ERB Hellas Funding Limited

Annual Report

For the year ended 31 December 2014

Company's registration number: 89637

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Declaration of the Directors responsible for financial reporting

Pursuant to Article 3 of Luxembourg's Transparency Law, the undersigned Stephen Langan, Director of ERB Hellas Funding Limited ("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 or loss of the Issuer and that the Report of the Directors includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties to which the Company is exposed.

Stephen Langan
Director

30 April 2015

Directors' Report

The Directors submit their report and the audited financial statements of ERB Hellas Funding Limited ("the Company") for the year ended 31 December 2014.

a. Business review and principal activities

The Company was incorporated on 4 March 2005. It is a public company limited by shares, incorporated and domiciled in Jersey, Channel Islands. The registered number of the Company is 89637 and the registered address is 44 Esplanade, St. Helier, Jersey JE4 9WG, Channel Islands.

The principal activity of the Company is to provide funding to its immediate Parent Company, Eurobank Ergasias S.A. ("the Parent Company" or "the Bank"), a bank incorporated in Greece, by the issue of non-cumulative guaranteed, non-voting preferred securities. The preferred securities issued by the Company have been guaranteed on a subordinated basis by the Parent Company.

The profit for the year amounted to € 90 thousand (ths) (2013: loss € 256 ths). No dividend was paid to shareholders during 2014 (2013: nil).

b. 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 a presence have created a challenging business environment, despite the stabilization 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 the Second Economic Adjustment Programme ("SEAP") 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 2015, 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 SEAP's 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

Directors' 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, is still very high. In February 2015 the general price level (HICP) stood at -1.91%. Yet, the apparent stabilization 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 stabilization 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 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.

The Directors monitor the progress of the Company with 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 and preferred securities outstanding at the reporting date. As at 31 December 2014, the outstanding balance of preferred securities/investment securities decreased to € 358m (2013: € 910m) following the repurchase agreement with the Parent Company (notes 13 and 14). Through the support of the Parent Company and the share capital increase by the Parent Company in March 2014, the Company can continue in business.

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

Directors' Report (continued)

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 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.

c. Principal risks and uncertainties

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

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

The principal risks and uncertainties of the Parent Company for 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).

d. 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.

e. 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:

Peter Gatehouse

Stephen Langan

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

f. Parent Company

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

g. Statement of Directors' responsibilities

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

The Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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.

Directors' Report (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting 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 (Jersey) Law 1991. 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.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

h. Statement of disclosure of information to auditors

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

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

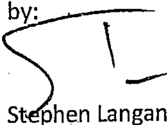
i. Independent Auditors

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

j. Secretary

The secretary of the Company who held office for the year ended 31 December 2014 and up to the date of signature of the report and financial statements was Elian Fiduciary Services (Jersey) Limited (formerly Ogier Fiduciary Services (Jersey) Limited).

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



Stephen Langan

Director

30 April 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERB HELLAS FUNDING LIMITED

Report on the financial statements
We have audited the accompanying financial statements of ERB Hellas Funding Limited ("the Company") which comprise the Balance Sheet as of 31 December 2014, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as endorsed by the European Union and with the requirements of Jersey law. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Emphasis of Matter
Without qualifying our opinion, we draw attention to the disclosures made in note 2.1 of the financial statements, which refer to the material uncertainties associated with the current economic conditions in Greece and the ongoing developments that affect the banking sector and in particular its liquidity. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERB HELLAS FUNDING LIMITED

Report on other legal and regulatory requirements

We read the other information contained in the Declaration of the Directors responsible for financial reporting and the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Declaration of the Directors responsible for financial reporting and the Directors' Report.

In our opinion the information given in the Directors' report is consistent with the financial statements. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

James de Veulle
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
04 May 2015

Statement of Comprehensive Income

		Year ended 31 December	
	Note	2014 €'000	2013 €'000
Interest and similar income	5	**33,010**	46,715
Interest expense and similar charges	6	**(32,946)**	(46,634)
Net interest income		64	81
Net gains/(losses) from financial instruments designated at fair value	7	**0**	0
Impairment losses on held-to-maturity investment securities	12	**-**	(119,126)
Adjustment to carrying value of preferred securities	14	**-**	118,844
Net gains on redemption of investment and preferred securities	14	**77**	-
Operating expenses	8	**(51)**	(55)
Profit/(loss) before income tax		**90**	(256)
Income tax expense	9	**-**	-
Net profit/(loss) for the year		**90**	(256)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**90**	(256)

The notes on pages 14 to 35 form an integral part of these financial statements.

Balance Sheet

	Note	At 31 December 2014 €'000	2013 €'000
Assets			
Deposits with banks	10	**78**	18
Financial assets designated at fair value through profit or loss	11	**9,845**	204,000
Held-to-maturity investment securities	12	**348,025**	705,657
Total assets		**357,948**	909,675
Liabilites			
Preferred securities designated at fair value through profit or loss	13	**9,845**	204,000
Preferred securities at amortised cost	14	**348,093**	705,867
Other liabilities		**49**	37
Total liabilities		**357,987**	909,904
Equity			
Share capital	15	**110**	10
Accumulated losses		**(149)**	(239)
Total equity		**(39)**	(229)
Total equity and liabilities		**357,948**	909,675

The financial statements on pages 10 to 35 were approved and authorized for issue by the Board of Directors on 30 April 2015 and signed on its behalf by:

Stephen Langan

Director

The notes on pages 14 to 35 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital €'000	Accumulated losses €'000	Total €'000
Balance at 1 January 2013	10	17	27
Loss for the year	-	(256)	(256)
Total comprehensive loss for the year ended 31 December 2013	-	(256)	(256)
Balance at 31 December 2013	10	(239)	(229)
Balance at 1 January 2014	**10**	**(239)**	**(229)**
Profit for the year	-	90	90
Total comprehensive income for the year ended 31 December 2014	-	90	90
Share capital increase (note 15)	100	-	100
Balance at 31 December 2014	**110**	**(149)**	**(39)**

The notes on pages 14 to 35 form an integral part of these financial statements.

Cash Flow Statement

		Year ended 31 December	
		2014	2013
	Note	**€'000**	€'000
Cash flows from operating activities			
Interest and similar income received	5	-	30,543
Interest and similar charges paid	6	-	(30,508)
Cash payments to suppliers		**(40)**	(78)
Net cash flows used in operating activities		**(40)**	(43)
Cash flows from financing activities			
Proceeds from share capital increase		**100**	-
Net cash flows from financing activities		**100**	-
Net increase/(decrease) in cash and cash equivalents		**60**	(43)
Cash and cash equivalents at beginning of year		**18**	61
Cash and cash equivalents at end of year	10	**78**	18

The notes on pages 14 to 35 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

ERB Hellas Funding Limited ("the Company") is a Jersey-based public company. The Company is a subsidiary of Eurobank Ergasias S.A. (the "Parent Company" or the "Bank"). The Company is a finance company, whose sole business is raising debt for the Parent Company via preferred securities listed on various European Stock Exchanges including London, Frankfurt, Luxembourg and Euronext Amsterdam, purchased by institutional and private investors. The listed preferred securities outstanding are guaranteed by the Parent Company. ERB Hellas Funding Limited 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 in accordance with the Companies (Jersey) Law 1991.

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 to the Parent 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 Eurogroup, 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. Until such 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 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. In this context, the Greek banking system and the Bank specifically, still

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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.

The initial Agreement reached between Greece and its European partners at the Eurogroup meeting held on 20 February 2015, as well as the letter of the Minister of Finance to the President of Eurogroup, 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 Hellenic Financial Stability Fund ("HFSF") buffer funds continue to be available for the duration of MFFA extension and can only be used for bank recapitalisation needs. In the event that the above funds are utilised and State participates in the recapitalisation of a Greek bank, the new State Aid rules, which were effected from 1 August 2013, will be applicable. Such rules require, inter alia, the prior contribution of hybrid capital holders (incl. preferred securities) and subordinated creditors in reducing the capital shortfall. 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 recapitalization 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.

The Parent is committed to continue to provide sufficient support to the Company to enable it to meet any fees and expenses which it would otherwise not be able to. The ongoing support of the Parent has been

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

evidenced through the additional purchase of ordinary shares of the Company for a consideration of €100,000 in March 2014 to provide the Company with additional working capital.

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.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- 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.

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.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.3 Financial assets

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.3 Financial assets (continued)

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

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

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

b) financial assets share the same risks with financial liabilities 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.

(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.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Accounting treatment and calculation

Purchases and sales of financial assets are recognised on trade-date, which is the date 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 and held - to – maturity investments are carried at amortised cost using the effective interest rate method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 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. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that 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 profit or loss. On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value 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 semester in which a financial instrument's transfer was effected.

2.5 Impairment of financial assets

For financial assets that are not carried at fair value through profit of loss, the Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the 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:

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.5 Impairment of financial assets (continued)

(a) significant financial difficulty of the issuer or 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 reorganization;

(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 a financial asset 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 for loans and receivables or directly for other financial assets and the amount of the loss is recognised in the profit or loss.

If a financial asset 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 or the asset's carrying amount as appropriate. The amount of the reversal is recognised in the profit or loss.

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. Accounting policies (continued)

2.6 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 profit or loss.

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

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

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

In case that the Company revises its estimates of payments on its financial liabilities at amortised cost, it adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash flows. Accordingly, the Company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate and recognises the adjustment in profit or loss.

2.7 Cash and cash equivalents

Cash and cash equivalents include sight accounts.

2.8 Offsetting

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.9 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.

2.10 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.

2.11 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.

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 aggregate carrying amount of deposits with banks, financial assets designated at fair value and held-to-maturity investment securities approximates the maximum exposure to credit risk. Proceeds from the issue of preferred securities are placed on notes issued by the Parent Company. 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

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

effects on the liquidity and solvency of the Greek banking sector.

As from early December 2014, Greek banks have increased their dependence on Eurosystem funding due to the combined effect of deposits withdrawals and reduction of wholesale secured funding. 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.

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

The interest rate risk is managed by placing funds on debt securities issued by the Parent Company at rates which change on the same basis as the interest rates applied on preferred securities. Consequently, shifts in interest rates do not have an impact on the net interest income of the Company.

(c) Capital risk management: The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies (Jersey) Law 1991. The Company has not breached the minimum requirement. Information relating to the latest issue of new ordinary shares is presented in note 15.

The Company is not exposed to currency or liquidity risk because all of its transactions are in euro, and the maturity of its assets and liabilities, as well as, the underlying cash flows are substantially the same.

Fair value of financial assets and liabilities

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

Financial instruments carried at fair value

Financial assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

These financial instruments carried at fair value 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 carried at fair value are categorised into Level 1 of the fair value hierarchy.

- Level 2 – Financial instruments measured based on quoted prices for identical financial instruments in markets that are not active or valuation techniques using inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, credit spreads and implied volatilities obtained from internationally recognised market data providers. The Company's financial instruments carried at fair value are categorized into Level 2 of fair value hierarchy.

- Level 3 - Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). None of the Company's financial instruments carried at fair value are categorised into Level 3 of the fair value hierarchy.

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.

Company's valuation processes

The fair value of financial assets and preferred securities designated at fair value through profit or loss (Series D) is determined by discounting the expected cash flows at a risk adjusted rate. In particular, the yield of the Series C preferred securities not carried at fair value, as retrieved from Bloomberg, is used as proxy and applied to the terms of preferred securities designated at fair-value-through-profit-or-loss. 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 judgement 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.

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.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

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

	2014			
	Level 1 €' 000	**Level 2 €' 000**	**Level 3 €' 000**	**Total**
Financial assets designated at fair value	**-**	**9,845**	**-**	**9,845**
	-	**9,845**	**-**	**9,845**
Preferred securities designated at fair value	**-**	**9,845**	**-**	**9,845**
	-	**9,845**	**-**	**9,845**

	2013			
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Total
Financial assets designated at fair value	-	204,000	-	204,000
	-	204,000	-	204,000
Preferred securities designated at fair value	-	204,000	-	204,000
	-	204,000	-	204,000

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 €' 000	**Level 2 €' 000**	**Level 3 €' 000**	**Fair Value €' 000**	**Carrying amount €' 000**
Held to maturity investment securities		**158,387**		**158,387**	**348,025**
	-	**158,387**	**-**	**158,387**	**348,025**
Preferred securities at amortised cost		**158,387**		**158,387**	**348,093**
	-	**158,387**	**-**	**158,387**	**348,093**

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

	2013				
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Fair Value	Carrying amount
Held to maturity investment securities		287,500		287,500	705,657
	-	287,500	-	287,500	705,657
Preferred securities at amortised cost		287,500		287,500	705,867
	-	287,500	-	287,500	705,867

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value are as follows:

For preferred securities issued by the Company and the respective mirror assets (held to maturity portfolio), the fair values are determined using quotes for identical debt securities in markets that are not active.

4. Critical accounting estimates and judgements in applying accounting policies

In the process of applying the Company's accounting policies, the Company's Directors makes various judgements, estimates and assumptions that affect the reported amounts of assets and liabilities recognised in the financial statements within the next financial year. Estimates and judgements are regularly 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 Impairment losses of held to maturity investment securities

The Company reviews its held to maturity investment securities to assess impairment on an ongoing basis. The Company first assesses whether objective evidence of impairment exists. Management is required to exercise judgement in making assumptions and estimates when calculating the present value of the cash flows expected to be received. In estimating these cash flows, management makes judgements about the financial situation and outlook of the Parent Company.

4.2 Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is 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 judgement 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 financial assets and preferred securities designated at fair value through profit or loss. 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,

Notes to the Financial Statements (continued)

4.2 Fair value of financial instruments (continued)

considered by management when applying a valuation model include:

(a) the likelihood and expected timing of future cash flows;

(b) the selection of the appropriate discount rate, which is based on an assessment of what a market participant would regard as an appropriate spread of the rate over the risk-free rate;

(c) judgement to determine what model to use in order to calculate fair value.

To the extent practicable, models use only observable data, however areas such as credit risk (both the Parent Company's and counterparty), volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Valuation techniques used to calculate fair values are further discussed in note 3.

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

5. Interest and similar income

	2014	2013
	€' 000	€' 000
Interest on financial assets designated at fair value through profit or loss	**0**	**11,433**
Interest on held-to-maturity investment securities	**33,010**	**35,282**
	33,010	**46,715**

Interest on held-to-maturity investment securities for the year ended 31 December 2014 consists of : a) the NPV unwinding of the impairment loss of € 119,126 ths recognized in 2013 based on the bonds' present value of revised estimated future cash flows (note 12) and b) the amortisation of discount.

Information in relation with the non payment of bonds' coupon during 2014 is provided in note 11 and note 12.

6. Interest expense and similar charges

	2014	2013
	€' 000	€' 000
Interest on preferred securities designated at fair value through profit or loss	**-**	**(11,433)**
Interest on preferred securities at amortised cost	**(32,946)**	**(35,201)**
	(32,946)	**(46,634)**

Interest on preferred securities at amortized cost for the year ended 31 December 2014 consists of: a) the unwinding of the NPV adjustment amounting to € 118,844 ths gain in 2013 (note 14) which has been calculated based on the revised estimates of dividend payments of the preferred securities and b) the amortisation of discount.

Information in relation with the non payment of preferred securities dividend during 2014 is provided in note 13 and note 14.

Notes to the Financial Statements (continued)

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

	2014 €' 000	2013 €' 000
Changes in fair value of financial liabilities designated at fair value	(157,805)	(3,160)
Changes in fair value of financial assets designated at fair value	157,805	3,160
	0	0

For 2014, change in fair value includes mark-to-market reversal for preferred securities/investment securities following the repurchase agreement with the Parent Company (note 13).

8. Operating expenses

	2014 €' 000	2013 €' 000
Fees payable to the Company's auditor for the statutory audit of the Company's annual financial statements	(22)	(28)
Secretarial and administration services	(30)	(27)
	(51)	(55)

9. Income tax expense

The Company is liable to pay Jersey income tax at 0% (2013: 0%).

10. Deposits with banks

	2014 €' 000	2013 €' 000
Deposits with the Parent Company	78	18
	78	18

The sight accounts with the Parent Company have been considered as cash and cash equivalents for the purposes of the cash flow statement.

11. Financial assets designated at fair value through profit or loss

				2014		2013	
Series	First call date	Maturity date	Interest rate	Face Value €' 000	Fair Value €' 000	Face Value €' 000	Fair Value €' 000
Series D	October 2014	29 July 2100	Fixed rate at 8.25% per annum, payable on a quarterly basis	21,000	9,845	300,000	153,000
Series E	February 2015	28 November 2100	Fixed rate at 8.25% per annum, payable on a quarterly basis	-	-	100,000	51,000
				21,000	9,845	400,000	204,000

The financial assets represent convertible bonds issued by the Parent Company. The bonds may be redeemed prior to final maturity, at the option of the issuer, on the dates presented above and quarterly thereafter. In addition the bonds, subject to certain conditions, are convertible, at the option of the holder or the issuer, into ordinary shares of the Parent Company, on the dates presented above.

Notes to the Financial Statements (continued)

11. Financial assets designated at fair value through profit or loss (continued)

As part of the Company's risk management strategy (note 3), these convertible bonds have been designated upon their initial recognition as at fair value through profit or loss, because they share the same risks with linked preferred securities issued by the Company and these risks are managed and evaluated on a fair value basis.

In 2014, the Parent Company considering that (a) there were not sufficient distributable reserves to meet the payment of dividends in respect of preferred securities and (b) being a recipient of state aid, according to EU and Greek law, is not permitted to make discretionary cash payments to any third party, including the Company, decided the non payment of bonds' coupons of Series D and E. In particular, the coupons of Series D payable in January 2014, April 2014, July 2014, October 2014, January 2015 and Series E payable in August 2014, November 2014, were not paid, while the Company agreed to amend the terms of the bonds so as to waive its right, on an one off basis, to receive them on the respective scheduled payment dates. As a result, the Company has not recognised any interest income for Series D and Series E of bonds issued by the Parent Company for the year ended 31 December 2014.

In December 2014 the Parent Company proceeded with the cancellation of series D and E of face value of € 279 million and € 100 million respectively.

12. Held-to-maturity investment securities

				2014		2013	
Series	First call date	Maturity date	Interest rate	Face Value €' 000	Carrying amount €' 000	Face value €' 000	Carrying amount €' 000
Series A	March 2013	18 March 2035	Fixed rate at 10 year euro swap rate plus 0.135% per annum, payable on an annual basis	73,198	69,516	200,000	186,338
Series B	November 2015	2 November 2035	Fixed rate 4.58% per annum, payable on an annual basis	151,351	140,576	400,000	354,877
Series C	July 2012	9 January 2036	Fixed rate 6.01% per annum, payable on a quarterly basis	157,416	137,933	200,000	164,442
				381,965	348,025	800,000	705,657

In May 2012, the Company replaced held-to-maturity investment securities issued by a Parent Company's subsidiary, ERB Hellas PLC, guaranteed by the Parent Company, with securities issued directly by the Parent Company. The purchased securities bear the same terms as the replaced notes issued by ERB Hellas PLC. The securities may be redeemed prior to final maturity, at the option of the issuer, on the dates presented above and annually or quarterly (subject to the terms of each issue) thereafter. The investments are classified as held-to-maturity as the Company's management has the positive intention and ability to hold to maturity.

In October 2013 and in 2014, the Parent Company considering that (a) there were not sufficient distributable reserves to meet the payment of dividends in respect of preferred securities and (b) being a recipient of state aid, according to EU and Greek law, is not permitted to make discretionary cash payments to any third party, including the Company, decided the non payment of bonds' coupons of Series A, B, and C. In particular in 2014, the coupons of Series A payable in March 2014 and March 2015, Series B payable in November 2014 and Series C payable in January 2014, April 2014, July 2014, October 2014 and January

Notes to the Financial Statements (continued)

12. Held-to-maturity investment securities (continued)

2015 were not paid, while the Company agreed to amend the terms of the bonds so as to waive its right to receive them, on an one off basis, on the respective scheduled payment dates.

The Company considered that the above event provided evidence of a concession granted to the borrower (the Parent Company) that would not otherwise be considered, and as a result an impairment loss of € 119,126 ths was recognized in 2013, based on the bonds' present value of revised estimated future cash flows.

In December 2014 the Parent Company proceeded with the cancellation of series A, B and C of face value of € 127 million, € 249 million and € 43 million respectively.

13. Preferred securities designated at fair value through profit or loss

		2014		2013	
Series	**First call date**	**Face Value €' 000**	**Fair Value €' 000**	Face Value €' 000	Fair Value €' 000
Series D	October 2014	**21,000**	**9,845**	300,000	153,000
Series E	February 2015	-	-	100,000	51,000
		21,000	**9,845**	400,000	204,000

On 29 July 2009, the Company issued € 300 million of preferred securities. The preferred securities have no fixed redemption date and give the issuer the right to call the issue on the dates presented above and quarterly thereafter. In addition the securities, subject to certain conditions, are convertible at the option of the holder and the issuer after October 2014 into the Parent Company's ordinary shares at the lower of an exchange ratio based on) a 12% discount to the share market price during the period preceding the exchange or b) the nominal value of the Parent Company's ordinary share. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Parent Company. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 8.25% per annum. Preferred dividends on the preferred securities are declared by the Directors of the Company and paid by the Company subject to the provisions relating to compulsory payments as set out in "Description of the Preferred Securities" and to certain limitations as set out in "Limitations on Payments" in the Prospectus of each issue, available at the Parent Company's website (www.eurobank.gr). The preferred securities are listed on the London Stock Exchange.

On 30 November 2009, the Company issued, a further € 100 million of preferred securities. The terms and conditions of the issue were similar to the preferred securities issued on 29 July 2009 and the conversion option would be applied from February 2015. The preferred securities were listed on the London Stock Exchange.

In 2014, the Directors of the Company considering the "Limitations of Payments" as set out in the Prospectus of each issue and the Parent Company's decision for the non payment of bonds coupons (note 11), decided a non payment of Series D preferred dividends that otherwise would have been paid in January 2014, April 2014, July 2014, October 2014 and January 2015, as well as Series E preferred dividends that otherwise would have been paid in August 2014 and November 2014. As a result, the Company has not recognised any interest expense for Series D and Series E of the preferred securities for the year ended 31 December 2014.

Notes to the Financial Statements (continued)

13. Preferred securities designated at fair value through profit or loss (continued)

On 30 December 2014 the Company proceeded with the repurchase of face value of € 279m Series D and € 100m Series E, preferred securities from the Parent Company, which was effected through the repurchase of subordinated instruments issued by the Parent Company of face value of € 279m (in respect of the series D securities) and € 100m (in respect of the series E securities). Upon the completion of the preferred securities' transfer, the Company cancelled them.

As at 31 December 2014, the fair value change was € 11,155 ths gain (2013: € € 196,000 ths gain), which takes into account the credit risk of the Parent Company. The changes in the fair value of preferred securities are offset in the income statement against the changes in the fair value of financial assets designated at fair value.

14. Preferred securities at amortised cost

			2014		2013	
Series	First call date	Interest rate	Face value €' 000	Carrying amount €' 000	Face value €' 000	Carrying amount €' 000
Series A	March 2010	Fixed rate at 10 year euro swap rate plus 0,125% per annum, payable on an annual basis	73,198	69,531	200,000	186,397
Series B	November 2015	Fixed rate 4.57% per annum, payable on an annual basis	151,351	140,603	400,000	354,979
Series C	January 2011	Fixed rate 6.00% per annum, payable on a quarterly basis	157,416	137,959	200,000	164,491
			381,965	348,093	800,000	705,867

The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par, if certain conditions mentioned in the Offering Circular are met, on the dates presented above and annually or quarterly thereafter (subject to the terms of each issue). All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Parent Company. The preferred securities pay non cumulative dividends which are declared by the Directors of the Company and paid by the Company subject to the provisions relating to compulsory payments as set out in "Description of the Preferred Securities", and to certain limitations as set out in "Limitations on Payments" in the Prospectus of each issue, available at the Parent Company's website (www.eurobank.gr). The preferred securities are listed on various European Stock Exchanges, including London, Frankfurt, Luxembourg and Euronext Amsterdam.

In 2013 and 2014, the Directors of the Company considering the "Limitations of Payments" as set out in the Prospectus of each issue and the Parent Company's decision for the non payment of bonds coupons (note 12), decided the non payment of dividends. More specifically, in 2014, decided a non payment of the Series A preferred dividend that otherwise would have been paid in March 2015, the Series B preferred dividend that otherwise would have been paid in November 2014 and the Series C preferred dividends that otherwise would have been paid in January 2014, April 2014, July 2014, October 2014 and January 2015.

Additionally, based on the above events the Company revised their estimates of dividend payments on the preferred securities, and as a result an adjustment of € 118,844 ths was recognized in 2013, based on the preferred securities' present value of estimated future cash outflows.

Notes to the Financial Statements (continued)

14. Preferred securities at amortised cost (continued)

On 30 December 2014 the Company proceeded with the repurchase of face value of € 127m Series A, € 249m Series B, and € 43m Series C preferred securities from the Parent Company, which was effected through the repurchase of subordinated instruments issued by the Parent Company of € 127m (in respect of the series A securities), € 249m (in respect of the series B securities) and € 43m (in respect of the series C securities) and held by the Company. Upon the completion of the preferred securities' transfer, the Company cancelled them.

As a result of this transaction, the Company recognised net gains of € 77 ths (€ 27,393ths gains from the repurchase of investment securities by the Parent Company and € 27,316 ths loss from the repurchase of preferred securities).

15. Share capital

	31 December 2014		31 December 2013	
	Number	**€'000**	Number	€'000
Authorised ordinary shares of € 1 each	**1,000,000**	**1,000**	1,000,000	1,000
Issued ordinary shares of € 1 each	**110,000**	**110**	10,000	10
Allotted and fully paid ordinary shares of € 1 each	**110,000**	**110**	10,000	10

In March 2014, the Company proceeded to the issue of € 100 ths new ordinary shares of € 1 each fully paid.

16. 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 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 of the 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 increased to 95.23%.

Following the completion of the Parent Company's share capital increase in May 2014, 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)

16. Related party transactions (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	78	-	18	-
Financial assets designated at fair value through profit or loss	9,845	-	204,000	-
Held-to-maturity investment securities	348,025	-	705,657	-
Preferred securities designated at fair value through profit or loss	-	-	193,290	-
Preferred securities at amortised cost	-	297,634	373,864	284,491
Interest and similar income	33,010	-	46,715	-
Interest expense and similar charges	14,575	12,894	27,597	14,684
Net gains on redemption of investment and preferred securities	77	-	-	-

Emoluments of the Directors

Peter Gatehouse and Stephen Langan are Directors of certain subsidiaries of Elian Fiduciary Services (Jersey) Limited (formerly Ogier Fiduciary Services (Jersey) Limited), including Elian SPV Services Limited (formerly Ogier SPV Services Limited) which provides administrative services to the Company.

17. Segmental reporting

The Company operates in one business segment i.e. providing funding to its immediate parent company, Eurobank Ergasias S.A. through the issue of preferred securities listed on various European Stock Exchanges.