ERB Hellas PLC

Annual Report

For the year ended 31 December 2016

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 Anastasios Ioannidis, 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 adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer and that the Strategic and the Directors' Report include a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that the Company is exposed to.

Anastasios Ioannidis

Director

28 April 2017

Strategic Report

The directors present their Strategic Report of the Company for the year ended 31 December 2016.

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 April 2016. The Company has also established a programme for the issuance of commercial paper (ECP) that was last updated in April 2015 and will be updated again in May 2017. The Prospectus of EMTN and ECP programmes 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 used by the Company to meet part of the general financing requirements of the Parent Company and its subsidiaries.

The net loss for the year amounted to € 21 ths (2015 profit: € 459 ths). No dividend was paid in 2016 and there is no subsequent decision of the Board of Directors (BOD) for distribution of dividend (2015: nil).

ii) Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of its Parent Company. In 2016, the macroeconomic environment in Greece remained challenging for the Greek banking system. Despite the signs of stabilization in the domestic economy, the delays in the implementation of the reforms agenda and the tight liquidity conditions hindered the economic expansion and business activity. In this demanding context, the Parent Company's group managed to return to profitability and to improve its capital and liquidity position.

In June 2016, Greece, after the completion of a number of key prior actions, successfully concluded the first review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of € 10.3 bn from the second instalment of the European Stability Mechanism (ESM) loan in two sub-tranches. Accordingly, the European Central Bank (ECB), acknowledging the commitment of the Greek government to implementing the macroeconomic adjustment program, decided to reinstate the waiver for the instruments issued by the Hellenic Republic and the improvement of the advance rates for providing Eurosystem financing with Pillar II guarantees as collateral. Furthermore, the conclusion of the first review led to a positive ESM decision regarding the implementation of the short-term debt relief measures from 20 January 2017 onwards. The latter measures aim to reduce the interest rate risk for Greece, and to ease the country's repayment burden.

On the fiscal front, according to the 2017 Budget, the forecast for 2016 was for a primary surplus of 1.1% of GDP, according to the Adjustment Programme methodology. The respective target in the TEAP was for a surplus of 0.5%. According to the most recent ELSTAT / Eurostat data on fiscal balance and debt, the 2016 primary surplus was at 3.9% of GDP (European System of National and Regional Accounts-ESA2010). According to the Greek Government and the European Commission, the 2016 primary surplus in programme terms was at 4.2% of GDP outperforming both the TEAP and the budget target. Under the TEAP, the primary balance for 2017 and 2018 is expected at 1.75% and 3.5% of GDP respectively. The achievement of sustainable primary surpluses for the period ahead constitutes a necessary condition for the implementation of the medium and long term measures enhancing the sustainability of public debt, as decided on the Eurogroup of 24 May 2016.

The current account, according to the IMF was at -0.6% of GDP in 2016 from 0.1% of GDP in 2015. It continued on an improving pattern compared to its 2008 respective performance (deficit of 15.3% of GDP) due to tourism revenues, the decline of imports and the positive effect of the PSI (2012) debt relief measures on the income account. The current account is expected at -0.3%, 0.0%, 0.0% and 0.1% of GDP for

Strategic Report (Continued)

2017, 2018, 2019 and 2020 respectively.

Based on Hellenic Statistical Authority (ELSTAT) data, the unemployment rate in January 2017 was 23.5% (January 2016: 24.3%) and had decreased by approximately 4.5 percentage points (ppts) since the peak of July 2013 (27.9%), pointing towards a slow path of decline, conditional on no unforeseen negative developments in the upcoming period.

The ongoing deleveraging in the Greek economy can be considered as a major drag for recovery. According to the latest available data from the Bank of Greece (BoG), i.e. in February 2017, the private sector domestic credit balance stood at €193.6bn, lower by -4.5% compared to February 2016. Part of this decline was due to the reclassification of the Consignment Deposits and Loan Fund and the Hellenic Deposit and Investment Guarantee Fund from the private sector to the general government sector in December 2016. Finally, on the other side of the ledger, private sector domestic deposits amounted to €119.1 bn in February 2017 from €121.7 bn in February 2016, a decrease of -2.1%, part of which was due to the above reclassification. The recovery of deposits is closely related with the timely and successful conclusion of the upcoming reviews of the TEAP and the return of the country to a sustainable growth path.

Risks continue to surround the near-term domestic economic outlook. The unemployment rate remains very high and follows a slowly decreasing path. At the same time, the country was in a deflationary territory for 39 out of the last 49 consecutive months. According to the most recent data, the general price level (the harmonized index of consumer prices "HICP") recorded an increase of ca 1.7% in March 2017 from -0.7% in March 2016. In 2015, the increased uncertainty over the conclusion of the last review of the Second Economic Adjustment Programme (SEAP), the expiration of the programme at the end of June 2015 without tangible positive results, the imposition of capital controls, and the need for a new bank recapitalization process led to a return to recession in 2015, i.e. a -0.2% decline of real GDP. The recession continued in the first half of 2016. According to the ELSTAT announcement on 06 March 2017, real GDP shrank in the first and second quarter of 2016 by -0.7% and -0.4% year - on - year respectively. In the third quarter of 2016, real GDP turned positive at 2.0% year - on – year. However, real GDP growth returned to negative territory at -1.1% year - on - year in the fourth quarter of 2016. On an annual basis GDP for 2016 was at 0.0%, lower relative to the respective 2017 Winter EC forecast. According with the latter, real GDP growth for 2016, 2017 and 2018 is expected at 0.3%, 2.7% and 3.1% respectively conditional on the prompt TEAP implementation, the timely successful conclusion of the 2nd and subsequent reviews of the programme, ownership of reforms and a benign external environment.

Regarding the outlook for the next 12 months, the main risks and uncertainties stem from the current macroeconomic environment in Greece and the further delays in the conclusion of the second review of the TEAP. In particular, main risks include: a) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, which would lead to the disbursement of the third instalment of the ESM loan of €6.1bn, b) the impact on the level of economic activity from the uncertainty associated with the timing of the conclusion of the 2nd review of the TEAP, c) the impact on the level of economic activity from additional fiscal measures agreed under the first review of the TEAP , d) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity and e) an acceleration of deposit outflows observed in the first two months of 2017 and/or delays in the effective management of non-performing loans (NPLs) as a result of the continuing macroeconomic uncertainty. Materialization of those risks would have potentially adverse effects on the liquidity and solvency of the Greek banking sector. Continuation of the weak economic activity could affect the prospects of the Greek banking system leading to the deterioration of asset quality, prolongation of increased dependence on Eurosystem funding, particularly on the expensive Emergency Liquidity Assistance

Strategic Report (Continued)

(ELA) mechanism, and further pressures on the revenue side from increased funding cost and lower fees and commission income.

Following the June 2016 referendum on United Kingdom's EU membership, the British Prime Minister on 29 March 2017, activated the Article 50 of the Lisbon Treaty, setting in motion the process for the country's withdrawal from the European Union (EU). This development, which requires several negotiation phases, is not expected to have impact on the Company's operations.

The directors are of the opinion that the successful and timely completion of the 2nd review of the TEAP, would help reinstating depositors' confidence and thus accelerate the return of deposits, it would facilitate the faster relaxation of capital controls and would allow for the participation in ECB's Quantitative Easing (QE). Moreover, the reduction of the short term uncertainty along with the decisive implementation of the reforms agreed in the context of the ESM program, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic environment, which are necessary conditions for the achievement of a strong growth target for 2017.

The assessment by the directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company. On the basis of the analysis of the Parent Company's and the Company's capital solvency and liquidity, the uncertainties relating to the macroeconomic environment in Greece and having considered the mitigating factors set out in note 2 of the Financial Statements, the directors have been satisfied that the Company has the ability to continue as a going concern into the foreseeable future and that it is appropriate to prepare the financial statements of the Company on a going concern basis.

iii) Principal risks and uncertainties

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

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

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

The principal risks and uncertainties of the Parent Company for 2016, which include those of the Company, are discussed in the Directors' Report and the notes to the consolidated financial statements included in the 2016 Annual Financial Report of Eurobank Ergasias S.A, which was signed on 28 March 2017 (available at website: www.eurobank.gr).

On behalf of the Board

Anastasios Ioannidis

Director

Company's registration number: 3798157

28 April 2017

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2016.

i) General Information

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

ii) Creditor payment policy

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

iii) Future Developments

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

iv) Financial Risk Management

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

v) Dividends

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

vi) Directors

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

Anastasios Ioannidis

Dimosthenis Archontidis

Nikolaos Laios

Dimitra Spyrou

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

vii) Corporate governance

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

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

Due to the nature of the securities that have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority (previously the Financial Services Authority) pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1, audit committees and 7.2, corporate governance statements (save for DTR 7.2.5 a requiring description of the features of the internal

Directors' Report (continued)

vii) Corporate governance (continued)

control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the Directors' Report.

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

viii) Parent Company

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

ix) Directors' responsibilities statement

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Directors' Report (continued)

x) Independent Auditors

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

The Directors' Report was approved by the Board of Directors on 28 April 2017 and was signed on its behalf by:

Anastasios Ioannidis

Director

28 April 2017

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 2016 and of its loss 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 ongoing 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 detailed 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

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- 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 IFRSs as adopted by the European Union, and applicable law.

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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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.

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 Statement set out on page 8, 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jessica Miller

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

28 April 2017

Statement of Comprehensive Income

		Year ended 31 December	
		2016	2015
	Note	**€ ths**	€ ths
Interest and similar income	5	**3,122**	20,372
Interest expense and similar charges	6	**(3,080)**	(19,802)
Net interest income		**42**	570
Net gains/(losses) from financial instruments	7	**15**	(1)
Foreign exchange losses		**(3)**	(0)
Operating (expenses)/income	8	**(78)**	5
(Loss)/profit before income tax		**(24)**	574
Income tax	9	**3**	(115)
Net (loss)/profit for the year attributable to the owners of the Parent Company		**(21)**	459
Other comprehensive income		**-**	-
Total comprehensive (expense)/income for the year attributable to the owners of the Parent Company		**(21)**	459

The notes on pages 17 to 41 form an integral part of these financial statements.

Balance Sheet

		At 31 December	
	Note	**2016 € ths**	2015 € ths
Assets			
Deposits with banks	10	**58,491**	212,136
Derivative financial instruments	11	-	1
Total assets		**58,491**	212,137
Liabilities			
Liabilities evidenced by paper at amortised cost	12	**55,195**	169,662
Liabilities evidenced by paper designated at fair value	13	**1,967**	40,993
Derivative financial instruments	11	**41**	67
Income tax payable and other liabilities	14	**87**	193
Total liabilities		**57,290**	210,915
Equity			
Share capital	15	**19**	19
Retained earnings		**1,182**	1,203
Total equity		**1,201**	1,222
Total equity and liabilities		**58,491**	212,137

The financial statements on pages 13 to 41 were approved by the Board of Directors on 28 April 2017 and were signed on its behalf by:

Anastasios Ioannidis

Director

The notes on pages 17 to 41 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital € ths	Retained earnings € ths	Total Equity € ths
Balance at 1 January 2015	**19**	**744**	**763**
Profit for the year	-	459	459
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year ended 31 December 2015	-	459	459
Dividends paid	-	-	-
Balance at 31 December 2015	**19**	**1,203**	**1,222**
Balance at 1 January 2016	**19**	**1,203**	**1,222**
Loss for the year	-	(21)	(21)
Other comprehensive income for the year	-	-	-
Total comprehensive expense for the year ended 31 December 2016	-	(21)	(21)
Dividends paid	-	-	-
Balance at 31 December 2016	**19**	**1,182**	**1,201**

The notes on pages 17 to 41 form an integral part of these financial statements.

Cash Flow Statement

		Year ended 31 December	
		2016	2015
	Note	€ ths	€ ths
Cash flows from operating activities			
Interest and similar income received [1]		3,490	49,741
Interest and similar charges paid		(3,339)	(47,313)
Cash payments to suppliers		(105)	(125)
Income taxes paid		(61)	(88)
Outflow from due to banks		-	(20,160)
Proceeds from other liabilities		-	5
Proceeds from deposits with banks		153,183	535,982
Net cash generated from operating activities		153,168	518,042
Cash flows from financing activities			
Proceeds from issue of loan notes		3,999	93,857
Repayments of loan notes [1]		(157,258)	(628,620)
Net cash used in financing activities		(153,259)	(534,763)
Net decrease in cash and cash equivalents		(91)	(16,721)
Cash and cash equivalents at beginning of year		1,330	18,051
Cash and cash equivalents at end of year	10	1,239	1,330

Notes:

1. *Loan notes repayments are presented net of the linked derivatives' liquidation fees.*

The notes on pages 17 to 41 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 adopted by the European Union (EU) and in particular with those IFRSs and IFRIC interpretations issued and effective as at the time of preparing these statements, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern considerations

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

<u>Macroeconomic environment</u>

In June 2016, Greece, after the completion of a number of key prior actions, successfully concluded the first review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of € 10.3 bn from the second instalment of the European Stability Mechanism (ESM) loan in two sub-tranches. The first sub-tranche of € 7.5 bn was disbursed in late June 2016. The second sub-tranche of € 2.8 bn was disbursed in late October 2016 after a series of prerequisites was implemented. Both sub-tranches allowed the country to cover its debt servicing needs and clear a part of the state's arrears to the private sector. Accordingly, the European Central Bank (ECB), acknowledging the commitment of the Greek government to implementing the macroeconomic adjustment program, decided to reinstate the waiver for the instruments issued by the Hellenic Republic and the improvement of the advance rates for providing Eurosystem financing with Pillar II guarantees as collateral. Furthermore, the conclusion of the first review led to a positive ESM decision regarding the implementation of the short-term debt relief measures from 20 January 2017 onwards. The latter measures aim to reduce the interest rate risk for Greece, and to ease the country's repayment burden.

The next key milestone for Greece is the timely and successful completion of the second review of the TEAP, currently in progress, which would help reinstating depositors' confidence and thus accelerate the return of deposits, it would facilitate the faster relaxation of capital controls and would allow for the participation in ECB's Quantitative Easing (QE) program, conditional on the decisions of the Institutions regarding the plan for the implementation of the medium-term debt relief measures. Moreover, the reduction of the short term uncertainty along with, the decisive implementation of the reforms agreed in the context of the ESM program and the mobilization of European Union (EU) funding to support domestic investment and job creation, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a sustainable growth path.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

The main risks and uncertainties stem from the current macroeconomic environment in Greece and the further delays in the conclusion of the second review of the TEAP. In particular risks include (a) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, which in turn would lead to the delayed disbursement of the third instalment of the ESM loan of € 6.1 bn, (b) the impact on the level of economic activity from the uncertainty associated with the timing of the conclusion of the second review of the TEAP, (c) the impact on the level of economic activity from additional fiscal measures agreed under the first review of the TEAP, (d) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (e) the possible acceleration of the deposits outflows observed in the first two months of 2017, and/or possible delays in the effective management of non-performing loans as a result of the continuing macroeconomic uncertainty, (f) a possible deterioration of the refugee crisis and its impact on the domestic economy and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

Liquidity risk

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the current ESM program permitted ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and decrease the haircuts applied for Pillar II guarantees. These developments have enabled Greek banks to reduce their dependence on the expensive Emergency Liquidity Assistance (ELA) mechanism and increase their liquidity buffers. The stabilization of the macroeconomic environment and a recovery of the domestic economic sentiment would further facilitate the deposits inflows in the banking system and the re-access to the markets for liquidity.

During 2016, the Parent Company has managed to reduce its dependence on Eurosystem funding amounting to € 13.9 bn at the end of December 2016 (2015: € 25.3 bn), mainly through the increase in repo transactions in the interbank market, the selective assets deleveraging, the deposit inflows and the utilization of a part of foreign subsidiaries' surplus liquidity. As at 28 February 2017, the Eurosystem funding stood at € 14.1 bn. In the same context, following the positive developments mentioned above, the Parent Company also managed to significantly reduce its participation in the second stream of the Hellenic Republic's liquidity support plan (bonds guaranteed by the Greek Government) from a face value of € 13 bn on 31 December 2015 to a face value of € 2.5 bn on 31 December 2016.

Solvency risk

Notwithstanding the direct and indirect exposure of the banking system to sovereign risk, the successful completion of the Parent Company's and other Greek systemic banks' recapitalization process in 2015 constituted a key milestone for rebuilding trust in the banking system and in the economy in general.

The Parent Company's group, following the successful completion of its recapitalization in November 2015, exclusively from private sources, is focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. One of the key areas of focus is the active management of non-performing exposures at an accelerated pace, with the aim to substantially reduce their stock in accordance with the Parent Company's operational targets and taking advantage of the Parent Company's group internal infrastructure, the

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

external partnerships and the important legislative changes that have taken or are expected to take place. The Parent Company's group Common Equity Tier 1 (CET1) ratio stood at 17.6% at 31 December 2016 and the net profit attributable to shareholders amounted to € 230 million for the year ended 31 December 2016.

Going concern assessment

The Directors acknowledge that the existing uncertainties associated with the completion of the second review of the Greece's current economic adjustment program could adversely affect the going concern assumption for the Company. However, taking into consideration the above factors relating to the adequacy of the Parent Company's group capital position and its anticipated continued access to Eurosystem funding over the foreseeable future, they have been satisfied that the financial statements of the Company can be prepared on a going concern basis.

The policies set out below have been consistently applied to the years 2016 and 2015, except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

The following amendments to existing standards as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), which are relevant to the Company, apply from 1 January 2016:

IAS 1, Amendment-Disclosure initiative

The amendment clarifies that an entity need not provide in the financial statements, including the notes, a specific disclosure required by an IFRS if the information resulting from that disclosure is not material and also clarifies that additional disclosures may be necessary if the information required by IFRSs is not sufficient for an understanding of the impact of particular transactions and events on the entity's financial position and performance.

The line items listed in IAS 1 for the balance sheet and the statement of profit or loss should be disaggregated if this is relevant to an understanding of the entity's financial position and additional guidance on the use of subtotals is provided. In the statement of comprehensive income the share of the other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss and when determining a systematic approach to presenting notes, the entity should consider the understandability and comparability of its financial statements.

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

Annual Improvements to IFRSs 2010-2012 Cycle

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 refer, among others, to the following:

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- IFRS 13 'Fair Value Measurement': It is clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial; and
- IAS 24 'Related Party Disclosures': It is clarified that an entity that provides key management personnel services to the reporting entity or to its parent (the management entity) is a related party to the reporting entity and the amounts charged to it for services provided should be disclosed.

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

Annual Improvements to IFRSs 2012-2014 Cycle

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 refer, among others, to the following:

- IFRS 7 'Financial instruments': Specific guidance is added to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It is also clarified 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 'Interim financial reporting'; and
- IAS 34 'Interim financial reporting': It is clarified that the reference in the standard to 'information disclosed elsewhere in the interim financial report' means some other statement (such as management commentary or risk report) that is available to users of the financial statements at the same time as the interim financial statements, requiring a cross-reference from the interim financial statements to the location of that information.

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

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

A number of new standards, amendments to existing standards and interpretations are effective after 2016, as they have not yet been endorsed by the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IAS 7, Amendment – Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU)

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The adoption of the amendment is not expected to impact the Company's financial statements.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017, not yet endorsed by EU)

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

IFRS 9, Financial Instruments (effective 1 January 2018)

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

Classification and measurement

IFRS 9 applies a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

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

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

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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

Business model assessment

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

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

SPPI assessment

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

Impairment of financial assets

IFRS 9 introduces an expected credit loss (ECL) model that replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognized and will apply to a broader population of financial instruments compared to IAS 39.

The new impairment model will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. No impairment loss will be recognized on equity investments.

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month ECL will be recognized for financial assets for which there is no significant increase in credit risk since initial recognition. 12-month ECL are the portion of ECL that result from default events that are possible within the next 12 months after the reporting date. For financial assets that have experienced a significant increase in credit risk since initial recognition where no specific loss event has been identified, a loss allowance equal to lifetime expected credit losses will be recognized. The loss allowance for purchased or originated credit impaired financial assets will always be measured at an amount equal to lifetime ECL. Financial assets where 12-month ECL are recognized are considered to be in 'stage-1'; financial assets which have experienced a significant increase in credit risk are in 'stage-2' and financial assets that are credit impaired are in 'stage-3'.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions should be considered. The new impairment model is expected to result in an increase in the total level of impairment allowances since all financial assets will be assessed for at least 12-month ECL.

Hedge accounting

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

Transition

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

The IFRS 9 implementation program that is monitored centrally by the Parent Company has currently progressed to the built phase focusing on the key processes, methodologies and accounting policies for all IFRS 9 areas.

IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective 1 January 2018, not yet endorsed by EU)

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

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

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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.

2.2 Interest income and expense

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

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 profit or loss.

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

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

2.4 Financial assets

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

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

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

(ii) Loans and receivables

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 Financial assets (continued)

Accounting treatment and calculation

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise.

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

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

2.5 Fair value measurement of financial instruments

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

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

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.5 Fair value measurement of financial instruments (continued)

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

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

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

2.6 Impairment of financial assets

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

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

(a) significant financial difficulty of borrower;

(b) a default or breach of contract;

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

-operating losses;

-working capital deficiencies;

-the borrower having a negative equity;

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

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

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.6 Impairment of financial assets (continued)

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

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

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

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

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

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

2.7 Financial liabilities

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.7 Financial liabilities (continued)

cash flows of the original financial liability.

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

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

2.8 Cash and cash equivalents

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

2.9 Derivative financial instruments

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

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

2.10 Offsetting

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

2.11 Related party transactions

Related parties of the Company include:

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

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

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

Transactions of similar nature are disclosed on an aggregate basis. All transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

2.12 Provisions

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.12 Provisions (continued)

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

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

2.13 Income tax

Income tax consists of current and deferred tax.

(i) Current income tax

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

(ii) Deferred income tax

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

2.14 Share capital

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

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

2.15 Consolidation

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

3. Principal risks and uncertainties

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

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

(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 programmes are placed on deposits with the Parent Company. The aggregate carrying amount of these deposits and derivative financial instruments with positive fair values approximates the maximum credit risk exposure of the Company. The derivative transactions are entered into with western European financial institutions, the credit quality of which is continuously monitored and assessed by the directors. In addition, the Company uses collateral in the form of cash, to mitigate its maximum exposure to credit risk. Financial assets are neither past due nor impaired.

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

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

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

- 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 programmes are placed on deposits with the Parent Company, on the same terms and in the same currency. Any difference for interest rate risk is covered by swaps entered into with western European financial institutions.

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

	2016				
	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:					
- Liabilities evidenced by paper	-	-	4,053	56,494	60,547
- Other liabilities	1	-	89	-	90
	1	-	4,142	56,494	60,637

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

	2015				
	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:					
- Liabilities evidenced by paper	65,506	-	71,740	82,144	219,390
- Other liabilities	31	-	162	-	193
	65,537	-	71,902	82,144	219,583

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

Offsetting of financial assets and financial liabilities

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

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

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

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 2016 and 2015, 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.

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

	2016					
				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	-	-	-	-	-	-
	-	-	-	-	-	-

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

	2015					
				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	0	-	0	(0)	-	-
	0	-	0	(0)	-	-

	2015					
				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	66	-	66	(0)	(0)	66
	66	-	66	(0)	(0)	66

Fair value of financial assets and liabilities

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

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

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

- Level 1 - Financial instruments are measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Company can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. Level 1 financial instruments include actively quoted loan notes carried at amortized cost.
- Level 2 – Financial instruments are measured using valuation techniques with inputs other than level 1 quoted prices, observable either directly or indirectly, such as (i) quoted prices for identical financial instruments in markets that are not active, (ii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and (iii) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include interest rate swaps, deposits with the Parent Company and less liquid loan notes.
- Level 3 - Financial instruments are measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include commercial papers.

Financial instruments carried at fair value

The fair value hierarchy categorisation of the Company's financial assets and liabilities carried at fair value at 31 December 2016 and 2015 respectively is presented in the following tables:

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

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

	2015			
	Level 1	Level 2	Level 3	Total
	€ ths	€ ths	€ ths	€ ths
Financial assets measured at fair value:				
Derivative financial instruments	-	1	-	1
	-	1	-	1
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	40,993	-	40,993
Derivative financial instruments	-	67	-	67
	-	41,060	-	41,060

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 2016.

Company's valuation processes

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

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

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

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

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

Financial instruments not carried at fair value

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

	2016				
	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	-	52,251	-	52,251	55,524
	-	52,251	-	52,251	55,524
Liabilities evidenced by paper at amortised cost	52,251	-	-	52,251	55,195
	52,251	-	-	52,251	55,195

	2015				
	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	-	68,268	-	68,268	75,319
	-	68,268	-	68,268	75,319
Liabilities evidenced by paper at amortised cost	68,268	-	94,343	162,611	169,662
	68,268	-	94,343	162,611	169,662

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value are in line with those applied to calculate the fair value for financial instruments carried at fair value. In particular:

- For loan notes issued by the Company, the fair values are determined based on quotes for identical debt securities in markets that are 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.
- For financial instruments which are short term or re-price at frequent intervals, such as commercial papers, the carrying amounts represent reasonable approximations of fair value.

4. Critical accounting estimates and judgment

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

Notes to the Financial Statements (continued)

4. Critical accounting estimates and judgment (continued)

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

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

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

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

5. Interest and similar income

	2016	2015
	€ ths	€ ths
Interest income on deposits with the Parent Company	**3,122**	20,372
	3,122	20,372

Notes to the Financial Statements (continued)

6. Interest expense and similar charges

	2016	2015
	€ ths	€ ths
Interest expense on liabilities evidenced by paper	(3,027)	(19,288)
Other interest payable on derivative financial instruments	(53)	(514)
	(3,080)	(19,802)

7. Net gains/(losses) from financial instruments

	2016	2015
	€ ths	€ ths
Changes in fair value of liabilities evidenced by paper designated at FVTPL	(65)	40,128
Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper	65	(40,128)
Realised gains/(losses) from financial instuments	15	(1)
	15	(1)

In 2016, the realised gains from financial instruments relate to the reversal of a dormant liability account recognized in prior years.

8. Operating (expenses)/income

	2016	2015
	€ ths	€ ths
Fees payable to the auditors for the statutory audit of the Company's annual financial statements and other assurance related services	(52)	(52)
EMTN update costs, tax services and other	(26)	57
	(78)	5

The auditors' remuneration for the year ended 31 December 2016 has been agreed to be € 31,600 excluding VAT (2015: € 35,000 excluding VAT) and the non-audit fees, relating to the EMTN prospectus update, were agreed to be £ 25,200 excluding VAT (2015: £ 28,000 excluding VAT).

9. Income tax

The standard rate of Corporation Tax in the UK for the year ended 31 December 2016 was 20% (2015 effective tax rate: 20.25%).

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

The Company recorded losses for the year ended 31 December 2016 and therefore has no tax obligations for the year. The tax income of € 3 ths for 2016 refers to the reversal of prior year unused tax provision.

	2016	2015
	€ ths	€ ths
(Loss)/Profit before tax	(24)	574
Current tax		
Profit before tax multiplied by the effective tax rate	-	116
Adjustments in respect of prior years	(3)	(1)
Tax charge	(3)	115

Notes to the Financial Statements (continued)

10. Deposits with banks

	2016 € ths	2015 € ths
Deposits with the Parent Company at amortised cost	58,491	209,086
Pledged depostis with other banks	-	3,050
	58,491	212,136
Maturing over 1 year	54,331	75,524
With original maturity of less than 90 days (cash and cash equivalents)	1,239	1,330

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 rates of structured notes, as set out in note 3. The fair values of derivative financial instruments held are set out in the following table:

	2016			2015		
	Contract/ notional amount € ths	Fair values Assets € ths	Fair values Liabilities € ths	Contract/ notional amount € ths	Fair values Assets € ths	Fair values Liabilities € ths
Derivatives held for trading						
-Interest rate swaps	1,750	-	41	40,840	1	67
	1,750	-	41	40,840	1	67

12. Liabilities evidenced by paper at amortised cost

			2016		2015	
	Interest rate %	Currency	Face amount € ths	Carrying amount € ths	Face amount € ths	Carrying amount € ths
Fixed rate loan notes	4.25	EUR	54,191	55,195	74,096	75,319
Commercial papers (zero coupon)		EUR	-	-	25,500	25,496
		EUR	-	-	64,500	63,847
		EUR	-	-	5,000	5,000
			54,191	55,195	169,096	169,662

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

Notes to the Financial Statements (continued)

12. Liabilities evidenced by paper at amortised cost (continued)

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

The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2016 and 2015.

During the year, commercial papers of face value of € 30,500 ths matured, while the Company proceeded with the early redemption of commercial papers of face value of € 64,500 ths.

In addition, during the year, the Company proceeded with the partial redemption of loan notes of face value of € 19,905 ths (see note 19).

13. Liabilities evidenced by paper designated at fair value

	2016	2015
	€ ths	€ ths
Loan notes	**1,967**	40,993
	1,967	40,993

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

Certain loan notes issued by the Company have been designated upon their initial recognition as at fair value through profit or loss, because they share the same risks with linked deposits and derivatives and those risks are managed and evaluated on a fair value basis. Additionally, their performance is largely determined by reference to market interest rates or baskets of equity shares. As part of the Company's risk management strategy, these notes are managed either by placing funds on deposits with the Parent Company on the same terms and conditions with the loan notes or by entering into interest rate swap transactions (note 3).The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2016 and 2015.

Loan notes designated at fair value had a face value of € 1,750 ths and a cumulative fair value change of € 217 ths as at 31 December 2016 (€ 40,840 ths and € 152 ths respectively, as at 31 December 2015).

During the year, loan notes of face value of € 39,090 ths matured (see note 19).

14. Income tax payable and other liabilities

	2016	2015
	€ ths	€ ths
Corporation tax (receivable)/payable	**(3)**	61
Other liabilities	**90**	132
	87	193

Notes to the Financial Statements (continued)

15. Share capital

	2016 Number	2016 £ ths	2015 Number	2015 £ 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.

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

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

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

	31 December 2016		31 December 2015	
	Parent Company € ths	Parent Company's subsidiaries & associates € ths	Parent Company € ths	Parent Company's subsidiaries € ths
Deposits with Banks	58,491	-	209,086	-
Liabilities evidenced by paper at amortised cost	-	10,185	5,000	99,428
Liabilities evidenced by paper designated at fair value	79	1,889	550	1,911
Interest and similar income	3,122	-	20,372	-
Interest expense and similar charges	81	653	3,925	823

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 2016 and 2015.

17. Segmental reporting

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

Notes to the Financial Statements (continued)

18. Dividends

No dividend was paid in 2016 and there is no subsequent decision of the Board of Directors for distribution of dividend (2015: nil ths).

19. Subsequent events

There were no significant subsequent events warranting disclosure.