

ERB Hellas (Cayman Islands) Limited
(formerly EFG Hellas (Cayman Islands) Limited)

Annual Report

For the year ended 31 December 2012

Index to the Annual Report

Declaration of the managers responsible for financial reporting	3
Directors' Report.....	4
Independent auditors' report to the Directors of ERB Hellas (Cayman Islands) Limited in respect of the non-statutory financial statements	7
Statement of Comprehensive Income.....	9
Balance Sheet	10
Statement of Changes in Equity for the year ended 31 December 2012	11
Cash Flow Statement for the year ended 31 December 2012.....	12
Notes to the Financial Statements for the year ended 31 December 2012.....	13

Declaration of the managers responsible for financial reporting

Pursuant to Article 3 of Luxembourg's Transparency Law, the undersigned Fokion Karavias, Director of ERB Hellas (Cayman Islands) Limited (the "Company" or the "Issuer"), formerly EFG Hellas (Cayman Islands) Limited, to the best of his knowledge, hereby declares that the annual non statutory financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the IASB, as endorsed by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer and that the Report of the Directors includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that it faces.

F. Karavias

Director

A handwritten signature in black ink, appearing to read 'Karavias', is written over a horizontal line. The signature is enclosed within a large, hand-drawn oval shape.

17 June 2013

Directors' Report

The Directors submit their report and the audited non statutory financial statements of the Company for the year ended 31 December 2012.

i) Business review and principal activities

The Company was incorporated under the laws of the Cayman Islands on 26 April 2002 as an exempted company with limited liability. The Company's registered number is CR-117363 and its registered office Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's corporate name was amended on 10 October 2012 from "EFG Hellas (Cayman Islands) Limited" to "ERB Hellas (Cayman Islands) Limited", following the Board of Directors Meeting on 4 October 2012 and the Written Resolution of the ERB New Europe Funding III Limited (Sole Shareholder) on 4 October 2012.

The Company was incorporated as part of the funding strategy of Eurobank Ergasias S.A. (the "Parent Company" or the "Bank") in order to establish a programme for the issuance of medium term debt instruments (EMTN). The EMTN programme is listed on the Luxembourg Stock Exchange. This programme was last updated in April 2012. The Prospectus of EMTN program is available at the Parent's Company website (see note 16). The outstanding issues of debt instruments are guaranteed by the Parent Company. The net proceeds of each issuance are applied by the Company to meet part of the general financing requirements of the Company's Parent Company and its subsidiaries.

The profit for the year amounted to € 59,007 ths (2011: € 30 ths loss). No dividend was paid to shareholders during 2012 (2011: nil).

ii) Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of its Parent Company. The Greek sovereign debt crisis, which has severely impacted the Greek economy, and the negative consequences from the European debt crisis have adversely affected the Group's operations, which have been adjusted accordingly in order to be aligned to the prevailing conditions.

In May 2010, the Greek Government entered into an agreement with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) (collectively the Official Sector) for a three-year € 110 bn refinancing and restructuring program designed to cover Greece's funding needs until mid-2012.

Due to unfavourable developments and implementation issues, the May 2010 programme was abandoned and Greece entered into a new funding and restructuring programme with the EC, the ECB and the eurozone member-states in the Eurogroup meeting of 21 February 2012. The programme aimed at bringing the country's public debt-to-GDP ratio below 120% by 2020.

However, the implementation of the new programme stalled by April 2012 and developments on the public debt front were not encouraging. On the back of these developments, and after the implementation/legislation of a long list of structural reforms and fiscal austerity measures for 2013-16 by the Greek Government, the Eurogroup reached on 26 November 2012 an agreement on a set of new actions for the reduction of Greek public debt to 124% of GDP by 2020 and below 110% of GDP in 2022. The debt path was consistent with debt sustainability levels required by the IMF.

On 29 April 2013 the Euro Working Group permitted the disbursement of the last tranche € 2.8 bn of the € 49.1 bn and after the Greek government achieved significant progress on the legislation/implementation of the required reforms.

After the recently completed 3rd evaluation of the 2nd Stabilization Programme by representatives of the lenders, the Eurogroup on 13 May 2013 permitted the disbursement of the first tranche of the EFSF loan amounting to € 4.2 bn, after the government completed the legislation/implementation of an additional series of structural reforms.

The Eurogroup on 13 May 2013 approved the conditional disbursement of the second tranche of the EFSF loan amounting to € 3.3 bn.

Directors' Report (continued)

ii) Business environment, strategy and future outlook (continued)

Regarding the outlook for the next 12 months, the main risks stem from the adverse macroeconomic environment in Greece, the developments on the eurozone sovereign debt crisis and the success, or otherwise, of the significant fiscal adjustment efforts and their impact on the Greek economy. The significant progress made to date could be compromised by external shocks from the global economy as well as implementation risks, political instability and reform fatigue in Greece. The attraction of new investments and the revival of economic growth remain key challenges of the Greek economy.

Continuation of the recession could adversely affect the region and could lead to lower profitability and deterioration of asset quality. In addition, increased funding cost remains a significant risk, as it depends on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies. Relevant information relating to the Parent Company's going concern assessment, credit exposure to Greek sovereign debt and recapitalization process is available in notes 2, 6 and 7 of the Condensed Consolidated Interim Financial Statements of Eurobank Ergasias S.A. for 31 March 2013, which was signed on 31 May 2013 (available at website: www.eurobank.gr).

The Directors monitor the progress of the Company by reference to financial and non-financial data available to them on a regular basis. Particular attention is paid to key performance indicators, including net interest margin and the balances of debt instruments outstanding at the reporting date. These are adjusted regularly in line with the requirements of the business and the nature of the monitoring activities. Once the current market conditions and the perspective of Greek sovereign debt improve, the Directors expect the business to continue to develop.

The assessment by the Directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company. On the basis of the analysis of the Bank's and the Company's capital solvency and liquidity, the successful completion of the Parent Company's recapitalization, the support so far of EC/ECB/IMF to the Greek Economy and assuming that (a) the Parent Company will complete within a specific timeframe all actions and initiatives scheduled to bring regulatory capital above minimum required (b) the Greek Government fiscal adjustment program will continue to be implemented (c) the ECB and BoG funding will continue to be available, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Directors, therefore, consider it is appropriate to prepare the financial statements of the Company on a going concern basis.

iii) Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. All of the key business risks affecting the Company, including credit risk, are managed in coordination with the Parent Company, and are set out in Note 2 in the Basis of preparation section and Note 3 to the financial statements.

The Company is a finance vehicle whose principal purpose is to raise debt to be deposited with the Parent Company and its financial position will be influenced by the Parent Company's financial condition. The principal risks and uncertainties of the Parent Company for 2012, which include those of the Company, are discussed in the notes to the Condensed Consolidated Interim Financial Statements of Eurobank Ergasias S.A. for 31 March 2013, which was signed on 31 May 2013, as well as, in the Report of Directors and the notes to the Consolidated Financial Statements included in the 2012 Annual Financial Report of Eurobank Ergasias S.A, which was signed on 27 March 2013 (available at website: www.eurobank.gr).

iv) Creditor Payment Policy

The Company's policy concerning the payment of its creditors and service providers is to pay in accordance with its contractual and other legal obligations.

Directors' Report (continued)

v) Directors

The directors of the Company who acted during the year are as follows:

Anastasios Ioannidis
 Nikolaos Karamouzis
 Fokion Karavias

None of the Directors has or had any notifiable interest in the shares of the Company.

vi) Parent company

The Parent Company is Eurobank Ergasias S.A., incorporated in Greece. Parent Company's ownership is analyzed further in note 16.

vii) Directors' responsibilities in relation to the financial statements

The Directors have prepared these non statutory financial statements for the reasons and with the explanations set out in Note 1 to the non statutory financial statements so as to provide a true and fair view of the state of affairs of the Company and of the profit or loss for that period. The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

In preparing the non statutory financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as endorsed by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

viii) Statement of disclosure of information to auditors


Each director acted during the year and up to the date of the director's report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ix) Independent Auditors

A resolution to reappoint PricewaterhouseCoopers Greece as auditors to the Company will be proposed at the forthcoming shareholders' Annual General meeting.

By order of the Board



F. Karavias
 Director

17 June 2013

Independent auditors' report to the Directors of ERB Hellas (Cayman Islands) Limited in respect of the non-statutory financial statements

Report on the Financial Statements

We have audited the accompanying non-statutory financial statements of ERB Hellas (Cayman Islands) Limited (the "Company") which comprise the balance sheet as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these non-statutory financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate 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 non-statutory financial statements based on our audit. This report, including the opinion, has been prepared for and only for the directors for management purposes in accordance with our engagement letter dated 1 April 2013, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the Company, save where expressly agreed by our prior consent in writing.

Notwithstanding the foregoing, we agree the audit report, may be:

1. Laid by the Directors before the shareholders, as a body, at the annual general meeting of the Company for information purposes; and
2. Published by the Directors in a member state of the European Union in accordance with Article 28(B) (8), Chapter XII of the Rules and Regulations of the Luxembourg Stock Exchange.

Notwithstanding (1) and (2) above, we do not assume or accept any responsibility or liability to any individual shareholders of the Company, to any holders of the debt securities issued by the Company or to any other person to whom the audit report is shown or into whose hands it may come.

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 system of internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter – Going Concern

Without qualifying our opinion, we draw attention to the disclosures in note 2 regarding the Company's ability to continue as a going concern. The recently completed Parent's recapitalisation, the adverse impact on the Parent's regulatory capital following the change in the Greek regulatory framework and the existing uncertainties arising from the expected completion of the planned actions by the Parent to fully restore its

Independent auditors' report to the Directors of ERB Hellas (Cayman Islands) Limited in respect of the non-statutory financial statements (continued)

Emphasis of matter – Going Concern (continued)

capital adequacy, indicate the existence of a material uncertainty that may cast significant doubt about the Parent's and therefore the Company's ability to continue as a going concern.



Athens, 17 June 2013

PricewaterhouseCoopers
268 Kifissias Avenue
15 232 Halandri
SOEL Reg. No. 113

Statement of Comprehensive Income

	Note	Year ended 31 December	
		2012 €'000	2011 €'000
Interest and similar income	5	14,956	10,226
Interest expense and similar charges	6	(16,982)	(10,067)
Net interest income		(2,026)	159
Net gains/(losses) from financial instruments	7	52,273	(0)
Dividend income		8,828	-
Foreign exchange losses		(8)	(122)
Operating expenses	8	(60)	(67)
Profit/(loss) before income tax		59,007	(30)
Income tax expense	9	-	-
Net profit/(loss) for the year attributable to the owners of the Parent Company		59,007	(30)
Available for sale securities, changes in fair value		(59,101)	-
Total comprehensive income for the year attributable to the owners of the Parent Company		(94)	(30)

Notes on pages 13 to 27 form an integral part of these financial statements

Balance Sheet

	Note	At 31 December	
		2012 €'000	2011 €'000
Assets			
Deposits with banks	10	172,642	170,638
Investment Securities	11	417,133	-
Derivative financial instruments	12	209	25,094
Total assets		589,984	195,732
Liabilities			
Liabilities evidenced by paper at amortised cost	13	420,945	-
Liabilities evidenced by paper designated at fair value	14	161,093	177,200
Derivative financial instruments	12	7,198	17,850
Other liabilities		177	17
Total liabilities		589,413	195,067
Equity			
Share capital	15	16	16
Other Reserves		555	649
Total equity		571	665
Total equity and liabilities		589,984	195,732

The financial statements on pages 9 to 27 were approved by the Board of Directors on 17 June 2013 and were signed on its behalf by:



F. Karavias

Director

Notes on pages 13 to 27 form an integral part of these financial statements

Statement of Changes in Equity for the year ended 31 December 2012

	Share capital €'000	Other reserves €'000	Total €'000
Balance at 1 January 2011	16	679	695
Profit/(loss) for the year	-	(30)	(30)
Available for sale securities, changes in fair value	-	-	-
Total comprehensive income for the year ended 31 December 2011	-	(30)	(30)
Balance at 31 December 2011	<u>16</u>	<u>649</u>	<u>665</u>
Balance at 1 January 2012	16	649	665
Profit/(loss) for the year	-	59,007	59,007
Available for sale securities, changes in fair value	-	(59,101)	(59,101)
Total comprehensive income for the year ended 31 December 2012	-	(94)	(94)
Balance at 31 December 2012	<u>16</u>	<u>555</u>	<u>571</u>

Notes on pages 13 to 27 form an integral part of these financial statements

Cash Flow Statement for the year ended 31 December 2012

	Note	Year ended 31 December	
		2012 €'000	2011 €'000
Cash flows from operating activities			
Interest received		32,575	15,826
Interest paid		(30,368)	(14,575)
Cash payments to suppliers		(38)	(67)
Cash flows from operating activities before changes in operating assets and liabilities		2,169	1,184
Changes in operating assets and liabilities			
Net (increase)/decrease in deposits with banks		17,756	95,085
Net increase/(decrease) in other liabilities		140	17
Net cash from/(used in) operating activities		20,065	96,286
Cash flows from investing activities			
(Purchases)/sales and redemptions of investment securities		(475,668)	-
Dividends from investment securities		8,828	-
Net cash from/(used in) investing activities		(466,840)	-
Cash flows from financing activities			
Proceeds from issue of loan notes		1,091,367	56,568
Repayments of loan notes		(652,319)	(306,372)
Net cash from/(used in) financing activities		439,048	(249,804)
Net increase/(decrease) in cash and cash equivalents		(7,727)	(153,518)
Cash and cash equivalents at beginning of year		20,940	174,458
Cash and cash equivalents at end of year	10	13,213	20,940

Notes on pages 13 to 27 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2012

1. General information

These non statutory financial statements were prepared solely to assist the Directors in discharging their stewardship obligations and fiduciary responsibilities in respect of the Company and to assist them voluntarily to comply with Article 28(B)(8), Chapter XII of the Rules and Regulations of the Luxembourg Stock Exchange.

ERB Hellas (Cayman Islands) Limited (the "Company"), formerly EFG Hellas (Cayman Islands) Limited, is a public limited company. The Company is a subsidiary of Eurobank Ergasias S.A. (the "Parent Company" or the "Bank"). ERB Hellas (Cayman Islands) Limited is a finance company, whose sole business is raising debt for the Parent Company via medium term notes listed on Luxembourg Stock Exchange, purchased by institutional and private investors. The listed medium term notes outstanding are guaranteed by the Parent Company. The Company has no employees, or audit committee.

The Company's corporate name was amended on 10 October 2012 from "EFG Hellas (Cayman Islands) Limited" to "ERB Hellas (Cayman Islands) Limited" (see note 16), following the Board of Directors Meeting on 4 October 2012 and the Written Resolution of the ERB New Europe Funding III Limited (Sole Shareholder) on 4 October 2012.

2. Accounting policies

Basis of preparation

The non statutory financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU) and in particular with those IFRS standards and IFRIC interpretations issued and effective as at the time of preparing these statements.

Going concern considerations

The financial statements have been prepared on a going concern basis. 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 following factors directly related with the Parent Company's operations:

Solvency risk

The Parent Company has incurred substantial impairment losses as a result of the Hellenic Republic's debt restructuring (PSI+). Such losses had a respective impact on the accounting and regulatory capital of the Parent Company as of 31 December 2011, which fell below the minimum capital requirements as determined by the Bank of Greece (BoG).

Capital needs of the Parent Company were assessed by BoG at the level of € 5,839 million, in order to be able to achieve the level of Core Tier I capital of 9% throughout the period to end of 2014. This assessment takes into account, inter alia, the PSI impairment losses, the results of Blackrock's diagnostic review and the Parent Company's business plan which also includes certain capital strengthening actions.

The Hellenic Financial Stability Fund (HFSF) has already advanced to the Parent Company EFSF notes of total € 5,839 million as advance payment of its participation in the share capital increase of the Parent Company, which qualifies as Tier I capital. The capital increase was certified on 31 May.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve is fully recognized, while the deferred tax asset's recognition is limited to 20% of Core Tier I capital. According to the Parent Company's capital adequacy figures at 31 March 2013, and taking into consideration the total level of the share capital increase in the context of recapitalization, the minimum ratio of 9%, pursuant to the new definition, is not met. The Parent Company has examined and is implementing alternative ways of complying with the new regulation, such as the redemption of preferred securities and subordinated debt securities at par with an equivalent increase in the Parent Company's share capital (see note 18), which is expected to have a positive impact on its capital and/or its risk weighted assets.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2. Accounting policies (continued)

Basis of preparation (continued)

Liquidity risk

The inability of the Greek banks to gain access to the international capital and money markets and the reduction of deposits due to heightened sovereign risk and deterioration of the Greek economy led to an increased reliance of the Parent Company to Eurosystem financing facilities. Although the dependence on Eurosystem funding has significantly decreased in the first quarter of 2013, as a result of some limited access to the markets and deposit inflows, these conditions pose a significant ongoing liquidity challenge for the Parent Company and the Greek Banking system in general. The Parent Company expects that the European Central Bank (ECB) and BoG facilities will continue to be available, until the normalization of market conditions.

Other economic uncertainties

The continued deterioration of the Greek economy has adversely affected the Parent Company's operations and presents significant risks and challenges for the years ahead. Currently, there are a number of material economic and market risks and uncertainties that impact the Greek Banking system. The main risks stem from the adverse macroeconomic environment, the developments on the eurozone sovereign debt crisis and the success, or otherwise, of the significant fiscal adjustment efforts and their impact on the Greek economy. The significant progress made to date could be compromised by external shocks from the global economy as well as implementation risks, political instability and reform fatigue in Greece. The attraction of new investments and the revival of economic growth remain key challenges of the Greek economy. On the other hand, as Greece has taken effective action towards fiscal consolidation, has made progress in the budgetary area and with reforms in other key sectors of the economy (as also noted in the latest Troika's progress report on the second macroeconomic adjustment program for Greece), upside risks also exist. Particularly if, first privatisation efforts, associated with the rapid improvement of the investment climate and the restoration of confidence, show resilience and are accompanied by sustained strong policy implementation.

Continuation of the recession could adversely affect the Parent Company's operations and could lead to lower profitability, deterioration of asset quality and a further reduction of deposits. In addition, increased funding cost remains a significant risk, as it is dependent on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies.

Notwithstanding the conditions and material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, the Directors, having considered the mitigating factors set out below, as well as the successful completion of the Parent Company's recapitalisation have a reasonable expectation that the Parent Company will complete within a specific timeframe all actions and initiatives scheduled to bring regulatory capital above minimum required. Hence they are satisfied that the financial statements of the Company can be prepared on a going concern basis:

- that the Parent Company continues the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Core Tier I capital and/or reducing Risk Weighted Assets, such as the redemption of preferred securities and subordinated debt securities, which is expected to have a positive impact on the Core Tier I ratio,
- should they become necessary, the availability of additional recapitalisation funds from the official sector that can support any capital needs on top of the amounts already committed by HFSF,
- the existence of the comprehensive financial support program of the EC/ECB/IMF (including the € 50 bn recapitalisation facility), aiming to correct Greece competitiveness gap and restore growth, employment and public debt sustainability and secure the banking system's stability,
- the Greek authorities' commitment to support the banking system and create a viable and well capitalised private banking sector, and
- the Parent Company's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2. Accounting policies (continued)

Basis of preparation (continued)

The policies set out below have been consistently applied to the years 2012 and 2011. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(a) Amended and new standards and interpretations effective in 2012 for EU

- IFRS 7, Amendment – Disclosures, Transfers of Financial Assets

The application of the above mentioned standards did not have a material impact on the Company's financial statements for the year ended 31 December 2012.

(b) Standards and interpretations issued but not yet effective for EU

- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income (effective 1 January 2013)

- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets (effective 1 January 2013)

- IAS 19, Amendment - Employee Benefits (effective 1 January 2013)

- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2014)

- IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2014)

- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

- IAS 36, Amendment - Recoverable Amount Disclosures for Non - Financial Assets (effective 1 January 2014, not yet endorsed by EU)

- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)

- 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)

- IFRS 10, Consolidated Financial Statements (effective 1 January 2014)

- IFRS 11, Joint Arrangements (effective 1 January 2014)

- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2014)

- IFRS 13, Fair Value Measurement (effective 1 January 2013)

- IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2014)

- IFRS 10, 12 and IAS 27 Amendments - Investment Entities (effective 1 January 2014, not yet endorsed by EU)

- Annual Improvements to IFRSs 2009-2011 Cycle (effective 1 January 2013)

- IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)

IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalized 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 have been 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 Company's presentation currency is the Euro (€) being the functional currency of the Company. Except as indicated, financial information presented in Euros has been rounded to the nearest thousand.

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.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2. Accounting policies (continued)

a) *Interest income and expenses*

Interest income and expenses are recognized in the statement of comprehensive income for all interest bearing instruments on an accruals basis, using the effective interest rate method. 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.

b) *Foreign currencies*

Foreign currency transactions 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 are recognized in the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the statement of comprehensive income. Translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss. The paid up share capital denominated in US dollars has been translated into euros on the exchange rate at the date of issue.

c) *Financial assets*

The Company classifies its financial assets in the following IAS 39 categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial instruments at initial recognition.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

The Company designates certain financial assets upon initial recognition as at fair value through profit or loss when any of the following apply:

- it eliminates or significantly reduces measurement or recognition inconsistencies; or
- financial assets share the same risks with financial liabilities and those risks are managed and evaluated on a fair value basis ; or
- structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

(ii) *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.

(iii) *Available-for-sale*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2. Accounting policies (continued)

c) *Financial assets (continued)*

Accounting treatment and calculation

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

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair-value-through-profit-or-loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest rate method is recognised in the income statement.

Dividends on equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

d) *Impairment of financial assets*

The Company assesses at each balance sheet 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 Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- d) it becoming 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 group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

(i) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables 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.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2. Accounting policies (continued)

d) *Impairment of financial assets (continued)*

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the entity may measure impairment on the basis of an instrument's fair value using an observable market price.

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.

(ii) Available-for-sale assets

In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

e) *Financial liabilities*

The Company classifies its financial liabilities in the following categories: financial liabilities measured at amortized cost and financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss have two sub categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

The Company designates financial liabilities at fair value through profit or loss when any of the following apply:

- a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
- b) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or
- c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires.

f) *Cash and cash equivalents*

Cash and cash equivalents include sight accounts and deposits held with banks with original maturities of three months or less.

g) *Derivative financial instruments*

Derivative financial instruments are initially recognized in the balance sheet at fair value on the date on which a derivative contract is entered 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. Changes in the fair value of any derivative financial instrument are recognized immediately in the statement of comprehensive income.

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.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2. Accounting policies (continued)

g) *Derivative financial instruments (continued)*

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics 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 recognized in the statement of comprehensive income.

h) *Related party transactions*

Related parties include the Parent Company and fellow subsidiaries and directors. Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and on an arm's length basis.

i) *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 reliable estimates of the amount of the obligation can be made.

j) *Share capital*

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

Dividend distribution on shares is recognized as a deduction in the Company's equity when approved by the Company's shareholders. Interim dividends are recognized as a deduction in the Company's equity when approved by the Directors.

3. Principal risks and uncertainties

The directors are responsible for the overall financial risk approach of the Company. In this regard, the directors coordinate all financial risk management activities closely with the Parent Company's risk managers to ensure that all significant financial risks of the Company are minimised. The directors have a financial risk management programme in place, the main objective of which is minimising such risks, as follows:

a) **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. The cash proceeds generated from the EMTN program are placed on deposits with the Parent Company and investment securities issued by the Parent Company or the Parent Company's subsidiaries. Derivative financial instruments are also entered into with the Parent Company or the Parent Company's subsidiaries. The aggregate carrying amount of these deposits and investment securities, as well as derivative financial instruments with positive fair values approximates to the maximum amounts exposed to credit risk. Financial assets are neither past due nor impaired.

Macroeconomic Environment Uncertainty

As noted in the Directors' Report and in the basis of preparation section the main risks of the Parent Company stem from the adverse macroeconomic environment, the developments on the eurozone sovereign debt crisis and the success, or otherwise, of the significant fiscal adjustment efforts and their impact on the Greek economy.

Due to the Greek sovereign debt crisis, Greek banks obtained part of their funding through the European Central Bank (ECB) and the Bank of Greece (BoG). As at 31 December 2012, the Parent Company's net funding from these sources totalled € 29 bn (2011: € 31 bn) while deposit inflows and some limited access to the markets have enabled the relevant balance to stand at € 22.4 bn by the end of March 2013.

The update of the Memorandum of Economic and Financial Policies (MEFP), dated 21 December 2012, includes the commitment that banks, as part of their new restructuring plans, will set out their intentions to broaden their funding base and reduce over time their reliance on emergency liquidity provided by the Eurosystem. The BoG, following the procedures and rules of the Eurosystem, will stand ready to continue disbursing adequate and appropriate emergency liquidity support in a timely manner if needed.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

3. Principal risks and uncertainties (continued)

Funds from recapitalisation, gradual recovery of private sector deposits, as a result of return to a sustainable path, and restoration of market access over the next two or three years (IMF notes that banks are expected to be able to re-access markets before the sovereign, mainly due to their high capitalisation and low sovereign exposures post-recapitalisation), enhanced by the Parent Company's undertaken initiatives to strengthen its liquidity position, establish the conditions for a substantial reduction of Eurosystem exposure in the medium term.

b) Market risk: The Company is exposed into interest rate and currency risk of which the latter is not considered to be significant. The management has a policy of minimising such risks as follows:

- 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 movements arise. Interest rate risk is managed either by placing funds on deposits and investment securities at rates which change on the same basis as the interest rates applied on loan notes, or by the use of interest rate swaps.
- 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. Currency risk has been eliminated by placing funds on deposits in the same currency as the loan notes issued.
- Equity risk: Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Company undertakes arises from the available from sale investment securities.

c) Liquidity Risk: The Company is not exposed to liquidity or cash flow risk because the maturity of its assets and liabilities, and the underlying cash flows, are substantially the same. The majority of cash proceeds generated from the EMTN program are placed on deposits and investment securities with the Parent Company, on the same terms and in the same currency.

The amounts disclosed in the table below are the contractual undiscounted cash flows of financial liabilities for the years 2012 and 2011. The cash flows of derivative financial instruments are grouped together with those for the loan notes.

	2012				Gross nominal (inflow)/outflow €' 000
	Less than 1 month €' 000	1 - 3 months €' 000	3 months to 1 year €' 000	Over 1 year €' 000	
Financial liabilities:					
- Loan notes	5	114,050	21,764	457,585	593,404
Other liabilities	-	-	177	-	177
	<u>5</u>	<u>114,050</u>	<u>21,941</u>	<u>457,585</u>	<u>593,581</u>
	2011				Gross nominal inflow/(outflow) €' 000
	Less than 1 month €' 000	1 - 3 months €' 000	3 months to 1 year €' 000	Over 1 year €' 000	
Financial liabilities:					
- Loan notes	2,482	18,080	14,618	144,067	179,247
Other liabilities	-	-	17	-	17
	<u>2,482</u>	<u>18,080</u>	<u>14,635</u>	<u>144,067</u>	<u>179,264</u>

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

3. Principal risks and uncertainties (continued)

d) 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 the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt. The Company is not subject to any external capital requirement.

Fair value of financial assets and liabilities

Fair value is the amount for which an asset or liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available, the fair value of financial assets and liabilities is estimated using present value or other estimation and valuation techniques where all significant inputs are observable. These inputs are mainly related to interest rate curves, fx rates, equity prices, credit spreads and implied volatilities obtained from internationally recognized market data providers. The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. In addition, the fair values reported, may be materially different from the values actually realized upon sale or settlement.

All financial instruments that are measured at fair value are categorized into one of the three fair value hierarchy levels at year-end; based on whether the inputs to their fair values are market observable.

- i) Level 1 - Quoted prices in active markets for identical assets or 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 techniques with significant non observable inputs.

The classification of the Company's financial assets and liabilities using the fair value hierarchy is presented in the following table:

	2012			Total
	Quoted prices in active market (Level 1) €' 000	Valuation technique observable parameters (Level 2) €' 000	Valuation technique non observable parameters (Level 3) €' 000	
Financial assets measured at fair value:				
Deposits with banks	-	146,598	-	146,598
Investment Securities	-	73,700	-	73,700
Derivative financial instruments	-	209	-	209
Total financial assets	-	220,507	-	220,507
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	161,093	-	161,093
Derivative financial instruments	-	7,198	-	7,198
	-	168,291	-	168,291

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

3. Principal risks and uncertainties (continued)

Fair value of financial assets and liabilities (continued)

	2011			Total
	Quoted prices in active market (Level 1) €' 000	Valuation technique observable parameters (Level 2) €' 000	Valuation technique non observable parameters (Level 3) €' 000	
Financial assets measured at fair value:				
Derivative financial instruments	-	25,094	-	25,094
Total financial assets	-	25,094	-	25,094
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	177,200	-	177,200
Derivative financial instruments	-	17,850	-	17,850
	-	195,050	-	195,050

4. Critical accounting estimates and judgement

In the process of applying the Company's accounting policies, the Company's Directors 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 based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Deposits with banks

The main asset of the Company is deposits with the Parent Company. The Directors' assessment of the recoverability of this asset is closely associated with the operations of the Parent Company and includes reviews of liquidity and solvency.

b) Fair value of financial instruments

The fair values of the Company's financial instruments that are not quoted in active markets are obtained from the Parent Company. The Parent Company determines the fair values by using valuation techniques, which are 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 (see also note 3).

5. Interest and similar income

	2012 €' 000	2011 €' 000
Interest income on investment securities	12,199	-
Interest income on derivative financial instruments	2,283	5,774
Interest income on deposits with the Parent Company	474	4,452
	14,956	10,226

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

6. Interest expense and similar charges

	2012 €' 000	2011 €' 000
Interest expense on liabilities evidenced by paper	16,718	5,620
Interest expense on derivative financial instruments	264	4,447
	<u>16,982</u>	<u>10,067</u>

7. Net gains/ (losses) from financial instruments

	2012 €' 000	2011 €' 000
Changes in fair value of liabilities evidenced by paper	(11,863)	(21,379)
Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper	(33,752)	11,400
Changes in fair value of deposits managed with liabilities evidenced by paper	45,615	9,979
Gain from Tender offer	52,273	-
	<u>52,273</u>	<u>(0)</u>

8. Operating expenses

	2012 €' 000	2011 €' 000
Fees payable to the Company's auditor for the statutory audit of the Company's annual financial statements	40	28
EMTN update costs	20	39
	<u>60</u>	<u>67</u>

9. Income tax expense

The Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, accordingly, has no liability to taxation in the Cayman Islands. In addition, the Company is non-UK resident and therefore not liable to corporation tax in the UK or any other country.

10. Deposits with banks

	2012 €' 000	2011 €' 000
Deposits with the Parent Company designated at fair value	146,598	-
Deposits with the Parent Company at amortised cost	26,044	170,638
	<u>172,642</u>	<u>170,638</u>
-with original maturity of more than 90 days	159,429	149,698
-with original maturity of less than 90 days (cash and cash equivalents)	13,213	20,940

Deposits with the Parent Company are on a rolling basis and earn interest at a margin above the relevant currency floating or fixed rates payable on loan notes.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

11. Investment securities

	2012 €' 000	2011 €' 000
Available-for-sale investment securities	73,700	-
Debt securities lending portfolio	343,433	-
	<u>417,133</u>	<u>-</u>

Available-for-sale investment securities

In February 2012, the Company purchased listed preferred securities amounting to € 325 million (face amount) with a discount of € 192 million, issued by ERB Hellas Funding Limited, a subsidiary of Eurobank Ergasias S.A. The preferred securities have no fixed redemption date and pay non-cumulative dividend subject to the provisions relating to compulsory payments as set out in "Description of the Preferred Securities", and to certain limitations as set out on "Limitations on Payments" on the Prospectus of each issue, available at the Parent Company's website (www.eurobank.gr). All obligations of the Issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Parent Company. The preferred securities have been classified as available for sale equity investments.

Debt securities lending portfolio

During the year, the Company purchased unlisted notes issued by the Parent Company amounting to € 356 million (face amount). The notes have been classified under debt securities lending portfolio. As at 31 December 2012, the fair value was € 216,267 ths.

12. Derivative financial instruments

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate). 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 obligations. The Company utilizes interest rate swaps in order to exchange the fixed rates of structured notes for floating rates as set out in note 3. The fair values of derivative instruments held are set out in the following table:

	2012			2011		
	Contract/ notional amount €'000	Fair values		Contract/ notional amount €'000	Fair values	
		Assets €'000	Liabilities €'000		Assets €'000	Liabilities €'000
Derivatives held for trading -Interest rate swaps	21,469	209	7,198	151,684	25,094	17,850
	<u>21,469</u>	<u>209</u>	<u>7,198</u>	<u>151,684</u>	<u>25,094</u>	<u>17,850</u>

13. Liabilities evidenced by paper at amortised cost

	2012 €' 000	2011 €' 000
Loan notes	420,945	-
	<u>420,945</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

13. Liabilities evidenced by paper at amortised cost (continued)

In February 2012, the Company substituted ERB Hellas PLC, a subsidiary of Eurobank Ergasias S.A., as issuer of Lower Tier II unsecured subordinated notes amounting to € 688,000 ths (face amount) and invited their holders to tender existing bonds. The Company repurchased notes amounting to € 106,421 ths (face amount), generating a gain of € 52,273 ths. During the year, the Company proceeded further with the repurchase of loan notes amounting to € 291,624 ths. The face amount of the remaining Lower Tier II notes amounted to € 289,955 ths.

During the year, notes amounting to € 143,643 ths (face amount) were issued by the Company under its EMTN program.

As at 31 December 2012, the fair value of notes carried at amortized cost was € 293,666 ths.

14. Liabilities evidenced by paper designated at fair value

	2012 €' 000	2011 €' 000
Loan notes	161,093	177,200
	<u>161,093</u>	<u>177,200</u>

Under the program for issuance of debt instruments, loan notes are unconditionally and irrevocably guaranteed by the Parent Company, on a subordinated or an unsubordinated basis, as specified in the relevant Final Terms.

Certain loan notes issued by the Company have been designated at fair value through profit or loss, because they share the same risks with linked deposits and derivatives and those risks are managed and evaluated on a fair value basis. Especially for those notes that do not contain embedded derivatives, the designation also addresses any arising accounting mismatch that would occur from their measurement at amortized cost while the linked derivatives would be measured at fair value through profit or loss. As part of the risk management strategy, all these notes are managed either by placing funds (deposits) to the Parent Company on the same terms and conditions with the loan notes or by entering into swap transactions. The fair value of loan notes is determined using valuation techniques where all significant inputs are market observable.

The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during the year.

Loan notes designated at fair value had a face value of € 122,453 ths and a cumulative fair value change of € 38,640 ths as at 31 December 2012 (€ 151,684 ths and € 26,730 ths respectively, as at 31 December 2011).

During the year, notes amounting to € 8,695 ths (face amount) were issued by the Company under its EMTN program.

During the year, notes amounting to € 34,190 ths (face amount as at 31 December 2011), issued by the Company under its EMTN program, matured.

The Company's risk management strategy for financial instruments is covered in note 3.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

15. Share capital

	2012 Number	2012 US\$'000	2011 Number	2011 US\$'000
Authorised ordinary shares of US\$ 1 each	50,000	50	50,000	50
Authorised preference shares of US\$ 100,000 each	1,500	150,000	1,500	150,000
Issued ordinary shares of US\$ 1 each	50,000	50	50,000	50
Allotted and paid up 49,999 ordinary shares at US\$ 0.30 per ordinary share and 1 ordinary share at US\$ 1	50,000	15	50,000	15

The paid up share capital of US\$ 15,001 is reflected in the non statutory financial statements as € 16,436 based on the exchange rate at the date of issue.

16. Ultimate parent company and controlling party

In February 2012, ERB New Europe Funding III Ltd, a subsidiary of Eurobank Ergasias S.A, became the Company's immediate parent undertaking. The Company's results are included in the consolidated financial statements of Eurobank Ergasias S.A, which is incorporated in Greece.

Until 23 July 2012, Eurobank Ergasias was a member of the EFG Group, having as operating parent company the "European Financial Group EFG (Luxembourg) S.A." and ultimate parent company the "Private Financial Holdings Limited", the latter owned and controlled indirectly by members of the Latsis family. In particular, the EFG Group held 44.70% of Eurobank Ergasias ordinary shares and voting rights, through wholly owned subsidiaries of the ultimate parent company and the remaining ordinary shares and voting rights were held by institutional and retail investors, none of which, to the knowledge of the Bank, held 5% or more.

On 23 July 2012, 43.55% of the ordinary shares and voting rights held by EFG Group were transferred to ten legal entities, each of which acquired approximately 4.4%, while the EFG Group retained the remaining 1.15%. These entities have formally stated they are independent from each other. As a result, from 23 July 2012, onwards, Eurobank ceased to be under EFG Group's control and will no longer be consolidated in the financial statements of the EFG Group. In addition, Eurobank Ergasias' corporate and trade name have already been amended in order to no longer include the "EFG" suffix (see also note 18).

The financial statements of Eurobank Ergasias S.A. are available from its head office: 8 Othonos Street, 105 57 Athens, Greece, and from its website at www.eurobank.gr.

The volume of related party transactions and the outstanding balances at the year-end are as follows:

	31 December 2012		31 December 2011	
	Parent Company €' 000	Parent Company's Subsidiaries €' 000	Parent Company €' 000	Parent Company's Subsidiaries €' 000
Deposits with Banks	172,642	-	170,638	-
Derivative financial instruments (assets)	189	20	25,094	-
Investment securities	343,433	73,700	-	-
Liabilities evidenced by paper at amortised cost	1,948	86,223	-	-
Liabilities evidenced by paper designated at fair value	21,105	118,243	4,515	130,513
Derivative financial instruments (liabilities)	7,198	-	17,850	-
Interest and similar income	14,956	-	10,226	-
Interest expense and similar charges	973	2,101	4,447	-
Dividend income	-	8,828	-	-

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

16. Ultimate parent company and controlling party (continued)

Emoluments of Directors

The Directors provide services to a number of Group companies for which are compensated by the Parent Company. Accordingly, these financial statements include no emoluments in respect of any director as it is not practicable to apportion the salary element. The Company employed no staff during the year (2011: nil).

17. Segmental reporting

The Company operates one business segment i.e. providing funding to Eurobank Ergasias S.A., through floating and fixed rate loan notes issued to a wide range of investors.

18. Other significant and post balance sheet events

National Bank of Greece S.A. (NBG) Voluntary Tender Offer (VTO) and merger

On 15 February 2013, the National Bank of Greece SA (NBG) acquired 84.35% of Parent Company's voting shares following the completion of a Voluntary Tender Offer (VTO) launched on 11 January 2013. The VTO would have been followed by the merger of the two banks, the process of which initiated on 19 March 2013.

On 28 March 2013, BoG sent letters to all viable banks, including the Parent Company and NGB, stating that each bank should proceed with its recapitalization by the end of April 2013 and requesting them to proceed with the relevant necessary actions. On 7 April 2013, as the joint banks' request for the extension of the recapitalization process up to 20 June 2013 was not granted, the relevant regulatory authorities with the consent of the management of both banks decided that the Parent Company and NBG will be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended.

In this respect, the Extraordinary General Meeting of shareholders of the Parent Company, convened on 30 April 2013, decided the increase of the Parent Company's ordinary share capital, in order to raise € 5,839 million, subscribed by way of contribution in kind from HFSF, in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012.

Liability Management Exercise

On 29 April 2013, the Board of Directors of the Parent Company decided to proceed with a liability management exercise ("LME") in respect of the five series of preferred securities (Lower Tier I-Series A,B,C,D,E) issued and the single subordinated medium term note (Lower Tier II) (the "Securities") issued by the Bank through its special purpose entities "ERB Hellas Funding Limited" "ERB Hellas Cayman". In particular, the Board of Directors decided to execute the LME on a voluntary basis as follows:

- (a) repurchase by the Bank of the tendered Securities at their nominal value; and
- (b) undertaking by holders tendering Securities to participate in the new share capital increase, for cash, with the proceeds of the repurchase, at a share issue price equal to the issue price of the share capital increase of € 5,839 million which was fully subscribed by the HFSF, within the framework of Law 3864/2010, i.e. 1.54091078902977 per share.

The participation of the Securities holders in the LME is at their discretion and the total nominal value of the tendered Securities that the Bank will accept will not exceed € 580 million, out of the total nominal amount outstanding of approximately € 663 million.

The decision on the Bank's share capital increase related to the LME program for cash up to € 580 million will be taken by the Annual General Meeting of the Bank's shareholders, which is expected to take place on 27 June 2013. The new capital increase is expected to be completed following the required approvals.

Details of significant post balance sheet events are also provided in the following notes:

Note 2-Accounting Policies