ERB Hellas PLC

Annual Report
For the year ended 31 December 2014

Company's registration number: 3798157

Index to the Annual report

Declaration of the managers responsible for financial reporting

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

Dimosthenis Archontidis
Director

30 April 2015

Strategic Report

The directors present their strategic report of the Company for the year ended 31 December 2014.

i) Business review and principal activities

The Company was incorporated as part of the funding strategy of its Parent Company Eurobank Ergasias S.A. (the "Parent Company" or the "Bank") in order to establish a programme for the issuance of medium term debt instruments (EMTN). The EMTN programme is listed on the Luxembourg Stock Exchange. This programme was last updated in May 2014. The Company has also established a programme for the issuance of commercial paper (ECP) that was last updated in May 2009. The Prospectus of EMTN and ECP programs are available at the Parent Company's website (www.eurobank.gr). The outstanding issues of debt instruments and commercial paper are guaranteed by the Parent Company. The net proceeds of each issuance are applied by the Company to meet part of the general financing requirements of the Company's Parent Company and its subsidiaries.

The profit for the year amounted to € 303 ths (2013: € 422 ths). No dividend was paid in 2014 and there is no subsequent decision of the BOD for distribution of dividend (2013: € 1,965 ths, € 39.30 per share).

ii) Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of its Parent Company. The Greek sovereign debt crisis, which has severely impacted the Greek economy, as well as the uncertainty and volatility in markets, mainly in Greece but also in the other areas in which the Parent Company's group has presence have created a challenging business environment, despite the stabilisation and recovery signals that became substantially evident in 2014. In this particularly demanding context, the Parent Company's operations were aimed to adjust to the prevailing conditions.

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a programme agreed with the EU, the European Central Bank (ECB) and the International Monetary Fund (IMF) ('the Institutions'). This had led to primary fiscal surpluses in 2013 and 2014, but also to reform fatigue and social unrest. Following the recent parliamentary elections of 25 January, the new Greek government after continuous negotiations with its official lenders (institutions), requested an extension of the Master Financial Assistance Facility Agreement (MFFA) in order to achieve a successful completion of the last review. After presenting to the European Commission a list of reform proposals, the European Commission made the following statement: "the list is sufficiently comprehensive to be a valid starting point for a successful conclusion of the review as called for by the Eurogroup at its last meeting."

Until the end of September (2014), the achievement of the Second Economic Adjustment Programme's (SEAP) fiscal primary balance target of 1.5% of GDP, seemed not only plausible but also conservative. However, the increase of the economic uncertainty caused by the early elections and the non conclusion of the last review of the SEAP created downward risks for the 2014 fiscal primary balance. According to the Ministry of Finance budget execution data (final version), during the period January – December 2014, the tax revenues shortfall was at € 1.4bn. The achievement of the targeted primary surpluses for 2014 and beyond are of crucial importance for the agreement on the additional debt relief measures from official lenders, in line with the explicit commitments provided at the 26/27 November 2012 Eurogroup. Greece already achieved a primary surplus of 0.8% of GDP in 2013 one year earlier than was expected in SEAP and for the first time since 2002.

The external imbalance continues to adjust rapidly, assisted by strong tourism revenue, income from the shipping industry, the ongoing contraction of imports and the beneficial impact of earlier debt-relief measures on the income account. The current account according with the Bank of Greece (BoG) data, recorded a surplus of 0.6% and 0.9% of GDP in 2013 and 2014 – for the first time since official records are

Strategic Report (Continued)

available (1948) – against a deficit of 2.38%, 9.93%, 9.95% and 10.87% of GDP for 2012, 2011, 2010 and 2009 respectively. Furthermore, during the period February 2014 – January 2015, the current account balance recorded a surplus of € 1.08bn.

With respect to the developments in the labour market, in December 2014 the unemployment rate stood at 26.03% from a peak of 27.95% in September 2013. It is noted that Greece still had the highest proportion of long term unemployed (75.4%) among the EU-15 countries (average, 50.1%) in the 3rd quarter of 2014.

The ongoing deleveraging in the Greek economy can be considered as a major drag for the recovery path. From June 2011 until February 2015, the average annual total domestic credit growth was -7.68%. According to the latest available data from BoG, i.e. February 2015, the total domestic credit stock was at € 236.3bn, -0.28% lower compared to February 2014. Finally, on the other side of the ledger, total domestic deposits decreased by -11.46% (yoy% change), i.e. from € 209.2bn in February 2014 to € 185.3bn in February 2015.

Considerable risks continue to surround the near-term domestic economic outlook. Today, the economic environment in the Greek economy seems uncertain. The speed of implementation of the structural reforms agenda has slowed down and the economic uncertainty prevails. Furthermore, although the unemployment rate follows a decreasing path, it is still very high. In February 2015 the general price level (HICP) stood at -1.91%. Yet, the apparent stabilisation of seasonally unadjusted real output dynamics which begun in the 2nd quarter of 2014 (real GDP expanded at 0.34% in Q2, at 1.97% in Q3 and 1.15% in Q4 2014) and the on-going improvement in a range of high frequency data and sentiment indicators signal the stabilisation of the domestic economy. In 2014 real GDP growth turned positive, 0.77%, for the first time after 6 years of recession.

As from early December 2014 the developments in Greece had an adverse effect on the liquidity position of the Greek banking system, mainly due to deposits withdrawals, which were fully substituted by Eurosystem's secured funding. In addition, the matured interbank secured funding transactions (repos) have been replaced with Eurosystem funding, since the collateral previously posted to market counterparties were eligible either for ECB (the largest part) or ELA funding. Moreover, ECB decided on 4th of February 2015 to treat Greek Treasury Bonds, Greek Government Bonds and Greek Government guaranteed bonds as non-eligible collateral for refinancing operations, leading the Greek banks to substantially increase their funding from ELA. The initial agreement reached between Greece and its European partners at the Euro Group meeting held on 20 February 2015 was acting positively towards the improvement of the Greek Banking Sector liquidity. Some early confirming signs have already been observed in the sense that the rate of deposits' outflows has significantly slowed down since then.

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 2014, the outstanding balance of debt instruments increased to € 794 million (2013: 576), following a) the issue of a loan note of face value of € 500 million in June 2014 (carrying value € 508 million at 31 December 2014), which was oversubscribed by more than two times and b) the maturity and / or redemption of loan notes amounting to € 291 million (note 13 and 14).

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 material uncertainties relating to the successful completion of the ongoing discussions between the Greek government and the Institutions which are beyond the Bank's control, and having considered the mitigating factors set out in note 2 of the Financial Statements, including the successful completion of the recent share capital increase of the Parent Company, the directors have

Strategic Report (Continued)

been satisfied that the Bank has the ability to continue as a going concern into the foreseeable future and that it is appropriate to prepare the financial statements of the Company on a going concern basis.

iii) Principal risks and uncertainties

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

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

The principal risks and uncertainties of the Parent Company for 2014, which include those of the Company, are discussed in the Report of directors and the notes to the Consolidated Financial Statements included in the 2014 Annual Financial Report of Eurobank Ergasias S.A, which was signed on 10 March 2015 (available at website: www.eurobank.gr).

On behalf of the Board

Dimosthenis Archontidis
Director

30 April 2015

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2014.

i) General Information

The Company is a public limited company with registered number 3798157 and registered office 1st floor, 25 Berkeley Square, London, United Kingdom, W1J 6 HN, is incorporated and domiciled in UK and is a wholly owned subsidiary of Eurobank Ergasias S.A., a Bank incorporated in Greece.

ii) Creditor payment policy

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

iii) Future Developments

The Company's future developments are included in the strategic report on page 4.

iv) Dividends

The Company's dividends are included in the strategic report on page 4.

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:

Anastasios Ioannidis
Fokion Karavias (resigned on March 3, 2015)
Konstantinos Tsiveriotis (appointed on February 28, 2014 and resigned on April 29, 2014)
Dimosthenis Archontidis (appointed on March 3, 2015)
Nikolaos Laios (appointed on March 3, 2015)
Dimitra Spyrou, Director (appointed on March 3, 2015)

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

vi) Corporate governance

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

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

Due to the nature of the securities that have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority (previously the Financial Services Authority) pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1, audit committees and 7.2, corporate governance statements (save for DTR 7.2.5 a requiring description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory

Directors' Report (continued)

vi) Corporate governance (continued)

body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

vii) Parent Company

The Parent Company is Eurobank Ergasias S.A., incorporated in Greece. The Parent Company's ownership is analysed further in note 17.

viii) Directors' responsibilities statement

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

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

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

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

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

ix) 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

x) Independent Auditors

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

Directors' Report (continued)

The Directors' Report was approved by the Board of Directors on 30 April 2015 and was signed on its behalf by:

Dimosthenis Archontidis

Director

30 April 2015

Independent auditors' report to the members of ERB Hellas PLC

Report on the financial statements

Our opinion

In our opinion, ERB Hellas PLC's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The current conditions in Greece could result in significant disruption in the Greek economy which may impact the profitability, capital adequacy and liquidity of Eurobank Ergasias S.A. and therefore its ability to repay fully and on time the loan to the Company. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

What we have audited

ERB Hellas PLC's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities in relation to the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

James Hewer

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

30 April 2015

Statement of Comprehensive Income

		Year ended 31 December	
	Note	2014 € ths	2013 € ths
Interest and similar income	5	15,273	12,411
Interest expense and similar charges	6	(14,720)	(11,642)
Net interest income		553	769
Net gains from financial instruments	7	0	0
Foreign exchange gains / (losses)		7	(19)
Operating expenses	8	(174)	(127)
Profit before income tax		386	623
Income tax expense	9	(83)	(201)
Net profit for the year attributable to the owners of the Parent Company		303	422
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the owners of the Parent Company		303	422

The notes on pages 17 to 38 form an integral part of these financial statements

Balance Sheet

		At 31 December	
	Note	2014 € ths	2013 € ths
Assets			
Deposits with banks	10	**794,208**	576,305
Derivative financial instruments	11	**20,941**	17,840
Total assets		**815,149**	594,145
Liabilities			
Due to banks	12	**20,160**	16,540
Liabilities evidenced by paper at amortised cost	13	**609,142**	381,081
Liabilities evidenced by paper designated at fair value	14	**184,511**	195,131
Derivative financial instruments	11	**281**	720
Income tax payable and other liabilities	15	**292**	213
Total liabilities		**814,386**	593,685
Equity			
Share capital	16	**19**	19
Retained earnings		**744**	441
Total equity		**763**	460
Total equity and liabilities		**815,149**	594,145

The financial statements on pages 13 to 38 were approved by the Board of Directors on 30 April 2015 and were signed on its behalf by:

Dimosthenis Archontidis

Director

The notes on pages 17 to 38 form an integral part of these financial statements

Statement of Changes in Equity

	Share capital	Retained earnings	Total Equity
	€ ths	€ ths	€ ths
Balance at 1 January 2013	19	1,984	2,003
Profit for the year	-	422	422
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year ended 31 December 2013	-	422	422
Dividends paid	-	(1,965)	(1,965)
Balance at 31 December 2013	19	441	460
Balance at 1 January 2014	19	441	460
Profit for the year	-	303	303
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year ended 31 December 2014	-	303	303
Dividends paid	-	-	-
Balance at 31 December 2014	19	744	763

The notes on pages 17 to 38 form an integral part of these financial statements

Cash Flow Statement

		Year ended 31 December	
	Note	2014 € ths	2013 € ths
Cash flows from operating activities			
Interest and similar income received		9,510	36,284
Interest and similar income paid		(4,886)	(33,568)
Cash payments to suppliers		(63)	(129)
Income taxes paid		(117)	(305)
Cash flows from operating activities before changes in operating assets and liabilities		4,444	2,282
Changes in operating assets and liabilities			
Net (increase)/decrease in deposits with banks		(237,757)	158,872
Net decrease in other assets		0	-
Net increase in due to banks		3,620	2,760
Net increase/(decrease) in other liabilities		2	(1)
Net cash (used in)/generated from operating activities		(229,691)	163,913
Cash flows from financing activities			
Proceeds from issue of loan notes		496,370	-
Repayments of loan notes (note)		(292,303)	(710,500)
Dividends paid		-	(1,965)
Net cash generated from/(used in) financing activities		204,067	(712,465)
Net decrease in cash and cash equivalents		(25,624)	(548,552)
Cash and cash equivalents at beginning of year		26,565	575,117
Cash and cash equivalents at end of year	10	941	26,565

Note: Loan notes' repayments are presented net of the linked derivatives' liquidation fees; comparative information for the loan repayments has decreased by an amount of € 7,491 ths, which was previously presented within interest and similar income received, accordingly.

The notes on pages 17 to 38 form an integral part of these financial statements

Notes to the Financial Statements

1. General information

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

2. Accounting policies

2.1 Basis of preparation

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

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 Parents Company's operations :

Macroeconomic environment

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a programme agreed with the EU, the European Central Bank (ECB) and the International Monetary Fund (IMF) ('the Institutions'). This had led to primary fiscal surpluses in 2013 and 2014, but also to reform fatigue and social unrest. Following the recent parliamentary elections of 25 January, the new government negotiated a four-month extension of the Master Financial Assistance Facility Agreement (MFFA), the purpose of which is the successful completion of the review on the basis of the conditions in the current arrangement, making best use of the given flexibility which will be considered jointly with the Greek authorities and the Institutions. This extension would also serve to bridge the time for discussions on a possible follow-up arrangement between the Euro Group, the Institutions and Greece. On 23 February, the Greek government presented to the Institutions, a first list of reform measures to be further specified and agreed within the next few months. Greece's access to the last instalment of the previous arrangement and/or to further Eurozone funding is conditional, inter alia, to the Institutions approving the conclusion of the review of the extended arrangement. The Greek government faces a number of crucial meetings and repayment deadlines as the Greek Government engages in discussions with the Institutions. While Greece made the €450m loan repayment to the International Monetary Fund in April, it will have to pay a further €763m in May. In light of the negative outlook of the economy, Standard & Poor's rating agency has downgraded Greece's credit rating from B-/B to CCC+/C. In addition, until the review is satisfactorily completed, any securities issued or guaranteed by the Hellenic Republic are deemed not eligible for ECB MRO (Main Refinancing Operations) funding. These conditions create material uncertainties on the Greek macroeconomic environment, with potentially significant adverse effects on the liquidity and solvency of the Greek banking sector.

Liquidity risk

Liquidity, of the whole Greek banking sector, was negatively affected in the beginning of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of ECB to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by

Notes to the Financial Statements (continued)

Hellenic Republic (i.e. Greek government bonds and Pillar 2 3 of the Law 3723/2009). As a result Greek banks reverted to the fallback funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover

their short term liquidity needs. This entails the weekly review by ECB's Governing Council. In this context, the Greek banking system and the Bank specifically, still maintain liquidity buffers to correspond to persevering adverse liquidity conditions and the Eurosystem has demonstrated its commitment to support Greek banks as long as Greece remains within the EU support programme (note 3).

The initial Agreement reached between Greece and its European partners at the Euro Group meeting held on 20 February 2015, as well as the letter of the Minister of Finance to the President of Euro Group, dated 23 February 2015, are positive steps for lifting uncertainties and is acting positively towards the improvement of the Greek banking sector liquidity.

Specifically for the banking sector, it is re-affirmed that HFSF buffer funds continue to be available for the duration of MFFA extension and can only be used for bank recapitalisation needs. In addition, Greek authorities expressed their strong commitment to a deeper structural reform process, ensuring stability and resilience of the financial sector.

Solvency risk

Despite the fact that the Greek economy showed early signs of recovery during 2014 for the first time since 2007, there are significant downside risks associated with political and fiscal gap funding uncertainties (as described earlier) and the low levels of investment and consumption levels, which may undermine in the short-term the pace of recovery. In addition, increased Greek sovereign risk may further impact the capital adequacy position of the Parent Company, which however currently stands strong considering:

(a) The further recapitalisation of the Parent Company with the successful completion, in April 2014, of a Share Capital Increase amounting to € 2,864 million, which enhanced CET 1 ratio by 770 basis points.

(b) The ECB Comprehensive Assessment results, as published in October 2014, which reaffirmed the solid capital position of the Parent Company, stating the lack of any capital shortfall, in both the base and the adverse scenarios.

(c) The consolidated CET 1 ratio which, as of 31 December 2014 stood at 16.2% (15.2% pro-forma with the regulatory treatment of deferred tax assets as deferred tax credits), comfortably above the minimum required in the "Prudential Requirements for Eurobank Ergasias S.A.", as notified to the Parent Company in the form of draft decision of ECB on 18 December 2014.

Notwithstanding the economic and fiscal uncertainties described above, the new Greek government has re-affirmed its devotion to the implementation of necessary structural reforms and on Fiscal Budgets' primary surpluses. As a result, despite the possible short-term deceleration in asset quality and funding cost improvements and in loan growth, the macro-economic recovery trajectory and the return to profitability in the medium term, still constitute the base scenario for the Greek economy and the Parent Company respectively.

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the capital position and the anticipated continuation of the liquidity support that the Parent Company receives from the Eurosystem, and despite the material uncertainties relating to the successful completion of the ongoing discussions between the Greek government and the Institutions which are beyond the Parent Company's control, have been satisfied that the Company has the ability to continue as a going concern into the foreseeable future.

Notes to the Financial Statements (continued)

The policies set out below have been consistently applied to the years 2014 and 2013. 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 amendment to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), which is relevant to the Company, apply from 1 January 2014:

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities

The amendment clarifies the requirements for offsetting financial assets and financial liabilities.

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

(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 2014, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IAS 1, Amendment - Disclosure Initiative (effective 1 January 2016, not yet endorsed by EU)

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

IFRS 9, Financial Instruments (effective 1 January 2018, not yet endorsed by EU)

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

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

Classification and measurement

IFRS 9 applies one classification approach for all types of financial assets, according to which the classification and measurement of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A business model refers to how an entity manages its financial assets so as to generate cash flows, by collecting contractual cash flows, or selling financial assets or both. Upon assessment, each financial asset will be classified in one of the three categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income.

With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch.

Notes to the Financial Statements (continued)

Impairment of financial assets

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

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

For financial assets that are credit-impaired on origination, the expected life time credit losses will be applied.

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

Hedge accounting

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

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

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

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

- Definition of vesting condition in IFRS 2 'Share - based Payment';

- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations;

- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';

- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';

- Revaluation method-proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';

- Key management personnel in IAS 24 'Related Party Disclosures'; and

- Revaluation method-proportionate restatement of accumulated amortisation in IAS 38 'Intangible Assets'

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

Notes to the Financial Statements (continued)

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

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

- Scope exceptions for joint ventures in IFRS 3 'Business Combinations';

- Scope of portfolio exception in IFRS 13 'Fair Value Measurement';

- Clarifying the interrelationship between IFRS 3 'Business Combinations' and IAS 40 "Investment Property" when classifying property as investment property or owner-occupied property in IAS 40; and

- Meaning of "effective IFRSs" in IFRS 1 First-time Adoption of International Financial Reporting Standards

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

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

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

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

Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.

Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

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

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

IFRIC 21, Levies (effective 1 January 2015)

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

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

The 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)

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

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

2.4 Financial assets

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

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

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

(ii) Loans and receivables

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

Accounting treatment and calculation

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method. Gains and losses arising

Notes to the Financial Statements (continued)

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.

A financial asset is derecognised when the contractual cash flows of the financial asset expire, or the Company transfers its rights to receive those cash flows in an outright sale in which substantially all the risks and rewards of ownership have been transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the 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 recognised in equity is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

2.5 Fair value measurement of financial instruments

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.

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received unless the Company determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognised in the income statement. On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value and the difference with the transaction price (day one gain or loss) is deferred. Subsequently the deferred gain or loss is amortised on an appropriate basis over the life of the instrument or released earlier if a quoted price in an active market or observable market data become available or the financial instrument is closed out.

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

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

2.6 Impairment of financial assets

For financial assets that are not carried at fair value through profit or loss, the Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is

Notes to the Financial Statements (continued)

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 financial 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 financial assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

(a) significant financial difficulty of borrower;

(b) a default or breach of contract;

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

-operating losses;

-working capital deficiencies;

-the borrower having a negative equity;

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

2.7 Financial liabilities

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

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

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

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

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

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

2.9 Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from discounted cash flow models and other 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 recognised 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 2.5 and 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

Notes to the Financial Statements (continued)

intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.11 Related party transactions

Related parties of the Company include:

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

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

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at 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 Income tax

(i) Current income tax

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

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

2.14 Share capital

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

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

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 majority of cash proceeds generated from the EMTN and ECP programs are placed on deposits with the Parent Company. The aggregate carrying amount of these deposits and derivative financial instruments with positive fair values approximates the maximum credit risk exposure of the Company. The derivative transactions are entered into with western European financial institutions, the credit quality of which is continuously monitored and assessed by the directors. Financial assets are neither past due nor impaired.

Macroeconomic environment uncertainty

As noted in the Strategic Report and in the basis of preparation section, the main risks of the Parent company are associated with the uncertainties in the Greek macroeconomic environment and their adverse effects on the liquidity and solvency of the Greek banking sector.

As from early December 2014 the developments in Greece had an adverse effect on the liquidity position of the Greek banking system, mainly due to deposits withdrawals, which were fully substituted by Eurosystem's secured funding. In addition, the matured interbank secured funding transactions (repos) have been replaced with Eurosystem funding, since the collaterals previously posted to market counterparties were eligible either for ECB (the largest part) or for ELA (Emergency Liquidity Assistance mechanism) funding. Moreover, ECB decided on 4th of February 2015 to treat Greek Treasury Bills, Greek Government Bonds and Greek Government guaranteed bonds as non-eligible collateral for refinancing operations, leading the Greek banks to substantially increase their funding from ELA. The initial agreement reached between Greece and its European partners at the Eurogroup meeting held on 20 February 2015 was acting positively towards the improvement of the Greek Banking Sector liquidity. Some early confirming signs have already been observed in the sense that the rate of deposits' outflows has significantly slowed down since then. The Parent Company's Greek deposits were reduced by € 5 bn within the first two months of current year. At 27 February 2015, the Parent Company's group net funding from ECB and ELA stood at € 9.5 bn (31 Dec 2014 € 12.5bn) and € 19.5 bn (31 Dec 2014 nil), respectively, while it maintained unutilized liquid assets (cash value) of around € 14.7 bn (31 Dec 2014 € 16.6 bn).

Eurosystem has demonstrated its commitment to support Greek banks as long as Greece remains within the EU support programme. On 29 April 2015, ECB has decided to increase the ceiling of ELA towards Greek banks by a further €1.4 bn, bringing the total to €76.9 bn.

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

- Interest rate risk: The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Notes to the Financial Statements (continued)

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

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

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

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

	2014				
	Less than 1 month € ths	1 - 3 months € ths	3 months to 1 year € ths	Over 1 year € ths	Gross nominal inflow/ (outflow) € ths
Financial liabilities:					
- Loan notes	45	90	123,304	728,461	851,900
- Other liabilities	6	-	286	-	292
	51	90	123,590	728,461	852,192

	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	51	276,472	101,960	185,575	564,058
- Other liabilities	26	-	187	-	213
	77	276,472	102,147	185,575	564,271

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

Notes to the Financial Statements (continued)

Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:
a) are offset in the Company's balance sheet according to IAS 32 criteria; or
b) are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in balance sheet.

Regarding the former, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously (the offset criteria), as also set out in Company's accounting policy 2.10.

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

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

The Company has not offset any financial assets and liabilities as at 31 December 2014 and 2013, as the offset criteria mentioned above are not satisfied; thus, gross amounts of recognised financial assets and liabilities equal respective net amounts in the tables below.

Amounts that are not set off in the balance sheet, as presented below, are subject to enforceable master netting arrangements and similar agreements. In respect of these transactions, the Company receives and provides collateral in the form of cash.

	2014					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € ths	Gross amounts of recognised financial liabilities offset in the balance sheet € ths	Net amounts of financial assets presented in the balance sheet € ths	Financial instruments € ths	Cash collateral received € ths	Net amount € ths
Financial Assets						
Derivatives financial instruments	20,929	-	20,929	(19)	(20,104)	806
	20,929	-	20,929	(19)	(20,104)	806

	2014					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabilities € ths	Gross amounts of recognised financial assets offset in the balance sheet € ths	Net amounts of financial liabilities presented in the balance sheet € ths	Financial instruments € ths	Cash collateral pledged € ths	Net amount € ths
Financial Liabilities						
Derivative financial instruments	281	-	281	(19)	(0)	262
	281	-	281	(19)	(0)	262

Notes to the Financial Statements (continued)

	2013					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € ths	Gross amounts of recognised financial liabilities offset in the balance sheet € ths	Net amounts of financial assets presented in the balance sheet € ths	Financial instruments € ths	Cash collateral received € ths	Net amount € ths
Financial Assets						
Derivatives financial instruments	17,805	-	17,805	(215)	(16,540)	1,050
	17,805	-	17,805	(215)	(16,540)	1,050

	2013					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabilities € ths	Gross amounts of recognised financial assets offset in the balance sheet € ths	Net amounts of financial liabilities presented in the balance sheet € ths	Financial instruments € ths	Cash collateral pledged € ths	Net amount € ths
Financial Liabilities						
Derivative financial instruments	720	-	720	(215)	-	505
	720	-	720	(215)	-	505

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 pricesin active markets for similar instruments, interest rates and yield curves, implied volatilities and credit spreads.

Financial instruments carried at fair value

Loan notes issued by the Company that are designated at fair value through profit or loss and derivative instruments are carried at fair value.

These financial instruments are categorised into one of the three levels of fair value hierarchy based on whether the inputs to their fair values are market observable or unobservable, as follows:

- Level 1 - Financial instruments 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 are categorised into Level 1 of the fair value hierarchy.
- Level 2 – Financial instruments measured based on valuation techniques with 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

Notes to the Financial Statements (continued)

unobservable inputs which are insignificant to the entire fair value measurement. The Company's Level 2 financial instruments include interest rate swaps and loan notes carried at fair value through profit or loss 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 are categorised into Level 3 of fair value hierarchy.

Company's valuation processes

The fair value of interest rate swaps and loan notes carried at fair value through profit or loss is based on best market practice models (ie equity basket derivative, range accrual, inflation capped structure). Where observable prices or model inputs are available, these are used in the valuation techniques applied by the Company. 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. Fair values reflect the credit risk of the financial 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.

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.

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. 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.

The fair value hierarchy categorisation of the Company's financial assets and liabilities carried at fair value at 31 December 2014 and 2013 respectively is presented in the following tables:

	2014			
	Level 1	Level 2	Level 3	Total
	€ ths	€ ths	€ ths	€ ths
Financial assets measured at fair value:				
Derivative financial instruments	-	20,941	-	20,941
	-	20,941	-	20,941
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	184,511	-	184,511
Derivative financial instruments	-	281	-	281
	-	184,792	-	184,792

Notes to the Financial Statements (continued)

	2013			
	Level 1	Level 2	Level 3	Total
	€ ths	€ ths	€ ths	€ ths
Financial assets measured at fair value:				
Derivative financial instruments	-	17,840	-	17,840
	-	17,840	-	17,840
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	195,131	-	195,131
Derivative financial instruments	-	720	-	720
	-	195,851	-	195,851

The Company recognises transfers into and out of the fair value hierarchy levels at the beginning of the half year in which a financial instrument's transfer was affected. There were no transfers between Level 1 and 2 and vice versa, as well as, no changes in valuation techniques used, during the year ended 31 December 2014.

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:

	2014				
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
	€ ths	€ ths	€ ths	€ ths	€ ths
Financial assets not carried at fair value:					
Four year fixed rate deposit with the Parent Company	-	424,503	-	424,503	507,956
	-	424,503	-	424,503	507,956
Liabilities evidenced by paper at amortised cost	424,503	99,489	-	523,992	609,142
	424,503	99,489	-	523,992	609,142

	2013				
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
	€' 000	€' 000	€' 000	€' 000	€' 000
Liabilities evidenced by paper at amortised cost	-	377,151	-	377,151	381,081
	-	377,151	-	377,151	381,081

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, the fair values are determined based on quotes for identical debt securities in markets that are not active.
- Deposits with banks include a four year fixed rate deposit with the Parent Company, whose fair value is determined based on quote for the mirror loan note traded in active market. For the rest of the deposits, which are re-priced at frequent intervals, the carrying amounts represent a reasonable approximation of fair values.

Notes to the Financial Statements (continued)

4. Critical accounting estimates and judgment

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

4.1 Deposits with banks

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

4.2 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. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models.

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

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

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

Notes to the Financial Statements (continued)

5. Interest and similar income

	2014 € ths	2013 € ths
Interest income on deposits with the Parent Company	15,273	12,411
	15,273	12,411

6. Interest expense and similar charges

	2014 € ths	2013 € ths
Interest expense on liabilities evidenced by paper	(13,821)	(10,763)
Other interest payable on derivative financial instruments	(899)	(879)
	(14,720)	(11,642)

7. Net gains from financial instruments

	2014 € ths	2013 € ths
Changes in fair value of liabilities evidenced by paper	(1,982)	2,766
Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper	1,982	(2,766)
Realised gains from financial instuments	0	0
	0	0

In 2014, the realised gains from financial instruments include early termination fees from Interest Rate Swaps which are offset in the statement of comprehensive income with gains/ (losses) from loan notes.

8. Operating expenses

	2014 € ths	2013 € ths
Fees payable to the Company's auditors for the statutory audit of the Company's annual financial statements	(49)	(61)
EMTN update costs	(125)	(66)
	(174)	(127)

9. Income tax expense

The standard rate of Corporation Tax in the UK from 1 April 2013 to 31 March 2014 was 23% and from 1 April 2014 changed to 21%. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 21.5% (2013: 23.25%).

Notes to the Financial Statements (continued)

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

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the effective tax rate applicable to profits of the Company as follows:

	2014 € ths	2013 € ths
Profit before tax	386	623
Current tax		
Profit before tax multiplied by the effective rate of 21.5% (2013: 23.25%)	83	145
Adjustments in respect of prior years	0	56
Tax charge	83	201

10. Deposits with banks

	2014 € ths	2013 € ths
Deposits with the Parent Company at amortised cost	791,158	573,255
Pledged depostis with other banks	3,050	3,050
	794,208	576,305
Maturing over 1 year	663,855	163,673
With original maturity of less than 90 days (cash and cash equivalents)	941	26,565

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

11. Derivative financial instruments

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. The Company utilises interest rate swaps in order to exchange the fixed rates of structured notes for floating rates as set out in note 3. The fair values of derivative financial instruments held are set out in the following table:

	2014			2013		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
	€ ths	€ ths	€ ths	€ ths	€ ths	€ ths
Derivatives held for trading						
-Interest rate swaps	144,220	20,941	281	156,820	17,840	720
	144,220	20,941	281	156,820	17,840	720

12. Due to banks

Due to banks represent amounts received as collateral for derivative financial instruments.

As at 31 December 2014, the Company has received deposits by three western European financial institutions amounting to € 20,160 ths (2013: € 16,540 ths).

Notes to the Financial Statements (continued)

13. Liabilities evidenced by paper at amortised cost

			2014		2013	
	Interest rate%	Currency	Face amount € ths	Carrying amount € ths	Face amount € ths	Carrying amount € ths
Floating rate loan notes	3M Euribor plus 0.2	EUR	-	-	275,900	275,821
	12M Euribor plus 1.25	EUR	100,000	101,299	100,000	101,248
Fixed rate loan notes	6.2	RON	-	-	3,802	4,012
	4.25	EUR	500,000	507,843	-	-
			600,000	609,142	379,702	381,081

The loan notes are issued on either a subordinated or unsubordinated basis, are listed on the Luxembourg Stock Exchange and carry interest at relevant currency floating rates plus an additional margin or at fixed rates. Under the 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.

The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2014 and 2013.

During the year, notes of face value of € 275,900 ths, issued by the Company under its EMTN program, matured. In April 2014, the Company extended by one year the maturity of a loan note amounting to € 100,000 ths.

During the year, the Company proceeded with the redemption of loan notes of face value of € 3,771 ths.

In June 2014, the Company proceeded with the issue of a loan note under its EMTN Program, of face value of € 500,000 ths. The note has a four year maturity and pay fixed annual coupon of 4.25%.

14. Liabilities evidenced by paper designated at fair value

	2014 € ths	2013 € ths
Loan notes	184,511	195,131
	184,511	195,131

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

Certain loan notes issued by the Company have been designated upon their initial recognition as at fair value through profit or loss, because they share the same risks with linked deposits and derivatives and those risks are managed and evaluated on a fair value basis. Additionally, their performance is largely determined by reference to market interest rates or baskets of equity shares. As part of the Company's risk management strategy, these notes are managed either by placing funds on deposits with the Parent Company on the same terms and conditions with the loan notes or by entering into interest rate swap transactions (note 3).

Loan notes amounting to € 65,035 ths and € 119,476 ths mature in 2016 and 2017, respectively.

Notes to the Financial Statements (continued)

The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2014 and 2013.

Loan notes designated at fair value had a face value of € 144,220 ths and a cumulative fair value change of € 40,280 ths as at 31 December 2014 (€ 156,820 ths and € 38,297 ths respectively, as at 31 December 2013).

During the year, the Company proceeded with the partial redemption of loan notes of face value of € 12,600 ths.

15. Income tax payable and other liabilities

	2014 € ths	2013 € ths
Corporation tax	30	64
Other liabilities	262	149
	292	213

16. Share capital

	2014 Number	2014 £ ths	2013 Number	2013 £ ths
Authorised ordinary shares of £1 each	50,000	50	50,000	50
Issued, allotted and paid up at 25p per ordinary share of £1 each	50,000	13	50,000	13

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

17. Related party transactions

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. In particular, as at 31 December 2014 Eurobank Ergasias S.A. held directly 99.996% of the Company's ordinary shares and indirectly the remaining 0.004%, through its wholly owned subsidiary Eurobank Private Bank Luxemburg S.A.

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%.

Following the completion of the Parent Company's share capital increase, fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Parent Company's General Assemblies have been switched to restricted ones. Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Parent Company but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Parent Company.

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 the year end are as follows:

Notes to the Financial Statements (continued)

	31 December 2014		31 December 2013	
	Parent Company €' 000	Parent Company's subsidiaries €' 000	Parent Company €' 000	Parent Company's subsidiaries €' 000
Deposits with Banks	791,158	-	573,255	-
Liabilities evidenced by paper at amortised cost	233,429	10,158	101,248	15,369
Liabilities evidenced by paper designated at fair value	552	142,962	199	153,780
Interest and similar income	15,273	-	12,411	-
Interest expense and similar charges	3,586	279	2,111	291

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 2014 and 2013.

18. Segmental reporting

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

19. Other post balance sheet events

During the first quarter of 2015 the Parent Company purchased notes issued by the Company under its EMTN programme of face value of € 52,026 ths. In April 2015, the Company expanded by one year the maturity of a loan note amounting to € 100,000 ths.

20. Dividends

No dividend was paid in 2014 and there is no subsequent decision of the BOD for distribution of dividend (2013: € 1,965 ths, € 39.30 per share).