ERB Hellas Funding Limited

Annual Report

For the year ended 31 December 2013

Company's registration number: 89637

Index to the Annual report

Declaration of the Directors responsible for financial reporting

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

Peter Gatehouse
Director

8 May 2014

Directors' Report

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

a. Business review and principal activities

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

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

The loss for the year amounted to € 256 ths (2012: loss € 84 ths). No dividend was paid to shareholders during 2013 (2012: nil).

b. Business environment, strategy and future outlook

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

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

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

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

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

Directors' Report (continued)

0.4% in the 2014 Budget. The achievement of the primary surplus opens the door for additional debt-relief measures from official lenders, in line with the explicit commitments provided at the 26/27 November 2012 Eurogroup.

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

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

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

Regarding the outlook for the next 12 months, main risks in Greece stem from the macroeconomic environment, the developments on the eurozone sovereign debt crisis, the impact of the significant fiscal adjustment efforts on the real economy and the implementation of the structural reforms agenda including the privatization programme. To date, satisfactory results have been registered, but progress could be compromised by significant delays in official financing, external shocks from the global economy as well as implementation risks, political instability, reform fatigue and delays in the implementation of the privatization programme. The restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges.

Continuation of the recession could adversely affect the region and could lead to lower profitability, deterioration of asset quality and a further reduction of deposits. In addition, increased funding cost

Directors' Report (continued)

remains a significant risk, as it depends on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies. Finally, the Parent Company holds positions in the bond, stock and foreign exchange markets and consequently is exposed to the risk of losses if market valuations decrease. These conditions may further challenge the Parent Company's capital adequacy position over the foreseeable future. (available at website: www.eurobank.gr).

The Directors monitor the progress of the Company by reference to financial and non-financial data available to them on a regular basis. Particular attention is paid to net interest income and the balances of debt instruments and preferred securities outstanding at the reporting date. In 2013, the Company recorded a loss of € 256 ths, mainly as a result of a) an impairment on its held to maturity investment securities and b) an valuation adjustment to the carrying value of the respective preferred securities (notes 12 and 14 of the financial statements). Through the support of the Parent Company and the recent share capital increase, the Company can continue in business.

The assessment by the Directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company. On the basis of the analysis of the Bank's and the Company's capital solvency and liquidity, the uncertainties mentioned above, and having considered the mitigating factors set out in note 2 of the Financial Statements, the Directors have a reasonable expectation that the Parent Company will complete all actions and initiatives scheduled, including the share capital increase up to € 2,864 million to cover the capital shortfall arising from the recent assessment of the Parent Company's capital needs by BoG. On 29 April 2014, the Parent Company announced that the Public Offering and the International Offering were oversubscribed (note 18). Hence, they are satisfied that the Company has adequate resources to continue in business for the foreseeable future and that it is appropriate to prepare the financial statements of the Company on a going concern basis.

c. Principal risks and uncertainties

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

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

The principal risks and uncertainties of the Parent Company for 2013, which include those of the Company, are discussed in the Report of Directors and the notes to the Consolidated Financial Statements included in the 2013 Annual Financial Report of Eurobank Ergasias S.A., which was signed on 31 March 2014 (available at website: www.eurobank.gr).

d. Creditor payment policy

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

Directors' Report (continued)

e. Directors

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

Peter Gatehouse
Stephen Langan

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

f. Parent Company

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

g. Directors' responsibilities in relation to the financial statements

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statement comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements.

h. Statement of disclosure of information to auditors

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

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

Directors' Report (continued)

i. Independent Auditors

A resolution to appoint PricewaterhouseCoopers CI LLP as auditors of the Company was passed on May 2, 2014.

j. Secretary

The secretary of the Company who held office for the year ended 31 December 2013 and up to the date of signature of the report and financial statements was Ogier SPV Services Limited.

The Directors' Report was approved by the Board of Directors on 8 May 2014 and was signed on its behalf by:

Peter Gatehouse

Director

8 May 2014

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

Report on the financial statements

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

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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

Report on other legal and regulatory requirements

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

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

James de Veulle
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
8 May 2014

The maintenance and integrity of the Eurobank Ergasias S.A. website is the responsibility of the Eurobank Ergasias S.A itself, which is the parent and publishing entity of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

	Note	Year ended 31 December 2013 €'000	2012 €'000
Interest and similar income	5	**46,715**	69,339
Interest expense and similar charges	6	**(46,634)**	(69,253)
Net interest income		**81**	86
Net gains/(losses) from financial instruments designated at fair value	7	**0**	0
Impairment losses on held-to-maturity investment securities	12	**(119,126)**	-
Ajdustment to carrying value of preferred securities	14	**118,844**	-
Operating expenses	8	**(55)**	(170)
Profit/(loss) before income tax		**(256)**	(84)
Income tax expense	9	**-**	-
Net profit/(loss) for the year		**(256)**	(84)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(256)**	(84)

The notes on pages 15 to 38 form an integral part of these financial statements

Balance Sheet

	Note	At 31 December 2013 €'000	2012 €'000
Assets			
Deposits with banks	10	**18**	61
Financial assets designated at fair value through profit or loss	11	**204,000**	205,907
Held-to-maturity investment securities	12	**705,657**	803,544
Total assets		**909,675**	1,009,512
Liabilites			
Preferred securities designated at fair value through profit or loss	13	**204,000**	205,907
Preferred securities at amortised cost	14	**705,867**	803,518
Other liabilities		**37**	60
Total liabilities		**909,904**	1,009,485
Equity			
Share capital	15	**10**	10
Retained earnings		**(239)**	17
Total equity		**(229)**	27
Total equity and liabilities		**909,675**	1,009,512

The financial statements on pages 11 to 38 were approved by the Board of Directors on 8 May 2014 and signed on its behalf by:

Peter Gatehouse

Director

The notes on pages 15 to 38 form an integral part of these financial statements

Statement of Changes in Equity

	Share capital €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2012	10	101	111
Profit/(loss) for the year	-	(84)	(84)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year ended 31 December 2012	-	(84)	(84)
Balance at 31 December 2012	10	17	27
Balance at 1 January 2013	**10**	**17**	**27**
Profit/(loss) for the year	-	(256)	(256)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year ended 31 December 2013	-	(256)	(256)
Balance at 31 December 2013	**10**	**(239)**	**(229)**

The notes on pages 15 to 38 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2013 €'000	2012 €'000
Cash flows from operating activities			
Interest and similar income received		**30,543**	70,426
Interest and similar charges paid		**(30,508)**	(70,346)
Cash payments to suppliers		**(78)**	(165)
Net cash flows from/(used in) operating activities		**(43)**	(85)
Net increase/(decrease) in cash and cash equivalents		**(43)**	(85)
Cash and cash equivalents at beginning of year		**61**	146
Cash and cash equivalents at end of year	10	**18**	61

The notes on pages 15 to 38 form an integral part of these financial statements

Notes to the Financial Statements

1. General information

ERB Hellas Funding Limited (the "Company") is a Jersey-based public Company. The Company is a subsidiary of Eurobank Ergasias S.A. (the "Parent Company" or the "Bank"). The Company is a finance company, whose sole business is raising debt for the Parent Company via notes listed on various European Stock Exchanges including London, Frankfurt, Luxembourg and Euronext Amsterdam, purchased by institutional and private investors. The listed notes outstanding are guaranteed by the Parent Company. ERB Hellas Funding Limited has no employees or audit committee.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU) and in particular with those IFRSs and IFRIC interpretations issued and effective as at the time of preparing these statements, and in accordance with the Companies (Jersey) Law 1991.

Going concern considerations

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

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

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

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

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, available for sale reserve was fully recognised, while the deferred tax asset's recognition was limited to 20% of Core Tier I capital. On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013. According to the Parent Company's consolidated capital adequacy figures as at 31 December 2013, the Core Tier I ratio stood at 10.4% and at

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

11.3%, pro-forma with the completion of certain strategic initiatives such us the transaction with Fairfax Financial Holdings Limited on Eurobank's Properties R.E.I.C. share capital increase, which was completed on 6 February 2014 and the implementation of Basel II IRB credit risk methodology to New Hellenic Post Bank's (NHPB) mortgage portfolio (note 19), which is subject to BoG approval.

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

The Parent Company in its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: (a) it revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and proposed to adjust the restructuring plan accordingly and (b) the Parent Company stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase. On 12 April 2014, the Parent Company's Extraordinary Shareholders' General Meeting approved a share capital increase up to € 2,864 million (note 18).

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

ECB comprehensive assessment 2013-2014

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