, the market risks the Company is exposed to are the following:

(a) Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected adverse movements arise. Limits are set on the level of mismatch of interest rate reprising that may be undertaken and exposures are monitored daily.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.2 Market risk (cont'd)

(b) Currency risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Limits are set on the level of exposures which are monitored daily. FX exposure is generally reduced by obtaining funding in the currency of the asset acquired.

(c) Fair values

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. However, in respect of loans and advances to customers the Company expects to realize assets through collection over time. The fair value for loans and advances to customers is approximately equal to their book value, which is net of the related allowances for losses. The fair value of other financial instruments, after taking into account related guarantees received by the entity, is approximately equal to their carrying values. For all of the other assets and liabilities, the carrying value is substantially equivalent to their fair values.

All financial instruments that are measured at fair value are categorised in one of the three fair value hierarchy levels at year-end; based on whether the inputs to the fair values are observable or non-observable:
i) Level 1 – Quoted prices in active markets for identical assets and liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.
ii) Level 2 – Financial instruments measured using valuation techniques where all significant inputs are market observable.
iii) Level 3 – Financial instruments measured using valuation technique with significant non observable inputs.

All of the entity's derivatives are classified under Level 2.

4.2.3 Liquidity risk

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for a company in the financial services industry to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Company.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.3 Liquidity risk (cont'd)

Liquidity Risk Management Framework

The Group's Liquidity Risk Management Policy defines the following supervisory and control structure:

- Eurobank Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk.
- Company Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Company's risk appetite, and to review monthly the overall liquidity position of the Company.
- Company Treasury is responsible for the implementation of the Company's liquidity strategy, the daily management of the Company's liquidity and for the preparation and monitoring of the Company's liquidity budget.
- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Company.

The following list summarises the reports which are produced on a periodic basis:

(a) The regulatory liquidity gap report along with the regulatory liquidity ratios
(b) Stress test scenarios. These scenarios evaluate the impact of a number of systemic stress events on the Group's liquidity position
(c) Liquidity warning indicators

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the period ended 31 December 2011. Liabilities without contractual maturities are presented in the "less than 1 month" time bucket.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected. The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

Notes to the financial statements
for the period from 25 November 2010 to 31 December 2011

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.3 Liquidity risk (cont'd)

Maturity analysis of liabilities (cont'd)

	31 December 2011				
	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Gross nominal (inflow)/ outflow
	€	€	€	€	€
Non-derivative liabilities:					
Loans payable	5.885.113.897	222.361.789	76.392.755	-	6.183.868.441
Other liabilities	4.547.845	-	-	-	4.547.845
Total non-derivative liabilities	5.889.661.742	222.361.789	76.392.755	-	6.188.416.286
Derivative financial instruments	595.652	1.191.304	5.360.866	32.489.581	39.637.403

4.3 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's policy is to maintain a capital base so as to support operations and sustain future development of the business as necessary. Capital consists of share capital, share premium and retained earnings. The Company is not required to comply with any capital requirements set by the regulators.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

5 Interest income

	Period from 25 November 2010 to 31 December 2011 €
Interest from held-to-maturity investments	19.350.996
Interest from debt securities lending	150.128.121
	169.479.117

6 Interest expense

	Period from 25 November 2010 to 31 December 2011 €
Interest on loans payable	138.166.716
Net interest on derivatives	12.456.939
	150.623.655

7 Gains less losses from investment securities

	Period from 25 November 2010 to 31 December 2011 €
Losses on debt instruments	(262.725)
	(262.725)

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

8 Net trading loss

	Period from 25 November 2010 to 31 December 2011 €
Losses on derivatives	(760.460)
Revaluation of foreign exchange position	(1.180.138)
	(1.940.598)

9 Operating expenses

	Period from 25 November 2010 to 31 December 2011 €
Accounting fees	20.470
Auditors' remuneration for the statutory audit of annual accounts	35.000
Auditors' remuneration for other non-audit service	575
Other operating expenses	10.820
	66.865

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

10 Taxation

	Period from 25 November 2010 to 31 December 2011 €
Corporation tax – current year	220.732
	220.732

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	Period from 25 November 2010 to 31 December 2011 €
Loss before tax	(8.150.942)
Tax calculated at the applicable tax rates	(815.094)
Tax effect of expenses not deductible for tax purposes	5.385.450
Tax effect of allowances and income not subject to tax	(5.234.599)
Tax effect of tax loss for the period	885.256
Other	(281)
Tax charge	220.732

The Company is subject to corporation tax on taxable profits at the rate of 10%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to special defence contribution at the rate of 10%; increased to 15% as from 31 August 2011.

In certain cases, dividends received from abroad may be subject to special defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

11 Derivative financial instruments

The Company utilizes currency and interest rate swaps.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk undertaken, the Company assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralization agreements over and above an agreed threshold.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

	2011		
	Contract/ notional amount	Fair Values	
		Assets	Liabilities
	€	€	€
Derivatives designated as fair value hedges			
Cross currency interest rate swaps	54.096.806	25.140	14.866.443
Interest rate swaps	157.000.000	62.420	24.770.960
	211.096.806	87.560	39.637.403

Hedge accounting

The Company uses derivatives for hedging purposes in order to reduce its exposure to market risks. The hedging practices and accounting treatment are disclosed in note 2.5.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

12 Loans and advances to customers

The Company acquired the entire portfolio of Loans and advances to customers from Universal Bank, Eurobank Ergasias subsidiary in Ukraine.

	2011
	€
Repayable:	
Within one year	-
More than one year	67.871.096
	67.871.096
Less: allowance for losses of loans and advances	(5.630.889)
	62.240.207

	2011
	€
By category:	
Mortgage loans - USD	30.705.734
Mortgage loans - CHF	9.310.181
Small Business - USD	20.661.844
Small Business – CHF	1.384.068
Corporate Portfolio - USD	5.809.269
Gross loans and advances to customers	67.871.096
Less: Provision for impairment losses	(5.630.889)
	62.240.207

The movement of the provision for impairment losses on loans and advances by class is as follows:

	2011				
	Mortgage	Small Business	Consumer loans	Corporate portfolio	Total
	€	€	€	€	€
Impairment losses on loans and advances charged in the period	1.904.402	265.455	(87.746)	3.067.205	5.149.316
Amounts recovered during the period	-	19.320	103.863	-	123.183
Loans written off during the period as uncollectible	-	(3.403)	(1.600)	-	(5.003)
Foreign exchange differences	187.707	(42.648)	(14.517)	232.851	363.393
Balance at 31 December	2.092.109	238.724	-	3.300.056	5.630.889

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

13 Debt securities lending portfolio

The movement in the account is as follows:

	2011 €
Additions	10.467.480.323
Disposals	(4.681.064.575)
Redemptions/ Maturities	(522.980.000)
Foreign exchange adjustments	7.892.700
Change in fair value due to hedging	23.767.661
Amortisation of premium/ discount & Inflation linked bonds adjustment	49.048.606
Adjustment due to fair value hedging discontinuance	45.922.977
Amortisation of adjustment due to fair value hedging discontinuance	(485.328)
Accrued interest	85.407.108
Net book value at 31 December	5.474.989.472

The Company acquired the entire portfolio of debt securities at amortized cost from Group entities. The above portfolio was guaranteed by the ultimate parent company Eurobank Ergasias S.A. (see also Note 19 Lien agreement).

14 Held to maturity investments

Held-to-maturity investments comprise entirely of Greek Government bonds.

The movement in the account is as follows:

	2011 €
Additions	665.074.483
Redemptions	(8.845.355)
Amortisation of premium/ discount	1.431.614
Accrued interest	15.634.718
Net book value at 31 December	673.295.460

The Company acquired the entire portfolio of held to maturity investments at amortized cost from Group entities. The above portfolio was guaranteed by the ultimate parent company Eurobank Ergasias S.A. (see also Note 19 Lien agreement)

15 Other assets

	2011 €
Receivable from related party - Universal Bank JSC	4.544.367
Other receivables	680.879
	5.225.246

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

16 Share capital

	2011 Number of shares	2011 Share capital €	2011 Share premium €	2011 Total €
Authorised				
At 31 December	90.000	90.000	-	90.000
Issued and fully paid				
Proceeds from shares issued	1.100	1.100	18.900	20.000
Balance at 31 December	1.100	1.100	18.900	20.000

Authorised capital
Under its Memorandum the Company fixed its share capital at 1000 ordinary shares of nominal value of €1 each.

On 13 December 2010 the Company increased its share capital from 1000 ordinary shares of nominal value of €1 each to 90000 ordinary shares of nominal value of €1 each.

Issued capital
Upon incorporation on 25 November 2010 the Company issued to the subscribers of its Memorandum of Association 1000 ordinary shares of €1 each at par.

On 13 December 2010 the Company issued 100 ordinary shares of €1 each at a premium of €189 per share.

17 Loans payable

	2011 €
Current borrowings	
Loans from related companies - Euro	6.099.763.987
Loans from related companies - USD	63.579.936
Loans from related companies - CHF	11.481.804
Loans from related companies - JPY	5.217.038
	6.180.042.765

An analysis of the terms assigned to each related party loan is provided in Note 19.

18 Other liabilities

	2011 €
Other creditors	19.691
Accrued commission expenses	4.484.124
Accrued operating expenses	44.030
	4.547.845

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

19 Related party transactions

EFG New Europe Funding III Ltd is a subsidiary of EFG Eurobank Ergasias which is listed on the Athens Stock Exchange. EFG Eurobank Ergasias is a member of the worldwide EFG Group, which consists of credit institutions, financial services and financial holding companies. The operating parent company of the EFG Group is European Financial Group EFG (Luxembourg) S.A., whilst its ultimate parent company is Private Financial Holdings Limited (PFH), which is owned and controlled indirectly by members of the Latsis family. As at 31 December 2011, the EFG Group held 44.7% of the ordinary shares and voting rights of the Bank through wholly owned subsidiaries of the ultimate parent company, the remaining ordinary shares and voting rights being held by institutional and retail investors, none of which, to the knowledge of the Bank, holds 5% or more.

As at 31 December 2011 EFG Eurobank Ergasias owns indirectly 100% of EFG New Europe Funding III Ltd through its 100% subsidiary NEU Property Holdings Ltd.

Events after the balance sheet date

Until 23 July 2012, Eurobank Ergasias S.A. ("Eurobank") was a member of the EFG Group, the operating parent company of which is "European Financial Group EFG (Luxembourg) S.A.". On 23 July 2012, 43.55% out of 44.70% held by EFG Group, was transferred to ten independent legal entities, each of which acquired 4.4%. As a result, from 23 July 2012 onwards, Eurobank has ceased to belong to the EFG Group, is not included in its consolidated financial statements and operates as an independent company, not controlled by any (one or more) individuals or legal entities. In accordance with the above and following the resolution of the Annual Shareholders Meeting held on 29 June 2012, the corporate name and trade name of Eurobank, was amended on 2 August 2012, so as no longer include the EFG suffix.

(i) The following transactions were carried out with related parties:

	2011	
	With Eurobank Ergasias S.A.	With Eurobank Ergasias S.A. Group (other than Eurobank Ergasias S.A.)
	€	€
Cash at bank	10.499	27.895
Derivative financial instruments - assets	87.560	-
Debt securities lending portfolio	-	200.274
Other assets	680.879	4.544.367
Derivative financial instruments- liabilities	(39.637.403)	-
Other liabilities	(4.484.124)	-
Loans payable	(75.617.653)	(6.104.425.112)
Interest expense	(15.747.783)	(134.875.872)
Fee and commission income	1.129.759	-
Fee and commission expense	(20.911.145)	-
Net trading loss	(760.460)	-

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

19 Related party transactions (cont'd)

(ii) The loans from related companies, as disclosed in Note 17, carry the following terms:

Currency	From	Terms	Maturity	Total €
Euro	Eurobank Private Bank (Luxembourg)	Euribor plus spread 2,20%	5 January 2012	5.247.755.644
Euro	Eurobank Private Bank (Luxembourg)	Euribor plus spread 2,20%	6 February 2012	216.310.736
Euro	Eurobank Private Bank (Luxembourg)	Euribor plus spread 2,20%	2 January 2012	635.141.694
Euro	Eurobank Ergasias S.A.	Euribor plus spread 2,75% plus contribution 0,60%	2 April 2012	555.913
United States Dollar	Eurobank Ergasias S.A.	Libor plus spread 2,75% plus contribution 0,60%	2 April 2012	63.579.936
Swiss Franc	Eurobank Ergasias S.A.	Libor plus spread 2,75% plus contribution 0,60%	2 April 2012	11.481.804
Japanese Yen	Eurobank Private Bank (Luxembourg)	Libor plus 2,20%	29 February 2012	5.217.038
				6.180.042.765

(iii) Key management personnel

Key management personnel includes directors of the Company and their close family members. No transactions have taken place between the Company and key management personnel.

(iv) Other related party transactions

Lien agreement
As of 31 December 2011, the Company has in place lien agreement from Eurobank Ergasias S.A., which act as guarantee for the purposes of securing assets reported under Debt securities lending portfolio and Held-to-maturity investments. Based on the lien agreement, in case of any default, the Company can set off the receivable amounts with the equivalent funds placed by Eurobank Private Bank Luxembourg.

Securities lending
The Company has entered into an agreement with Eurobank Ergasias S.A. under which the two parties may enter into transactions in which one party will transfer to the other securities and financial instruments against the transfer of collateral with a simultaneous agreement by the borrower to transfer to the lender, securities equivalent to such securities on a fixed date or on demand against the transfer to borrower by the lender of assets equivalent to such collateral. As at 31 December 2011 the amount which corresponded to securities lent by the Company to Eurobank Ergasias S.A. was €6.123.899 thousand.

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

20 Contingent liabilities and commitments

The Company had no contingent liabilities or commitments as at 31 December 2011.

21 Events after the balance sheet date

In February 2012, the entity sold its entire portfolio of Greek government bonds (which constitutes the greatest proportion of reported Debt securities lending portfolio and Held-to-maturity investments balances) to Eurobank Ergasias S.A. (the ultimate parent company) and repaid related funding granted by Eurobank Private Bank Luxembourg. Due to the lien agreement with Eurobank Ergasias S.A. (for details refer to note 19) the entity incurred no loss from the above transactions.

In February 2012, in the context of a group reorganisation, the entity purchased a 100% shareholding of ERB Hellas (Cayman Islands) Ltd, a group related company, incorporated in the Cayman islands.

On 5 October 2012, the National Bank of Greece (NBG) announced its intention to launch a voluntary exchange offer to acquire all Eurobank's shares offering 58 new shares of NBG for every 100 shares of Eurobank tendered. NBG also stated that, Eurobank shareholders holding 43.6% of Eurobank's ordinary share capital have committed to tender their shares in the tender offer. The offer is subject to regulatory approvals. On 23 November 2012, the General Meeting of the shareholders of NBG, approved the increase of NBG's share capital, and the issue of new ordinary shares to be offered to Eurobank's ordinary shareholders who will accept NBG's voluntary tender offer at the said exchange ratio. The Bank announced that the exchange offer falls within the context of the on-going consolidation of the Greek banking system.

On 11 January 2013, after Greek Capital Market Committee approval of the relevant offering documentation, NBG published the prospectus of the Voluntary Tender Offer (VTO), stating as offering's acceptance period for Eurobank's shareholders the period from 11 January 2013 to 15 February 2013.

On the same day, the Board of Directors of Eurobank Ergasias S.A., having been informed of the terms and conditions of the VTO submitted by NBG to Eurobank shareholders, convened and produced a reasoned opinion on the VTO.

The Bank's Board of Directors having considered the content of the VTO information memorandum, the reports provided by the Bank's financial advisors Deutsche Bank AG, London Branch and Goldman Sachs International, as well as the fairness opinion on the exchange ratio of the Bank's financial advisor Barclays Bank PLC (acting through its investment bank), concluded in summary as follows:

Notes to the financial statements for the period from 25 November 2010 to 31 December 2011

21 Events after the balance sheet date (cont'd)

The Offer Consideration:

(a) satisfies the requirements of the Law taking also into account the explanatory note of the Hellenic Capital Markets Commission, dated December 19th 2008;
(b) falls within the range of exchange ratios calculated based on internationally recognised methodologies; and
(c) is fair from a financial point of view.

Furthermore, the Bank's Board of Directors stated that through the Tender Offer, the Shareholders are given the opportunity to eventually become shareholders of the enlarged scheme having systemic presence in most of the Southeastern European countries, and that the creation of the new group is expected to allow the optimal utilization of the comparative advantages of the two organisations.

Independent auditor's report on pages 7 to 8.