ERB Hellas (Cayman Islands) Limited

Annual Report

For the year ended 31 December 2013

Company's registration number: CR-117363

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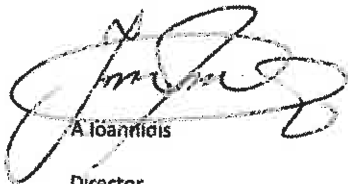
Declaration of the managers responsible for financial reporting

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



A Ioannidis

Director

30 April 2014

Directors' Report

The Directors submit their report and the audited non statutory financial statements of the Company for the year ended 31 December 2013.

i) Business review and principal activities

The Company was incorporated under the laws of the Cayman Islands on 26 April 2002 as an exempted company with limited liability. The Company's registered number is CR-117363 and its registered office Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company was incorporated as part of the funding strategy of 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 Prospectus of EMTN program is 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 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 € 4,710 ths (2012: € 59,007 ths profit). No dividend was paid to shareholders during 2013 (2012: nil).

ii) Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of its Parent Company. The Greek sovereign debt crisis, which has severely impacted the Greek economy, and the negative consequences from the European debt crisis have adversely affected the Parent Company's operations, which aimed to adjust to the prevailing conditions.

In May 2010 the Greek Government entered into an agreement named the First Economic Adjustment Programme (FEAP), with the European Commission (EC), the European Central Bank (ECB) and the International Monertary Fund (IMF) for a three-year € 110 bn refinancing and restructuring programme designed to cover Greece's funding needs until mid-2012.

Due to unfavourable developments and implementation issues, the FEAP was abandoned and Greece entered into a new funding and restructuring programme named the Second Economic Adjustment Programme (SEAP), with the EC, the ECB and the eurozone member-states, as agreed in the Eurogroup meeting of 21 February 2012. The programme included the restructuring of the public debt owned by the private sector (PSI, March 2012) and a new funding of € 164.5 bn aimed at bringing the country's public debt-to-GDP ratio below 120% by 2020.

The implementation of the SEAP stalled by April 2012 while developments on the public debt front were not encouraging either. On the back of the above, and after the implementation/ legislation of a long list of structural reforms and fiscal austerity measures by the Greek Government, the Eurogroup on 26/27 November 2012 permitted the disbursement of € 49.1bn conditional on the implementation of an additional series of structural reforms and at the same time reached an agreement on a set of new actions for the reduction of Greek public debt to 124% of GDP by 2020 and below 110% of GDP in 2022. This debt path was consistent with debt sustainability levels required by the IMF.

According to the Eurostat announcement on April 23, 2014 the primary balance excluding the support for the financial institutions is expected to record a surplus for 2013 at ca 1.9% – for the first time since 2002 and one year earlier than initially expected by the SEAP – from a deficit of -5.0%, -2.4%, -4.9% and -10.5% in 2012, 2011, 2010 and 2009 respectively. This leads to a primary surplus of ca 0.8% of GDP in terms of the SEAP (i.e. excluding support for financial institutions and revenues from the ECB's Securities Markets

Directors' Report (continued)

Program and Eurosystem's Agreement on Net Financial Assets holdings), thus exceeding the target of ca 0.4% in the 2014 Budget. The achievement of the primary surplus opens the door for additional debt-relief measures from official lenders, in line with the explicit commitments provided at the 26/27 November 2012 Eurogroup.

The external imbalance continues to adjust rapidly, assisted by strong tourism revenue, the ongoing contraction of imports and the beneficial impact of earlier debt-relief measures on the income account. The current account according with the BoG data, recorded a surplus of 0.7% of GDP in 2013 – for the first time since official records are available (1948) – against a deficit of 3.4%, 9.9%, 10.1% and 11.2% of GDP for 2012, 2011, 2010 and 2009 respectively.

Considerable risks continue to surround the near-term domestic economic outlook. Yet, the apparent stabilization of seasonally unadjusted output dynamics in the 4th quarter of 2013 (GDP contraction at 2.3% in Q4 2013 compared with a contraction of 3.2%, 4.0% and 6.0% in Q3 2013, Q2 2013 and Q1 2013 respectively) and the on-going improvement in a range of real activity and sentiment indicators signal a more broad-based bottoming out of the domestic recession in the period ahead. As a result of the above fiscal, structural and real economy improvements the Greek Government managed to tap the international markets with the issuance of a 5 year GGB at a rate of 4.95%. The issuance constitutes one of the fastest returns to the market of a sovereign that had previously implemented a restructuring on its public debt (PSI, March 2012).

After the conclusion of the current SEAP review, the Troika on 19 March 2014 stated that the Greek authorities are committed to taking all necessary action to ensure that Greek banks remain healthy and adequately capitalised and are in a position to support the economic recovery in Greece. The Troika further stated that the Greek authorities are also committed to significantly strengthening the private sector debt resolution framework and facilitating the orderly and swift workout of impaired bank assets, and called upon the BoG to maintain its vigilant oversight of the banking system by requiring Greek banks to quickly work out their large stock of problem assets. Noting the results of the BoG's updated stress test results and capital needs estimates, the Troika emphasised the need for the Greek authorities and banking sector to urgently and efficiently address the high level of non-performing loans. It also stated that a swift recapitalisation of Greek banks will strengthen their balance sheets, and the envisaged injection of private capital into the Greek banks will help to strengthen the private management of Greek banks. Finally, the Troika announced that the buffers in the Hellenic Financial Stability Fund (HFSF) should be retained to meet future adverse contingencies.

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, the impact of the significant fiscal adjustment efforts on the real economy and the implementation of the structural reforms agenda including the privatization programme. To date, satisfactory results have been registered, but progress could be compromised by significant delays in official financing, external shocks from the global economy as well as implementation risks, political instability, reform fatigue and delays in the implementation of the privatization programme. The restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges.

Continuation of the recession could adversely affect the region and could lead to lower profitability, deterioration of asset quality and a further reduction of deposits. In addition, increased funding cost remains a significant risk, as it depends on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies. Finally, the Parent Company holds positions in the bond, stock and foreign exchange markets and consequently is exposed to the risk of

Directors' Report (continued)

losses if market valuations decrease. These conditions may further challenge the Parent Company's capital adequacy position over the foreseeable future (available at website. www.eurobank.gr).

The directors monitor the progress of the Company by reference to financial and non-financial data available to them on a regular basis. Particular attention is paid to net interest income and the balances of debt instruments outstanding at the reporting date. As at 31 December 2013, the outstanding balance of debt instruments decreased to € 565 million, due to maturity of loan notes amounting to € 17 million (note 15). Now that the current market conditions and the perspective of Greek sovereign debt have improved, the directors expect the business to continue to develop through the issue of debt notes.

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 uncertainties mentioned above, and having considered the mitigating factors set out in note 2 of the Financial Statements, the directors have a reasonable expectation that the Parent Company will complete all actions and initiatives scheduled, including the share capital increase up to € 2,864 million to cover the capital shortfall arising from the recent assessment of the Parent Company's capital needs by BoG. On 29 April 2014, the Parent Company announced that the Public Offering and the International Offering were oversubscribed (note 19). Hence, they are satisfied that the Company has adequate resources to continue in business for 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 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 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 will be influenced by the Parent Company's financial condition.

The principal risks and uncertainties of the Parent Company for 2013, which include those of the Company, are discussed in the Report of directors and the notes to the Consolidated Financial Statements included in the 2013 Annual Financial Report of Eurobank Ergasias S.A., which was signed on 31 March 2014 (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 were in office during the year and up to the date of signing the Financial Statements were as follows:

Fokion Karavias

Anastasios Ioannidis

Nicholaos Karamouzis (resigned on August 01, 2013)

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

Directors' Report (continued)

vi) Parent company

In February 2012, ERB New Europe Funding III Ltd, a wholly owned subsidiary of Eurobank Ergasias S.A (the "Parent Company" or the "Bank"), became the Company's immediate parent undertaking. The Parent Company's ownership is analyzed further in note 17.

vii) Directors' responsibilities in relation to the financial statements

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

viii) Statement of disclosure of information to auditors

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

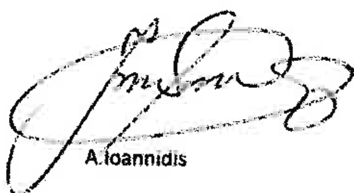
- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's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

Directors' Report (continued)

ix) Independent Auditors

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

The Directors' Report was approved by the Board of Directors on 30 April 2014 and was signed on its behalf by:



A.Ioannidis

Director

30 April 2014

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

Report on the Financial Statements

We have audited the accompanying non-statutory financial statements of ERB Hellas (Cayman Islands) Limited (the "Company") which comprise the balance sheet as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these non-statutory financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

This report, including the opinion, has been prepared for and only for the directors for management purposes in accordance with our engagement letter dated 15 April 2014, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the Company, save for where expressly agreed by our prior consent in writing.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers system of internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw attention to notes 3 and 4, which refer to the methodology applied to value the available for sale equity securities for which no active market existed at the balance sheet date and the possible impact of valuation sensitivities on the financial position of the Company.

Athens, 30 April 2014

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

Statement of Comprehensive Income

	Note	Year ended 31 December 2013 €'000	2012 €'000
Interest and similar income	5	14,523	14,956
Interest expense and similar charges	6	(16,430)	(16,982)
Net Interest Income		(1,907)	(2,026)
Net gains/(losses) from financial instruments	7	136	52,273
Dividend income	8	6,597	8,828
Foreign exchange gains/ (losses)		(25)	(8)
Operating expenses	9	(91)	(60)
Profit/(loss) before income tax		4,710	59,007
Income tax expense	10	-	-
Net profit/(loss) for the year attributable to the owners of the Parent Company		4,710	59,007
Available for sale securities, changes in fair value that may be reclassified subsequently to profit/(loss)		43,142	(59,101)
Total comprehensive income for the year attributable to the owners of the Parent Company		47,852	(94)

Notes on pages 15 to 40 form an integral part of these financial statements

Balance Sheet

	Note	At 31 December 2013 €'000	2012 €'000
Assets			
Deposits with banks	11	153,293	172,642
Investment Securities	12	460,215	417,133
Derivative financial instruments	13	-	209
Other assets		5	-
Total assets		613,513	589,984
Liabilities			
Liabilities evidenced by paper at amortised cost	14	406,073	420,945
Liabilities evidenced by paper designated at fair value	15	158,825	161,093
Derivative financial instruments	13	139	7,198
Other liabilities		53	177
Total liabilities		565,090	589,413
Equity			
Share capital	16	16	16
Other Reserves		48,407	555
Total equity		48,423	571
Total equity and liabilities		613,513	589,984

The financial statements on pages 11 to 40 were approved by the Board of Directors on 30 April 2014 and were signed on its behalf by:

A Ioannidis

Director

Notes on pages 15 to 40 form an integral part of these financial statements

Statement of Changes in Equity

	Share capital €'000	Other reserves €'000	Total €'000
Balance at 1 January 2012	16	649	665
Profit/(loss) for the year	-	59,007	59,007
Available for sale securities, changes in fair value	-	(59,101)	(59,101)
Total comprehensive income for the year ended 31 December 2012	-	(94)	(94)
Balance at 31 December 2012	16	555	571
Balance at 1 January 2013	**16**	**555**	**571**
Profit/(loss) for the year	-	4,710	4,710
Available for sale securities, changes in fair value	-	43,142	43,142
Total comprehensive income for the year ended 31 December 2013	-	47,852	47,852
Balance at 31 December 2013	**16**	**48,407**	**48,423**

Notes on pages 15 to 40 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2013 €'000	2012 €'000
Cash flows from operating activities			
Interest and similar income received		14,336	32,575
Interest and similar income paid		(19,953)	(30,368)
Cash payments to suppliers		(81)	(38)
Cash flows from operating activities before changes in operating assets and liabilities		(5,698)	2,169
Changes in operating assets and liabilities			
Net (increase)/decrease in deposits with banks		9,852	17,756
Net increase/(decrease) in other liabilities		(140)	140
Net cash from/(used in) operating activities		4,014	20,065
Cash flow from investing activities			
(Purchases)/sales and redemptions of investment securities		390	(475,668)
Dividends from investment securities		6,597	8,828
Net cash from/(used in) investing activities		6,987	(466,840)
Cash flows from financing activities			
Proceeds/(repayments) from loan notes		(23,198)	439,048
Net cash from/(used in) financing activities		(23,198)	439,048
Net increase/(decrease) in cash and cash equivalents		(12,197)	(7,727)
Cash and cash equivalents at beginning of year		13,213	20,940
Cash and cash equivalents at end of year	11	1,016	13,213

Notes on pages 15 to 40 form an integral part of these financial statements

Notes to the Financial Statements

1. General information

These non statutory financial statements were prepared solely to assist the Directors in discharging their stewardship obligations and fiduciary responsibilities in respect of the Company and to assist them to comply with article 3 of Luxembourg's Transparency Law for Issuers of securities.

ERB Hellas (Cayman Islands) Limited (the "Company"), is a public limited company. The Company is a subsidiary of Eurobank Ergasias S.A. (the "Parent Company" or the "Bank"), through its wholly owned subsidiary ERB New Europe Funding III Ltd. ERB Hellas (Cayman Islands) Limited is a finance company, whose sole business is raising debt for the Parent Company via medium term notes listed on 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 non statutory financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU) and in particular with those IFRSs standards and IFRIC interpretations issued and effective as at the time of preparing these statements.

Going concern considerations

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

Solvency risk

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

Capital needs of the Parent Company were assessed in November 2012 by BoG at the level of € 5,839 million, in order to be able to achieve the level of Core Tier I capital of 9% throughout the period to end of 2014. This assessment takes into account, inter alia, the PSI impairment losses, the results of Blackrock's 2011 diagnostic review and the Parent Company's business plan which also includes certain capital strengthening actions.

The Hellenic Financial Stability Fund (HFSF) has contributed to the Parent Company EFSF notes of total € 5,839 million for its participation in the share capital increase of the Parent Company, which qualifies as Tier I capital. In May 2013, the Parent Company completed the share capital increase of € 5,839 million, in accordance with the provisions of Law 3864/2010 and the Act of Cabinet 38/9.11.2012, fully subscribed by the HFSF with the contribution of bonds, issued by the European Financial Stability Fund (EFSF) and owned by the HFSF.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve was fully recognised, while the deferred tax asset's recognition was limited to 20% of Core Tier I capital. On 23 December 2013, the BoG

Notes to the Financial Statements for the year ended 31 December 2013 (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013.

According to the Parent Company's consolidated capital adequacy figures as at 31 December 2013, the Core Tier I ratio stood at 10.4% and at 11.3%, pro-forma with the completion of certain strategic initiatives such us the transaction with Fairfax Financial Holdings Limited on Eurobank's Properties R.E.I.C. share capital increase, which was completed on 6 February 2014 and the implementation of Basel II IRB credit risk methodology to New Hellenic Post Bank's (NHPB) mortgage portfolio (note 19), which is subject to BoG approval.

The capital needs of the Parent Company were reassessed by the BoG based on the credit loss projections from BlackRock's 2013 diagnostic review and the estimated future ability of internal capital generation for the period June 2013-December 2016, based on a conservative adjustment of the Bank's restructuring plan submitted in November 2013. For this exercise, BlackRock assessed highly granular data for the banks' domestic loan portfolios, and also provided an evaluation of the loan books of the major foreign subsidiaries of Greek banks. The methodology used for the capital needs assessment was conservative and, to the extent possible, aligned to the envisaged approach of the recently commenced European Central Bank (ECB) Comprehensive Assessment (see further below). The capital needs were estimated using a minimum Core Tier I threshold of 8% for the baseline scenario and 5.5% for the adverse scenario, while the regulatory value of the deferred tax asset was limited to 20% of Core Tier I. On 6 March 2014, the BoG published the results of the above exercise and assessed that the Parent Company's capital needs amount to € 2,945 million under the baseline scenario. Based on that scenario, the Parent Company was required to submit its capital enhancement plan.

The Parent Company with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and proposed to adjust the restructuring plan accordingly and b) the Parent Company stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase. On 12 April 2014, the Parent Company's Extraordinary Shareholders' General Meeting approved a share capital increase up to € 2,864 million (note 19).

In addition, the Parent Company is examining or already implementing a number of additional initiatives for further improving its capital position, such as transactions associated with the restructuring, transformation or optimisation of operations, in Greece and abroad that will generate or release capital and/or reduce Risk Weighted Assets. Finally, the implementation of a solid integration program for NHPB and New Proton Bank S.A. (New Proton), the acquisition of which was completed on 30 August 2013, is already providing substantial synergies further enhancing the capital base of the Parent Company.

<u>ECB comprehensive assessment 2013-2014</u>

In line with the provisions of the Regulation on the single supervisory mechanism (SSM Regulation), which entered into force in early November 2013, the ECB and the respective national competent authorities (NCAs) will carry out a comprehensive assessment of eurozone's most significant banks, including Eurobank. The ECB will conclude this comprehensive assessment of the banking system in October 2014, prior to assuming its new supervisory tasks in November 2014. This comprehensive assessment is an essential element of the preparations for the SSM, providing the necessary clarity on the banks that will be subject to the ECB's direct supervision. The exercise comprises a supervisory risk assessment, an asset quality review

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

and a stress test to be conducted jointly with EBA. The integrated outcome of the comprehensive assessment may lead to a range of follow-up actions, including requirements for changes in a bank's provisions and capital.

The results of the comprehensive assessment, where necessary, will be followed by corrective measures (for example, recapitalisation, also through profit retention, equity issuance, re-orientation of funding sources, asset separation and sales). The timelines for implementing such measures will be part of the outcome of the assessment. The ECB will acknowledge and welcome corrective actions taken, also before the conclusion of the exercise, by banks and supervisory authorities, in the form of enhanced disclosure and provisioning, as well as recapitalisation, asset separation and sales, and other measures.

Capital shortfalls identified for viable banks should, first and foremost, be made up with private sources of capital. If private sources of capital are insufficient or not readily available, public backstops might need to be drawn upon, in compliance with national practices and European rules, with the overriding goal of ensuring financial stability.

Despite the fact that the methodology and benchmark capital thresholds used by the BoG in the recently concluded capital needs exercise were aligned, to the extent possible, to ECB's envisaged approach (based on publically available information as of February 2014), there is a risk that ECB may conclude on different capital needs for Eurobank.

Liquidity risk

The difficulty of the Greek banks to gain access to the international capital and money markets and the reduction of deposits due to heightened sovereign risk and deterioration of the Greek economy led to an increased reliance of the Parent Company to Eurosystem financing facilities. Although the dependence on Eurosystem funding has decreased by 50% compared to its peak levels, as a result of access to the repo markets, acquisition of NHPB and New Proton, deleveraging and deposit inflows, these conditions pose a significant ongoing liquidity challenge for the Parent Company and the Greek Banking system in general. The Parent Company expects, as also confirmed in the latest Troika's progress report on the second adjustment program for Greece published in July 2013, that the European Central Bank (ECB) and BoG will preserve sufficient banking system liquidity in line with Eurosystem rules, which stipulate, inter alia, that access to direct ECB, as opposed to other Eurosystem funding, is subject to the Bank maintaining a minimum level of regulatory capital.

Other economic uncertainties

The continued deterioration of the Greek economy has adversely affected the Parent Company's operations and presents significant risks and challenges for the years ahead. Currently, there are a number of material economic and market risks and uncertainties that impact the Greek Banking system. The main risks stem from the macroeconomic environment, the developments on the eurozone sovereign debt crisis, the impact of the significant fiscal adjustment efforts on the Greek economy and the implementation of the structural reforms agenda. The significant progress made to date could be compromised by significant delays in official financing, external shocks from the global economy as well as implementation risks, political instability and reform fatigue in Greece. The restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges for the Greek economy. On the other hand, as Greece has taken effective action towards fiscal consolidation, has made progress in the budgetary area and with reforms in other key sectors of the economy, upside potential also exists.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Particularly if, privatisation efforts, associated with the rapid improvement of the investment climate and the restoration of confidence, show resilience and are accompanied by sustained strong policy implementation.

Continuation of the recession could adversely affect the region and could lead to lower pre-provision profitability, deterioration of asset quality and 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. These conditions may challenge the Parent Company's capital adequacy position over the foreseeable future.

Notwithstanding the conditions and uncertainties mentioned above, the Directors, having considered the mitigating factors set out below, have a reasonable expectation that the Parent Company will complete within a specific timeframe all actions and initiatives scheduled to cover the capital shortfall arising from the recent assessment of the Parent Company's capital needs by BoG. Hence they are satisfied that the financial statements of the Company can be prepared on a going concern basis.

(a) as at 31 December 2013, the consolidated Core Tier I ratio stands at 10.4% and 11.3% proforma with the completion of the transaction with FairFax Financial Holdings Limited and the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio, above the limit of 9%,

(b) the Parent Company's share capital increase up to € 2,864 million approved by the Extraordinary Shareholders' Meeting on 12 April 2014. On 29 April 2014, the Parent Company announced that the Public Offering and the International Offering were oversubscribed (note 19),

(c) that the Parent Company continues the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Core Tier I capital and/or reducing Risk Weighted Assets,

(d) should they become necessary, the availability of additional recapitalisation funds from HFSF that can support any capital needs on top of the amounts already provided,

(e) the existence of the comprehensive financial support program of the EC/ECB/IMF (including the € 50 bn recapitalisation facility), aiming to correct Greece competitiveness gap and restore growth, employment and public debt sustainability and secure the banking system's stability,

(f) the Greek authorities' commitment to support the banking system and create a viable and well capitalised banking sector, and

(g) the Parent Company's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.

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 2013 and 2012. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(a) New and amended standards adopted by the Company

The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), which are relevant to the Company, apply from 1 January 2013:

IAS 1, Amendment - Presentation of Items of Other Comprehensive Income
The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The adoption of the amendment did not have any impact on the presentation of other comprehensive income in the Company's financial statements.

IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities
The amendment requires disclosure of the effect or potential effects of netting arrangements on an entity's balance sheet. In particular, it requires information about all recognized financial instruments that are set off, according to IAS 32 "Financial Instruments: Presentation", as well as about those recognized financial instruments that, although they are not set off under IAS 32, are subject to an enforceable master netting arrangement or similar agreement.

The Company had neither set off any financial assets and liabilities as at 31 December 2013 and 2012, nor any enforceable master netting arrangement or similar agreement.

IFRS 13, Fair value measurement
IFRS 13 establishes a single framework for measuring fair value provides a revised definition of fair value and introduces more comprehensive disclosure requirements on fair value measurement. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application (1 January 2013). The prospective adoption of the measurement requirements of IFRS 13 resulted in new disclosures and enhancements to existing disclosures that are provided in note 3.

Annual Improvements to IFRSs 2009–2011 Cycle
Improvements to IFRSs comprise amendments to a number of standards aiming to clarify:
-the requirements for comparative information in IAS 1 "Presentation of Financial Statements";
-when certain types of equipment are classified as property, plant and equipment in IAS 16 "Property Plant and Equipment";
-the accounting for the tax effect of distributions to holders of equity instruments in IAS 32 "Financial Instruments: Presentation"; and
-interim financial reporting requirements regarding total segment assets and liabilities in IAS 34 "Interim Financial Reporting".

The above improvements to IFRSs did not have a material impact on the Company's financial statements.

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

A number of new standards, amendments and interpretations to existing standards are effective after 2013, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
The amendment clarifies the requirements for offsetting financial assets and financial liabilities.
The adoption of the amendment is not expected to have any impact on the Company's financial statements.

IFRS 9, Financial Instruments (effective 1 January 2018)
IFRS 9, Financial Instruments, is a new standard for financial instruments that is ultimately intended to replace current IAS 39 Financial Instruments: Recognition and Measurement in its entirety.
IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment which is not held for trading, in other comprehensive income, with only dividend income generally recognized in profit or loss.

IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities, as well as derecognition requirements. IFRS 9 requires that, in cases where a financial liability is designated as at fair value through profit or loss, the part of a fair value change due to the reporting entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Fair value changes attributable to a financial liability's credit risk are not subsequently reclassified in profit or loss. According to IAS 39 which currently applies, the amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognized in profit or loss.

Based on IFRS 9 and IFRS 7 Amendments, Mandatory Effective Date and Transition Disclosures, issued in December 2011, entities were required to apply IFRS 9 for annual periods beginning on or after January 1, 2015, with earlier application permitted. Additionally, IFRS 9 should be applied to all financial instruments outstanding as of the effective date, as if the classification and measurement under IFRS 9 had always been applied, but comparative periods do not need to be restated.

IFRS 9 was amended in November 2013 with IFRS 9 Financial Instruments: Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 to include a new general hedge accounting model that will better reflect reporting entities' risk management activities in the financial statements and some related amendments to IAS 39 and IFRS 7. The amendments also allow entities to early adopt the provision in IFRS 9 as issued in 2010, related to the presentation of changes in an entity's own credit risk within other comprehensive income without applying the other requirements of IFRS 9 at the same time.

In addition, the 1 January 2015 mandatory effective date is removed and a new mandatory effective date will be set upon completion of the impairment phase of the accounting for financial instruments. However, in February 2014, the IASB tentatively decided that the effective date for IFRS 9 shall be 1 January 2018.

Entities that adopt IFRS 9 as amended in November 2013 can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

As IFRS 9 is an ongoing IASB project, which has not yet been finalized, it remains impractical to quantify its effect, as at the date of the publication of these consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)
The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

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

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015, not yet endorsed by EU)
The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

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

IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)
IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

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

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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

2.2 Interest income and expense

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

2.3 Foreign currencies

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

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, loans and receivables and available for sale financial assets. 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: a) financial assets held for trading i.e. derivatives unless they are designated and effective as hedging instruments, and (b) those designated at fair value through profit or loss upon initial recognition.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 Financial assets (continued)

(ii) Loans and receivables

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

(iii) Available-for-sale

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

Accounting treatment and calculation

Purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Loans originated by the Company are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

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 derecognized) and the sum of (i) the consideration received, including any new asset obtained less any new liability assumed and (ii) any cumulative gain or loss that had been recognized in equity is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.5 Fair value measurement of financial instruments (continued)

The policy applied by the Company on the fair value measurement of financial instruments both before and after the adoption of IFRS 13 "Fair Value Measurement", is set out below:

Policy applicable from 1 January 2013

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 at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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 maximize the use of relevant observable inputs and minimize 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 is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

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

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on arm's length basis.

If the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique. These include the use of recent arm's length market transactions, if available, 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.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.6 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 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 in 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) becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
(g) significant adverse changes in the borrower's industry or geographical area that could affect the borrower's ability to meet its debt obligations;
(h) market related information including the status of the borrower's other debt obligations;
(i) a significant downgrade in the internal or external credit rating of the borrower's financial instruments when considered with other information;

(i) Assets carried at amortised cost

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.6 Impairment of financial assets (continued)

(ii) Available-for-sale assets

In case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement.

2.7 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.

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 the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.9 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 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 principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in note 3.

2.10 Offsetting

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 this entity;

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

(c) members of key management personnel of the Company or its parents, 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 on an arm's length basis.

2.12 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.

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

Notes to the Financial Statements (continued)

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 cash proceeds generated from the EMTN program are placed on deposits with the Parent Company and investment securities issued by the Parent Company or its subsidiaries. The derivative transactions are entered into with the Parent Company or its subsidiaries. The aggregate carrying amount of these deposits and investment securities, as well as derivative financial instruments with positive fair values approximates the maximum credit risk exposure of the Company. Financial assets are neither past due nor impaired.

(b) Market risk: The Company takes on exposure to interest rate, currency risk and equity 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 positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

  The interest rate risk is largely managed either by placing funds on deposits with the Parent Company and debt securities issued by 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.

  The interest rate arises from a three months floating rate loan note of face amount of € 69,200 ths (2012: € 86,000 ths) that issued by the Company in order to fund available for sale equity securities issued by a Parent Company's subsidiary. An increase/(decrease) in interest rate applied to the above loan note, by 100 bps, would result in an increase/(decrease) of the Company's net interest income by € 0.7 million (2012: 0.7 million).

- 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 and investment securities at the same currency as the loan notes issued.

- Equity risk: Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks.

  The equity risk arises from the available from sale equity securities issued by the Parent Company's subsidiaries. An increase/(decrease) in valuation prices applied to the above securities by 30%, would result in an increase/(decrease) of the available for sale revaluation reserve by € 35 million (2012: 22 million).

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

(c) Liquidity Risk: The Company funds available for sale equity securities issued by a Parent Company's subsidiary through a three month floating rate loan note (see interest rate risk above). Except for the above transaction, the Company is not exposed to other liquidity or cash flow risk because the maturity of its assets and liabilities, and the underlying cash flows, are substantially the same.

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:

	2013				
	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					
- Loan notes	19	100,758	11,659	445,773	558,209
Other liabilities	4	4	45	-	53
	23	100,762	11,704	445,773	558,262

	2012				
	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:					
- loan notes	5	114,050	21.764	457,585	593,404
Other liabilities	-	-	177	-	177
	5	114,050	21,941	457,585	593,581

(d) Capital risk management: The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt. The Company is not subject to any external capital requirement.

Fair value of financial assets and liabilities

Fair value is the 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 (i.e. an exit price). When a quoted price for an identical asset or liability is not observable, fair value is measured using valuation techniques that are appropriate in the circumstances, and maximise the use of relevant observable inputs and minimise 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.

Financial instruments carried at fair value

Financial assets and liabilities designated at fair-value-through-profit-or-loss, derivative financial instruments, as well as available-for-sale securities are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques. See also notes 2.5 and 4.3.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

These financial instruments carried at fair value are categorized into one of the three levels of fair value hierarchy as at 31 December 2013 and 2012, based on whether the inputs to their fair values are market observable or unobservable, as follows:

- Level 1 - Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity 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. None of the Company's financial instruments carried at fair value are categorized into Level 1 of fair value hierarchy.
- Level 2 - instruments measured based on i) quoted prices for identical financial instruments in markets that are not active i.e. available for sale investment securities 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, as well as other unobservable inputs which are insignificant to the entire fair value measurement i.e. derivative financial instruments, deposits with banks and loan notes issued by the Company.
- Level 3 - Financial instruments 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 carried at fair value are categorized into Level 3 of fair value hierarchy.

Company's valuation processes

The Company uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest rate swaps, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities and simple over-the-counter derivatives. 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. 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.

Where valuation techniques are used to determine the fair values of financial instruments, 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 the credit risk of the instrument and include adjustments to take into account the credit risk of the Parent Company, where appropriate. The credit risk of the Parent Company is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Parent Company's subsidiaries or other Greek issuers.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

Some of the specific valuation controls include: verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

The fair value hierarchy categorization of the Company's financial assets and liabilities carried at fair value is presented in the following tables:

	2013			
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Total €' 000
Financial assets measured at fair value:				
Deposits with banks	-	152,277	-	152,277
Available for sale investment securities	-	116,842	-	116,842
	-	269,119	-	269,119
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	158,825	-	158,825
Derivative financial instruments	-	139	-	139
	-	158,964	-	158,964

	2012			
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Total €' 000
Financial assets measured at fair value:				
Deposits with banks	-	146,598	-	146,598
Available for sale investment securities	-	73,700	-	73,700
Derivative financial instruments	-	209	-	209
	-	220,507	-	220,507
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	161,093	-	161,093
Derivative financial instruments	-	7,198	-	7,198
	-	168,291	-	168,291

Financial instruments not carried at fair value

The following table presents the carrying amounts and fair values of financial assets and liabilities which are not carried at fair value on the balance sheet, analysed by the level in the fair value hierarchy into which each fair value measurement is included:

	2013				
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Fair Value €' 000	Carrying amount €' 000
Investment securities					
Debt securities lending portfolio	-	247,820	-	247,820	343,373
	-	247,820	-	247,820	343,373
Liabilities evidenced by paper at amortised cost	-	241,260	-	241,260	336,678
Short term loan notes	-	69,395	-	69,395	69,395
	-	310,654	-	310,654	406,073

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 on the balance sheet date are as follows:

- For loan notes issued by the Company and the respective mirror assets (debt securities lending portfolio), the fair values are determined using quoted market prices, if available. If quoted prices are not available, fair values are determined based on quotes for similar debt securities or by discounting the expected cash flows at a risk-adjusted rate, where the Parent Company's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Parent Company's subsidiaries or other Greek issuers.
- For short term loan notes issued by the Company, which are re-priced at frequent intervals, the carrying amounts represent reasonable approximations of fair values.

4. Critical accounting estimates and judgement

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 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.

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.

4.2 Impairment of available-for-sale equity investments

For available-for-sale investments, a significant or prolonged decline in the fair value of equity investments below their cost, is an objective evidence of impairment. In order to determine what is significant or prolonged, the Company's management exercises judgment. In assessing what is significant, the decline in the fair value is compared against the cost price, whereas a decline in the fair value is considered to be prolonged based on the period in which the fair value has been below its cost price. In this respect, the Company regards a decline to be "significant" when the fair value is below the cost for more than 40% and a period of over twelve months decline. The Company also evaluates among other factors, the volatility in the fair value prices especially during periods of economic uncertainty, the financial health of the investee and its business outlook, industry and sector performance, changes in technology, and operational and financing cash flows, as well as the overall macroeconomic environment.

4.3 Fair value of financial instruments

The fair values of financial instruments that are not quoted in an active market are determined by using valuation techniques. 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.

Notes to the Financial Statements (continued)

4. Critical accounting estimates and judgements in applying accounting policies (continued)

4.3 Fair value of financial instruments (continued)

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, deposits with banks 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. 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) judgment 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 (both the Parent Company's and counterparty), 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

	2013 €' 000	2012 €' 000
Interest income on investment securities	14,053	12,199
Interest income on derivative financial instruments	434	2,283
Interest income on deposits with the Parent Company	36	474
	14,523	14,956

6. Interest expense and similar charges

	2013 €' 000	2012 €' 000
Interest expense on liabilities evidenced by paper	(16,243)	(16,718)
Interest expense on derivative financial instruments	(187)	(264)
	(16,430)	(16,982)

Notes to the Financial Statements (continued)

7. Net gains/ (losses) from financial instruments

	2013 €' 000	2012 €' 000
Changes in fair value of liabilities evidenced by Paper	(9,512)	(11,863)
Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper	6,781	(33,752)
Changes in fair value of deposits managed with liabilities evidenced by paper	2,731	45,615
Gain from Tender offer (note 14)	136	52,273
Realized gains/(losses) from financial instuments	0	0
	136	52,273

8. Dividend income

During 2013, the dividend income received by the Company in respect of available for sale equity securities, issued by ERB Hellas Funding Limited, a subsidiary of the Bank, is analysed as follows: (a) Series A non cumulative annual dividend of € 1,780 ths payable on March 2013, and (b) Series C non cumulative quarterly dividend of € 4,817 ths payable on January 2013, April 2013 and July 2013.

Further details relating with dividend income are presented in note 12.

9. Operating expenses

	2013 €' 000	2012 €' 000
Fees payable to the auditor for the non statutory audit of the company's annual financial statements	(20)	(40)
EMTN update costs	(71)	(20)
	(91)	(60)

10. Income tax expense

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

11. Deposits with banks

	2013 €' 000	2012 €' 000
Deposits with the Parent Company designated at fair value	152,277	146,598
Deposits with the Parent Company at amortised cost	1,016	26,044
	153,293	172,642
Maturing over 1 year	146,429	149,657
With original maturity of less than 90 days (cash and cash equivalents)	1,016	13,213

Notes to the Financial Statements (continued)

12. Investment securities

	2013	2012
	€' 000	€' 000
Available for sale investment securities	116,842	73,700
Debt securities lending portfolio	343,373	343,433
	460,215	417,133
Debt securities maturing over 1 year	336,103	334,172

Available-for-sale investment securities

In February 2012, the Company purchased listed preferred securities of face amount of face amount of € 325 million (Series A: 71 million, Series B: 107 million, Series C: 147million) with a discount of € 192 million, issued by ERB Hellas Funding Limited, a subsidiary of Eurobank Ergasias S.A. The preferred securities have no fixed redemption date and pay non-cumulative dividend subject to the provisions relating to compulsory payments as set out in "Description of the Preferred Securities" and to certain limitations as set out on "Limitations on Payments" on the Prospectus of each issue, available at the Parent Company's website (www.eurobank.gr). All obligations of the Issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Parent Company. The preferred securities were classified as available for sale equity investments.

In 2013, the Issuer of Series A of preferred securities announced that, in accordance with their terms, the non-cumulative annual dividend on these preferred securities, which would otherwise had been paid in March 2014, would not be declared and would not be paid.

In 2013, the Issuer of Series B of preferred securities announced that, in accordance with their terms, the non-cumulative annual dividend on these preferred securities, which would otherwise had been paid in November 2013, would not be declared and would not be paid.

In 2013, the Issuer of Series C of preferred securities announced that, in accordance with their terms, the non-cumulative quarterly dividend on these preferred securities, which would otherwise had been paid in October 2013 and January 2014 would not be declared and would not be paid.

The movement of available-for-sale revaluation reserve is as follows:

	2013
	€' 000
Balance at 1 January 2013	(59,101)
-Changes in fair value	32,528
-Changes in fair value due to the application of mid prices instead of bid prices (note 2.5)	10,614
Balance at 31 December 2013	(15,959)

Debt securities lending portfolio

As at 31 December 2013, the Company held unlisted notes issued by the Parent Company of face amount of € 353 million (2012: 356 million). The notes were classified under debt securities lending portfolio.

Notes to the Financial Statements (continued)

13. 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:

	2013			2012		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
	€'000	€'000	€'000	€'000	€'000	€'000
Derivatives held for trading						
-Interest rate swaps	6,675	-	139	21,469	209	7,198
	6,675	-	139	21,469	209	7,198

14. Liabilities evidenced by paper at amortised cost

	Interest rate %	Currency	2013 Face amount €' 000	2013 Carrying amount €' 000	2012 Face amount €' 000	2012 Carrying amount €' 000
Floating rate loan notes	3M Euribor plus 1.6	EUR	289,205	289,545	289,955	290,272
	3M Euribor plus 2.75	EUR	69,200	69,395	-	-
	3M Euribor plus 2.20	EUR	-	-	86,000	86,223
Fixed rate loan notes	9.0	EUR	56,680	47,133	57,643	44,450
			415,085	406,073	433,598	420,945

In February 2012, the Company substituted ERB Hellas PLC, a subsidiary of Eurobank Ergasias S.A., as issuer of Lower Tier II unsecured subordinated notes of face value of € 688,000 ths and invited their holders to tender existing bonds. The Company repurchased notes of face value of € 106,421 ths, generating a gain of € 52,273 ths.

During 2013 and 2012, the Company proceeded further with the repurchase of subordinated notes of face value of € 750 ths and € 291,624 ths respectively.

As at 31 December 2013, the face amount of the remaining Lower Tier II subordinated notes amounted to € 289,205 ths.

Post balance sheet event

In March 2014, the Board of Directors of the Parent Company decided the substitution of the Company with the Bank as the issuer of the Lower Tier II unsecured subordinated notes.

Notes to the Financial Statements (continued)

15. Liabilities evidenced by paper designated at fair value

	2013	2012
	€' 000	€' 000
Loan notes	158,825	161,093
	158,825	161,093

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 upon their initial recognition as at fair value through profit or loss, because they share the same risks with linked deposits, debt securities and derivatives and those risks are managed and evaluated on a fair value basis (note 3).

As part of the Company's risk management strategy, these notes are managed either by placing funds on deposits with the Parent Company and debt securities issued by the Parent Company on the same terms and conditions with the loan notes or by entering into interest rate swap transactions with the Parent Company's subsidiaries (note 3).

The majority of loan notes mature in 2016 and 2017. Additionally, their performance is largely determined by reference to baskets of equity shares.

The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2013 and 2012.

As at 31 December 2013, the loan notes designated at fair value had a face value of € 110,604 ths and a cumulative fair value change of € 48,221 ths (2012: € 122,453 ths and € 38,640 ths, respectively).

During the year, loan notes amounting to € 6,675 ths (face amount) were issued by the Company under its EMTN program. During the year, loan notes amounting to € 18,414 ths (face amount as at 31 December 2012), issued by the Company under its EMTN program, matured.

16. Share capital

	2013	2013	2012	2012
	Number	US$'000	Number	US$'000
Authorised ordinary shares of US$ 1 each	50,000	50	50,000	50
Authorised preference shares of US$ 100,000 each	1,500	150,000	1,500	150,000
Issued ordinary shares of US$ 1 each	50,000	50	50,000	50
Allotted and paid up 49,999 ordinary shares at US$ 0.30 per ordinary share and 1 ordinary share at US$ 1	50,000	15	50,000	15

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

Notes to the Financial Statements (continued)

17. Related party transactions

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

EFG Group was the controlling shareholder of the Parent Company, holding 44.70% of the Parent Company's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in the Parent Company's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of the Parent Company. On 19 June 2013, HFSF acquired 3,789,317,358 Parent Company's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increases to 95.23%.

The Company regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. The Company's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the table presented below.

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 related party transactions and outstanding balances at year end are as follows:

	31 December 2013		31 December 2012	
	Parent Company €' 000	Parent Company's subsidiaries €' 000	Parent Company €' 000	Parent Company's subsidiaries €' 000
Deposits with Banks	**153,293**		172,642	-
Derivative financial instruments (assets)	-	-	189	20
Invetsment Securities	**343,373**	**116,842**	343,433	73,700
Liabilities evidenced by paper at amortised cost	**39,269**	**69,395**	1,948	86,223
Liabilities evidenced by paper designated at fair value	**34,346**	**108,242**	21,105	118,243
Derivative financial instruments (liabilities)	-	**139**	7,198	-
Interest and similar income	**14,203**	**320**	14,956	-
Interest expense and similar charges	**(873)**	**(2,030)**	(973)	(2,101)
Realized gains/(losses) from financial instruments	**(7,155)**	-	(1,336)	-
Dividend Income	-	**6,597**	-	8,828

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 2013 and 2012.

Notes to the Financial Statements (continued)

18. Segmental reporting

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

19. Other significant and post balance sheet events

Share capital increase of the Parent Company following Liability Management Exercise (LME)

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

(a) repurchase by the Bank of the tendered Securities at their nominal value; and

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

In the context of the LME mentioned above, the preferred securities and the subordinated medium term note tendered by the holders and finally accepted by the Parent Company were € 295 million and € 22 million, respectively.

On 27 June 2013, the Annual General Meeting approved the increase of the Parent Company's share capital with the amount of € 62 million, by payment in cash of € 317 million in total and the issue of new common shares, of a nominal value of € 0.30 each, via private placement to the holders of five series of preferred securities (Lower Tier I – Series A, B, C, D and E) and one series of subordinated debt instruments (Lower Tier II), with abolition of the pre-emptive rights in favour of existing common and preferred shareholders.

Recapitalization of the Parent Company by HFSF

On 30 April 2013, the Extraordinary General Meeting of the Parent Company approved its recapitalization of € 5,839 million, in accordance with the provisions of Law 3864/2010 and the Act of the Cabinet 38/9.11.2012. The share capital increase was covered entirely by the HFSF with the contribution of bonds, issued by the EFSF and owned by the HFSF. The share capital increase was completed in June, 2013.

Acquisition of New TT Hellenic Postbank S.A. and New Proton Bank S.A.

On 15 July 2013, the Parent Company signed a binding agreement with the Hellenic Financial Stability Fund (HFSF) to acquire 100% of the shares and voting rights of the New TT Hellenic Postbank (NHPB).

On 15 July 2013, the Parent Company also signed a binding agreement with HFSF to acquire 100% of the shares and voting rights of the New Proton Bank S.A. (New Proton).

On 26 August 2013, the Extraordinary General Meeting of the Parent Company approved the above two transactions. On 30 August 2013, the transfer of NHPB's and New Proton's shares was completed and therefore, they are the Parent Company's 100% subsidiaries. The legal merger of the Parent Company with New Proton and NHPB was on 22 November and 27 December 2013, respectively.

Notes to the Financial Statements (continued)

19. Other significant and post balance sheet events (continued)

The acquisition of NHPB and New Proton significantly improves the asset quality, liquidity and the capital base of Parent Company and strengthens its strategic position in the Greek banking sector, thus enhancing its capacity to support Greek businesses and households. In addition, the significant synergies creation makes Parent Company's investment proposition more attractive.

Parent Company's Additional Share Capital Increase based on the decisions of the Extraordinary Shareholder's General Meeting on 12 April 2014

On 12 April 2014, the Parent Company's Extraordinary Shareholder's General Meeting approved the increase of the share capital of the Bank up to € 2,864 million through payment in cash or/and contribution in kind, the cancellation of the preemption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new ordinary registered shares, of a nominal value of € 0,30 each. The proceeds will be used to increase the Tier I Capital according to 8.4.2014 resolution of the Bank of Greece.

On 29 April 2014, the Parent Company announced the results of the Combined Offering (the International Offering together with the Public Offering) having placed 9,238,709,677 new ordinary shares with total proceeds of EUR 2,864,000,000.10. In particular i) both the Public Offering and the International Offering were oversubscribed and b) the Board of Directors of the Bank set the offer price at € 0.310000000024895 per offered new ordinary registered share. As a result, the share capital of the Bank is being increased by € 2,771,612,903.10 and an aggregate of 9,238,709,677 new ordinary registered shares, each having a nominal value of € 0.30, are being issued (the "New Shares"). The total above par value of € 92,387,097.00 shall be credited to the Bank's own funds account "difference from the issuance of shares above par".

The New Shares will be listed on the main market of the Athens Exchange and their trading is expected to commence on Friday, 9 May 2014.

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

Note 14- Liabilities evidenced by paper at amortised cost