ERB Hellas PLC

Annual Report

For the year ended 31 December 2017

Company's registration number: 3798157

Index to the Annual report

Declaration of the managers responsible for financial reporting

The undersigned Anastasios Ioannidis, director of ERB Hellas PLC (the "Company" or the "Issuer"), to the best of his knowledge, hereby declares that the annual statutory financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the IASB, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer and that the Strategic and Directors' report includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that the Company is exposed to.

Anastasios Ioannidis

Director

18 May 2018

Strategic Report

The directors present their Strategic Report of the Company for the year ended 31 December 2017.

i) Business review and principal activities

The Company was incorporated as part of the funding strategy of its Parent Company Eurobank Ergasias S.A. (the "Parent Company" or the "Bank") in order to establish a programme for the issuance of medium term debt instruments (EMTN). The EMTN programme is listed on the Luxembourg Stock Exchange. This programme was last updated in May 2017. The Prospectus of EMTN programmes are available at the Parent Company's website (www.eurobank.gr). The outstanding issues of debt instruments are guaranteed by the Parent Company. The net proceeds of each issuance are used by the Company to meet part of the general financing requirements of the Parent Company and its subsidiaries.

The net loss for the year amounted to € 85 ths (2016 loss: € 21 ths). No dividend was paid in 2017 and there is no subsequent decision of the Board of Directors (BOD) for distribution of dividend (2016: nil). During the year the Company proceeded with the issue of loan notes of face value of € 9,800 ths, while loan notes of face of € 8,052 ths were redeemed/early redeemed.

ii) Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of its Parent Company. In 2017, the return of the Greek economy to positive growth rates and the better economic climate following the completion of the second review of the current economic adjustment program, have improved the domestic conditions for the Greek banks. In this environment, the Parent Company's group remained profitable by expanding its core pre-provision income, enhanced its capital and liquidity position and reduced the Non Performing Exposures (NPEs) stock, exceeding the annual target.

Greece, following the conclusion of the second review of the Third Economic Adjustment Program (TEAP) in June 2017 and the consequent release of the €8.5bn loan tranche, reached a staff level agreement with the European institutions on the policy package of the third review on 4 December 2017. On 22 January 2018, the Eurogroup welcomed the implementation of almost all of the agreed prior actions for the third review of the TEAP. The positive report by the Euro Working Group on 2 March 2018 on the full implementation of the outstanding prior actions, paved the way for the disbursement of the first sub-tranche of €5.7bn in the second half of March 2018 for debt servicing needs, further arrears clearance and support the build-up of a state cash buffer. The second sub-tranche of €1.0bn will be used for arrears clearance and will be disbursed in the second quarter of 2018, subject to positive reporting by the European institutions on the clearance of net arrears using also own resources and a confirmation from the European institutions that the unimpeded flow of e-auctions has continued. Currently, the relation between Greece and the European Institutions in the post program period, as well as the parameters of the sovereign debt relief proposal and the establishment of a framework that secures the continuation of reforms in the Greek economy, are under discussion. The Greek government aims to continue its market access program in the post program period. Conditional on the continuation of the TEAP funding until the end of the program in August 2018, the Greek government aims to create a cash buffer of above €10.2bn that would facilitate the country's market access after the end of the program.

On 19 January 2018, Standard & Poor's upgraded the Greek sovereign rating from B- to B with a positive credit outlook on the basis of the improved fiscal and growth outlook as well as the labour market recovery and amid a period of relative political certainty. Fitch on 16 February 2018 upgraded the Greek sovereign rating from B- to B with a positive credit outlook on the basis of improved fiscal conditions on expectations of a prompt conclusion of the TEAP as well as on the expectation of an agreement on further debt relief measures by the end of the program. Furthermore, Moody's on 21 February 2018 upgraded the Greek sovereign rating from Caa3 to B3 based on similar arguments.

Strategic Report (continued)

The sovereign's rating is still significantly below the investment grade rating but the recent upgrades and the progress on program implementation led to the improvement of the yield of the Greek 10-YR bonds by ca 33% between the end of November 2017 and 21 February 2018. In 2017, according to the Hellenic Statistical Authority (ELSTAT) data, Greece's real GDP growth rate turned positive at 1.4% for the first time since 2014 where positive growth of 0.4% of GDP was realised (2016: -0.02%). According to the EC 2018 Winter forecast for 2018, real GDP growth is expected at 2.5%, conditional on the prompt TEAP implementation, the timely successful conclusion of the fourth and final review of the program, ownership of reforms and a benign external environment.

On the fiscal front, according to the 2018 Budget, the 2016 primary surplus was at 3.8% of GDP against a TEAP target of 0.5% of GDP. ELSTAT in its recent 1st 2018 Fiscal Data Notification announced that the 2017 primary surplus in European System of National and Regional Accounts (ESA 2010) terms was at 4.0% of GDP which points towards a 2017 primary surplus of 4.2% of GDP in TEAP terms, significantly higher compared to the respective 2017 TEAP target of 1.75% of GDP. The TEAP primary balance target for 2018 is at 3.50% of GDP. The achievement of sustainable primary surpluses, at the level of 3.5% of GDP up to the end of 2022 with a gradual decrease afterwards, constitutes a necessary condition for the implementation of the medium and long term measures enhancing the sustainability of public debt, as decided on the Eurogroup of 24 May 2016.

The current account, according to the IMF is expected at -0.8% of GDP for both 2017 and 2018 from -1.1% of GDP in 2016. It continued on an improving pattern compared to its 2008 respective performance (deficit of 15.1% of GDP) due to tourism revenues, the decline of imports and the positive effect of the PSI (2012) debt relief measures on the income account.

Based on ELSTAT data, the unemployment rate in January 2018 was at 20.6% (January 2017: 23.2%) and had decreased by approximately 7.3 percentage points since the peak of July 2013 (27.9%), pointing towards a slow path of decline, conditional on no unforeseen negative developments in the upcoming period. According to the most recent data, the general price level (the harmonized index of consumer prices "HICP") recorded an increase of ca 0.2% in March 2018 from +1.7% in March 2017.

The ongoing deleveraging in the Greek economy can be considered as a major drag for recovery. According to the latest available data from Bank of Greece (BoG), i.e. in February 2018, the private sector domestic credit balance stood at €182.1bn from €193.6bn in February 2017, a decrease of -5.9%. On the other side of the ledger, private sector domestic deposits amounted to €124.9bn in February 2018 from €119.1bn in February 2017, registering an increase of 4.9%. The recovery of deposits is closely related with the timely and successful conclusion of the fourth, which is the final, review of the TEAP and the return of the country to a sustainable growth path.

Regarding the outlook for the next 12 months, the main risks and uncertainties for the Parent Company's group stem from the current macroeconomic environment in Greece. In particular, risks include (a) the possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, (b) the possible delays in the agreement of the post-programme relation between Greece and the Institutions, (c) the impact on the level of economic activity and on the attraction of direct investments from the fiscal and social security-related measures agreed under the reviews of the TEAP, d) the ability to attract new investments in the country, (e) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity and (f) the possible slow pace of deposits inflows and/or possible delays in the effective management of NPEs as a result of the challenging macroeconomic conditions in Greece. Materialization of those risks would have potentially adverse effects on the liquidity and solvency of the Greek banking sector.

Strategic Report (continued)

Continuation of a subdued economic activity could affect the prospects of the Greek banking system leading to the deterioration of asset quality, prolongation of increased dependence on Eurosystem funding, particularly on the expensive Emergency Liquidity Assistance (ELA) mechanism, and further pressures on the revenue side from increased funding cost and lower interest and commission income.

On the other hand, the successful completion of the fourth and final review of the TEAP and an agreement on the post-program relation of Greece with the Institutions will help reinstating depositors' confidence and thus accelerate the return of deposits and it will facilitate the faster relaxation of capital controls and it will positively influence the financing of the economy. The decisive implementation of the reforms agreed in the context of the TEAP, the implementation of further debt relief measures in accordance with 24 May 2016 Eurogroup decisions, the mobilization of EU funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model will facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a strong and sustainable growth path.

The assessment by the directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company. On the basis of the analysis of the Parent Company's and the Company's capital solvency and liquidity, the Parent Company's outperformance of NPEs reduction targets and having taken into account the going concern considerations set out in note 2 of the Financial Statements, the directors have been satisfied that the Company has the ability to continue as a going concern into the foreseeable future and that it is appropriate to prepare the financial statements of the Company on a going concern basis.

iii) Principal risks and uncertainties

The directors monitor the progress of the Company by reference to financial and non-financial data available to them on a regular basis. Particular attention is paid to net interest income and the balances of debt instruments outstanding at the reporting date.

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

The Company is a finance vehicle whose principal purpose is to raise debt to be deposited with the Parent Company and its financial position is influenced by the Parent Company's financial condition.

The principal risks and uncertainties of the Parent Company for 2017, which include those of the Company, are discussed in the Directors' Report and the notes to the consolidated financial statements included in the 2017 Annual Financial Report of Eurobank Ergasias S.A, which was signed on 28 March 2018 (available at website: www.eurobank.gr).

On behalf of the Board

Anastasios Ioannidis

Director

Company's registration number: 3798157

18 May 2018

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2017.

i) General Information

The Company is a public, limited by shares company, with registered number 3798157 and registered office 2nd floor, Devonshire House, 1 Mayfair Place, London W1J 8AJ, United Kingdom, is incorporated and domiciled in UK and is a wholly owned subsidiary of Eurobank Ergasias S.A., a bank incorporated in Greece.

ii) Creditor payment policy

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

iii) Future Developments

The Company's future developments are included in the Strategic Report on page 4.

iv) Financial Risk Management

The Company's Financial Risk Management is disclosed in the Strategic Report on page 6, section (iii).

v) Dividends

Information on the Company's dividends is included in the Strategic Report on page 4.

vi) Directors

The directors of the Company who were in office during the year and up to the date of signing the Financial Statements were as follows:

Anastasios Ioannidis

Dimosthenis Archontidis

Nikolaos Laios

Dimitra Spyrou

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

vii) Corporate governance

The directors have been charged with governance in accordance with the offering circular describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling the directors to comply with their regulatory obligations.

Due to the nature of the securities that have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority (previously the Financial Services Authority) pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1, audit committees and 7.2, corporate governance statements (save for DTR 7.2.5 a requiring description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the Directors' Report.

Directors' Report (continued)

The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

viii) Parent Company

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

ix) Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.
The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

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

Directors' Report (continued)

x) Independent Auditors

PricewaterhouseCoopers LLP have been the auditors in the current year.

According to the provisions of Greek Law 4449/2017 and following relevant proposal of the Audit Committee, the Board of Directors (BoD) of Eurobank Ergasias SA at its meeting on 24 February 2017 approved KPMG Certified Auditors A.E. (KPMG) being the successful audit firm of the tendering process for conducting the statutory audit of the financial statements of Eurobank Ergasias SA (standalone and consolidated) for the period 2018-2022, subject to obtaining every year both the BoD's proposal addressed to the Shareholders' General Meeting and the decision of the General Meeting for the appointment of KPMG as statutory auditor, as well as receiving any other necessary approvals each time in force. Following the decision of the Parent Company's General Meeting for the appointment of KPMG as statutory auditor, ERB Hellas Plc will also appoint KPMG as statutory auditor for 2018 and PricewaterhouseCoopers LLP will resign from office.

The Directors' Report was approved by the Board of Directors on 18 May 2018 and was signed on its behalf by:

Anastasios Ioannidis

Director

18 May 2018

Independent auditors' report to the members of ERB Hellas PLC

Report on the audit of the financial statements

Opinion

In our opinion, ERB Hellas PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet; the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to those charged with governance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

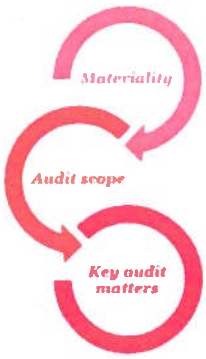
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview



Overall materiality: €598,700 (2016: €580,000), based on 1% of total assets.

ERB Hellas PLC is a subsidiary of Eurobank Ergasias S.A. The Company was incorporated as part of the funding strategy of its Parent in order to establish a program for the issuance of medium term debt instruments (EMTN).

We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the annual report and financial statements, ensuring audit procedures were performed in respect of every material financial statements line item.

In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us, taking into consideration the accounting processes in place, and the industry in which the company operates.

Risk of Impairment of deposits held in banks.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation and enquiries with management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Risk of Impairment of deposits held in banks ERB Hellas PLC is a subsidiary of Eurobank Ergasias S.A, and its business strategy and activities are linked to those of its Parent Company. The Company was incorporated as part of the funding strategy of its Parent in order to establish a program for the issuance of medium term debt instruments (EMTN). The Company's main business and basic accounting framework is to issue debt instruments and invest the proceeds from these in time deposits with the Parent on a matched basis. *Therefore the risk of impairment* is intrinsically linked to *the Going Concern* of its parent.	As part of our procedures we have reviewed: • the going-concern assessment performed by the Eurobank Ergasias S.A. ("Group") auditor and assessed the developments in the macroeconomic environment and their impact on the entity. • the Group's updated 3-years Business and restructuring Plan (including assumptions for 2018-2020) and assessed its relevance to the economic environment. • the results/performance of the Group/Bank (including restructuring plan) and how they are monitored ensuring perceived adequate challenge from those charged with governance. • and stress tested the medium term funding plans of the Group envisioning the gradual reduction of ECB/ELA dependence and assessed the level of contingent funds. • the Group's capital adequacy calculations (Pillar 1) and the results from the Supervisory Review and Evaluation Process/Pillar 2 process. • compliance with Single Supervisory Mechanism (SSM) targets. • latest minutes from Group committee meetings up until 28 March 2018. • current liquidity buffers and sovereign exposures. Additionally we have; • held meetings with management of the parent entity.

Key audit matter	*How our audit addressed the key audit matter*
	• confirmed that the Parent entity had issued €500m to international and domestic investors following a successful covered bond transaction with a 2.98% yield, concluded at the end of October 2017. This demonstrates the ability of the Parent to issue debt to external parties.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€598,700 (2016: €580,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	As an SPE is established as a not for profit entity, funded almost entirely by debt, it would follow that users may focus their attention on the SPE's total assets as suggested by ISA (UK) 320 paragraph A3. It is therefore considered appropriate that overall materiality could in the context of an SPE audit be calculated as 1% of total assets.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above €29,900 (2016: €29,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 8 , the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of those charged with governance, we were appointed by the members on 4 July 2000 to audit the financial statements for the year ended 31 December 1999 and subsequent financial periods. The period of total uninterrupted engagement is 19 years, covering the years ended 31 December 1999 to 31 December 2017.

Jessica L Miller

Jessica L Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 May 2018

Statement of Comprehensive Income

	Note	Year ended 31 December 2017 € ths	2016 € ths
Interest and similar income	5	2,690	3,122
Interest expense and similar charges	6	(2,667)	(3,080)
Net interest income		23	42
Net gains from financial instruments	7	-	15
Foreign exchange losses		(1)	(3)
Operating expenses	8	(107)	(78)
Loss before income tax		(85)	(24)
Income tax expense	9	-	3
Total comprehensive expense for the period attributable to the owners of the Parent Company		(85)	(21)

The results for the year arise wholly from continuing operations.

The notes on pages 19 to 43 form an integral part of these financial statements.

Balance Sheet

	Note	As at 31 December 2017 € ths	2016 € ths
Assets			
Deposits with banks	10	**59,873**	58,491
Total assets		**59,873**	58,491
Liabilities			
Liabilities evidenced by paper at amortised cost	12	**58,694**	55,195
Liabilities evidenced by paper designated at fair value	13	-	1,967
Derivative financial instruments	11	-	41
Other liabilities	14	**63**	87
Total liabilities		**58,757**	57,290
Equity			
Share capital	15	**19**	19
Retained earnings		**1,097**	1,182
Total equity		**1,116**	1,201
Total equity and liabilities		**59,873**	58,491

The financial statements on pages 15 to 43 were approved by the Board of Directors on 18 May 2018 and were signed on its behalf by:

Anastasios Ioannidis

Director

The notes on pages 19 to 43 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital € ths	Retained earnings € ths	Total € ths
Balance at 1 January 2016	19	1,203	1,222
Loss for the year	-	(21)	(21)
Total comprehensive loss for the year ended 31 December 2016	-	(21)	(21)
Balance at 31 December 2016	19	1,182	1,201
Balance at 1 January 2017	**19**	**1,182**	**1,201**
Loss for the year	-	(85)	(85)
Total comprehensive expense for the year ended 31 December 2017	-	(85)	(85)
Balance at 31 December 2017	**19**	**1,097**	**1,116**

The notes on pages 19 to 43 form an integral part of these financial statements.

Cash Flow Statement

	Note	Year ended 31 December 2017 € ths	2016 € ths
Cash flows from operating activities			
Interest and similar income received		**2,752**	3,490
Interest and similar charges paid		**(2,538)**	(3,339)
Cash payments to suppliers		**(128)**	(105)
Income taxes paid		**-**	(61)
Proceeds from deposits with banks		**(1,756)**	153,183
Net cash (used in)/generated from operating activities		**(1,670)**	153,168
Cash flows from financing activities			
Proceeds from issue of loan notes		**9,800**	3,999
Repayments of loan notes		**(8,203)**	(157,258)
Net cash generated from/(used in) financing activities		**1,597**	(153,259)
Net decrease in cash and cash equivalents		**(73)**	(91)
Cash and cash equivalents at beginning of period		**1,239**	1,330
Cash and cash equivalents at end of period	10	**1,166**	1,239

The notes on pages 19 to 43 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

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

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the European Union (EU) and in particular with those IFRSs and IFRIC interpretations issued and effective as at the time of preparing these statements, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

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

The Company's presentation currency is the Euro (€) being the functional currency of the Company. Except as indicated, financial information presented in Euros has been rounded to the nearest thousand.

Going concern considerations

The financial statements have been prepared on a going concern basis. In making their assessment of the Company's ability to continue as a going concern, the directors have taken into account that the assets of the Company represent an inter-company balance with the Parent Company and settlement of these assets is required to meet its obligations. In addition, the Parent Company will provide sufficient support to the Company, if required, taking into account the impact of transitioning to IFRS 9, as of 1 January 2018. As such the directors have taken into consideration the impact of the following factors directly related to the Parent Company's operations:

<u>Macroeconomic environment</u>

Greece's real GDP grew by 1.4% in 2017, according to the Hellenic Statistical Authority's (ELSTAT) first estimate from -0.02% in 2016, while the real GDP growth consensus forecast for 2018 is at 2.1% (compared to an official target of 2.5%). The unemployment rate in December 2017 was 20.8%, based on ELSTAT data (31 December 2016: 23.5%). ELSTAT in its recent 1st 2018 Fiscal Data Notification announced that the 2017 primary surplus in ESA2010 terms was at 4.0% of GDP which points towards a 2017 primary surplus of 4.2% of GDP in TEAP terms, significantly higher compared to the respective 2017 TEAP target of 1.75% of GDP. According to Bank of Greece and ELSTAT data the current account deficit decreased at -0.8% of GDP in 2017 (2016: -1.1 %).

Greece, following the conclusion of the TEAP second review in June 2017 and the consequent release of the € 8.5 bn loan tranche, reached a staff level agreement with the European institutions on the policy package

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

of the third review on 4 December 2017 and implemented all prior actions by early 2018, which paved the way for the disbursement of the first sub-tranche of € 5.7 bn in the second half of March 2018. The second sub-tranche of € 1 bn will be disbursed in the second quarter of 2018 subject to positive reporting by the European institutions on the clearance of net arrears and the unimpeded flow of e-auctions.

On the back of the aforementioned positive developments, Greece returned to the financial markets through the issue of a € 3 bn five-year bond at a yield of 4.625% on 24 July 2017 (for the first time since July 2014) and a € 3 bn seven-year bond at a yield of 3.5% on 8 February 2018. The proceeds of the bond issues are used for further liability/debt management and for the build-up of a state cash buffer that would facilitate the country's market access after the end of the program in August 2018.

The completion of the fourth and final review of the TEAP, which will be carried out by June 2018 according to the implementation plan, an expected significant rise in investments (2018 Budget estimate at 11.4% compared to 9.6% increase in 2017), and a forecasted strong tourism season support expectations for a further improvement in domestic economic activity in 2018. The decisive implementation of the reforms agreed in the context of the TEAP, the implementation of further debt relief measures in accordance with 24 May 2016 Eurogroup decisions, the mobilization of European Union (EU) funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model will facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a strong and sustainable growth path.

The main risks and uncertainties are associated with (a) the possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, (b) the possible delays in the agreement of the post-program relation between Greece and the Institutions, (c) the impact on the level of economic activity and on the attraction of direct investments from the fiscal and social security-related measures agreed under the reviews of the TEAP, (d) the ability to attract new investments in the country, (e) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity and (f) the possible slow pace of deposits inflows and/ or possible delays in the effective management of non-performing exposures (NPEs) as a result of the challenging macroeconomic conditions in Greece.

Liquidity risk

In accordance with the agreement with the European partners the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the European Stability Mechanism (ESM) program. The gradual stabilisation of the macroeconomic environment, following the completion of the second and the third review of the TEAP, has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits as well as the further relaxation of capital controls. The successful completion of the fourth review of the TEAP and an agreement on the post-program relation of Greece with its official creditors will help further reinstating depositors' confidence and thus accelerate the return of deposits, and it will positively influence the financing of the economy.

In 2017, the Parent Company's group deposits inflows of € 1.8 bn (of which € 1.2 bn in Greece), along with the increased market repos on covered bonds and Greek Treasury bills, a € 500 million covered bond issue

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

to international and domestic investors and the assets deleveraging resulted in the significant decrease of the Bank's dependency from the Eurosystem to € 10 bn at the end of December 2017, of which € 7.9 bn funding from ELA, (31 December 2016: € 13.9 bn, of which € 11.9 bn from ELA) and the elimination of the Bank's participation in the second stream of the Hellenic Republic liquidity support program at the end of October 2017 (31 December 2016: bonds guaranteed by the Greek Government of € 2.5 bn).

Solvency risk

The Parent company's group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk. A key priority is the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Parent Company's group internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place. As at 31 December 2017, the Bank has reduced its NPEs stock by € 2.4 bn to € 18.1 bn, outperforming the respective initial Single Supervisory Mechanism (SSM) target of € 18.8 bn.

In parallel, the Parent company's group recorded a net profit attributable to shareholders of € 104 million for 2017 (€ 186 million, net profit from continuing operations before restructuring costs) on the back of higher net interest and commission income from both Greek and international activities. In the context of its strategic plan, the Bank has undertaken significant initiatives towards the fulfillment of the remaining commitments of the restructuring plan and it proceeded with the redemption of the preference shares by issuing Tier 2 bonds at early 2018, which count in its total capital adequacy ratio. The Parent company's group Common Equity Tier 1 (CET1) ratio stood at 17.9% at 31 December 2017, while the respective pro-forma ratio with the redemption of preference shares/issue of Tier 2 bonds and the completion of the sale transaction in Romania would be 15.8%. The impact of the adoption of IFRS 9 on Parent Company's group CET1 as at the end of 2018, according to the transitional arrangements for the 5-year phase in period, is estimated to be approximately 20 bps.

The Parent Company's group, along with the other three Greek systemic banks directly supervised by the European Central Bank (ECB), underwent the 2018 EU-wide stress test (ST) launched by the European Banking Authority (EBA) on 31 January 2018. In accordance with the Parent Company's announcement of 5 May 2018, the ST outcome along with the other factors that have been assessed by the SSM Supervisory Board (SB) points to no capital shortfall and no capital plan is needed for the Parent Company, as a result of the exercise (note 19).

Within an environment of positive growth, the Parent Company's group is well on track to achieve the 2018 NPE reduction targets, maintain profitability, continue the creation of organic capital and strengthen its position in the Greek market and abroad.

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the Parent Company's group capital position, the outperformance of NPEs reduction targets and its anticipated continued access to Eurosystem funding over the foreseeable future, has been satisfied that the financial statements of the Company can be prepared on a going concern basis.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

The policies set out below have been consistently applied to the years 2017 and 2016, except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(a) Amendments to standards and new interpretations adopted by the Company

The following amendments to standards as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), which are relevant to the Company, apply from 1 January 2017:

IAS 7, Amendment-Disclosure Initiative

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The Company has implemented the disclosure requirement in notes 12 and 13.

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealised Losses

The amendment clarifies that (a) unrealised losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes may give rise to a deductible temporary difference irrespective of whether the entity expects to recover the carrying amount of the debt instrument by sale or use (b) estimates for future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences (c) the estimate of probable future taxable profits may include the recovery of an asset for more than its carrying amount, if there is sufficient evidence that it is probable that this will be realised by the entity, and (d) a deferred tax asset is assessed in combination with all of the other deferred tax assets where the tax law does not restrict the sources of taxable profits against which the entity may make deductions on the reversal of that deductible temporary difference. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type.

The adoption of the amendment had no impact on the Company's financial statements.

(b) New standards, amendments to standards and interpretations not yet adopted by the Company

A number of new standards, amendments to existing standards and interpretations are effective after 2017, as they have not yet been endorsed by the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments (effective 1 January 2018)

IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognise, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction contracts" and IFRIC 13 "Customer Loyalty Programs".

The adoption of the standard is not expected to impact the Company's financial statements as net interest income, which is the primary revenue stream of the Company, falls outside the scope of IFRS 15.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions that involve an advance payment or receipt. The interpretation clarifies that in this case, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the entity initially recognised the non-monetary asset (prepayment asset) or non-monetary liability (deferred income liability) arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine a date of transaction for each payment or receipt.

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

IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019, not yet endorsed by EU)

The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. In such a circumstance, recognition and measurement of current or deferred tax asset or liability according to IAS 12 is based on taxable profit (tax loss), tax bases, unused tax losses and tax credits and tax rates determined applying IFRIC 23.

According to the interpretation, each uncertain tax treatment is considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty and the entity should assume that a tax authority with the right to examine tax treatments will examine them and will have full knowledge of all relevant information.

If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it should determine its accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, the effect of the uncertainty in its income tax accounting should be reflected in the period in which that determination is made, using the method that best predicts the resolution of the uncertainty (ie the most likely amount or the expected value method).

Judgments and estimates made for the recognition and measurement of the effect of uncertain tax treatments should be reassessed whenever circumstances change or new information that affects those judgments arise (eg actions by the tax authority, evidence that it has taken a particular position in connection with a similar item or the expiry of its right to examine a particular tax treatment).

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

IFRS 9, Financial Instruments (effective 1 January 2018)

In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised requirements on the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

IFRS 9 establishes a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

Financial assets will be measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principle and interest (SPPI).

Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principle and interest. All other financial assets will be classified at FVTPL.

An entity may at initial recognition, designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognised in profit or loss unless this would create or enlarge an accounting mismatch.

<u>Business model assessment</u>

The business model reflects how the entity manages the assets in order to generate cash flows. That is, whether the entity's objective is solely to collect contractual cash flows from the asset, to realise cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. Financial assets that are held for trading or that are managed on a fair value basis will be measured at FVTPL.

The Company's approach is to perform the business model assessment consistently with its operating model and the information provided to key management personnel.

<u>SPPI assessment</u>

In assessing whether the contractual cash flows are solely payments of principle and interest, the entity will consider whether the contractual terms of the instrument are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. This will include an assessment of whether a financial asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with the above condition. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset will be measured at FVTPL.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Assessment of changes to the classification and measurement on transition

For the purpose of the transition to IFRS 9, the Company is carrying out a business model assessment and a review of the contractual terms (SPPI review) for the financial assets held to determine any potential changes to the classification and measurement. The assessment is being performed based on the facts and circumstances that exist at the date of initial application on 1 January 2018, and concerns deposits with banks that are measured at amortized cost under IAS 39 and are also expected to be measured at amortized cost under IFRS 9.

Impairment of financial assets

IFRS 9 introduces an expected credit loss (ECL) model that replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognised and will apply to a broader population of financial instruments compared to IAS 39. The measurement of ECL will require the use of complex models and significant judgment about future economic conditions and credit behaviour. The new impairment model, which introduces a "three stage approach" that will reflect changes in credit quality since initial recognition, will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. Accordingly, no impairment loss will be recognised on equity investments.

Upon initial recognition of instruments in scope of the new impairment principles, the Company will record a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk since initial recognition, a loss allowance equal to lifetime ECL will be recognised, arising from default events that are possible over the expected life of the instrument. Financial assets for which 12-month ECL are recognised will be considered to be in 'stage1'; financial assets which are considered to have experienced a significant increase in credit risk will be allocated in 'stage2', while financial assets that are considered to be credit impaired will be in 'stage3'. The loss allowance for purchased or originated credit impaired (POCI) financial assets will always be measured at an amount equal to lifetime ECL.

Allocation of Exposures to Stages

The Company will distinguish financial assets between those which are measured based on 12-month ECLs (stage 1) and those that carry lifetime ECLs (stage 2 and 3), depending on whether there has been a significant increase in credit risk as evidenced by the change in the risk of default occurring on these financial assets since initial recognition.

Purchased or originated credit impaired (POCI) financial assets, which include assets purchased at a deep discount and substantially modified assets arising from derecognition of the original asset and are considered originated credit impaired, are not subject to stage allocation and are always measured on the basis of lifetime ECL. The Company will recognise interest income of financial assets at stage 3 as well as POCI by applying the effective interest rate (EIR) or the credit-adjusted EIR respectively on their net carrying amount.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Financial assets that experience a significant increase in credit risk since initial recognition will be in stage 2. In assessing whether a financial asset has experienced a significant increase in credit risk since initial recognition, the Company intends to use a combination of quantitative, qualitative and backstop criteria including:

- relative changes on the residual lifetime probability of default;
- absolute thresholds on the residual lifetime probability of default;
- relative changes on credit risk ratings;

Management may apply temporary overlays on exposures to take into account specific situations which otherwise would not be fully reflected in the impairment models.

Measurement of expected credit losses

The measurement of ECLs will be a probability-weighted average estimate of credit losses that will reflect the time value of money. A credit loss is the difference between the cash flows that are due to the Company in accordance with the contractual terms of the instrument and the cash flows that the Company expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument or the credit-adjusted EIR in case of purchased or originated credit impaired assets (POCI). In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions should be considered. The new impairment model is expected to result in an increase in the total level of impairment allowances since all financial assets will be assessed for at least 12-month ECL.

ECL Key inputs

The ECL calculations are based on the term structures of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The Company intends to derive these parameters from internally developed statistical models and observed point-in-time and historical market data.

The PD represents the likelihood of an issuer defaulting on its financial obligations either on the next twelve months or over the remaining lifetime. In accordance with IFRS 9, the Company will use point-in-time unbiased PDs that will incorporate forward looking information and macroeconomic scenarios.

EAD represents the exposure that the Company expects to be owed at the event of default. The EAD of a financial asset will be the gross carrying amount at default. In estimating the EAD, the Company will use historical observations and forward looking forecasts to reflect payments of principal and interest.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure and is the difference between the contractual cash flows due and those that the Company expects to receive including any amounts from collateral liquidation. LGD may vary by type of counterparty, type and seniority of claim, availability of collateral or other credit support, and is usually expressed as a percentage of EAD.

Forward looking information

In assessing whether credit risk has increased significantly since initial recognition and measuring ECL the Company will incorporate forward looking information. The Company will evaluate a range of forward looking economic scenarios in order to achieve an unbiased and probability weighted estimate of ECL.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

In particular, the Company intends to use as a minimum three macroeconomic scenarios (i.e. base, adverse and optimistic) and consider the relative probabilities of each scenario. The base scenario will represent the most likely scenario and will be aligned with the information used by the Company for strategic planning and budgeting purposes.

Hedge accounting

IFRS 9 includes a new general hedge accounting model which aligns hedge accounting more closely with risk management. Under the new model, more hedging strategies may qualify for hedge accounting, new hedge effectiveness requirements apply and discontinuation of hedge accounting will be allowed only under specific circumstances. The IASB currently has a separate project for the accounting of macro hedging activities. Until the above project is completed, entities have an accounting policy choice to continue applying the hedge accounting requirements in IAS 39.

Transition

The Company is currently assessing the impact of the IFRS 9 requirements that will be applied retrospectively by adjusting the Company's balance sheet on the date of transition on 1 January 2018. The Company intends to apply the exemption not to restate comparative figures for prior periods, therefore the Company's 2017 comparatives will be presented on an IAS 39 basis.

The IFRS 9 implementation program is monitored centrally by the Parent Company which has largely completed the IFRS 9 accounting policies, key processes and process flows and the ECL methodologies while further refinements will continue during 2018.

Impact assessment

The impact of the transition to IFRS 9 is estimated to be € 1.170 million at 1 January 2018 which will decrease shareholder's equity and is attributed to impairment for ECL of deposits with banks carried at amortized cost with total gross amount of € 59.873 million and allocated to stage 1.

Taking into consideration the IFRS 9 impact, the Parent Company intends to continue to provide sufficient support to the Company.

2.2 Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accruals basis, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and basis 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 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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.3 Transactions in Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at each reporting date and exchange differences are recognised in the profit or loss. Exchange differences on financial assets and liabilities measured at fair value through profit or loss are reported as part of the fair value gain or loss.

The called up share capital denominated in sterling has been translated into euro on the exchange rate at 31 December 2002, being the date the Company changed its functional and reporting currency from sterling to euro.

2.4 Financial assets

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

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

This category includes financial assets held for trading, i.e. derivatives.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company upon initial recognition designates as at fair value through profit or loss.

Accounting treatment and calculation

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the assets. 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.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate 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 statement of comprehensive income in the period in which they arise.

The Company derecognises a financial asset when its contractual cash flows expire, or the rights to receive those cash flows are transferred in an outright sale in which substantially all the risks and rewards of ownership have been transferred. In addition, a financial asset is derecognised even if rights to receive cash flows are retained but at the same time the Company assumes an obligation to pay the received cash flows without a material delay (pass through agreement) or when substantially all the risks and rewards are neither transferred nor retained but the Company has transferred control of the asset. The control is considered to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to unrelated third party.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received, including any new asset obtained less any new liability assumed is recognised in profit or loss.

2.5 Fair value measurement of financial instruments

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received unless the Company determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognised in the profit or loss.

On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value at initial recognition and the transaction price (day one gain or loss). Subsequently the deferred gain or loss is amortised on an appropriate basis over the life of the instrument or released earlier if a quoted price in an active market or observable market data become available or the financial instrument is closed out.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (note 3).

For assets and liabilities that are measured at fair value on a recurring basis, the Company recognises transfers into and out of the fair value hierarchy levels at the beginning of the half year in which a financial instrument's transfer was affected.

2.6 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, not carried at fair value through profit or loss, is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.6 Impairment of financial assets (continued)

financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired refers to observable data that comes to the attention of the Company about the following loss events:

(a) significant financial difficulty of borrower;

(b) a default or breach of contract;

(c) significant changes in the financial performance of the borrower that affect the borrower's ability to meet its debt obligations, such as:

-operating losses;

-working capital deficiencies;

-the borrower having a negative equity;

(d) other facts indicating a deterioration of the financial performance of the borrower, such as a breach of terms, or a partial write-off of the borrower's obligations due to economic or legal reasons relating to his financial status;

(e) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(f) it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

(g) significant adverse changes in the borrower's industry or geographical area that could affect his ability to meet its debt obligations;

(h) market related information including the status of the borrower's other debt obligations; and

(i) a significant downgrade in the internal or external credit rating of the borrower's financial instruments when considered with other information;

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its 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 profit or loss.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.6 Impairment of financial assets (continued)

A loan and the associated impairment allowance are written off when there is no realistic prospect of recovery. The Company considers all relevant information including the occurrence of a significant change in the borrower's financial position to such extent that the borrower can no longer pay his obligation.

2.7 Financial liabilities

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

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

(a) it eliminates or significantly reduces measurement or recognition inconsistencies; or

(b) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or

(c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Company is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability, and any difference arising is recognised in the profit or loss.

The Company considers the terms to be substantially different, if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Similarly, when the Company repurchases any debt instruments issued by the Company, it accounts for such transactions as an extinguishment of debt.

2.8 Cash and cash equivalents

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

2.9 Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.9 Derivative financial instruments (continued)

Changes in the fair value of any derivative financial instrument are recognised immediately in profit or loss. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 2.5 and 3.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.11 Related party transactions

Related parties of the Company include:

(a) the Parent Company and entities controlled, jointly controlled or significantly influenced by the Parent Company;

(b) an entity that has control over the Parent Company and entities controlled, jointly controlled or significantly influenced by this entity;

(c) Directors of the Company and the key management personnel of the Company or its parent, their close family members and entities controlled or jointly controlled by the above mentioned persons.

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 are conducted on an arm's length basis.

2.12 Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the amount of such expenditure.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.13 Income tax

Income tax consists of current and deferred tax.

(i) Current income tax

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which profits arise.

(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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.13 Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

2.14 Share capital

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

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

2.15 Consolidation

In accordance with Section 400 of the Companies Act 2006, group financial statements have not been prepared as the Company is a wholly owned subsidiary of Eurobank Ergasias S.A., which prepares consolidated statements which are publicly available.

3. Principal risks and uncertainties

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

(a) Credit Risk: The Company takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. The majority of cash proceeds generated from the EMTN programmes are placed on deposits with the Parent Company. The aggregate carrying amount of these deposits and derivative financial instruments with positive fair values approximates the maximum credit risk exposure of the Company. The derivative transactions are entered into with western European financial institutions, the credit quality of which is continuously monitored and assessed by the directors. In addition, the Company uses collateral in the form of cash, to mitigate its maximum exposure to credit risk. Financial assets are neither past due nor impaired.

(b) Market risk: The Company takes on exposure to interest rate and currency risk. The management has a policy of minimising such risks as follows:

- Interest rate risk: The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position 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.

The interest rate risk is eliminated either by placing funds on deposits with the Parent Company at rates which change on the same basis as the interest rates applied on loan notes, or by the use of interest rate swaps.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

- Currency risk: The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is eliminated by placing funds on deposits at the same currency as the loan notes issued.

(c) Liquidity Risk: The Company is not exposed to liquidity or cash flow risk because the maturity of its assets and liabilities, and the underlying cash flows, are substantially the same. The majority of cash proceeds generated from the EMTN programmes are placed on deposits with the Parent Company, on the same terms and in the same currency. Any difference for interest rate risk is covered by swaps entered into with western European financial institutions.

The amounts disclosed in the table below are the contractual undiscounted cash flows of financial liabilities by remaining contractual maturities at the balance sheet date. The cash flows of derivative financial instruments are grouped together with those for the loan notes:

	2017				
	Less than 1 month € ths	1 - 3 months € ths	3 months to 1 year € ths	Over 1 year € ths	Gross nominal inflow € ths
Financial liabilities:					
- Liabilities evidenced by paper	-	-	50,131	10,306	60,436
- Other liabilities	-	-	63	-	63
	0	-	50,194	10,306	60,499

	2016				
	Less than 1 month € ths	1 - 3 months € ths	3 months to 1 year € ths	Over 1 year € ths	Gross nominal inflow € ths
Financial liabilities:					
- Liabilities evidenced by paper	-	-	4,053	56,494	60,547
- Other liabilities	1	-	89	-	90
	1	-	4,142	56,494	60,637

(d) Capital risk management: The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt. The Company is not subject to any external capital requirements except for the minimum requirement of an allotted share capital with a nominal value of at least £ 50,000, under the Companies Act 2006. The Company has not breached the minimum requirement.

Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

a) are offset in the Company's balance sheet according to IAS 32 criteria; or

b) are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in balance sheet.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

Regarding the former, financial assets and financial liabilities are offset and the net amount is 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 (the offset criteria), as also set out in Company's accounting policy 2.10.

Regarding the latter, the International Swaps and Derivatives Association (ISDA) and similar master netting arrangements do not meet the criteria for offsetting in the balance sheet, as they create a right of set off that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties or following other predetermined events. In addition, the Company and its counterparties may not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Similar agreements to ISDA include derivative clearing agreements and similar financial instruments include derivatives.

The Company has not offset any financial assets and liabilities as at 31 December 2017 and 2016, as the offset criteria mentioned above are not satisfied; thus, gross amounts of recognised financial assets and liabilities equal respective net amounts in the table below.

As at 31 December 2017, the Company had no balance sheet amounts subject to enforceable master netting arrangements and similar agreements. Comparative information is presented in the table below.

	2016					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabilities € ths	Gross amounts of recognised financial assets offset in the balance sheet € ths	Net amounts of financial liabilities presented in the balance sheet € ths	Financial instruments € ths	Cash collateral pledged € ths	Net amount € ths
Financial Liabilities						
Derivative financial instruments	41	-	41	-	-	41
	41	-	41	-	-	41

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). When a quoted price for an identical asset or liability is not observable, fair value is measured using another valuation technique that is appropriate in the circumstances, and maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect assumptions that market participants would use when pricing financial instruments, such as quoted prices in active markets for similar instruments, interest rates and yield curves, implied volatilities and credit spreads.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

The Company's financial instruments carried at fair value or at amortized cost for which fair value is disclosed are categorised into the three levels of fair value hierarchy based on whether the inputs to their fair values are market observable or unobservable, as follows:

- Level 1 - Financial instruments are measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Company can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. Level 1 financial instruments include actively quoted loan notes carried at amortized cost.
- Level 2 – Financial instruments are measured using valuation techniques with inputs other than level 1 quoted prices, observable either directly or indirectly, such as (i) quoted prices for identical financial instruments in markets that are not active, (ii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and (iii) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include interest rate swaps, deposits with the Parent Company and less liquid loan notes.
- Level 3 - Financial instruments are measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). None of the Company's financial instruments are categorised into Level 3 of the fair value hierarchy.

Financial instruments carried at fair value

As at 31 December 2017 the Company's financial instruments at fair value had matured. The fair value hierarchy categorisation of the Company's financial assets and liabilities carried at fair value at 31 December 2016 is presented in the following table:

	2016			
	Level 1	Level 2	Level 3	Total
	€ ths	€ ths	€ ths	€ ths
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	1,967	-	1,967
Derivative financial instruments	-	41	-	41
	-	2,008	-	2,008

The Company recognises transfers into and out of the fair value hierarchy levels at the beginning of the half year in which a financial instrument's transfer was affected. During the year ended 31 December 2017, debt securities in issue of € 52,251 ths were transferred from level 1 to level 2, as their market was not considered active.

Company's valuation processes

The fair value of interest rate swaps and loan notes carried at fair value through profit or loss is based on best market practice models (i.e. equity basket derivative, range accrual, inflation capped structure).

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

The Company uses widely recognised valuation models for determining the fair value of financial instruments that are not quoted in an active market that use only observable market data and require little management estimation and judgment. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel of the Parent Company, independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values reflect also the credit risk of the financial instrument and include adjustments to take into account the credit risk of the Parent Company, where appropriate.

The valuation models used by the Company have been developed by the Parent Company's appropriate personnel, who also have established the processes and procedures governing the fair valuations. Valuation controls may include verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration, analysis of significant valuation movements, etc.

Financial instruments not carried at fair value

The fair value hierarchy categorisation of the Company's financial assets and liabilities not carried at fair value on the balance sheet is presented in the following tables:

	2017				
	Level 1 € ths	Level 2 € ths	Level 3 € ths	Fair Value € ths	Carrying amount € ths
Financial assets not carried at fair value:					
Four year fixed rate deposit with the Parent Company	-	48,842	-	48,842	48,983
	-	48,842	-	48,842	48,983
Liabilities evidenced by paper at amortised cost	-	57,752	-	57,752	58,694
	-	57,752	-	57,752	58,694

	2016				
	Level 1 € ths	Level 2 € ths	Level 3 € ths	Fair Value € ths	Carrying amount € ths
Financial assets not carried at fair value:					
Four year fixed rate deposit with the Parent Company	-	52,251	-	52,251	55,524
	-	52,251	-	52,251	55,524
Liabilities evidenced by paper at amortised cost	52,251	-	-	52,251	55,195
	52,251	-	-	52,251	55,195

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value are presented below. In particular:

- For loan notes issued by the Company, the fair values are determined either based on quotes for identical debt securities in markets that are active or not, or by using valuation techniques. In particular, for fixed rate loan notes prices are obtained from Bloomberg, while for the floating rate loan notes prices are based on appropriate valuation models.
- Deposits with banks include a four year fixed rate deposit with the Parent Company, whose fair value is determined based on quote for the mirror loan note. For the rest of the deposits, which are re-priced at frequent intervals, the carrying amounts represent a reasonable approximation of fair values.
- For financial instruments which are short term or re-price at frequent intervals, such as commercial papers, the carrying amounts represent reasonable approximations of fair value.

4. Critical accounting estimates and judgment

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

4.1 Deposits with banks

The main asset of the Company is deposits with the Parent Company. The directors' assessment of the recoverability of this asset is closely associated with the operations of the Parent Company and includes reviews of liquidity and solvency (see note 2.1 Going concern considerations).

4.2 Fair value of financial instruments

The fair values of financial instruments that are not quoted in an active market are determined either by using valuation techniques, or by market quotes for identical securities. In addition, for financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models.

Valuation techniques used include present value methods and other models based mainly on observable inputs and to a lesser extent to non-observable inputs, in order to maintain the reliability of the fair value measurement.

Valuation models are used to value over-the-counter derivatives and loan notes issued by the Company measured at fair value.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel of the Parent Company independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

Notes to the Financial Statements (continued)

4. Critical accounting estimates and judgment (continued)

4.2 Fair value of financial instruments (continued)

The main assumptions and estimates, considered by management when applying a valuation model include:

(a) the likelihood and expected timing of future cash flows;
(b) the selection of the appropriate discount rate, which is based on an assessment of what a market participant would regard as an appropriate spread of the rate over the risk-free rate;
(c) judgement to determine what model to use in order to calculate fair value.

To the extent practicable, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs.

Valuation techniques used to calculate fair values are further discussed in note 3.

Given the uncertainty and subjectivity inherent in the estimation of fair value of financial instruments, changes in management assumptions and estimates could affect the reported fair values.

5. Interest and similar income

	2017 € ths	2016 € ths
Interest income on deposits with the Parent Company	2,690	3,122
	2,690	3,122

6. Interest expense and similar charges

	2017 € ths	2016 € ths
Interest expense on liabilities evidenced by paper	(2,625)	(3,027)
Other interest payable on derivative financial instruments	(42)	(53)
	(2,667)	(3,080)

7. Net gains/(losses) from financial instruments

	2017 € ths	2016 € ths
Changes in fair value of liabilities evidenced by paper designated at FVTPL	217	(65)
Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper	(217)	65
Realised gains from financial instuments	-	15
	-	15

In 2017, changes in fair value of the loan notes at fair value through profit or loss and derivative financial instruments relate to the reversal of the cumulative change in fair value.

Notes to the Financial Statements (continued)

8. Operating expenses

	2017 € ths	2016 € ths
Fees payable to the auditors for the statutory audit of the Company's annual financial statements and other assurance related services	(46)	(52)
EMTN update costs, tax services and other	(61)	(26)
	(107)	(78)

The auditors' remuneration for the year ended 31 December 2017 has been agreed to be € 31,600 excluding VAT (2016: € 31,600 excluding VAT) and the non-audit fees, relating to the EMTN prospectus update, were agreed to be £ 26,000 excluding VAT (2016: £ 25,200 excluding VAT).

9. Income tax

The standard rate of Corporation Tax in the UK from 1 April 2015 until 31 March 2017 was 20% and from 1 April 2017 until 31 December 2017 was 19% (2016 tax rate: 20%).

Analysis of the Company's tax credit in the year and the reconciliation of effective tax rate

The Company recorded losses for the year ended 31 December 2017 and 31 December 2016 and therefore has no tax obligations.

	2017 € ths	2016 € ths
Loss before income tax	(85)	(24)
Current tax		
Adjustments in respect of prior years [1]	(1)	(3)
Tax credit	(1)	(3)

[1] *Foreign exchange revaluation included.*

The Company has not recognized deferred tax assets on cumulative losses, as it has not assessed whether future taxable profits will be available against which these losses can be utilized.

10. Deposits with banks

	2017 € ths	2016 € ths
Deposits with the Parent Company at amortised cost	59,873	58,491
	59,873	58,491
Maturing over 1 year	9,800	54,331
With original maturity of less than 90 days (cash and cash equivalents)	1,166	1,239

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

Notes to the Financial Statements (continued)

11. Derivative financial instruments

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. The Company utilises interest rate swaps in order to exchange the rates of structured notes, as set out in note 3. As at 31 December 2017 the Company had no interest rate swap commitments. Comparative information is presented in the table below.

	2016		
	Contract/ notional amount € ths	Fair values Assets € ths	Fair values Liabilities € ths
Derivatives held for trading			
-Interest rate swaps	1,750	-	41
	1,750	-	41

12. Liabilities evidenced by paper at amortised cost

	Interest rate %	Currency	2017 Face amount € ths	2017 Carrying amount € ths	2016 Face amount € ths	2016 Carrying amount € ths
Fixed rate loan notes	4.25	EUR	47,889	48,887	54,191	55,195
	6M Euribor plus 2.5	EUR	3,800	3,803	-	-
Floating rate loan notes	6M Euribor plus 2.5	EUR	1,200	1,201	-	-
	6M Euribor plus 2.25	EUR	4,800	4,803	-	-
			57,689	58,694	54,191	55,195

The loan notes are issued on either a subordinated or unsubordinated basis, are listed on the Luxembourg Stock Exchange and carry interest at relevant currency floating rates plus an additional margin or at fixed rates. Under the programme for issuance of debt instruments, loan notes are unconditionally and irrevocably guaranteed by the Parent Company on a subordinated or an unsubordinated basis, as specified in the relevant Final Terms.

The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2017 and 2016.

During the year, the Company proceeded with the redemption of loan notes of face value € 6,302 ths.

In addition, during the year, the Company proceeded with the issue of loan notes of face value € 9,800 ths.

Notes to the Financial Statements (continued)

13. Liabilities evidenced by paper designated at fair value

	2017 € ths	2016 € ths
Loan notes	-	1,967
	-	1,967

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

Certain loan notes issued by the Company have been designated upon their initial recognition as at fair value through profit or loss, because they share the same risks with linked deposits and derivatives and those risks are managed and evaluated on a fair value basis. Additionally, their performance is largely determined by reference to market interest rates or baskets of equity shares. As part of the Company's risk management strategy, these notes are managed either by placing funds on deposits with the Parent Company on the same terms and conditions with the loan notes or by entering into interest rate swap transactions (note 3).The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2017 and 2016.

During the year, loan notes of face value of € 1,750 ths matured.

14. Income tax payable and other liabilities

	2017 € ths	2016 € ths
Corporation tax (receivable)/payable	(4)	(3)
Other liabilities	67	90
	63	87

15. Share capital

	2017 Number	2017 £ ths	2016 Number	2016 £ ths
Authorised ordinary shares of £1 each	50,000	50	50,000	50
Issued, allotted and paid up at 25p per ordinary share of £1 each	50,000	13	50,000	13

The paid up share capital of £ 12,500 is reflected in the financial statements as € 19,216 based on the prevailing exchange rate at 31 December 2002 (€/£ 0.6505) being the date the Company changed its functional and reporting currency from sterling to Euros.

Notes to the Financial Statements (continued)

16. Related party transactions

The Company's results are included in the consolidated financial statements of Eurobank Ergasias S.A., its immediate and ultimate parent undertaking, which is incorporated in Greece.

In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others the percentage of the Parent Company's ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) decreased from 35.41% to 2.38%. Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over the Bank based on the provisions of L. 3864/2010 and the new Relationship Framework Agreement (RFA) the Bank has entered into with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014.

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

The outstanding balances of the related party transactions and the related income and expenses are as follows:

	31 December 2017		31 December 2016	
	Parent Company € ths	Parent Company's subsidiaries & associates € ths	Parent Company € ths	Parent Company's subsidiaries € ths
Deposits with Banks	59,873	-	58,491	-
Liabilities evidenced by paper at amortised cost	-	9,807	-	10,185
Liabilities evidenced by paper designated at fair value	-	-	79	1,889
Interest and similar income	2,690	-	3,122	-
Interest expense and similar charges	42	63	81	653

Emoluments of directors

The directors provide services to a number of Group companies for which are compensated by the Parent Company. Accordingly, these financial statements include no emoluments in respect of any director as it is not practicable to apportion the salary element. The Company employed no staff during 2017 and 2016.

As at 31 December 2017 there is no loan note held by key management personnel (2016: € 100 ths).

17. Segmental reporting

The Company operates one business segment i.e. providing funding to its immediate Parent Company, Eurobank Ergasias S.A., through loan notes issued to a wide range of investors.

18. Dividends

No dividend was paid in 2017 and there is no subsequent decision of the Board of Directors for distribution of dividend (2016: nil ths).

19. Post balance sheet event

The Parent Company, along with the other three Greek systemic banks directly supervised by the ECB, underwent the 2018 EU-wide ST launched by the European Banking Authority (EBA) on 31 January 2018.

On 5 May 2018, the Parent Company announced the successful completion of the ST conducted by the ECB. Based on feedback received by the SSM, the ST outcome along with other factors have been assessed by its Supervisory Board (SB), pointing to no capital shortfall and no capital plan needed as a result of the exercise.