# EFG Hellas PLC
# Annual Report
**For the year ended 31 December 2011**

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## Declaration of the managers responsible for financial reporting

Pursuant to Article 3 of Luxembourg's Transparency Law, the undersigned Fokion Karavias, Director of EFG Hellas PLC (the "Company" or the "Issuer"), to the best of his knowledge, hereby declares that the annual 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 of the Issuer and that the Report of the Directors includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that it faces.

F. Karavias
Director

19 July 2012

## Directors' Report

The Directors submit their report and the audited financial statements of the Company for the year ended 31 December 2011.

### i) Business review and principal activities

The Company is a public limited company with registered number 3798157 and registered office 25 Berkeley Square, London W1J 6 HN. The Company was incorporated as part of the funding strategy of its Parent Company EFG Eurobank Ergasias S.A. (the "Parent Company" or the "Bank") in order to establish a program for the issuance of medium term debt instruments ("EMTN"). The EMTN program is listed on the Luxembourg Stock Exchange. This program was last updated in April 2012. The Company has also established a program for the issuance of commercial paper (ECP) that was last updated in May 2009. The Prospectus of EMTN and ECP programs are available at the Parent Company's website (see note 17). The outstanding issues of debt instruments and commercial paper are guaranteed by the Parent Company. The net proceeds of each issuance are applied by the Company to meet part of the general financing requirements of the Company's Parent Company and its subsidiaries.

The profit for the year amounted to € 3,021 ths (2010: € 4,420 ths). The Board of Directors on 3 August 2011 declared the distribution of an interim dividend of € 4,420 ths (€ 88.40 per share) (2010: € 16,434, € 328.68 per share).

### ii) Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of its Parent Company. The business environment during 2011 and in particular the Greek sovereign debt crisis, have adversely affected the Bank's and the Company's operations, which have been adjusted accordingly in order to be aligned to the prevailing conditions.

In May 2010 the Greek Government entered into an agreement with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) (collectively the Official Sector) for a three-year € 110 bn refinancing and restructuring program designed to cover Greece's funding needs until mid-2012. By the end of December 2011, five successive reviews of the implementation of the May 2010 EC/ECB/IMF agreement acknowledged the Greek authorities' achievements, with Greece's primary deficit declining from 10.4% of GDP in 2009 to 2.4% in 2011, and permitted the disbursement of ca € 65bn out of the initial € 110 bn loan. However, the unfavorable global economic environment, the unprecedented austerity measures, and the delayed or fragmentary implementation of a number of agreed structural and fiscal reforms which would have addressed its chronic uncompetitiveness, led the Greek economy to a worse than anticipated recession.

These unfavorable developments necessitated a new funding and restructuring program, agreed with the EC, the ECB and the eurozone member-states in the Eurogroup meeting of February 21st 2012. The new program is expected to have a significant beneficial effect on the country's financial position and outlook. This is due to the reduction of public debt and the reduction of its servicing costs from 2012 onwards. The program constitutes a credible opportunity for the Greek economy to remove the uncertainty surrounding it from mid-2010 onwards, ensuring the sustainability of its debt and the stability of the country.

According to the IMF's Report on the 2nd Bailout Program for Greece released in March 2012, Greek GDP is expected to contract by 4.8% in 2012, and there are concerns the recession could be worse. The outlook for 2013 is for stable GDP while positive growth rates are expected from 2014 onwards. The continued rationalization, restructuring and austerity measures are expected to reduce the budget deficit in 2012 to 7.3% of GDP, from an estimated 9.3% of GDP in 2011, and the primary deficit from 2.4% to 1.0% in 2012 and 1.8% surplus in 2013, with most initiatives already underway. The current account deficit excluding energy payments and debt servicing payments has already been zeroed in 2011. Regarding the outlook for the next 12 months, main risks in Greece stem from the macroeconomic environment, the developments on the eurozone sovereign debt crisis and the success, or otherwise, of the significant fiscal adjustment efforts and their impact on the economy. The progress made to date could be compromised by external shocks from the global economy as well as implementation risks, reform fatigue and political instability in Greece. The restoration of confidence after the successful implementation of the voluntary debt restructuring program for the private sector (Private Sector Involvement-PSI+), the attraction of new investments and the revival of economic growth remain key challenges of the Greek Economy. Continuation of the recession could adversely affect the region and could lead to lower profitability, deterioration of asset quality and further reduction of deposits.

In this very challenging environment, Eurobank EFG's operations, adjust continuously to the new requirements so as to address effectively the emerging credit, liquidity and macroeconomic risks. The shift towards collateralised lending, self funded growth and the more promising markets has been in place for some time. In addition, the Parent Company continues to reduce its cost base in order to increase the efficiency of operations. It also strengthens collection efforts to maximize loan recoveries by redeploying resources where necessary and implements conservative provisioning policies. Finally, the Parent Company improves continuously the effectiveness of balance sheet management and reinforces its capital and liquidity, undertaking significant strategic initiatives in this direction.

Relevant information relating to the Bank's Going Concern Assessment, Credit exposure to Greek sovereign debt and Recapitalization Process is available in notes 2,5 and 6 in the 2011 Annual Financial Report of EFG Eurobank Ergasias S.A.

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

The assessment by the Directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company. On the basis of the analysis of the Bank's and the Company's capital solvency and liquidity, the support so far of EC/ECB/IMF to the Greek Economy and assuming that (a) the Greek Government fiscal adjustment program will continue to be implemented (b) the recapitalization of the Greek banking system will be promptly and successfully completed and (c) the ECB and Bank of Greece funding will continue to be available, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Directors, therefore, consider it is appropriate to prepare the financial statements of the Company on a going concern basis.

### iii) Principal risks and uncertainties

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

The Company is a finance vehicle whose principal purpose is to raise debt to be deposited with the Parent Company and its financial position will be influenced by the Parent Company's financial condition. The principal risks and uncertainties of the Parent Company for 2011, which include those of the Company, are discussed in the Report of Directors and the notes to the Consolidated Financial Statements included in the 2011 Annual Financial Report of EFG Eurobank Ergasias S.A. Bank, which was signed on 20 April 2012 (available at website: www.eurobank.gr).

### iv) Creditor payment policy

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

### v) Directors

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

Anastasios Ioannidis
Nicholaos Karamouzis
Fokion Karavias

None of the Directors has or had any notifiable interest in the shares of the Company or any member of the EFG Bank European Financial Group.

## vi) Parent Company

The immediate Parent Company is EFG Eurobank Ergasias S.A., incorporated in Greece. The ultimate parent company is Private Financial Holdings Limited (PFH), which is owned and controlled indirectly by members of the Latsis family.

## vii) Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

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

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

## viii) Statement as to disclosure of information to auditors

Each director in office at the date of the director's report confirms that:

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

## ix) Auditors

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

By order of the Board

F. Karavias
Director

19 July 2012

# Independent Auditors' Report to the members of EFG Hellas PLC

We have audited the financial statements of EFG Hellas PLC for the year ended 31 December 2011 which comprise the statement of comprehensive income, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities in relation to the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit 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.

**Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosure in notes 2 and 3 regarding the Company's ability to continue as a going concern. This includes reference to the impact of the impairment losses resulting from the Greek sovereign debt restructuring on the Parent Company's (EFG Eurobank Ergasias S.A.) regulatory capital, the planned actions to restore the capital adequacy and the existing political and economic uncertainties that could adversely affect the going concern assumption of the Parent Company and therefore the Company. Along with the other matters as set forth in notes 2 and 3, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Parent Company's and therefore the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent auditors' report to the members of EFG Hellas PLC (continued)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

John Hitchins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19 July 2012

## Statement of Comprehensive Income

| | Note | Year ended 31 December 2011 €'000 | 2010 €'000 |
|---|---|---|---|
| Interest and similar income | 5 | 176,560 | 231,969 |
| Interest expense and similar charges | 6 | (172,215) | (225,670) |
| Net interest income | | 4,345 | 6,299 |
| Net (losses)/gains from financial instruments designated at fair value | 7 | (0) | 215 |
| Foreign exchange gains | | 27 | 24 |
| Operating expenses | 8 | (262) | (399) |
| **Profit before income tax** | | 4,110 | 6,139 |
| Income tax expense | 9 | (1,089) | (1,719) |
| **Net profit for the year** | | 3,021 | 4,420 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | 3,021 | 4,420 |

The notes on pages 13 to 26 form an integral part of these financial statements

## Balance Sheet

| | Note | At 31 December 2011 €'000 | 2010 €'000 |
|---|---|---|---|
| **Assets** | | | |
| Deposits with banks | 10 | 4,680,189 | 7,041,985 |
| Derivative financial instruments | 11 | 10,341 | 3,111 |
| Deferred tax asset and other assets | 15 | 4,390 | 12 |
| **Total assets** | | 4,694,920 | 7,045,108 |
| **Liabilities** | | | |
| Due to banks | 12 | 1,425 | - |
| Liabilities evidenced by paper at amortised cost | 13 | 4,409,869 | 6,329,584 |
| Liabilities evidenced by paper designated at fair value | 14 | 267,823 | 692,247 |
| Derivative financial instruments | 11 | 7,742 | 17,016 |
| Income tax payable and other liabilities | 15 | 5,006 | 1,807 |
| **Total liabilities** | | 4,691,865 | 7,040,654 |
| **Equity** | | | |
| Share capital | 16 | 19 | 19 |
| Retained earnings | | 3,036 | 4,435 |
| **Total equity** | | 3,055 | 4,454 |
| **Total equity and liabilities** | | 4,694,920 | 7,045,108 |

The financial statements on pages 9 to 26 were approved by the Board of Directors on 19 July 2012 and were signed on its behalf by:

F. Karavias
Director

The notes on pages 13 to 26 form an integral part of these financial statements

## Statement of Changes in Equity for the year ended 31 December 2011

| | Share capital €'000 | Retained earnings €'000 | Total €'000 |
|---|---|---|---|
| **Balance at 1 January 2010** | 19 | 16,449 | 16,468 |
| Profit for the year | - | 4,420 | 4,420 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year ended 31 December 2010 | - | 4,420 | 4,420 |
| Dividends paid | - | (16,434) | (16,434) |
| **Balance at 31 December 2010** | 19 | 4,435 | 4,454 |
| **Balance at 1 January 2011** | **19** | **4,435** | **4,454** |
| Profit for the year | - | 3,021 | 3,021 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year ended 31 December 2011 | - | 3,021 | 3,021 |
| Dividends paid | - | (4,420) | (4,420) |
| **Balance at 31 December 2011** | **19** | **3,036** | **3,055** |

The notes on pages 13 to 26 form an integral part of these financial statements

## Cash Flow Statement for the year ended 31 December 2011

| | Note | Year ended 31 December 2011 €'000 | Year ended 31 December 2010 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | 186,933 | 200,698 |
| Interest paid | | (167,745) | (165,100) |
| Cash payments to suppliers | | (214) | (363) |
| Income taxes paid | | (2,407) | (1,055) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 16,567 | 34,180 |
| **Changes in operating assets and liabilities** | | | |
| Net (increase)/decrease in deposits with banks | | 2,607,055 | 1,597,478 |
| Net (increase)/decrease in other assets | | 12 | (12) |
| Net (increase)/decrease in due to banks | | (1,425) | - |
| Net increase/(decrease) in other liabilities | | 80 | 1 |
| **Net cash from/(used in) operating activities** | | 2,622,289 | 1,631,647 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of loan notes | | 105,000 | 1,264,678 |
| Repayments of loan notes | | (2,397,031) | (2,744,835) |
| Net proceeds/(repayments) from commercial paper | | (12,636) | (337,892) |
| Dividends paid | | (4,420) | (16,434) |
| **Net cash from/(used in) financing activities** | | (2,309,087) | (1,834,483) |
| **Net increase/(decrease) in cash and cash equivalents** | | 313,202 | (202,836) |
| Cash and cash equivalents at beginning of year | | 632,610 | 835,446 |
| **Cash and cash equivalents at end of year** | 10 | 945,812 | 632,610 |

The notes on pages 13 to 26 form an integral part of these financial statements

# Notes to the Financial Statements for the year ended 31 December 2011

## 1. General information

EFG Hellas PLC (the "Company") is a public limited company. The Company is a subsidiary of EFG Eurobank Ergasias S.A. (the "Parent Company" or the "Bank"). EFG 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, and commercial paper. The listed medium term notes and commercial paper outstanding are guaranteed by the Parent Company. The Company has no employees, or audit committee.

## 2. Accounting policies

### 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, and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these financial statements, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

#### Going concern considerations

The financial statements have been prepared on a going concern basis. In making its assessment of the Company's ability to continue as a going concern, the Directors have taken into consideration the impact of the following factors directly related with the Parent Company's operations:

<u>Solvency risk</u>

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

Bank of Greece is currently in the process of assessing the capital needs of the Parent Company in order to be able to reach the level of Core Tier I capital of 9% at 30 September 2012 and 10% at 30 June 2013. This assessment takes into account, inter alia, the PSI impairment losses, the results of Blackrock's diagnostic review and the Parent Company's business plan which also include certain capital strengthening actions.

HFSF (Hellenic Financial Stability Fund) has already advanced to the Parent Company notes of € 3.97 bn (face value) as an advance payment of its participation in the future share capital increase of the Parent Company. The said advance qualifies as Tier I capital and brings the total Capital Adequacy ratio above the current minimum level of 8%. In the event that capital needs, as eventually determined by BoG, are higher, any remaining capital shortfall following the private investor contribution, would need to be covered by the second tranche of the recapitalization facility which is conditional on the next EC/ECB/IMF review report on the program implementation by the Greek government. The program implementation could be adversely affected by the continuing political uncertainty in Greece.

<u>Liquidity risk</u>

The inability of the Greek banks to gain access to the international capital and money markets and the reduction of deposits due to heightened sovereign risk and deterioration of the Greek economy led to an increased reliance of the Parent Company to Eurosystem financing facilities. These conditions pose a significant ongoing liquidity challenge for the Parent Company and the Greek Banking system in general. The Parent Company expects that the ECB and Bank of Greece facilities will continue to be available, until the normalization of market conditions.

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 2. Accounting policies (continued)

### Basis of preparation (continued)

Other economic uncertainties

The continued deterioration of the Greek economy has adversely affected the Parent Company's operations and presents significant risks and challenges for the years ahead. Currently, there are a number of material economic, political and market risks and uncertainties that impact the Greek banking system. The main risks stem from the adverse macroeconomic environment, the developments on the eurozone sovereign debt crisis and the success, or otherwise, of the significant fiscal adjustment efforts and their impact on the Greek economy. The progress made to date could be compromised by external shocks from the global economy as well as implementation risks, reform fatigue and political instability in Greece. The restoration of confidence after the successful implementation of the PSI+ agreement, the attraction of new investments and the revival of economic growth remain the key challenges of the Greek economy.

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

Notwithstanding the conditions and uncertainties mentioned above, the Directors, having considered the mitigating factors set out below, have a reasonable expectation that the recapitalisation of the Parent Company will be promptly and successfully completed and hence are satisfied that the financial statements of the Company can be prepared on a going concern basis:

a) Bank of Greece (BoG) recommendation of 18 April 2012 and 23 May 2012 for the Parent Company's accession to the provisions of article 6 par. 8 and 10 respectively of Law 3864/2010 as amended (Establishment of the Hellenic Financial Stability Fund-HFSF and Recapitalisation of Greek financial institutions),
b) the HFSF's advance contribution of € 3.97 bn, following the relevant application submitted by the Parent Company and the confirmation received by the BoG about the viability and credibility of the Parent Company's business plan, in order to ensure that the Parent Company is sufficiently capitalized to the current minimum level of 8% (Total Capital Adequacy Ratio),
c) the availability of additional recapitalisation funds from the official sector that can support any capital needs on top of the amounts already committed by HFSF,
d) the existence of the comprehensive financial support program of the EC/ECB/IMF (including the € 50 bn recapitalisation facility), aiming to correct Greece's competitiveness gap and restore growth, employment and public debt sustainability and secure the banking system stability,
e) the Greek authorities' commitment to support the banking system and create a viable and well capitalised private banking sector, and
f) the Parent Company's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.

The policies set out below have been consistently applied to the years 2011 and 2010. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

The application of the above mentioned standards and interpretations did not have a material impact on the Company's financial statements for the year ended 31 December 2011.

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 2. Accounting policies (continued)

### Basis of preparation (continued)

*(b) Standards and interpretations issued but not yet effective*

- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income (effective 1 January 2013)
- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets (effective 1 January 2012, not yet endorsed by EU)
- IAS 19, Amendment - Employee Benefits (effective 1 January 2013)
- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2013, not yet endorsed by EU)
- IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2013, not yet endorsed by EU)
- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014, not yet endorsed by EU)
- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013, not yet endorsed by EU)
- IFRS 7, Amendment - Disclosures, Transfers of Financial Assets (effective 1 January 2012)
- IFRS 9, Financial Instruments (effective 1 January 2015, not yet endorsed by EU)
- IFRS 9 and IFRS 7, Amendment - Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)
- IFRS 10, Consolidated Financial Statements (effective 1 January 2013, not yet endorsed by EU)
- IFRS 11, Joint Arrangements (effective 1 January 2013, not yet endorsed by EU)
- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2013, not yet endorsed by EU)
- IFRS 13, Fair Value Measurement (effective 1 January 2013, not yet endorsed by EU)
- Annual Improvements to IFRSs 2009-2011 Cycle (effective 1 January 2013, not yet endorsed by EU)

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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The Company's presentation currency is the Euro (€) being the functional currency of the Company. Except as indicated, financial information presented in Euros has been rounded to the nearest thousand.

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

### *a) Interest income and expenses*

Interest income and expenses 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 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.

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 2. Accounting policies (continued)

### *b) Foreign currencies*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the statement of comprehensive income. Translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss. The Called up share capital denominated in sterling has been translated into euros at the prevailing exchange rate at 31 December 2002, being the date the Company changed its reporting currency from sterling to euros.

### *c) Financial assets*

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

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

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

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

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

(ii) Loans and receivables

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

*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 asset. Loans originated by the Company are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

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

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 2. Accounting policies (continued)

### *d) Impairment of financial assets*

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

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments
c) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
-adverse changes in the payment status of borrowers in the group; or
-national or local economic conditions that correlate with defaults on the assets in the group.

### *e) Financial liabilities*

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

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

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

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

### *f) Income 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. 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.

### *g) Cash and cash equivalents*

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

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 2. Accounting policies (continued)

### *h) Derivative financial instruments*

Derivative financial instruments are initially recognized in the balance sheet at fair value on the date on which a derivative contract is entered and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivative financial instrument are recognized immediately in the statement of comprehensive income.

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

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

### *i) Related party transactions*

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

### *j) Provisions*

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

### *k) Share capital*

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

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

## 3. Principal risks and uncertainties

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

a) Credit risk: The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The majority of cash proceeds generated from the EMTN and ECP programs are placed on deposits with the Parent Company. The aggregate carrying amount of these advances to the Parent Company and the derivative financial instruments with positive fair values approximates the maximum exposure to credit risk. Most of derivative financial instruments are entered into with third parties. The credit quality of all counterparties is continuously monitored and assessed by the Directors. Financial assets are neither past due nor impaired.

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 3. Principal risks and uncertainties (continued)

Macroeconomic Environment Uncertainty

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

Due to the Greek sovereign debt crisis, Greek banks obtained part of their funding through the ECB and the Bank of Greece. As at 31 December 2011, the Parent Company's net funding from these sources totalled € 31 bn (2010: € 20 bn).

International Monetary Fund (IMF) in its report, prepared in the context of Request for Extended Fund Facility (9 March 2012), stresses the support of Troika (European Commission, European Central Bank and International Monetary Fund) and the Greek State to the banking system's liquidity and reiterates the need that dependence on the Eurosystem should be extricated gradually and in an orderly fashion. To this end, medium-term funding plans will be updated after the completion of the recapitalisation exercise to ensure that the gradual unwinding of exceptional liquidity support proceeds at a pace consistent with the macroeconomic, fiscal and financial framework.

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

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

- Interest rate risk: The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial 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. Interest rate risk is managed either by placing funds to the Parent Company at variable/fixed rates which change on the same basis as the interest rates applied to loan notes and commercial paper or by the use of interest rate swaps. Expected shifts in interest rates do not have a material impact on the net income of the Company.
- Currency risk: The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk has been eliminated by placing funds on deposits in the same currency as the loan notes and commercial paper 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 and ECP programs 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 third parties.

The amounts disclosed in the table below are the contractual undiscounted cash flows of financial liabilities for the years 2011 and 2010. The cash flows of derivative financial instruments are grouped together with those for the loan notes.

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 3. Principal risks and uncertainties (continued)

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Less than 1 month € 000 | 1 - 3 months € 000 | 3 months to 1 year € 000 | Over 1 year € 000 | Gross nominal inflow/ (outflow) € 000 |
| Financial liabilities: | | | | | |
| - Commercial paper | 4,000 | - | - | - | 4,000 |
| - Loan notes | 8,194 | 998,110 | 346,141 | 3,961,730 | 5,314,175 |
| - Other liabilities | 210 | - | 406 | - | 616 |
| | 12,404 | 998,110 | 346,547 | 3,961,730 | 5,318,791 |

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Less than 1 month € 000 | 1 - 3 months € 000 | 3 months to 1 year € 000 | Over 1 year € 000 | Gross nominal inflow/ (outflow) € 000 |
| Financial liabilities: | | | | | |
| - Commercial paper | 15,000 | - | - | - | 15,000 |
| - Loan notes | 24,017 | 677,310 | 1,519,009 | 5,816,744 | 8,037,080 |
| - Other liabilities | 1,409 | - | 398 | - | 1,807 |
| | 40,426 | 677,310 | 1,519,407 | 5,816,744 | 8,053,887 |

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 under the Companies Act 2006. The Company has not breached the minimum requirement.

### Fair value of financial assets and liabilities

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

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

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 3. Principal risks and uncertainties (continued)

### Fair value of financial assets and liabilities (continued)

i) Level 1 - Quoted prices in active markets for identical assets or liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

ii) Level 2 - Financial instruments measured using valuation techniques where all significant inputs are market observable.

iii) Level 3 - Financial instruments measured using valuation techniques with significant non observable inputs.

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

| | 2011 | | | |
|---|---|---|---|---|
| | Quoted prices in active market (Level 1) € 000 | Valuation technique observable parameters (Level 2) € 000 | Valuation technique non observable parameters (Level 3) € 000 | Total |
| Financial assets measured at fair value: | | | | |
| Deposits with banks | - | 640 | - | 640 |
| Derivative financial instruments | - | 10,341 | - | 10,341 |
| Total financial assets | - | 10,981 | - | 10,981 |
| Financial liabilities measured at fair value: | | | | |
| Liabilities evidenced by paper designated at fair value | - | 267,823 | - | 267,823 |
| Derivative financial instruments | - | 7,742 | - | 7,742 |
| | - | 275,565 | - | 275,565 |

| | 2010 | | | |
|---|---|---|---|---|
| | Quoted prices in active market (Level 1) € 000 | Valuation technique observable parameters (Level 2) € 000 | Valuation technique non observable parameters (Level 3) € 000 | Total |
| Financial assets measured at fair value: | | | | |
| Deposits with banks | - | 333,330 | - | 333,330 |
| Derivative financial instruments | - | 3,111 | - | 3,111 |
| Total financial assets | - | 336,441 | - | 336,441 |
| Financial liabilities measured at fair value: | | | | |
| Liabilities evidenced by paper designated at fair value | - | 692,247 | - | 692,247 |
| Derivative financial instruments | - | 17,016 | - | 17,016 |
| | - | 709,263 | - | 709,263 |

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 4. Critical accounting estimates and judgement

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

### *a) Deposits with banks*

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

### *b) Fair value financial instruments*

The fair values of the Company's financial instruments that are not quoted in active markets are obtained from the Parent Company. The Parent Company determines the fair values by using valuation techniques which are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only market observable data (see also note 3).

## 5. Interest and similar income

| | 2011<br>€' 000 | 2010<br>€' 000 |
|---|---|---|
| Interest income on deposits with the Parent Company | 175,378 | 228,901 |
| Other interest income | 1,182 | 3,068 |
| | 176,560 | 231,969 |

## 6. Interest expense and similar charges

| | 2011<br>€' 000 | 2010<br>€' 000 |
|---|---|---|
| Interest payable | 168,665 | 223,468 |
| Other interest payable | 3,550 | 2,202 |
| | 172,215 | 225,670 |

## 7. Net (losses)/gains from financial instruments designated at fair value

| | 2011<br>€' 000 | 2010<br>€' 000 |
|---|---|---|
| Changes in fair value of liabilities evidenced by paper | (7,994) | (61,405) |
| Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper | 15,511 | 23,956 |
| Changes in fair value of deposits managed with liabilities evidenced by paper | (7,517) | 37,664 |
| | (0) | 215 |

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 8. Operating expenses

| | 2011 €' 000 | 2010 €' 000 |
|---|---|---|
| Auditors' remuneration | | |
| -Audit of the statutory financial statements of the Company | 49 | 38 |
| Tax services | 38 | 22 |
| EMTN update costs | 175 | 339 |
| | 262 | 399 |

## 9. Income tax expense

The rate of corporation tax for the years 2010 and January to March 2011 in United Kingdom was 28%. As of April 2011 the rate of corporation tax is 26%.

| | 2011 €' 000 | 2010 €' 000 |
|---|---|---|
| Profit before income tax | 4,110 | 6,139 |
| Tax calculated at standard rate of 28% of corporation tax | 284 | 1,719 |
| Tax calculated at standard rate of 26% of corporation tax | 805 | - |
| **Total tax charge for year** | 1,089 | 1,719 |

In addition, a current tax charge of € 4,390 ths and an offsetting deferred tax asset of € 4,390 ths have been recorded in respect of the acquisition and subsequent cancellation of notes in the Company (see note 15).

## 10. Deposits with banks

| | 2011 €' 000 | 2010 €' 000 |
|---|---|---|
| Deposits with the Parent Company designated at fair value | 640 | 333,330 |
| Deposits with the Parent Company at amortized cost | 4,679,549 | 6,698,160 |
| Other banks | - | 10,495 |
| | 4,680,189 | 7,041,985 |
| - with original maturity of more than 90 days | 3,734,377 | 6,409,375 |
| - with original maturity of less than 90 days (cash and cash equivalents) | 945,812 | 632,610 |

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 and commercial paper.

# Notes to the Financial Statements for the year ended 31 December 2011 (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 fixed rates of structured notes for floating rates as set out in note 3. The fair values of derivative financial instruments held are set out in the following table:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Contract/ notional amount €'000 | Fair values Assets €'000 | Fair values Liabilities €'000 | Contract/ notional amount €'000 | Fair values Assets €'000 | Fair values Liabilities €'000 |
| Derivatives held for trading -Interest rate swaps | 235,600 | 10,341 | 7,742 | 342,759 | 3,111 | 17,016 |
| | 235,600 | 10,341 | 7,742 | 342,759 | 3,111 | 17,016 |

## 12. Due to banks

Due to banks represent amounts pledged for derivative agreements.

## 13. Liabilities evidenced by paper at amortised cost

| | 2011 €' 000 | 2010 €' 000 |
|---|---|---|
| Loan notes | 4,434,965 | 6,365,880 |
| Less: Un-amortised discount and issue costs | (29,094) | (51,293) |
| Carrying amount of loan notes | 4,405,871 | 6,314,587 |
| Commercial paper | 3,998 | 14,997 |
| | 4,409,869 | 6,329,584 |

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

For the commercial paper program, the Parent Company's guarantee is a senior unsecured obligation of the Parent Company ranking at least pari-passu with all of its present and future unsecured and unsubordinated obligations save for such obligations as may be preferred by mandatory provisions of law that are of general application.

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

As at 31 December 2011, the fair value of notes carried at amortized cost was € 3.428.361 ths. The fair value has been determined based on valuation techniques where all significant inputs are market observable.

During the year, notes amounting to € 102,379 ths were issued by the Company under its EMTN program.

During the year, notes amounting to € 2,006,055 ths, issued by the Company under its EMTN program, matured.

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

# Notes to the Financial Statements for the year ended 31 December 2011 (continued)

## 14. Liabilities evidenced by paper designated at fair value

| | 2011 € 000 | 2010 € 000 |
|---|---|---|
| Loan notes | 267,823 | 692,247 |
| | 267,823 | 692,247 |

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

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

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

In April 2011, the Company proceeded with the repurchase of the Lower Tier II unsecured subordinated notes amounting to € 328,883 ths as at 31 December 2010.

During the year, notes amounting to € 4,779 ths were issued by the Company under its EMTN program.

During the year, notes amounting to € 82,354 ths, issued by the Company under its EMTN program, matured.

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

## 15. Income tax payable and other liabilities

| | 2011 € 000 | 2010 € 000 |
|---|---|---|
| Corporation tax | 4,876 | 1,758 |
| Other liabilities | 130 | 49 |
| | 5,006 | 1,807 |

The sole activity of the Company is the issue of debt instruments guaranteed by the Bank. In the context of its liability management plan, the Bank has acquired notes issued by the Company. Gains arising from such acquisitions have been taxed under the applicable tax rates in Greece. Timing differences between the acquisition and cancellation of such notes may result in the temporary recognition of an income tax liability, which is, however, recoverable in the following period.

## 16. Share capital

| | 2011 Number | 2011 £'000 | 2010 Number | 2010 £'000 |
|---|---|---|---|---|
| Authorised and issued ordinary shares of £1 each | 50,000 | 50 | 50,000 | 50 |
| 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 for the year ended 31 December 2011 (continued)

## 17. Related party transactions

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

EFG Eurobank Ergasias S.A. is member of the worldwide EFG Group, which consists of credit institutions, financial services and financial holding companies. The operating parent company of EFG Group is European Financial Group EFG (Luxembourg) S.A., whilst its ultimate parent company is Private Financial Holdings Limited (PFH), which is owned and controlled indirectly by members of the Latsis family.

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

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

| | 31 December 2011 | | 31 December 2010 | |
|---|---|---|---|---|
| | **Parent Company €' 000** | **Parent Company's subsidiaries €' 000** | Parent Company €' 000 | Parent Company's subsidiaries €' 000 |
| Deposits with Banks | 4,680,189 | - | 7,031,490 | - |
| Liabilities evidenced by paper at amortised cost | 877,202 | 1,169,504 | 1,114,508 | 1,172,805 |
| Liabilities evidenced by paper designated at fair value | 7,539 | 208,731 | 36,622 | 222,153 |
| Interest and similar income | 175,378 | - | 228,901 | - |
| Interest expense and similar charges | 9,084 | 61,885 | 12,819 | 48,042 |

Emoluments of Directors

The Directors provide services to a number of Group companies for which are compensated by the Parent Company. Accordingly, these financial statements include no emoluments in respect of any director as it is not practicable to apportion the salary element. The Company employed no staff during the year (2010: nil).

## 18. Segmental reporting

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

## 19. Post balance sheet events

In February 2012, the Company has been substituted as issuer of subordinated notes, amounting to € 688,000 ths (face amount), by EFG Hellas (Cayman Islands Limited), a subsidiary of EFG Eurobank Ergasias S.A.

In March 2012, a loan note carried at amortized cost amounting to € 955,255 ths (face amount), matured.

In May 2012, the Company proceeded with the redemption of loan notes amounting to Euro € 800,000 ths (face amount).

In June 2012, the Company proceeded with the redemption of loan notes amounting to Euro € 651,467 ths (face amount).