ERB Hellas (Cayman Islands) Limited

Annual Report

For the year ended 31 December 2014

Company's registration number: CR-117363

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Declaration of the managers responsible for financial reporting

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

Dimosthenis Archontidis

Director

30 April 2015

Directors' Report

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

i) Business review and principal activities

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

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

The loss for the year amounted to € 2,018 ths (2013: € 4,710 ths profit). No dividend was paid to shareholders during 2014 (2013: nil).

ii) Business environment, strategy and future outlook

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

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

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

Directors' Report (continued)

The external imbalance continues to adjust rapidly, assisted by strong tourism revenue, income from the shipping industry, the ongoing contraction of imports and the beneficial impact of earlier debt-relief measures on the income account. The current account according with the Bank of Greece (BoG) data, recorded a surplus of 0.6% and 0.9% of GDP in 2013 and 2014 – for the first time since official records are available (1948) – against a deficit of 2.38%, 9.93%, 9.95% and 10.87% of GDP for 2012, 2011, 2010 and 2009 respectively. Furthermore, during the period February 2014 – January 2015, the current account balance recorded a surplus of € 1.08 bn.

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

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

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

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

The Directors monitor the progress of the Company by reference to financial and non-financial data available to them on a regular basis. Particular attention is paid to net interest income and the balances of debt instruments and preferred securities outstanding at the reporting date. In 2014, the Company recorded a loss of 2,018 ths. As at 31 December 2014, the outstanding balance of debt instruments decreased to € 296 million mainly due to the substitution of the Company with the Parent Company as the issuer of the lower Tier II unsecured subordinated note of face value of € 289 million (note 14).

Directors' Report (continued)

The assessment by the directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company. On the basis of the analysis of the Bank's and the Company's capital solvency and liquidity, the material uncertainties relating to the successful completion of the ongoing discussions between the Greek government and the Institutions which are beyond the Bank's control, and having considered the mitigating factors set out in note 2 of the Financial Statements, including the successful completion of the recent share capital increase of the Parent Company, the directors have been satisfied that the Bank has the ability to continue as a going concern into the foreseeable future and that it is appropriate to prepare the financial statements of the Company on a going concern basis.

iii) Principal risks and uncertainties

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

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

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

iv) Creditor payment policy

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

v) Directors

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

Ioannidis Anastasios

Fokion Karavias (resigned on February 26, 2015)

Dimosthenis Archontidis (appointed on February 26, 2015)

Nikolaos Laios (appointed on February 26, 2015)

Dimitra Spyrou (appointed on February 26, 2015)

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

vi) Parent company

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

Directors' Report (continued)

vii) Directors' responsibilities in relation to the financial statements

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

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

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

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

viii) Statement of disclosure of information to auditors

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

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

ix) Independent Auditors

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

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

Dimosthenis Archontidis

Director

30 April 2015

Independent Auditor's Report

To the Directors of "ERB Hellas (Cayman Islands) Limited"

Report on the Financial Statements

We have audited the accompanying financial statements of ERB Hellas (Cayman Islands) Limited (the "Company") which comprise the balance sheet as of 31 December 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the disclosures made in:

1) note 2.1 to the financial statements, which refers to the material uncertainties associated with the current economic conditions in Greece and the ongoing developments, that affect the banking sector and in particular its liquidity. These material uncertainties may cast significant doubt on the Parent Company's (Eurobank Ergasias S.A.) and therefore the Company's ability to continue as a going concern

2) notes 3 and 4 to the financial statements, which refer to the methodology applied to value the available for sale equity securities for which no active market existed at the balance sheet date and the possible impact of valuation sensitivities on the financial position of the Company and

3) note 19 to the financial statements, which refers to the significant decrease of the fair value of the abovementioned equity securities after the balance sheet date. The decrease has no impact on the financial statements for the period ended 31 December 2014.

Athens, 30 April 2015

PricewaterhouseCoopers

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

Statement of Comprehensive Income

		Year ended 31 December	
		2014	2013
	Note	**€'000**	€'000
Interest and similar income	5	**10,871**	14,523
Interest expense and similar charges	6	**(12,871)**	(16,430)
Net Interest Income		**(2,000)**	(1,907)
Net gains/(losses) from financial instruments	7	**(0)**	136
Dividend income	8	-	6,597
Foreign exchange gains/ (losses)		**55**	(25)
Operating expenses	9	**(73)**	(91)
Profit/(loss) before income tax		**(2,018)**	4,710
Income tax expense	10	-	-
Net profit/(loss) for the year attributable to the owners of the Parent Company		**(2,018)**	4,710
Available for sale securities, changes in fair value that may be reclassified subsequently to profit/(loss)		**18,131**	43,142
Total comprehensive income for the year attributable to the owners of the Parent Company		**16,114**	47,852

Notes on pages 14 to 36 form an integral part of these financial statements

Balance Sheet

		At 31 December	
		2014	2013
	Note	**€'000**	€'000
Assets			
Deposits with banks	11	**149,495**	153,293
Investment Securities	12	**212,288**	460,215
Other assets		**5**	5
Total assets		**361,788**	613,513
Liabilities			
Liabilities evidenced by paper at amortised cost	14	**120,241**	406,073
Liabilities evidenced by paper designated at fair value	15	**175,450**	158,825
Derivative financial instruments	13	**1,523**	139
Other liabilities		**38**	53
Total liabilities		**297,252**	565,090
Equity			
Share capital	16	**16**	16
Other Reserves		**64,520**	48,407
Total equity		**64,536**	48,423
Total equity and liabilities		**361,788**	613,513

The financial statements on pages 10 to 36 were approved by the Board of Directors on 30 April 2015 and were signed on its behalf by:

Dimosthenis Archontidis

Director

Notes on pages 14 to 36 form an integral part of these financial statements

Statement of Changes in Equity

	Share capital €'000	Other reserves €'000	Total €'000
Balance at 1 January 2013	16	555	571
Profit/(loss) for the year	-	4,710	4,710
Available for sale securities, changes in fair value	-	43,142	43,142
Total comprehensive income for the year ended 31 December 2013	-	47,852	47,852
Balance at 31 December 2013	16	48,407	48,423
Balance at 1 January 2014	**16**	**48,407**	**48,423**
Profit/(loss) for the year	-	(2,018)	(2,018)
Available for sale securities, changes in fair value	-	18,131	18,131
Total comprehensive income for the year ended 31 December 2014	-	16,114	16,114
Balance at 31 December 2014	**16**	**64,521**	**64,537**

Notes on pages 14 to 36 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2014 €'000	2013 €'000
Cash flows from operating activities			
Interest and similar income received		**7,735**	14,336
Interest and similar income paid		**(9,772)**	(19,953)
Cash payments to suppliers		**(90)**	(81)
Cash flows from operating activities before changes in operating assets and liabilities		**(2,127)**	(5,698)
Changes in operating assets and liabilities			
Net decrease in deposits with banks		**5,531**	9,852
Net decrease in other liabilities		**-**	(140)
Net cash (used in)/ generated from operating activities		**3,404**	4,014
Cash flow from investing activities			
Sales and redemptions of investment securities		**269,461**	390
Dividends from investment securities			6,597
Net cash (used in)/ generated from investing activities		**269,461**	6,987
Cash flows from financing activities			
Repayments from loan notes		**(273,035)**	(23,198)
Net cash (used in)/ generated from financing activities		**(273,035)**	(23,198)
Net decrease in cash and cash equivalents		**(170)**	(12,197)
Cash and cash equivalents at beginning of year		**1,016**	13,213
Cash and cash equivalents at end of year	11	**846**	1,016

Notes on pages 14 to 36 form an integral part of these financial statements

Notes to the Financial Statements

1. General information

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

ERB Hellas (Cayman Islands) Limited (the "Company"), is a public limited company. The Company is a subsidiary of Eurobank Ergasias S.A. (the "Parent Company" or the "Bank"), through its wholly owned subsidiary ERB New Europe Funding III Ltd. ERB Hellas (Cayman Islands) Limited is a finance company, whose sole business is raising debt for the Parent Company via medium term notes listed on the Luxemburg Stock Exchange, purchased by institutional and private investors. The listed medium term notes outstanding are guaranteed by the Parent Company. The Company has no employees, or audit committee.

2. Accounting policies

2.1 Basis of preparation

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

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>Macroeconomic environment</u>

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

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Liquidity risk

Liquidity, of the whole Greek banking sector, was negatively affected in the beginning of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of ECB to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by Hellenic Republic (i.e. Greek government bonds and Pillar 2 & 3 of the Law 3723/2009). As a result Greek banks reverted to the fallback funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs. This entails the weekly review by ECB's Governing Council. In this context, the Greek banking system and the Bank specifically, still maintain liquidity buffers to correspond to persevering adverse liquidity conditions and the Eurosystem has demonstrated its commitment to support Greek banks as long as Greece remains within the EU support programme (note 3).

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

Specifically for the banking sector, it is re-affirmed that Hellenic Financial Stability Fund ("HFSF") buffer funds continue to be available for the duration of MFFA extension and can only be used for bank recapitalisation needs. In the event that the above funds are utilised and State participates in the recapitalisation of a Greek bank, the new State Aid rules, which were effected from 1 August 2013, will be applicable. In addition, Greek authorities expressed their strong commitment to a deeper structural reform process, ensuring stability and resilience of the financial sector.

Solvency risk

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

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

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

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

Notwithstanding the economic and fiscal uncertainties described above, the new Greek government has re-affirmed its devotion to the implementation of necessary structural reforms and on Fiscal Budgets' primary

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

surpluses. As a result, despite the possible short-term deceleration in asset quality and funding cost improvements and in loan growth, the macro-economic recovery trajectory and the return to profitability in the medium term, still constitute the base scenario for the Greek economy and the Parent Company respectively.

Going concern assessment

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

The policies set out below have been consistently applied to the years 2014 and 2013. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(a) New and amended standards adopted by the Company

The following amendment to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), which is relevant to the Company, apply from 1 January 2014:

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities

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

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

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

A number of new standards, amendments and interpretations to existing standards are effective after 2014, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

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

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

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

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

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

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

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Classification and measurement

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

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

Impairment of financial assets

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

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

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

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

Hedge accounting

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

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

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

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

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- Clarifying in IAS 34 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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

IFRIC 21, Levies (effective 1 January 2015)

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

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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The Company's presentation currency is the Euro (€) being the functional currency of the Company. Except as indicated, financial information presented in Euros has been rounded to the nearest thousand.

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

2.2 Interest income and expense

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

2.3 Foreign currencies

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

2.4 Financial assets

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

2. Accounting policies (continued)

2.4 Financial assets (continued)

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

This category has two sub-categories: a) financial assets held for trading i.e. derivatives and b) those designated at fair value through profit or loss upon initial recognition.

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

- it eliminates or significantly reduces measurement or recognition inconsistencies; or
- financial assets share the same risks with financial liabilities and those risks are managed and evaluated on a fair value basis ; or
- structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

(ii) Loans and receivables

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

(iii) Available-for-sale

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

Accounting treatment and calculation

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

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

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

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

Notes to the Financial Statements (continued)

2.4 Financial assets (continued)

cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest rate method is recognised in the profit or loss.

Dividends on equity instruments are recognised in the profit or loss when the Company's right to receive payment is established.

2.5 Fair value measurement of financial instruments

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received unless the Company determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognized in the profit or loss. On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value and the difference with the transaction price (day one gain or loss) is deferred. Subsequently the deferred gain or loss is amortized 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 categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (note 3).

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

2.6 Impairment of financial assets

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

Notes to the Financial Statements (continued)

2.6 Impairment of financial assets (continued)

that comes to the attention of the Company about the following loss events:

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

(b) a default or breach of contract;

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

-operating losses;

-working capital deficiencies;

-the borrower having a negative equity;

(d) other facts indicating a deterioration of the financial performance of the borrower, such as a

breach of terms, or a partial write-off of the borrower's obligations due to economic or legal reasons relating to his financial status;

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

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

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

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

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

(i) Assets carried at amortised cost

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

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

Notes to the Financial Statements (continued)

(ii) Available-for-sale assets

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

2.7 Financial liabilities

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

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

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

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

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

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

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

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

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

2.8 Cash and cash equivalents

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

Notes to the Financial Statements (continued)

2.9 Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from discounted cash flow models and other pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivative financial instrument are recognized immediately in the statement of comprehensive income. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in 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) members of key management personnel of the Company or its parents, their close family members and entities controlled or jointly controlled by the above mentioned persons.

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

2.12 Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account risks and uncertainties surrounding the amount to be recognised as a provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.13 Share capital

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

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

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties

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

(a) Credit Risk: The Company takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. The cash proceeds generated from the EMTN program are placed on deposits with the Parent Company and investment securities issued by the Parent Company or its subsidiaries. The derivative transactions are entered into with the Parent Company or its subsidiaries. The aggregate carrying amount of these deposits and investment securities, as well as derivative financial instruments with positive fair values approximates the maximum credit risk exposure of the Company. Financial assets are neither past due nor impaired.

Macroeconomic environment uncertainty

The main risks of the Parent company are associated with the uncertainties in the Greek macroeconomic environment and their adverse effects on the liquidity and solvency of the Greek banking sector.

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

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

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

- Interest rate risk: The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result

Notes to the Financial Statements (continued)

3. Principal risks and uncertainties (continued)

of such changes but may reduce or create losses in the event that unexpected movements arise.

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

The interest rate arises from a three months floating rate loan note of face amount of € 71,100 ths (2013: € 69,200 ths) that issued by the Company in order to fund available for sale equity securities issued by a Parent Company's subsidiary. An increase/(decrease) in interest rate applied to the above loan note, by 100 bps, would result in an increase/(decrease) of the Company's net interest income by € 0.7 million (2013: 0.7 million).

- Currency risk: The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is eliminated by placing funds on deposits and investment securities at the same currency as the loan notes issued.
- Equity risk: Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks.

  The equity risk arises from the available from sale equity securities issued by the Parent Company's subsidiaries. An increase/(decrease) in valuation prices applied to the above securities by 30%, would result in an increase/(decrease) of the available for sale revaluation reserve by € 40 million (2013: 35 million).

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

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

	2014				
	Less than 1 month €' 000	**1 - 3 months €' 000**	**3 months to 1 year €' 000**	**Over 1 year €' 000**	**Gross nominal inflow/(outflow) €' 000**
Financial liabilities:					
- Loan notes	**410**	**25,282**	**105,810**	**143,972**	**275,474**
Other liabilities			**38**	**-**	**38**
	410	**25,282**	**105,848**	**143,972**	**275,512**

	2013				
	Less than 1 month €' 000	1 - 3 months €' 000	3 months to 1 year €' 000	Over 1 year €' 000	Gross nominal inflow/(outflow) €' 000
Financial liabilities:					
- Loan notes	19	100,758	11,659	445,773	558,209
Other liabilities	4	4	45	-	53
	23	100,762	11,704	445,773	558,262

Notes to the Financial Statements (continued)

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

Fair value of financial assets and liabilities

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

Financial instruments carried at fair value

Available for sale investment securities, derivative financial instruments, deposits with banks and loan notes issued by the Company that are designated at fair value through profit or loss are carried at fair value.

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

- Level 1 - Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. None of the Company's financial instruments are categorized into Level 1 of the fair value hierarchy.

- Level 2 – financial instruments measured based on i) quoted prices for identical financial instruments in markets that are not active i.e. available for sale investment securities ii) valuation techniques with inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers, as well as other unobservable inputs which are insignificant to the entire fair value measurement.

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

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

Notes to the Financial Statements (continued)

Company's valuation processes

The fair values of preferred securities classified as available for sale equity investments for which no active market exists are determined by using quotes, as retrieved from Bloomberg. The fair value of interest rate swaps, deposits with banks and loan notes that are carried at fair value though profit or loss is determined by using equity /index level implied volatilities, dividend yield assumptions (equity related instruments) and yield curve and implied volatility (interest rate instruments). Where observable prices or model inputs are available, these are used in the valuation techniques applied by the Company. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Fair values reflect the credit risk of the financial instrument and include adjustments to take into account the credit risk of the Parent Company, where appropriate. The credit risk of the Parent Company is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Parent Company's subsidiaries or other Greek issuers.

Where valuation techniques are used to determine the fair values of financial instruments, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel of the Parent Company, independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument.

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

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

	2014			
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Total €' 000
Financial assets measured at fair value:				
Deposits with banks		148,650	-	148,650
Available for sale investment securities	-	134,973	-	134,973
	-	283,623	-	283,623
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	175,450	-	175,450
Derivative financial instruments	-	1,523	-	1,523
	-	176,973	-	176,973

Notes to the Financial Statements (continued)

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

Financial instruments not carried at fair value

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

	2014				
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Fair Value	Carrying amount
Financial assets not measured at fair value:					
Investment securities					
-Debt securities lending portfolio	-	83,043	-	83,043	77,315
	-	83,043	-	83,043	77,315
Financial liabilties not measured at fair value:					
Liabilities evidenced by paper at amortised cost	-	55,077	-	55,077	48,984
Short term loan notes	-	71,257	-	71,257	71,257
	-	126,334	-	126,334	120,241

	2013				
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Fair Value	Carrying amount
Financial assets not measured at fair value:					
Investment securities					
-Debt securities lending portfolio	-	247,820	-	247,820	343,373
	-	247,820	-	247,820	343,373
Financial liabilties not measured at fair value:					
Liabilities evidenced by paper at amortised cost	-	241,260	-	241,260	336,678
Short term loan notes	-	69,395	-	69,395	69,395
	-	310,655	-	310,655	406,073

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

- For loan notes issued by the Company and the respective mirror assets (debt securities lending portfolio), the fair values are determined using based on quotes for similar debt securities or by discounting the expected cash flows at a risk-adjusted rate, where the Parent Company's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Parent Company's subsidiaries or other Greek issuers.
- For short term loan notes issued by the Company, which are re-priced at frequent intervals, the carrying amounts represent reasonable approximations of their fair values.

Notes to the Financial Statements (continued)

4. Critical accounting estimates and judgement

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

4.1 Deposits with banks

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

4.2 Impairment of available-for-sale equity investments

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

4.3 Fair value of financial instruments

The fair values of financial instruments that are not quoted in an active market are determined by using valuation techniques. In addition, for financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

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

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

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel of the Parent Company independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. The main assumptions and estimates, considered by management when applying a valuation model include:

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

Notes to the Financial Statements (continued)

4.3 Fair value of financial instruments(continued)

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

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

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

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

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

5. Interest and similar income

	2014	2013
	€' 000	€' 000
Interest income on investment securities	**9,767**	14,053
Interest income on derivative financial instruments	**997**	434
Interest income on deposits with the Parent Company	**107**	36
	10,871	14,523

6. Interest expense and similar charges

	2014	2013
	€' 000	€' 000
Interest expense on liabilities evidenced by paper	**(12,471)**	(16,243)
Interest expense on derivative financial instruments	**(400)**	(187)
	(12,871)	(16,430)

7. Net gains/ (losses) from financial instruments

	2014	2013
	€' 000	€' 000
Changes in fair value of liabilities evidenced by Paper	**(510)**	(9,512)
Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper	**(1,338)**	6,781
Changes in fair value of deposits managed with liabilities evidenced by paper	**1,848**	2,731
Gain from Tender offer (note 14)	-	136
Realized gains/(losses) from financial instuments	**0**	0
	(0)	136

8. Dividend income

During 2014, the Company received no dividend income in respect of available for sale equity securities, issued by ERB Hellas Funding Limited, a subsidiary of the Bank (2013: €6,597 ths)

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

Notes to the Financial Statements (continued)

9. Operating expenses

	2014 €' 000	2013 €' 000
Fees payable to the auditor for the non statutory audit of the company's annual financial statements	(10)	(20)
EMTN update costs	(63)	(71)
	(73)	(91)

10. Income tax expense

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

11. Deposits with banks

	2014 €' 000	2013 €' 000
Deposits with the Parent Company designated at fair value	148,650	152,277
Deposits with the Parent Company at amortised cost	845	1,016
	149,495	153,293
Maturing over 1 year	144,030	146,429
With original maturity of less than 90 days (cash and cash equivalents)	846	1,016

12. Investment securities

	2014 €' 000	2013 €' 000
Available for sale investment securities	134,973	116,842
Debt securities lending portfolio	77,315	343,373
	212,288	460,215
Debt securities maturing over 1 year	50,802	336,103

Available-for-sale investment securities

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

In 2013 and 2014, the Issuer of Series A of preferred securities announced that, in accordance with their terms, the non-cumulative annual dividend on these preferred securities, which would otherwise had been paid in March 2014 and March 2015, would not be declared and would not be paid.

Notes to the Financial Statements (continued)

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

In 2013 and 2014, the Issuer of Series C of preferred securities announced that, in accordance with their terms, the non-cumulative quarterly dividend on these preferred securities, which would otherwise had been paid in October 2013, January 2014, April 2014, July 2014, October 2014 and January 2015 would not be declared and would not be paid.

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

	2014 €' 000
Balance at 1 January 2014	(15,959)
-Changes in fair value	18,131
Balance at 31 December 2014	2,172

Debt securities lending portfolio

In March 2014, in the context of the issuer substitution of Lower Tier II subordinated note, the mirror bond of face value of € 289,205 ths issued by the Parent Company was redeemed.

As at 31 December 2014, the Company held unlisted notes issued by the Parent Company of face amount of € 83 million (2013: 353 million). The notes were classified under debt securities lending portfolio.

13. Derivative financial instruments

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

	2014			2013		
	Contract/ notional amount €'000	Fair values Assets €'000	Fair values Liabilities €'000	Contract/ notional amount €'000	Fair values Assets €'000	Fair values Liabilities €'000
Derivatives held for trading						
-Interest rate swaps	28,272	-	1,523	6,675	-	139
	28,272	-	1,523	6,675	-	139

14. Liabilities evidenced by paper at amortised cost

			2014		2013	
	Interest rate %	Currency	Face amount €' 000	Carrying amount €' 000	Face amount €' 000	Carrying amount €' 000
Floating rate loan notes	3M Euribor plus 1.6	EUR	-	-	289,205	289,545
Floating rate loan notes	3M Euribor plus 2.25	EUR	71,100	71,257	69,200	69,395
Fixed rate loan notes	9.0	EUR	54,828	48,984	56,680	47,133
			125,928	120,241	415,085	406,073

Notes to the Financial Statements (continued)

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

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

In March 2014, the Board of Directors of the Parent Company decided the substitution of the Company with the Bank, as the Issuer of the Lower Tier II unsecured subordinated note of face value of € 289,205 ths.

During the year loan notes amounting to € 1,852 ths (face amount) were early redeemed.

15. Liabilities evidenced by paper designated at fair value

	2014	2013
	€' 000	€' 000
Loan notes	**175,450**	158,825
	175,450	158,825

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

Certain loan notes issued by the Company have been designated upon their initial recognition as at fair value through profit or loss, because they share the same risks with linked deposits, debt securities and derivatives and those risks are managed and evaluated on a fair value basis (note 3). Additionally, their performance is largely determined by reference to 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 and debt securities issued by the Parent Company on the same terms and conditions with the loan notes or by entering into interest rate swap transactions with the Parent Company's subsidiaries (note 3).

The majority of loan notes mature in 2016, 2017 and 2019. The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2014 and 2013.

As at 31 December 2014, the loan notes designated at fair value had a face value of € 126,731 ths and a cumulative fair value change of € 48,719 ths (2013: € 110,604 ths and € 48,221 ths, respectively).

During the year, loan notes amounting to € 27,818 ths (face amount) were issued by the Company under its EMTN program. During the year, loan notes amounting to € 12,397 ths (face amount as at 31 December 2013), issued by the Company under its EMTN program, matured.

16. Share capital

	2014	**2014**	2013	2013
	Number	**US$'000**	Number	US$'000
Authorised ordinary shares of US$ 1 each	**50,000**	**50**	50,000	50
Authorised preference shares of US$ 100,000 each	**1,500**	**150,000**	1,500	150,000
Issued ordinary shares of US$ 1 each	**50,000**	**50**	50,000	50
Allotted and paid up 49,999 ordinary shares at US$ 0.30 per ordinary share and 1 ordinary share at US$ 1	**50,000**	**15**	50,000	15

Notes to the Financial Statements (continued)

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

17. Related party transactions

In February 2012, ERB New Europe Funding III Ltd, a wholly owned subsidiary of Eurobank Ergasias S.A., became the Company's immediate parent undertaking. The Company's results are included in the consolidated financial statements of Eurobank Ergasias S.A., its ultimate controlling party as of May 2014, which is incorporated in Greece.

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

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

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

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

	31 December 2014		31 December 2013	
	Parent Company €' 000	Parent Company's subsidiaries €' 000	Parent Company €' 000	Parent Company's subsidiaries €' 000
Deposits with Banks	149,495		153,293	
Invetsment Securities	77,315	134,973	343,373	116,842
Liabilities evidenced by paper at amortised cost	87,812	200	39,269	69,395
Liabilities evidenced by paper designated at fair value	37,974	106,071	34,346	108,242
Derivative financial instruments (liabilities)	-	1,523	-	139
Interest and similar income	9,875	997	14,203	320
Interest expense and similar charges	(3,389)	(737)	(873)	(2,030)
Realized gains/(losses) from financial instruments	-	-	(7,155)	-
Dividend income	-	-	-	6,597

As of 31 December 2014, the loan notes held by key management personnel amounted to €5 ths. (2013: € 205 ths).

Emoluments of directors

The directors provide services to a number of Group companies for which are compensated by the Parent Company. Accordingly, these financial statements include no emoluments in respect of any director as it is not practicable to apportion the salary element. The Company employed no staff during 2014 and 2013.

Notes to the Financial Statements (continued)

18. Segmental reporting

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

19. Other significant and post balance sheet events

As at 27 April 2015, the quoted prices retrieved from Bloomberg for preferred securities classified as available for sale equity investments have decreased as follows:

Series A: 31.31 (31 December 2014: 40.88)

Series B: 28.56 (31 December 2014: 40.44)

Series C: 27.37 (31 December 2014: 44.85)

As a result of the above, the total fair value of the preferred securities classified as available for sale equity investments amounts to €94,874 ths. (31 December 2014: €134,973 ths.)