ERB NEW EUROPE FUNDING III LIMITED

Report and Financial Statements for the year ended 31 December 2014

ERB NEW EUROPE FUNDING III LIMITED

Report and financial statements
31 December 2014

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Board of Directors and Other Officers

Board of Directors

M. Louis
D. Shacallis
C. Kokologiannis (resigned on 14 May 2014)
S. Psychogyios (appointed on 14 May 2014)

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

Management report

The Board of Directors presents its report together with the audited financial statements of ERB NEW EUROPE FUNDING III LIMITED (the "Company") for the year ended 31 December 2014.

Principal activities and nature of the operations of the Company

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 clients and originated by respective Eurobank Ergasias S.A. subsidiaries.

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

The main financial highlights for the year are as follows:

	2014	2013
	€	€
Operating income/ (loss)	(6.120.547)	2.729.905
Operating expenses including Impairment losses on loans and advances and other impairment losses	(49.188.359)	(4.889.446)
Loss from operations before taxation	(55.170.820)	(1.934.732)
Net loss for the year	(55.319.752)	(2.131.369)

	2014	2013
	€	€
Loans and advances to customers	54.889.222	118.692.765
Available-for-sale financial assets	96.480.429	150.663.890
Debt securities lending portfolio	890.497.644	2.498.408.268
Total assets	1.048.945.696	2.774.435.990

Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of Eurobank Ergasias S.A. (the "Bank" or "Parent entity").

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a programme agreed with the EU, the European Central Bank (ECB) and the International Monetary Fund (IMF) ('the Institutions'). This had led to primary fiscal surpluses in 2013 and 2014, but also to reform fatigue and social unrest. After the parliamentary elections of 25 January, the new government negotiated a four-month extension of the Master Financial Assistance Facility Agreement (MFFA), the purpose of which was the successful completion of the review on the basis of the conditions in the current arrangement, making best use of the given flexibility which would be considered jointly with the Greek authorities and the Institutions. This extension would also serve to bridge the time for discussions on a possible follow-up arrangement between the Euro Group, the Institutions and Greece.

Management report (cont'd)

Business environment, strategy and future outlook (cont'd)

On 23 February 2015, the Greek government presented to the Institutions, a first list of reform measures to be further specified and agreed by the end of April 2015. Greece's access to the last installment of the previous arrangement and/or to further Eurozone funding was conditional, inter alia, to the Institutions approving the conclusion of the review of the extended arrangement. Until such review was satisfactorily completed, any securities issued or guaranteed by the Hellenic Republic were deemed not eligible for ECB MRO (Main Refinancing Operations) funding. These conditions created material uncertainties on the Greek macroeconomic environment, with potentially significant adverse effects on the liquidity and solvency of the Greek banking sector.

Liquidity, of the whole Greek banking sector, was negatively affected in the first two months of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of European Central Bank (ECB) to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by Hellenic Republic (i.e. Greek government bonds and Pillar 2 & 3 of the Law 3723/2008). As a result, Greek banks reverted to the fallback funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs.

The prolonged negotiations of the Greek government with the European Union (EU), the ECB and the International Monetary Fund (IMF) ('the Institutions') until the expiration of the extension of the Master Financial Assistance Facility Agreement (MFFA) on 30 June 2015, led to increased uncertainty and significant deposit outflows. With banks' liquidity buffers falling to significantly low levels, the Greek government on 28 June 2015 introduced restrictions on banking transactions and a temporary bank holiday, in order to contain further liquidity outflows. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration.

The new ESM Program agreed between Greece and its European partners in August 2015 included a buffer of up to € 25 bn for the banking sector in order to address potential banks' recapitalization needs of viable banks and resolution costs of non viable banks, in full compliance with EU competition and State Aid rules.

In this context, a comprehensive assessment of the Greek banks ('CA') was conducted by the competent supervisory authorities in order to determine their potential capital needs. The results of the CA were announced on 31 October 2015, based on which a shortfall of € 0.3 bn in baseline scenario against 9.5% CET1 threshold and € 2.1 bn in adverse scenario against 8% CET1 threshold, which is the lowest shortfall across Greek banks, was identified for the Bank. According to the recently released Stress Test results, a significantly lower amount was required for the recapitalization of the Greek systemic banks. Following these results, the Bank submitted a capital plan to the ECB, describing in detail the measures was intended to implement in order to cover the shortfall identified in the CA, for under both the baseline and the adverse scenario.

Management report (cont'd)

Business environment, strategy and future outlook (cont'd)

On 16 November 2015, the Bank announced that the SSM recognized €83 million of capital generation that can be taken into account to reduce its total capital shortfall as part of the CA, due to the positive difference between the realized pre provision income for the third quarter of 2015 and the respective figure projected in the stress test (baseline scenario).

On the same date, the Bank's Extraordinary General Meeting of the shareholders approved the increase of the Bank's share capital of up to € 2,039 million. The said capital increase has been effected by means of a private placement to institutional and other eligible investors in Greece and internationally through a book-building process (Institutional Offering), with waiving of the pre-emption rights of the Bank's existing ordinary shareholders and preference shareholder.

In combination with the aforementioned share capital increase, a Liability Management Exercise (LME), was launched by the Bank on 29 October 2015 referring to the tender offer on € 877 million (face value) of outstanding eligible senior unsecured, Tier I and Tier II securities. The purchase proceeds from LME were used for the sole purpose of covering part of the Bank's share capital increase.

On 18 November 2015, the Bank announced that it has completed the aforementioned book-building process. In particular, indicative demand from investors in the Institutional Offering together with the preliminary results of the Bank's LME were in excess of € 2,039 million and therefore sufficient for the Bank to raise such amount without seeking any capital support from the Hellenic Financial Stability Fund (HFSF). On 30 November 2015 the Bank announced that it has successfully completed the share capital increase. New Shares started being traded on the Athens Exchange on December 2, 2015.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system. The decisive implementation of the measures agreed in the context of the new European Stability Mechanism (ESM) program, the completion of banks' recapitalization and the successful completion of the 1st programme review permitted ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and decrease the haircuts applied for Pillar II Guarantees. These developments have enabled Greek banks to reduce their dependence on the expensive Emergency Liquidity Assistance (ELA) mechanism, increase their liquidity buffers. Additionally the completion of the of the 1st review helped in reducing the short term uncertainty surrounding the economic outlook and contributed to further relaxation of capital controls, as of 22 July 2016. The stabilization of the macroeconomic environment and a recovery of the domestic economic sentiment will facilitate a faster return of deposits in the banking system and the further re-access to the markets for liquidity.

Notwithstanding the direct and indirect exposure of the banking system to sovereign risk, the successful completion of the Bank's and other Greek systemic banks' recapitalization process constituted a key milestone for rebuilding trust in the banking system and in the economy in general.

Management report (cont'd)

Business environment, strategy and future outlook (cont'd)

The Bank continues implementing its medium term internal capital generating plan, which includes initiatives generating or releasing CET1 capital and/or reducing risk weighted assets. One of the key areas of focus remains the active management of non-performing loans, taking advantage of the Bank's internal infrastructure and the important legislative changes that have taken or are expected to take place, aiming to substantially reduce their stock in due course.

Notwithstanding the conditions and uncertainties mentioned above, the directors having considered the successful completion of the Bank's share capital increase and the mitigating factors set out below, are satisfied that the financial statements of the Company can be prepared on a going concern basis.

- The existence of the new 3-year ESM program with a ca € 86 bn financing envelope aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration,
- The authorities' commitment to take decisive measures to safeguard the stability in the financial sector,
- The Institutions' and the Greek government's commitment to take decisive actions on nonperforming loans. In December 2015, Greek Parliament passed a legislation allowing the transfer or selling of non-performing loans to overseas distress funds
- The Group's continued implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Common Equity Tier I capital and/or reducing risk weighted assets and
- The Group's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.
- The continuing support of the Bank.

Results

The Company's results for the year are set out on page 9. The net loss for the period is carried forward.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors at 31 December 2014 and at the date of this report are presented on page 1.

Changes in Group structure

There were no changes in the group structure of the Company during the year under review and the Company does not intend to proceed with any acquisitions or mergers.

Branches

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

Management report (cont'd)

Principal risks and uncertainties

During January - April 2014, the Ukrainian Hryvnia saw a significant decrease in value against the major world currencies. The situation in Ukraine is further jeopardized after capture of Crimean Parliament and Government buildings by unnamed armed forces followed by replacement of local Government, growing presence of Russian armed forces in Crimea, decision taken by Crimean parliament on joining the Russian Federation and signing the agreement between the Russian Federation and the Republic of Crimea on the accession of the Republic of Crimea to the Russian Federation on 18 March 2014.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on Ukrainian financial and corporate sectors.

Ukrainian borrowers to whom the Company is exposed to, may be adversely affected by the deteriorated financial and economic environment, including devaluation of the Ukrainian Hryvnia. As all loans to customers were issued in foreign currencies, UAH depreciation against these currencies could have a significant impact on borrowers' ability to service the loans.

The market in Ukraine for many types of collateral, especially real estate, has been severely affected by the overall situation in the Ukraine economy, resulting in a low level of liquidity for certain types of assets. As a result, the actual realisable value on future foreclosure may differ from the value ascribed in estimating allowances for impairment at the end of the reporting period.

Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period, and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Management considering all the above facts has determined that the recoverable amount of the Ukrainian exposures is nearly to zero.

In March 2014, the Group's management committed to a plan to sell the Group's operations in Ukraine (including the Ukrainian portfolio booked in ERB New Europe Funding III). The sale was considered highly probable, therefore, the Group's operations in Ukraine were classified as a disposal group held for sale.

On 14 August 2014, the Group entered into an agreement with entities of the Ukrainian Delta Bank Group for the disposal of its Ukrainian subsidiary "Public J.S.C. Universal Bank". The agreement also assumed the disposal of other Ukrainian assets (including the Ukrainian loan portfolio held in ERB New Europe Funding III). The transaction was subject to the necessary approvals by the competent authorities as well as conditions relating to the political and economic situation in Ukraine.

On 23 September 2014, the Bank announced that the appropriate approvals have not been provided in order for the aforementioned transaction to be completed. Consequently, the Bank decided to terminate the agreement with the Delta Bank Group.

Management report (cont'd)

Principal risks and uncertainties (cont'd)

The continuing adverse economic, geopolitical and political conditions in Ukraine escalating during 2014 led to an extension of the period to complete the sale beyond one year. The Group's operation in Ukraine continue to be classified as a disposal group held for sale, as the Bank remains committed to its plan to sell that disposal group.

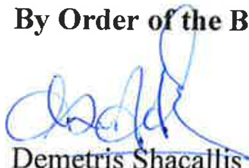
These principal risks and uncertainties are described in notes 3 and 4 of the financial statements.

The Company considers risk management to be a major process and a factor contributing to the stability of Company's performance. The financial risks which are managed and monitored are credit risk, market risk (including currency and interest rate risk) and liquidity risk. The Company's overall risk management objective is to minimize potential adverse effects on the Company's financial performance, financial position and cash flows. Detail information relating to risk management is set out in Note 4 of the financial statements.

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, 30 November 2016

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

Report on the financial statements

We have audited the accompanying financial statements of ERB New Europe Funding III Ltd (the "Company"), which are presented on pages 10 to 55 and comprise the balance sheet as at 31 December 2014, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, 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.

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PricewaterhouseCoopers Ltd is a member firm of PricewaterhouseCoopers International Ltd, each member firm of which is a separate legal entity.
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, and Paphos.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ERB New Europe Funding III Ltd as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, 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, so far as appears from our examination of these books.
- 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 Management Report has been prepared in accordance with the requirement of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the financial statements.
- In our opinion and in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Management Report.

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 Laws of 2009 to 2016 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.

George Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 30 November 2016

Income statement
for the year ended 31 December 2014

	Note	2014 €	2013 €
Interest income	5	24.885.594	85.434.483
Interest expense	6	(25.048.479)	(63.534.500)
Net interest income		(162.885)	21.899.983
Fee and commission income		104.125	844.241
Fee and commission expense	19	(1.355.007)	(20.108.362)
Net fee and commission expense		(1.250.882)	(19.264.121)
Gains less losses from investment securities		(4.394.501)	162.980
Net trading gain	7	(239.257)	155.872
Other operating income		65.064	
Operating expenses	8	(138.085)	(224.809)
Operating income/loss		(6.120.547)	2.729.905
Impairment losses on loans and advances	11	(46.767.298)	(4.664.637)
Other impairment losses		(2.282.975)	-
Loss before income tax		(55.170.820)	(1.934.732)
Income tax	9	(148.932)	(196.638)
Loss for the year		(55.319.752)	(2.131.369)

Statement of Comprehensive Income
for the year ended 31 December 2014

	2014 €	2013 €
Loss for the year	(55.319.752)	(2.131.369)
Items that may be reclassified subsequently to profit and loss:		
Available-for-sale financial assets (Note 12)		
Net changes in fair values	(2.288.657)	(1.430.631)
Transfer to net Profit / (Loss)	4.394.501	-
Other comprehensive income:	2.105.844	(1.430.631)
Total comprehensive loss for the year	(53.213.908)	(3.562.000)

The notes on pages 15 to 55 form part of these financial statements.

Statement of Financial Position
at 31 December 2014

	Note	2014	2013
Assets			
Cash at bank		**4.858.334**	**4.917.631**
Derivative financial instruments	10	**1.523.428**	**138.501**
Loans and advances to customers	11	**54.889.222**	**118.692.765**
Available-for-sale financial assets	12	**96.480.429**	**150.663.890**
Debt securities lending portfolio	13	**890.497.644**	**2.498.408.268**
Investments in subsidiaries	14	**670.000**	**670.000**
Other assets	15	**26.639**	**944.935**
Total assets		**1.048.945.696**	**2.774.435.990**
Equity and liabilities			
Equity			
Ordinary share capital	16	**1.100**	**1.100**
Share premium	16	**18.900**	**18.900**
Other reserves	12	**997.546**	**(1.108.298)**
Retained earnings		**(76.546.977)**	**(21.227.225)**
Total equity		**(75.529.431)**	**(22.315.523)**
Liabilities			
Loans payable	17	**1.122.930.342**	**2.795.259.833**
Derivative financial instruments	10	**1.523.428**	**138.501**
Other liabilities	18	**21.357**	**1.353.179**
Total liabilities		**1.124.475.127**	**2.796.751.513**
Total liabilities and equity		**1.048.945.696**	**2.774.435.990**

On 30 November 2016 the Board of Directors of ERB New Europe Funding III Limited authorized these financial statements for issue.

S. Psychogyios, Director

D. Shacallis, Director

The notes on pages 15 to 55 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2014

	Share capital €	Share premium €	Other Reserves €	Retained earnings €	Total €
Balance as at 1 January 2013	**1.100**	**18.900**	**322.333**	**(19.095.856)**	**(18.753.523)**
Loss for the year	-	-	-	**(2.131.369)**	**(2.131.369)**
Other comprehensive income/(loss) for the year	-	-	**(1.430.631)**	-	**(1.430.631)**
Balance as at 31 December 2013	**1.100**	**18.900**	**(1.108.298)**	**(21.227.225)**	**(22.315.523)**
Loss for the year	-	-	-	**(55.319.752)**	**(55.324.765)**
Other comprehensive income/(loss) for the year	-	-	**2.105.844**	-	**2.105.844**
Balance as at 31 December 2014	**1.100**	**18.900**	**997.546**	**(76.546.977)**	**(75.529.431)**

The notes on pages 15 to 55 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2014

	Note	2014	2013
Cash flows from operating activities			
Loss for the year before taxation		(55.170.820)	(1.934.732)
Adjustments for:			
Gain from investment securities		4.394.501	-
Impairment losses on loans and advances	12	46.767.298	4.664.637
Other impairment losses		2.282.975	-
Foreign exchange adjustments on Debt securities lending portfolio	13	(6.251.647)	2.071.695
Foreign exchange adjustments on AFS portfolio	12	(4.965.766)	607.963
Amortisation of premium/ discount on AFS portfolio	12	3.400.016	2.900.861
Amortisation of premium/ discount & Inflation linked bonds adjustment on Debt securities lending portfolio	13	(7.482.473)	(61.838.358)
Accrued interest on AFS portfolio	12	1.541.919	-
Accrued interest on Debt securities lending portfolio	13	277.685	-
Cash outflow from operations before working capital changes		(15.206.313)	(53.527.934)
Net increase/(decrease) in Derivative financial instruments		-	(2)
Net (increase)/decrease in Loans and advances to customers		9.933.798	(79.719.226)
Net (increase)/decrease in Other assets		-	5.891.058
Net increase/(decrease) in Other liabilities		(1.331.818)	(2.785.257)
Net increase/(decrease) in accrued interest on Loans payable		(6.765.072)	(3.090.004)
Cash outflow from operations		(13.369.405)	(133.231.365)
Tax paid	9	(148.932)	(200.607)
Net cash outflow from operating activities		(13.518.337)	(133.431.972)
Cash flows from investing activities			
Purchases and redemptions of Available-for-sale financial assets	12	56.313.136	21.301.453
Purchases and redemptions of Debt securities lending portfolio	13	1.621.367.059	1.786.491.245
Net cash inflow from investing activities		1.677.680.195	1.807.792.698
Cash flows from financing activities			
Repayments of loans payable, net of proceeds	17	(1.665.564.420)	(1.669.604.355)
Net cash outflow from financing activities		(1.664.564.420)	(1.669.604.355)
Net increase in cash and cash equivalents		(1.402.562)	4.756.372
Effect of exchange rate fluctuations on cash held		1.343.265	-
Cash and cash equivalents at beginning of the financial year		4.917.631	161.259
Cash and cash equivalents at end of year		4.858.334	4.917.631

For the purposes of the cash flow statement, cash and cash equivalents comprise exclusively by Cash at bank, which has less than 90 days maturity.

The notes on pages 15 to 55 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2014 (cont'd)

As at 31 December 2014, the Company holds deposits with the Bank and other Group's subsidiaries amounting to EUR 4.414.070 and EUR 444.264 respectively. The Bank's long term rating was CCC+ at July 2016 according to Standard & Poor's credit rating.

Notes to the financial statements for the year ended 31 December 2014

1 General

ERB NEW EUROPE FUNDING III LIMITED (the "Company")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. As at 31 December 2014 the Bank owns indirectly 100% of ERB New Europe Funding III through its 100% subsidiary NEU Property Holdings Ltd.

Principal activities and nature of the operations of the Company

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 clients and originated by respective Bank's subsidiaries.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (''IFRS'') and IFRS Interpretations Committee (IFRS IC) issued by the IASB, as endorsed by the European Union (the 'EU') and the requirements of the Cyprus Companies Law, Cap.113.

The policies set out below have been consistently applied to the years presented unless otherwise stated.

2.2 Going concern basis

The financial statements have been prepared on a going concern basis. In making their assessment at the Company's ability to continue as a going concern, the directors have taken into consideration the impact of the following factors directly related to the Parent entity's operations. The Company has shown negative capital for the period however the directors of the Company have the support of the Parent entity. The Parent entity has confirmed the continuing support, which includes possibilities to refinance existing borrowing, receive additional borrowings and provide capital, subject to the Parent entity's restructuring commitments, so that to ensure that the Company will continue its operations in the foreseeable future.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.2 Going concern basis (cont'd)

Position of Eurobank Group

On 23 February 2015, the Greek government presented to the Institutions, a first list of reform measures to be further specified and agreed by the end of April 2015. Greece's access to the last installment of the previous arrangement and/or to further Eurozone funding was conditional, inter alia, to the Institutions approving the conclusion of the review of the extended arrangement. Until such review was satisfactorily completed, any securities issued or guaranteed by the Hellenic Republic were deemed not eligible for ECB MRO (Main Refinancing Operations) funding. These conditions created material uncertainties on the Greek macroeconomic environment, with potentially significant adverse effects on the liquidity and solvency of the Greek banking sector.

Liquidity, of the whole Greek banking sector, was negatively affected in the first two months of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of European Central Bank (ECB) to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by Hellenic Republic (i.e. Greek government bonds and Pillar 2 & 3 of the Law 3723/2008). As a result, Greek banks reverted to the fallback funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs.

The prolonged negotiations of the Greek government with the European Union (EU), the ECB and the International Monetary Fund (IMF) ('the Institutions') until the expiration of the extension of the Master Financial Assistance Facility Agreement (MFFA) on 30 June 2015, led to increased uncertainty and significant deposit outflows. With banks' liquidity buffers falling to significantly low levels, the Greek government on 28 June 2015 introduced restrictions on banking transactions and a temporary bank holiday, in order to contain further liquidity outflows. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system. The decisive implementation of the measures agreed in the context of the new European Stability Mechanism (ESM) program, the completion of banks' recapitalization and the successful completion of the 1st programme review permitted ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and decrease the haircuts applied for Pillar II Guarantees. These developments have enabled Greek banks to reduce their dependence on the expensive Emergency Liquidity Assistance (ELA) mechanism, increase their liquidity buffers. Additionally the completion of the of the 1st review helped in reducing the short term uncertainty surrounding the economic outlook and contributed to further relaxation of capital controls, as of 22 July 2016.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.2 Going concern basis (cont'd)

The stabilization of the macroeconomic environment and a recovery of the domestic economic sentiment will facilitate a faster return of deposits in the banking system and the further re-access to the markets for liquidity.

The new ESM Program agreed between Greece and its European partners in August 2015 included a buffer of up to € 25 bn for the banking sector in order to address potential banks' recapitalization needs of viable banks and resolution costs of non viable banks, in full compliance with EU competition and State Aid rules. According to the recently released Stress Test results, a significantly lower amount was required for the recapitalization of the Greek systemic banks.

In this context, a comprehensive assessment of the Greek banks ('CA') was conducted by the competent supervisory authorities in order to determine their potential capital needs. The results of the CA were announced on 31 October 2015, based on which a shortfall of € 0.3 bn in baseline scenario against 9.5% CET1 threshold and € 2.1 bn in adverse scenario against 8% CET1 threshold, which is the lowest shortfall across Greek banks, was identified for the Bank. Following these results, the Bank submitted a capital plan to the ECB, describing in detail the measures was intended to implement in order to cover the shortfall identified in the CA, for under both the baseline and the adverse scenario.

On 16 November 2015, the Bank announced that the SSM recognized €83 million of capital generation that can be taken into account to reduce its total capital shortfall as part of the CA, due to the positive difference between the realized pre provision income for the third quarter of 2015 and the respective figure projected in the stress test (baseline scenario).

On the same date, the Bank's Extraordinary General Meeting of the shareholders approved the increase of the Bank's share capital of up to € 2,039 million. The said capital increase has been effected by means of a private placement to institutional and other eligible investors in Greece and internationally through a book-building process (Institutional Offering), with waiving of the pre-emption rights of the Bank's existing ordinary shareholders and preference shareholder.

In combination with the aforementioned share capital increase, a Liability Management Exercise (LME), was launched by the Bank on 29 October 2015 referring to the tender offer on € 877 million (face value) of outstanding eligible senior unsecured, Tier I and Tier II securities. The purchase proceeds from LME were used for the sole purpose of covering part of the Bank's share capital increase.

On 18 November 2015, the Bank announced that it has completed the aforementioned book-building process. In particular, indicative demand from investors in the Institutional Offering together with the preliminary results of the Bank's LME were in excess of € 2,039 million and therefore sufficient for the Bank to raise such amount without seeking any capital support from the Hellenic Financial Stability Fund (HFSF). On 30 November 2015 the Bank announced that

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.2 Going concern basis (cont'd)

it has successfully completed the share capital increase. New Shares started being traded on the Athens Exchange on December 2, 2015.

Notwithstanding the direct and indirect exposure of the banking system to sovereign risk, the successful completion of the Bank's and other Greek systemic banks' recapitalization process constituted a key milestone for rebuilding trust in the banking system and in the economy in general.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system. The decisive implementation of the measures agreed in the context of the new European Stability Mechanism (ESM) program, the completion of banks' recapitalization and the successful completion of the 1st programme review permitted ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and decrease the haircuts applied for Pillar II Guarantees. These developments have enabled Greek banks to reduce their dependence on the expensive Emergency Liquidity Assistance (ELA) mechanism, increase their liquidity buffers. Additionally the completion of the of the 1st review helped in reducing the short term uncertainty surrounding the economic outlook and contributed to further relaxation of capital controls, as of 22 July 2016. The stabilization of the macroeconomic environment and a recovery of the domestic economic sentiment will facilitate a faster return of deposits in the banking system and the further re-access to the markets for liquidity.

The Bank continues implementing its medium term internal capital generating plan, which includes initiatives generating or releasing CET1 capital and/or reducing risk weighted assets. One of the key areas of focus remains the active management of non-performing loans, taking advantage of the Bank's internal infrastructure and the important legislative changes that have taken or are expected to take place, aiming to substantially reduce their stock in due course.
Notwithstanding the conditions and uncertainties mentioned above, the directors having considered the successful completion of the Bank's share capital increase and the mitigating factors set out below, are satisfied that the financial statements of the Company can be prepared on a going concern basis.

- The existence of the new 3-year ESM program with a ca € 86 bn financing envelope aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration,
- The authorities' commitment to take decisive measures to safeguard the stability in the financial sector,
- The Institutions' and the Greek government's commitment to take decisive actions on nonperforming loans. In December 2015, Greek Parliament passed a legislation allowing the transfer or selling of non-performing loans to overseas distress funds
- The Group's continued implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Common Equity Tier I capital and/or reducing risk weighted assets and

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.2 Going concern basis (cont'd)

- The Group's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.
- The continuing support of the Bank.

2.3 Adoption of new and revised International Financial Reporting Standards

a) **New and amended standards adopted by the Company**

The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply from 1 January 2014:

IAS 27, Amendment - Separate Financial Statements
The amendment is issued concurrently with IFRS 10 'Consolidated Financial Statements' and together they supersede IAS 27 'Consolidated and Separate Financial Statements'. The amendment prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The adoption of the amendment had no impact on the Company's financial statements.

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities
The amendment clarifies the requirements for offsetting financial assets and financial liabilities. The adoption of the amendment had no impact on the Company's financial statements.

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets
The amendment restricts the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed.
It also includes detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period.The adoption of the amendment had no impact on the Company's financial statements.

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting
The amendment provides relief from discontinuing hedge accounting when, as a result of laws and regulations, a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty and specific criteria are met. The adoption of the amendment had no impact on the Company's financial statements.

New standards and interpretations not yet adopted by the Company
A number of new standards, amendments and interpretations to existing standards are effective after 2014, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016, not yet endorsed by EU)
The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
The adoption of the amendment is not expected to impact the Company's financial statements.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

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

IFRS 9, Financial Instruments (effective 1 January 2018, endorsed by EU on 22 November 2016)

In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 'Financial Instruments'. IFRS 9 sets out revised requirements on the classification and measurements of financial assets, addresses the reporting of fair value changes in own debt when designated at fair value, replaces the existing incurred loss model used for the impairment of financial assets with an expected credit loss model and incorporates changes to hedge accounting.

The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement

IFRS 9 applies one classification approach for all types of financial assets, according to which the classification and measurement of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A business model refers to how an entity manages its financial assets so as to generate cash flows, by collecting contractual cash flows, or selling financial assets or both. Upon assessment, each financial asset will be classified in one of the three categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income. With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch.

Impairment of financial assets

Under IFRS 9 the same impairment model applies to all financial instruments which are subject to impairment accounting.

The new impairment model is forward -looking and requires, the recognition of expected credit losses, in contradiction with IAS 39, that required a trigger event to have occurred before credit losses were recognized. IFRS 9 includes a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Accordingly, upon initial application of IFRS 9, for financial assets that are not credit-impaired and for which no significant increase in credit risk since initial recognition is observed, the respective credit losses will be recognized in profit or loss and will be based on the 12-month expected credit losses. However, if the credit risk of the financial assets increases significantly since initial recognition, a provision is required to be recognized for credit losses expected over their remaining lifetime ('lifetime expected losses'). For financial assets that are credit-impaired on origination, the expected life time credit losses will be applied.

In measuring expected credit losses information about past events, current conditions and forecasts of future conditions should be considered.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

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

Hedge accounting

IFRS 9 introduces a reformed model for hedge accounting, seeking to more closely align hedge accounting with risk management activities so as to better reflect these activities in the entities' financial statements. Under the new model, new hedge effectiveness requirements apply, discontinuation of hedge accounting is allowed only under specific circumstances, and a number of items that were not eligible under IAS 39 as hedging instruments or hedged items are now eligible.

The Company is currently examining the impact of IFRS 9 on its financial statements, which is impracticable to quantify as at the date of the publication of these financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations;
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'

The adoption of the amendments is not expected to impact the Company's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Scope exceptions for joint ventures in IFRS 3 "Business Combinations";
- Scope of portfolio exception in IFRS 13 "Fair Value Measurement";
- Clarifying the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when classifying property as investment property or owner-occupied property in IAS 40; and
- Meaning of "effective IFRSs" in IFRS 1 First-time Adoption of International Financial Reporting Standards

The adoption of the amendments is not expected to impact the Company's financial statements.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

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

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016, not yet endorsed by EU)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. - Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

- Clarifying in *IAS 34* 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

The adoption of the amendments is not expected to impact the Company's financial statements.

IFRIC 21, Levies (effective 1 January 2015)

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation is not expected to impact the Company's financial statements.

The Company's presentation currency is the Euro (€) being the functional currency of the Parent company.

2.4 Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any impairment losses. The Company, which is a member of the Group controlled by the Bank, a listed entity in Greece, has used the exemption offered by IAS27 "Consolidated and Separate Financial Statements" paragraph 10 and did not prepare consolidated financial statements. Preparation of consolidated financial statements was not required due to the availability of the consolidated financial statements of the Bank into which the results and financial position of the Company and all other subsidiaries are consolidated. This is also in compliance with the Cyprus Companies Law Cap.113.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.5 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.

2.6 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

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

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

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.

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 10.

2.7 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.

2.8 Fee and commissions

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

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.9 Financial assets and liabilities

2.9.1 Financial assets

The Company classifies its financial assets in the following IAS 39 categories: financial assets at fair-value-through-profit-or-loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(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) 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.

(iv) 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 advanced 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.

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.

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.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.9 Financial assets and liabilities (cont'd)

2.9.2 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.

2.10 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

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.10 Impairment of financial assets (cont'd)

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

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 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.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.10 Impairment of financial assets (cont'd)

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

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.

(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.

2.11 Financial liabilities

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

2.12 Trade payables

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

2.13 Securities lending

Securities lent to counterparties are 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.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.14 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.

2.15 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.

2.16 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.

2.17 Related party transactions

Related parties include associates, 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.

Notes to the financial statements for the year ended 31 December 2014

2 Principal accounting policies (cont'd)

2.18 Cash and cash equivalents

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

2.19. 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.

(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. (see also note 11)

(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

Notes to the financial statements for the year ended 31 December 2014

3 Critical accounting estimates and judgments (cont'd)

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, held to maturity and available-for-sale portfolio from group entities

The Company acquired a portfolio of debt securities lending, held to maturity investments and available-for-sale from Group companies and at the same time the Bank 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 Bank were entered into at the same time and in contemplation of one another, the management has concluded that it would 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, held to maturity investments and available-for-sale portfolio 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. 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.

Notes to the financial statements for the year ended 31 December 2014

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 is exposed 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.

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 the Bank for several 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 the Bank 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 the Bank, and as such the Company considers that these carry the credit risk of the Bank. Therefore, 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 year ended 31 December 2014

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

(b) Credit risk measurement – Loans and advances (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.

A specific part of the loan portfolio amounting to €47.4 million is guaranteed through Letters of Guarantee by the Bank. 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

	2014	2013
	€	€
Cash at Bank	4.858.334	4.917.631
Loans and advances to customers:		
Mortgage loans	45.639.367	40.992.610
Small business	26.277.263	21.685.134
Consumer Loans	44.544	56.205
Corporate portfolio	57.416.649	76.577.219
Less: Provision for impairment losses	(74.488.601)	(20.618.402)
Derivative financial instruments	1.523.428	138.501
Available-for-sale financial assets	96.480.429	150.663.890
Debt securities lending portfolio	890.497.644	2.498.408.268
Other assets	26.639	944.935
	1.048.275.696	2.773.765.990

The above table represents the maximum credit risk exposure to the entity at 31 December 2014 and 2013, without taking account of any collateral held or other credit enhancements that do not

Notes to the financial statements for the year ended 31 December 2014

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.1 Credit risk (cont'd)

4.2.1.1 Maximum exposure to credit risk before collateral held (cont'd)

qualify for offset in the entity's financial statements. The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

4.2.1.2 Loans and advances to customers

Loans and advances are summarized as follows:

	2014	2013
	€	€
Neither past due nor impaired	147.339	1.365.597
Past due but not impaired	762.350	120.204
Impaired:	192.980.580	207.287.295
- collectively assessed	76.120.619	69.780.149
- individually assessed	116.859.961	137.507.146
Gross loans and advances	193.890.269	208.773.096
Less: Fair value adjustment and provision for impairment losses	(139.001.047)	(90.080.331)
Net loans and advances	54.889.222	118.692.765
Included in gross loans and advances are:		
Past due more than 90 days	193.036.742	207.202.289
Of which non-performing loans	192.845.943	181.253.210

Loans and advances to customers relate to a portfolio of loans to Ukrainian and Romanian clients originated by the Bank's subsidiaries in Ukraine and Romania respectively. The portfolio was sub-participated partly in December 2010 and partly in the third quarter of 2013 and it was recognized in Company's accounting records at the fair value, being the acquisition price, in accordance with the provisions of IAS 39. However for purposes of monitoring credit risk and for IFRS7 disclosure purposes, loans and advances to customers are presented on a gross basis. The Gross amount of Ukrainian and Romanian Loans sub-participated at the date of transfer was €114.9 million and €66.6 million respectively. The resulting fair value adjustment, which essentially reflected credit risk, amounted to €45 million and €21.6 million for Ukrainian and Romanian loans respectively.

Loans and advances to customers are classified as "neither past due nor impaired", "past due but not impaired" and "impaired". Loans are reported as "neither past due nor impaired" when no contractual payments are in arrears and there are no indications of impairment. "Past due but not impaired" category includes loans with contractual payments overdue by at least one day, but which are not impaired unless specific information indicates to the contrary. This is typically when loans are in arrears less than 90 days for consumer and small business exposures, and less than 180 days past due for mortgage and wholesale exposures. For loans in this category, although not considered impaired, the Company recognize a collective impairment provision. "Impaired" loans that are individually assessed comprise wholesale exposures as well as small business loans which carry an individual impairment provision. All other retail impaired exposures carry a collective impairment provision and they are in arrears for more than 90 days for consumer and small business exposures and 180 days for mortgage exposures.

Notes to the financial statements for the year ended 31 December 2014

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)

(a) Loans and advances neither past due nor impaired

	2014 €	2013 €
Grades:		
Strong	-	-
Satisfactory risk	-	-
Watch list and special mention	147.339	1.365.597
Total loans and advances neither past due nor impaired	147.339	1.365.597

Loans to wholesale clients are included into strong, satisfactory and watch list categories, while small business loans are generally segregated into satisfactory and watch list. Retail exposures not assessed individually, for which credit quality is not rated but is based on deliquency status are classified as satisfactory.

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

	31 December 2014				
	Mortgage €	Small Business €	Consumer €	Corporate Portfolio €	Total €
Past due up to 29 days	99.607	223.324	-	-	322.931
Past due 30 – 89 days	-	248.621	-	-	248.621
Past due 90 – 180 days	39.283	151.515	-	-	190.798
Greater than 180 days	-	-	-	-	-
Total loans and advances past due, but not impaired	138.890	623.460	-	-	762.350

	31 December 2013				
	Mortgage €	Small Business €	Consumer €	Corporate Portfolio €	Total €
Past due up to 29 days	83.315	-	-	-	83.315
Past due 30 – 89 days	-	-	-	-	-
Past due 90 – 180 days	23.129	13.760	-	-	36.889
Greater than 180 days	-	-	-	-	-
Total loans and advances past due, but not impaired	106.444	13.760	-	-	120.204

The Company applies guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The collateral types for loans and advances to customers primarily relate to residential and commercial properties.

Notes to the financial statements for the year ended 31 December 2014

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 2014				
	Mortgage	**Small Business**	**Consumer**	**Corporate Portfolio**	**Total**
	€	**€**	**€**	**€**	**€**
Collectively assessed loans	**70.103.316**	**5.925.094**	**92.290**	**-**	**76.120.619**

	31 December 2013				
	Mortgage	Small Business	Consumer	Corporate Portfolio	Total
	€	€	€	€	€
Collectively assessed loans	**64.994.617**	**4.681.534**	**103.998**	**-**	**69.780.149**

(d) Impaired loans and advances individually assessed

The breakdown of the gross amount of individually assessed loans and advances by class are as follows:

	31 December 2014				
	Mortgage	**Small Business**	**Consumer**	**Corporate Portfolio**	**Total**
	€	**€**	**€**	**€**	**€**
Individually assessed loans	**-**	**38.816.525**	**-**	**78.043.436**	**116.859.961**

	31 December 2013				
	Mortgage	Small Business	Consumer	Corporate Portfolio	Total
	€	€	€	€	€
Individually assessed loans	**-**	**35.557.965**	**-**	**101.949.180**	**137.507.146**

(e) Non-performing loans

Non-performing loans are defined as the loans delinquent for a given period determined in accordance with the Group's policy. Mortgages and small business loans are considered as non-performing when they are delinquent for more than 180 days and consumer loans for more than 90 days. Loans to corporate entities are considered as non-performing when they are transferred to non accrual status which occurs when the loans are delinquent for more than 180 days or earlier in the case of a material credit event.

	2014	**2013**
	€	**€**
Mortgage lending	70.317.732	65.125.722
Small business lending	44.741.619	40.239.500
Corporate portfolio lending	77.786.592	75.887.988
Total non-performing loans	**192.845.943**	**181.253.210**

Notes to the financial statements for the year ended 31 December 2014

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

Below is an analysis of debt securities by rating agency designation:

	Available for sale €	Debt securities lending €	Total €
Aaa	56.491.267	-	56.491.267
Aa1 to Aa3	-	52.347.574	52.347.574
A1 to A3	12.014.926	-	12.014.926
Lower than A3	27.974.236	31.321.595	59.295.831
Unrated	-	806.828.475	806.828.475
Total debt securities	**96.480.429**	**890.497.644**	**986.978.073**

	Available for sale €	Debt securities lending €	Total €
Aaa	57.490.767	-	57.490.767
Aa1 to Aa3	-	-	-
A1 to A3	11.940.120	46.002.746	57.942.866
Lower than A3	81.233.002	1.560.799.812	1.642.032.814
Unrated	-	891.605.710	891.605.710
Total debt securities	**150.663.889**	**2.498.408.268**	**2.649.072.157**

Notes to the financial statements for the year ended 31 December 2014

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

(a) Geographical sectors

The following tables break down the Company's main credit exposure at their gross carrying amounts, as categorized by geographical region as at 31 December 2014 and 2013. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties:

31 December 2014	Greece €	Ukraine €	Romania €	Other countries €	Total €
Loans and advances to customers:					
Mortgage lending	-	59.482.339	10.981.662	-	70.464.000
Small business lending	-	38.159.004	7.253.824	-	45.412.828
Corporate portfolio lending	-	32.429.412	45.491.819	-	77.921.231
Consumer loans	-	92.209	-	-	92.209
Available-for-sale financial assets	-	-	-	96.480.429	96.480.429
Debt securities lending portfolio	111.268	-	26.732.303	863.654.073	890.497.644
Held-to-maturity investments	-	-	-	-	-
Derivative financial instruments	1.523.428	-	-	-	1.523.428
Other assets	26.639	-	-	-	26.639
Total concentration of credit risk – geographical sectors	**1.661.335**	**130.162.964**	**90.459.608**	**960.134.502**	**1.182.418.409**

31 December 2013	Greece €	Ukraine €	Romania €	Other countries €	Total €
Loans and advances to customers:					
Mortgage lending	-	54.509.197	11.238.231	-	65.747.428
Small business lending	-	33.104.588	7.867.902	-	40.972.490
Corporate portfolio lending	-	54.406.226	47.542.954	-	101.949.180
Consumer Loans	-	103.998	-	-	103.998
Available-for-sale financial assets	-	-	-	150.663.890	150.663.890
Debt securities lending portfolio	1.529.106.424	-	27.278.165	942.023.679	2.498.408.268
Held-to-maturity investments	-	-	-	-	-
Derivative financial instruments	138.501	-	-	-	138.501
Other assets	71.409	873.526	-	-	944.935
Total concentration of credit risk – geographical sectors	**1.529.316.334**	**142.997.535**	**93.927.252**	**1.092.687.569**	**2.858.928.690**

Notes to the financial statements for the year ended 31 December 2014

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 tables break 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 2014 and 2013.

	31 December 2014					
	Commerce and services	Private individuals	Manufacturing	Construction	Other	Total
	€	€	€	€	€	€
Loans and advances to customers:						
Mortgage lending	-	70.464.000	-	-	-	70.464.000
Small business lending	6.354.122	36.086.128	1.192.023	1.594.177	186.378	45.412.828
Corporate portfolio lending	44.661.915	-	28.042.610	4.711.197	505.508	77.921.230
Consumer loans	-	92.209	-	-	-	92.209
Available-for-sale financial assets	-	-	-	-	96.480.429	96.480.429
Debt securities lending portfolio	-	-	-	-	890.497.644	890.497.644
Held-to-maturity investments	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	1.523.428	1.523.428
Other assets	-	-	-	-	26.639	26.639
Total concentration of credit risk – industry sectors	**51.016.037**	**106.642.337**	**29.234.633**	**6.305.374**	**989.220.026**	**1.182.418.407**

Notes to the financial statements for the year ended 31 December 2014

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 (cont'd)

	31 December 2013					
	Commerce and services	Private individuals	Manufacturing	Construction	Other	Total
	€	€	€	€	€	€
Loans and advances to customers:						
Mortgage lending	-	65.747.428	-	-	-	65.747.428
Small business lending	6.403.823	31.593.048	1.354.146	1.435.095	186.378	40.972.490
Corporate portfolio lending	45.335.306	-	51.907.502	4.198.626	507.844	101.949.180
Consumer Loans	-	103.998	-	-	-	103.998
Available-for-sale financial assets	-	-	-	-	150.663.890	150.663.890
Debt securities lending portfolio	-	-	-	-	2.498.408.268	2.498.408.268
Held-to-maturity investments	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	138.501	138.501
Other assets	-	-	-	-	944.935	944.935
Total concentration of credit risk – industry sectors	**51.739.031**	**97.444.474**	**53.261.648**	**5.633.721**	**2.650.849.816**	**2.858.928.690**

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 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 year ended 31 December 2014

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. A market price, where an active market (such as a recognised 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 recognised 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 realised upon sale or settlement.

Financial instruments carried at fair value

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.

Derivatives and available for sale securities are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, then the fair values are estimated using valuation techniques.

Notes to the financial statements for the year ended 31 December 2014

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.2 Market risk (cont'd)

Financial instruments carried at fair value (cont'd)

The fair value hierarchy categorization of the entity's financial assets and liabilities carried at fair value is as follows:

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Available for sale	**96.480.429**	-	-	**96.480.429**
Derivatives assets	-	**1.523.428**	-	**1.523.428**
Derivatives liabilities	-	**(1.523.428)**	-	**(1.523.428)**

	31 December 2013			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Available for sale	**150.663.890**	-	-	**150.663.890**
Derivatives assets	-	**138.501**	-	**138.501**
Derivatives liabilities	-	**(138.501)**	-	**(138.501)**

Financial instruments not carried at fair value

In respect of loans and advances to customers, as of the reporting date, the Company expected to realize assets through collection over time. The following table presents the carrying amount and fair value of Debt Securities Lending and loans and advances to customers not carried at fair value analysed by the level in the fair value hierarchy categorization. For all of the other assets and liabilities, the fair value is substantially equivalent to their carrying value.

	31 December 2014				
	Level 1	**Level 2**	**Level 3**	**Fair Value**	**Carrying Amount**
	€	€	€	€	€
Loans & Advances to Customers			**51.435.867**	**51.435.867**	**54.889.220**
Debt Securities Lending Portfolio	**32.866.400**	**45.332.757**	**604.632.294**	**682.831.451**	**890.497.644**

	31 December 2013				
	Level 1	**Level 2**	**Level 3**	**Fair Value**	**Carrying Amount**
	€	€	€	€	€
Loans & Advances to Customers			**110.498.354**	**110.498.354**	**118.692.765**
Debt Securities Lending Portfolio	**35.245.450**	**1.631.606.942**	**262.889.954**	**1.929.742.346**	**2.498.408.268**

Notes to the financial statements for the year ended 31 December 2014

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

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.

Liquidity Risk Management Framework

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

- The Group's 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 for the purpose of Group's and therefore Company's monitoring:
(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 2014 and 2013. Liabilities without contractual maturities are presented in the "less than 1 month" time bucket.

Notes to the financial statements for the year ended 31 December 2014

4 Financial risk management (cont'd)

4.2 Financial risk factors (cont'd)

4.2.3 Liquidity risk

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.

	31 December 2014				
	Less than 1 month	**1-3 months**	**3 months to 1 year**	**Over 1 year**	**Gross nominal (inflow)/ outflow**
	€	**€**	**€**	**€**	**€**
Non-derivative liabilities:					
Loans payable	**246.565.321**	**73.563.438**	**4.921.327**	**1.115.655.172**	**1.440.705.258**
Other liabilities	**26.372**	**-**	**-**	**-**	**26.372**
Total non-derivative liabilities	**246.591.693**	**73.563.438**	**4.921.327**	**1.115.655.172**	**1.440.731.630**
Derivative financial instruments	**215.409**	**430.818**	**877.201**	**-**	**1.523.428**

	31 December 2013				
	Less than 1 month	**1-3 months**	**3 months to 1 year**	**Over 1 year**	**Gross nominal (inflow)/ outflow**
	€	**€**	**€**	**€**	**€**
Non-derivative liabilities:					
Loans payable	**57.886.092**	**1.926.297.122**	**871.795.793**	**-**	**2.855.979.006**
Other liabilities	**1.353.179**	**-**	**-**	**-**	**1.353.179**
Total non-derivative liabilities	**59.239.271**	**1.926.297.122**	**871.795.793**	**-**	**2.857.332.185**
Derivative financial instruments	**13.850**	**27.700**	**96.951**	**-**	**138.501**

4.3 Capital 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 regulated and hence not required to comply with any capital requirements.

Notes to the financial statements for the year ended 31 December 2014

5 Interest income

	2014	2013
	€	€
Interest from available-for-sale financial assets	2.327.448	2.819.354
Interest from debt securities lending	17.879.693	77.708.787
Interest from loans and advances to customers	3.281.245	4.376.057
Interest from derivatives	1.397.208	530.284
	24.885.594	85.434.483

6 Interest expense

	2014	2013
	€	€
Interest on loans payable	(23.651.271)	(63.004.215)
Interest on derivatives	(1.397.208)	(530.284)
	(25.048.479)	(63.534.500)

7 Net trading gain/(loss)

	2014	2013
	€	€
Gain/(Loss) on derivatives	-	2
Revaluation of foreign exchange position	(239.257)	155.870
	(239.257)	155.872

Notes to the financial statements for the year ended 31 December 2014

8 Operating expenses

	2014 €	2013 €
Accounting fees	(11.963)	(18.314)
Auditors' remuneration for the statutory audit of annual accounts	(25.000)	(29.500)
Other provisions	(101.122)	(176.995)
	(138.085)	(224.809)

9 Taxation

	2014 €	2013 €
Corporation tax – current year	(97.229)	(196.638)
Corporation tax – prior year	(28.644)	-
Overseas tax	(23.059)	-
	(148.932)	(196.638)

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

	2014 €	2013 €
Loss before tax	(55.170.820)	(1.934.732)
Tax calculated at the applicable tax rates	(6.896.352)	(241.841)
Tax effect of expenses not deductible for tax purposes	6.993.581	506.980
Tax effect of allowances and income not subject to tax	-	(68.501)
Other	-	-
Tax charge	97.229	196.638

The corporation tax rate for 2014 is 12,5% (1 January 2015 onwards remains the same).

Notes to the financial statements for the year ended 31 December 2014

9 Taxation (cont'd)

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; increased to 30% as from 29 April 2013.

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; reduced to 17% as from 1 January 2014.

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

10 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:

	2014		
	Contract/ notional amount	Fair Values	
		Assets	Liabilities
	€	€	€
Derivatives			
Interest rate swaps	**56.543.431**	**1.523.428**	**1.523.428**
	56.543.431	**1.523.428**	**1.523.428**

Notes to the financial statements for the year ended 31 December 2014

10 Derivative financial instruments (cont'd)

	2013		
	Contract/ notional amount	Fair Values Assets	Fair Values Liabilities
	€	€	€
Derivatives			
Interest rate swaps	13.350.663	138.501	138.501
	13.350.663	138.501	138.501

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 2.6.

11 Loans and advances to customers

The entire portfolio of Loans and advances to customers have been originated from the Group Subsidiaries, in Ukraine and Romania.

	2014	2013
	€	€
Repayable:		
Within one year	129.227.850	137.909.122
More than one year	149.972	1.402.045
	129.377.822	139.311.167
Less: allowance for losses of loans and advances	(74.488.600)	(20.618.402)
	54.889.222	118.692.765

	2014	2013
	€	€
By category:		
Mortgage loans - USD	30.324.705	25.482.359
Mortgage loans - CHF	14.621.190	14.765.765
Mortgage loans – EUR	633.408	684.344
Mortgage loans – RON	60.063	60.142
Small Business – USD	21.414.410	16.431.821
Small Business – CHF	1.566.240	1.497.345
Small Business – EUR	2.245.968	2.642.206
Small Business – RON	1.050.645	1.113.762
Consumer loans - USD	44.544	56.205
Corporate Portfolio - USD	25.632.358	42.750.496
Corporate Portfolio – EUR	27.608.137	29.410.320
Corporate Portfolio – RON	4.176.154	4.416.403
Gross loans and advances to customers	129.377.822	139.311.167
Less: Provision for impairment losses	(74.488.600)	(20.618.402)
	54.889.222	118.692.765

Notes to the financial statements for the year ended 31 December 2014

11 Loans and advances to customers (cont'd)

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

2014

	Mortgage	Small Business	Consumer loans	Corporate portfolio	Total
	€	€	€	€	€
Balance at 1 January	11.132.910	5.855.686	47.485	3.582.321	20.618.402
Impairment losses on loans and advances charged in the period	28.116.178	15.782.945	43.274	2.824.901	46.767.298
NPV Unwinding	(194.498)	(424.502)	-	(590.953)	(1.209.953)
Amounts written off / Amounts recovered during the period	-	(61.820)	-	(36.550)	(98.370)
Foreign exchange differences	3.594.743	3.009.667	1.270	1.805.544	8.411.224
Balance at 31 December	42.649.333	24.161.976	92.029	7.585.263	74.488.601

2013

	Mortgage	Small Business	Consumer loans	Corporate portfolio	Total
	€	€	€	€	€
Balance at 1 January	8.155.653	7.056.934	37.832	3.392.757	18.643.176
Impairment losses on loans and advances charged in the period	3.184.028	544.136	10.661	925.812	4.664.637
NPV Unwinding	-	-	-	(386.310)	(386.310)
Amounts written off / Amounts recovered during the period	(299.660)	(100.540)	-	-	(400.200)
Foreign exchange differences	92.889	(1.644.844)	(1.008)	(349.938)	(1.902.901)
Balance at 31 December	11.132.910	5.855.686	47.485	3.582.321	20.618.402

The continuing adverse economic and political conditions in Ukraine and the Bank plans to dispose Ukrainian subsidiary "Public J.S.C Universal Bank" including Ukrainian loan portfolio held in ERB New Europe Funding III, led management to reassess the key assumption underlying the measurement of the impairment losses on Ukrainian exposures, after taking into account the most recent bids by third parties, and determined that the recoverable amount of the aforementioned loans portfolio is nearly to zero. As a result an amount of € 44.112.255 was recognised as an impairment charge during the year.

Notes to the financial statements for the year ended 31 December 2014

12 Available-for-sale financial assets

	2014 €	2013 €
Issued by public organizations:		
-Russia	-	40.512.573
-Germany	56.491.267	57.490.767
-Serbia	13.009.245	23.062.170
	69.500.512	121.065.510
Issued by other issuers:		
-Banks	14.964.992	14.671.838
-Other	12.014.926	14.926.542
	26.979.918	29.598.380
Total	96.480.430	150.663.890
Listed	96.480.430	150.663.890
Unlisted	-	-
	96.480.430	150.663.890
Equity	-	-
Debt	96.480.430	150.663.890
	96.480.430	150.663.890

The movement in the account is as follows:

	2014 €	2013 €
Net book value at 1 January	150.663.890	176.904.798
Additions	-	-
Disposals	(41.013.635)	(12.561.453)
Redemptions/Maturities	(10.905.000)	(8.740.000)
Interest & amortisation of premium/ discount	(3.400.016)	(2.839.153)
Foreign exchange adjustments	4.965.766	(607.963)
Accrued interest	(1.541.919)	(61.708)
Net gains/(losses) from changes in fair values	(2.288.657)	(1.430.631)
		-
Net book value at 31 December	96.480.430	150.663.890

Available-for-sale financial assets maturing after 1 year amounted to €76.413.963 (2013: €140.075.135).

Equity reserve: Revaluation of the available-for-sale investments

	2014 €	2013 €
Balance at 1 January	(1.108.298)	322.333
Net gains/(losses) from changes in fair values	(2.288.657)	(1.430.631)
Net (gains)/losses transferred to net profit	4.394.501	-
Balance at 31 December	997.546	(1.108.298)

Notes to the financial statements for the year ended 31 December 2014

13 Debt securities lending portfolio

	2014	2013
	€	€
Issued by public organizations:		
-Greece	-	1.528.695.323
-Romania	26.732.303	27.278.165
	26.733.303	1.555.973.488
Issued by other issuers:		
-Banks	52.458.842	46.413.847
-Other	811.306.499	896.020.933
	863.765.341	942.434.780
Total	890.497.644	2.498.408.268
Listed	83.501.666	1.606.725.866
Unlisted	806.995.978	891.682.402
	890.497.644	2.498.408.268
Equity	-	-
Debt	890.497.644	2.498.408.268
	890.497.644	2.498.408.268

The movement in the account is as follows:

	2014	2013
	€	€
Net book value at 1 January	2.498.408.266	4.225.132.848
Additions	808.433	6.006.430.773
Disposals	(15.311.382)	(1.371.681.571)
Redemptions/ Maturities	(1.606.864.110)	(6.421.240.447)
Foreign exchange adjustments	6.251.647	(2.071.695)
Interest, amortization of premium/ discount	7.482.473	63.996.927
Accrued interest	(277.685)	(2.158.569)
Net book value at 31 December	890.497.644	2.498.408.266

Debt securities lending financial assets maturing after 1 year: €890.293.374 (2013: €900.013.490).

The Company has acquired a portfolio of debt securities at amortized cost from Group entities. The above portfolio was guaranteed by the Bank. (see also Note 19 Lien agreement).

Notes to the financial statements for the year ended 31 December 2014

14 Investments in subsidiaries

	2014 €	2013 €
Balance at 1 January	670.000	670.000
Additions	-	-
Balance at 31 December	670.000	670.000

The entity acquired in February 2012, in the context of a group reorganization, a 100% shareholding of ERB Hellas (Cayman Islands) Ltd, a group related company incorporated in the Cayman Islands.

15 Other assets

	2014 €	2013 €
Receivable from related party - Universal Bank JSC	-	766.424
Receivable from related party – Eurobank Ergasias SA	20.197	71.409
Other receivables	6.442	107.102
	26.639	944.935

Receivable from Universal Bank has been fully impaired since Management assessed that it is non recoverable due to the continuing adverse conditions in Ukraine

16 Share capital

	Number of shares	Share capital €	Share premium €	Total €
Authorised				
At 31 December 2014 & 2013	90.000	90.000	-	90.000
Issued and fully paid				
At 1 January 2014 & 2013	1.100	1.100	18.900	20.000
At 31 December 2014 & 2013	1.100	1.100	18.900	20.000

17 Loans payable

	2014 €	2013 €
Current borrowings		
Loans from related companies - Euro	986.318.133	2.614.131.852
Loans from related companies - USD	118.310.192	162.077.078
Loans from related companies - CHF	12.443.834	12.699.736
Loans from related companies – RON	5.858.182	6.351.167
	1.122.930.341	2.795.259.833

Borrowings are issued at variable rate. During the year 2014, the Company's interest rate on the loans payable was based on EURIBOR/ LIBOR plus a margin ranging from 0,57% to 2,25%.

Notes to the financial statements for the year ended 31 December 2014

18 Other liabilities

	2014	2013
	€	€
Other creditors	7.001	147.093
Accrued commission expenses	-	1.173.217
Accrued operating expenses	14.356	32.868
	21.357	1.353.178

19 Related party transactions

The Bank's shareholding structure

In May 2014, following the completion of the Bank's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

Notes to the financial statements for the year ended 31 December 2014

19 Related party transactions (cont'd)

The Bank's shareholding structure (cont'd)

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

	With the Bank		With the Group (other than the Bank)	
	2014	2013	2014	2013
	€	€	€	€
Cash at bank	4.414.070	3.558.834	444.264	1.358.796
Derivative financial instruments - assets	1.523.428	138.501	-	-
Debt securities lending portfolio	806.795.538	822.489.546	200.440	69.394.760
Other assets	26.639	71.409	-	766.424
Derivative financial instruments-liabilities	(1.523.428)	(138.501)	-	-
Other liabilities	-	(1.173.217)	645	-
Loans payable	(70.325.187)	(67.047.565)	(1.052.605.154)	(2.728.212.268)
Interest income	9.080.063	8.837.963	736.708	3.357.263
Interest expense	(2.703.809)	(2.822.804)	(22.283.403)	(60.708.191)
Fee and commission income	104.125	844.241	-	-
Fee and commission expense	(1.349.908)	(20.105.049)	-	-
Net trading loss	-	-	-	-

(ii) 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.

(iii) Other related party transactions

Lien agreement
As of 31 December 2014, the Company has in place lien agreement from the Bank, which act as guarantee for the purposes of securing assets reported under Debt securities lending portfolio and Available-for-sale financial assets. 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. Related fee expense due to the Bank amounted to €1.350 thousand for 2014 (2013: €20.105 thousand).

Letter of Guarantees:
As of 31 December 2014, the Company has in place letter of guarantees issued by the Bank, for the purposes of securing specific corporate loans to Ukraine (Gross Book Value €21.5 million) and Romania (Gross Book Value €25.9 million). Relevant impairment losses which due to the guarantees have not been booked by the Company amount to €26.2 million.

Management of the Company has performed an assessment of the recoverability of all loans and the ability (financial resources and liquidity) of the Bank and concluded that the Bank is able to fulfil their commitment regarding the guarantees given to the Company.

Notes to the financial statements for the year ended 31 December 2014

19 Related party transactions (cont'd)

Securities lending

The Company has entered into an agreement with the Bank 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 2014 the amount which corresponded to securities lent by the Company to the Bank was €178.368 thousand.

The ultimate parent entity which prepares the consolidated financial statements of the largest body of undertakings of which the Company forms part as a subsidiary undertaking, is the Bank, incorporated in Greece with registered office 8 Othonos Street, Athens 105 57, Greece. Its consolidated financial statements are available at the website www.eurobank.gr. The Bank, is also the parent entity which prepares the consolidated financial statement of the smallest body of undertakings of which the Company forms part as a subsidiary undertaking.

20 Contingent liabilities and commitments

The Company had no contingent liabilities or commitments as at 31 December 2014.

21 Events after the balance sheet date

In March 2015 and April 2016 the Company transferred DSL and AFS bond portfolios of €946,3 million book value to the Bank. The disposal had a positive impact in Company's capital position (gain of €2,7 million). Cash proceeds received by the Company were utilized to repay an equal amount of loans payable to Eurobank Private Bank Luxembourg.

In March 2015 the Company sold to Deutsche Bank AG an Ukrainian bilateral corporate loan of €20,0 million. The agreement contemplated the disposal of the latter at a consideration equal to 40% of the principal amount of $25,0 million. The Company had in place a letter of guarantee issued by the Bank for the purposes of securing this corporate loan, hence the disposal did not adversely affect the Company. The consideration and the reimbursement by the Bank due to the aforementioned guarantee were utilized to repay an equal amount of loans payable to Eurobank Private Bank Luxembourg.

In April 2016 the Company transferred the remaining Ukrainian loans portfolio of nil book value (fully impaired) to Public J.S.C. Universal Bank for an almost nil consideration.

Independent auditor's report on page 8.