

**Company Registration Number: 07715233**

**KARTA II PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

# **KARTA II PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2014**

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# **KARTA II PLC**

## **OFFICERS AND PROFESSIONAL ADVISERS**

<b>Directors</b>	Mr M H Filer Wilmington Trust SP Services (London) Limited
<b>Company secretary</b>	Wilmington Trust SP Services (London) Limited
<b>Company number</b>	07715233
<b>Registered office</b>	c/o Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

# **KARTA II PLC**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their annual report and the audited financial statements of Karta II PLC (the “Company” or the “Issuer”) for the year ended 31 December 2014. In accordance with IFRSs, and particularly IFRS 10 - Consolidated financial statements, the Company is considered to be controlled by Eurobank Ergasias S.A. (the “Transferor” or the “Originator” or the “Servicer”), a bank incorporated in Greece. The Company was incorporated in England and Wales together with Karta II Holdings Limited (the “Holdings”) to take part in the Karta II securitisation transaction (the “Securitisation Transaction”) as described in the Strategic Report. In addition to the information in the Strategic Report regarding the Securitisation Transaction, the directors manage the Company’s affairs in accordance with the Offering Circular dated 15 August 2011 as amended by the Global Amendment Deed and Noteholder Consent dated 25 September 2013 (the “Offering Circular”) which can be obtained from the Originator at [www.eurobank.gr](http://www.eurobank.gr).

The principal activities of the company, results and dividends, future developments, KPIs, principal risks and uncertainties are detailed in the Strategic Report.

#### **GOING CONCERN**

As explained in more detail in note 1 to the financial statements, the directors have undertaken a detailed assessment of the Company’s ongoing business model and have made extensive enquiries of the management of the Originator. Given the details set out in note 1, which are also referred to in the basis of preparation of the Originator’s financial statements, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future.

#### **CORPORATE GOVERNANCE STATEMENT**

The Directors are responsible for the Company’s internal control environment and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The procedures enable the Company to comply with any regulatory obligations. For further details, refer to the notes to the financial statements particularly note 14 on financial risk management.

#### **CREDITOR PAYMENT POLICY**

The Company’s policy concerning the payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. All creditors are paid in accordance with the priority of payments set out in the Offering Circular.

#### **DIRECTORS**

The directors who served the Company during the year and up to the date of signing the financial statements were as follows:

Mr M H Filer

Mr M McDermott – resigned on 5 December 2014

Wilmington Trust SP Services (London) Limited

## **KARTA II PLC**

### **DIRECTORS' REPORT (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2014**

##### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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

- select suitable accounting policies and then apply them consistently;
- make 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.

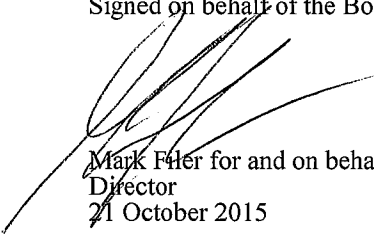
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

##### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the directors 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.

Signed on behalf of the Board



Mark Filer for and on behalf of Wilmington Trust SP Services (London) Limited  
Director  
21 October 2015

# **KARTA II PLC**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their strategic report of Karta II PLC ("the Company") for the year ended 31 December 2014.

#### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The principal activity of the Company is set by the Offering Circular and is that of a special purpose company incorporated for the securitisation of a portfolio of receivables (the "Receivables"). The Receivables consist of credit card agreements selected from the total portfolio of agreements entered into by the Transferor with obligors in Greece and originated by Eurobank Ergasias S.A.

The Offering Circular sets out the details of the Securitisation Transaction.

On 16 August 2011 the Company issued €900,000,000 Class A Asset Backed Floating Rate Notes due 2018, amended from 2016 on 25 September 2013, (the "Class A Notes" or "Notes") and used the entire proceeds to purchase the Receivables. The Notes are listed on the Irish Stock Exchange.

Interest on the Notes is payable monthly in arrears on the 25th day of each month subject to adjustment for non-business days. The interest rate for the Notes is 1.00 per cent per annum above the one month EURIBOR rate. The first Interest Payment Date was on 25 September 2011.

The Notes amortisation period, prior to which no Notes capital repayments are made started on 25 September 2013 with a partial repayment of €200,000,000 and their scheduled final maturity date is the interest payment date falling in October 2018, amended from October 2016 on 25 September 2013.

The sale of the Receivables to the Company is considered to fail the derecognition criteria of IAS 39 Financial instruments: Recognition and Measurement, and therefore they are retained on the statement of financial position of the Originator. The Company records in its statement of financial position a receivable from the Originator (the "Deemed Loan to the Originator"), rather than the Receivables it has legally purchased.

In accordance with the Offering Circular, the Company will only retain €400 in respect of any interest payment date and the resulting difference is included in arriving in at the deferred consideration payable to the originator.

The Company's only sources of funds for the payment of principal and interest due on the Notes are the principal and interest collections which the Company will be entitled to receive from the Receivables.

Credit enhancement is provided to the Notes mainly through deferred consideration and a reserve fund account funded through a subordinated loan from the Originator.

The directors have reviewed data and information relating to the credit quality of the credit card agreements underlying the Deemed Loan to the Originator up to the date of approval of the financial statements and are satisfied that the level of impairment of the underlying assets does not exceed the amount of credit enhancement supplied to the Company by the Originator.

#### **RESULTS AND DIVIDENDS**

The results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The profit on ordinary activities after taxation for the year was €3,768 (2013: €3,684). At the year end, the Company had net assets of €26,643 (2013: €22,875). The directors have not recommended a dividend (2013: €nil).

#### **FUTURE DEVELOPMENTS**

The future performance of the Company depends on the performance of the Receivables.

## **KARTA II PLC**

### **STRATEGIC REPORT (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2014**

##### **KEY PERFORMANCE INDICATORS**

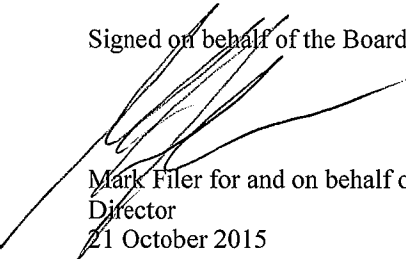
The key financial performance indicator of the business is considered to be the net interest margin of 3.8% (2013: 3.5%) and the credit quality of the underlying Receivables as detailed in note 7. Details of other performance indicators are included in the Investor reports which are publicly available on the following website: [www.eurobank.gr](http://www.eurobank.gr).

##### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks affecting the Company and its management are set out in Note 14 to the financial statements. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose challenges to the borrowers with whom the Company has exposure through the Deemed Loan to the Originator. A detailed consideration of the risk factors relevant to the Securitisation Transaction is included in the section "Risk Factors" of the Offering Circular.

Signed on behalf of the Board



Mark Filer for and on behalf of Wilmington Trust SP Services (London) Limited  
Director  
21 October 2015

## **KARTA II PLC**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KARTA II PLC**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion the financial statements, defined below:

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

This opinion is to be read in the context of what we say in the remainder of this report.

##### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The current conditions in Greece could result in significant disruption in the Greek economy, which may impact the profitability, capital adequacy and liquidity of Eurobank Ergasias S.A., and adversely impact the quality and servicing of the underlying Receivables, raising uncertainties about the future timing and level of collections in relation to these Receivables, resulting in significant doubt about the Company's ability to fully repay the Notes. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

##### **What we have audited**

The financial statements, which are prepared by Karta II plc, comprise:

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

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

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KARTA II PLC  
(continued)**

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

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

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KARTA II PLC  
(continued)**

**Responsibilities for the financial statements and the audit (continued)**

**What an audit of financial statements involves**

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

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

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



James Hewer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
21 October 2015

## KARTA II PLC

### STATEMENT OF COMPREHENSIVE INCOME

#### FOR THE YEAR ENDED 31 DECEMBER 2014

CONTINUING OPERATIONS	Note	2014 €	2013 €
Interest income	3	8,439,712	10,005,404
Interest expense	4	<u>(8,115,371)</u>	<u>(9,651,349)</u>
Net interest income		324,341	354,055
Administrative expenses	5	<u>(319,541)</u>	<u>(349,255)</u>
Profit before tax		4,800	4,800
Income tax charge	6	<u>(1,032)</u>	<u>(1,116)</u>
Profit for the year/period and total comprehensive income		<u><u>3,768</u></u>	<u><u>3,684</u></u>

There is no comprehensive income other than the profit for the year. All the Company's income is derived from continuing activities.

### STATEMENT OF CHANGES IN EQUITY

#### FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital €	Retained Earnings €	Total Equity €
Balance at 1 January 2013	14,385	4,806	19,191
Profit for the year and total comprehensive income	-	<u>3,684</u>	<u>3,684</u>
Balance at 1 January 2014	14,385	8,490	22,875
Profit for the year and total comprehensive income	-	<u>3,768</u>	<u>3,768</u>
Balance at 31 December 2014	<u><u>14,385</u></u>	<u><u>12,258</u></u>	<u><u>26,643</u></u>

The notes on pages 12 to 26 form part of these financial statements.

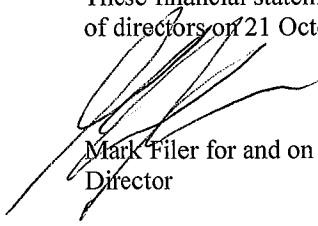
# KARTA II PLC

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 €	2013 €
<b>Assets</b>			
Deemed Loan to the Originator	7	315,937,440	380,542,100
Other receivables	8	1,974	43,921
Cash and cash equivalents	9	<u>384,228,694</u>	<u>319,616,532</u>
<b>Total assets</b>		<u><b>700,168,108</b></u>	<u><b>700,202,553</b></u>
<b>Equity</b>			
Share capital	10	14,385	14,385
Retained earnings		<u>12,258</u>	<u>8,490</u>
<b>Total equity</b>		<u><b>26,643</b></u>	<u><b>22,875</b></u>
<b>Liabilities</b>			
Liabilities evidenced by paper held at amortised cost	11	699,992,169	699,982,545
Other liabilities	12	147,148	196,017
Tax payable	6	<u>2,148</u>	<u>1,116</u>
<b>Total liabilities</b>		<u><b>700,141,465</b></u>	<u><b>700,179,678</b></u>
<b>Total equity and liabilities</b>		<u><b>700,168,108</b></u>	<u><b>700,202,553</b></u>

These financial statements of Karta II Plc, company registration number 07715233, were approved by the Board of directors on 21 October 2015 and are signed on their behalf by:

  
Mark Filer for and on behalf of Wilmington Trust SP Services (London) Limited  
Director

The notes on pages 12 to 26 form part of these financial statements.

**KARTA II PLC****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 €	2013 €
<b>Cash flows from operating activities</b>		
Profit before tax for the year	4,800	4,800
<i>Adjustments for:</i>		
Amortisation of issue costs	9,624	23,388
Interest income	(8,439,712)	(10,005,404)
Interest expense excluding amortisation of issue costs	8,105,747	9,627,961
Increase/(decrease) in accruals and deferred income	<u>16,286</u>	<u>(7,495)</u>
Cash used in operations	(303,255)	(356,750)
Income tax paid	-	(1,594)
<b>Net cash used in from operating activities</b>	<u>(303,255)</u>	<u>(358,344)</u>
<b>Cash flows from investing activities</b>		
Interest received	8,481,659	9,986,772
Deemed loan to the Originator repayments	<u>64,604,660</u>	<u>140,507,940</u>
<b>Net cash generated from investing activities</b>	<u>73,086,319</u>	<u>150,494,712</u>
<b>Cash flows from financing activities</b>		
Repayment of loan notes	-	(200,000,000)
Interest paid	(8,170,902)	(9,646,170)
Issue costs	-	(20,040)
<b>Net cash used in financing activities</b>	<u>(8,170,902)</u>	<u>(209,666,210)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	64,612,162	(59,529,842)
Cash and cash equivalents at start of year	<u>319,616,532</u>	<u>379,146,374</u>
Cash and cash equivalents at end of year	<u>384,228,694</u>	<u>319,616,532</u>

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

The notes on pages 12 to 26 form part of these financial statements.

# KARTA II PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. PRINCIPAL ACCOUNTING POLICIES

##### General information

Karta II PLC is a public limited company incorporated and domiciled in the United Kingdom with registered number 07715233. The principal activity of the Company is set by the Offering Circular and is that of a special purpose company incorporated for the securitisation of a portfolio of Receivables. The Receivables consist of credit card agreements selected from the total portfolio of agreements entered into by the Transferor with obligors in Greece and originated by Eurobank Ergasias S.A.

##### Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

The financial statements have been prepared on a going concern basis, as the Board of the Directors considered as appropriate, taking into consideration the following:

- The Originator's own going concern assessment is critical for the Company as the Originator is responsible for servicing and administering the Receivables. Should the Originator fail in this role, this would create uncertainty about the Company's ability to fully repay the Notes.
- The directors have undertaken a detailed assessment of the Company's on-going business model and have made extensive enquiries of the management of the Originator. Given the details set out below, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future. However, given the on-going general economic and political uncertainties in Greece, the directors recognize the existence of material uncertainties that may cast significant doubt on the Originator's and therefore the Company's ability to continue as a going concern. These uncertainties may impact the servicing, as well as, the quality of the underlying Receivables and the future timing and levels of collections, resulting in significant doubt about the Company's ability to fully repay the Notes.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The Company mainly transacts in Euros ("€"), therefore, the Euro is its functional and presentational currency.

# KARTA II PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

##### Going concern

The financial statements have been prepared on a going concern basis, as the Board of the Directors considered as appropriate, taking into consideration the following:

The Originator's own going concern assessment is critical for the Company as the Originator is responsible for servicing and administering the Receivables. Should the Originator fail in this role, this would create uncertainty about the Company's ability to fully repay the Notes. Given the limited recourse nature of the Notes however, the obligations of the Company to pay amounts due on the Notes are limited to the application of receipts arising from the Receivables, with any resultant shortfall being borne by the Noteholders.

The directors have undertaken a detailed assessment of the Company's on-going business model and have made extensive enquiries of the management of Eurobank Ergasias S.A. (The Bank). Given the details set out below, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future. However, given the on-going general economic and political uncertainties in Greece, the directors recognize the existence of material uncertainties that may cast significant doubt on Eurobank Ergasias S.A. and therefore the Company's ability to continue as a going concern. These uncertainties may impact the servicing, as well as, the quality of the underlying Receivables and the future timing and levels of collections, resulting to significant doubt about the Company's ability to fully repay the Notes, although as already highlighted, the Notes are limited recourse instruments in nature whereby resultant shortfalls will be borne the Noteholders.

##### Macroeconomic environment

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a program agreed with the European Union (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 parliamentary elections of 25 January the extension of the MFFA, that the Greek Government managed to achieve under the 20 February 2015 Agreement, expired on 30 June 2015 without a successful conclusion of the review or a new extension. After the imposition of capital controls and a referendum that led to the rejection of the Eurozone proposal as this was tabled in the negotiations before the expiration of the Master Financial Assistance Facility Agreement (MFFA), the government restarted the negotiations over a new 3-year European Financial Stabilization Mechanism (ESM) program with a ca €86billion financing envelope, which will permit Greece to service its debt, recapitalise its banks, clear accumulated arrears, and build cash buffers for the future. A Preliminary Agreement was reached in the 13 July 2015 Euro Summit. The final agreement on the 3-year ESM programme together with an additional series of prerequisite structural reforms passed in the Greek Parliament and got the approval of the Eurogroup on 14 August 2015. The reforms included in the new programme aim to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The first instalment of the new loan of €26billion, which includes €10billion for the upcoming banks' recapitalization, has already been approved. On 20th August the Greece' Prime Minister announced the resignation of the government and called early elections. These were held on 20th September 2015 and resulted in the re-election of the same coalition government.

Until sufficient progress is made with respect to the implementation of the reform measures required in the context of the financing agreement with the ESM, the above described conditions indicate the existence of material uncertainties on the Greek macroeconomic environment, with potentially significant adverse effects on the liquidity and solvency of the Greek banking sector.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Going concern (continued)**

Liquidity risk

Liquidity, of the whole Greek banking sector, was negatively affected in the first two months 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 3723/2008). As a result Greek banks reverted to the fall back funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs.

The prolonged negotiations of the Greek government with the Institutions until the expiration of the extension of the MFFA on 30 June 2015, led to increased uncertainty and significant deposit outflows. With banks' liquidity buffers falling to significantly low levels, the Greek government on 28 June 2015 introduced restrictions on banking transactions and a temporary bank holiday, in order to contain further liquidity outflows. Following the termination of the bank holiday in Greece on 20 July there has been some gradual relaxation of capital controls with the easing process expected to continue in the following months.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system. The decisive implementation of the measures agreed in the context of the new ESM programme will permit ECB to reinstate the waiver for the instruments issued or guaranteed by the Hellenic Republic.

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 undermine in the short-term the pace of recovery. The current adverse economic conditions in Greece, including the imposition of capital restrictions, had a negative impact on the liquidity of the Greek banks and raised concerns regarding their solvency position. The new ESM Programme agreed between Greece and its European partners in August 2015 includes a buffer of up to €25billion for the banking sector in order to address potential bank recapitalization needs of viable banks and resolution costs of non-viable banks in full compliance with EU competition and state aid rules.

ECB Comprehensive assessment 2015

In this context, a comprehensive assessment of the Greek banks ("CA") has been initiated by the competent supervisory authorities in order to determine their potential capital needs. The CA is expected to take into account the combined effect of i) an Asset Quality Review (AQR), by reviewing the quality of the Bank's assets, including the adequacy of asset and collateral valuation and related provisions and ii) a forward looking Stress Test based on 1H2015 preliminary data to examine the resilience of the Greek banks' balance sheet to stress test scenarios for the period 2015-2017. The CA is expected to be completed by the end of October 2015.

The sufficient specification of the framework for actions to be taken to ensure financial stability and to strengthen the viability of Greek financial institutions (including the funds for potential recapitalization needs) may entail the prior contribution (bail-in) of the Bank's issued instruments in reducing a potential capital shortfall by end of 2015. The eligible instruments for contributing in the potential recapitalization may be preferred securities, subordinated notes and senior [unsecured] notes after taking into account the 14 August Eurogroup statement that the bail in instrument will apply for senior debt bondholders whereas bail in of depositors is excluded.

The above conditions pose a significant challenge for the Group, the capital adequacy of which was comfortably above the minimum required level a few months ago, following the April 14 share capital increase of €2,864million fully covered by private investors. Regarding the CA and the potential recapitalization process the Group expects that it will be completed within set deadlines constituting a key milestone for rebuilding trust in the banking system and in economy in general.



# KARTA II PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

##### Going concern (continued)

###### Going concern assessment

The Bank's Board of Directors, taking into consideration the above factors relating to the 14 August agreement of the Greek Government with its European partners, the commitment of the authorities to take decisive measures to safeguard the stability in the financial sector and the anticipated continuation of the liquidity support that the Bank receives from the Eurosystem, and despite the material uncertainties relating to the outcome of the Bank's comprehensive assessment and the sufficient specification of the recapitalization framework which are beyond the Bank's control, have been satisfied that the Bank has the ability to continue as a going concern into the foreseeable future.

##### Standards affecting presentation and disclosure

New standards, amendments to standards and interpretations of existing standards are detailed in the Originator's consolidated financial statements available at Eurobank Ergasias S.A.'s website at [www.eurobank.gr](http://www.eurobank.gr). The directors consider that there are no new and revised standards relevant to the Company which should be adopted and reported in the 2014 Financial Statements.

##### Early adoption of standards

The directors consider that there are no new standards, amendments and interpretations issued and available for early adoption for the financial year beginning 1 January 2014 that are relevant to the Company.

A summary of the more important accounting policies which have been used for the preparation of these financial statements is set out below. These policies have been applied consistently for the years presented.

##### Financial assets

The Deemed Loan to the Originator, other receivables and cash and cash equivalents are carried at amortised cost using the effective interest method as explained below.

##### Deemed Loan to the Originator

Under IAS 39 Financial instruments: Recognition and Measurement, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded that the Originator has retained substantially all the risks and rewards of the securitised Receivables and as a consequence, the Company does not recognise the Receivables on its statement of financial position but rather a Deemed Loan to the Originator.

The Deemed Loan to the Originator initially represents the consideration paid by the Company in respect of the acquisition of an interest in securitised Receivables and is subsequently adjusted due to repayments made by the Originator to the Company. The Deemed Loan is carried at amortised cost using the effective interest method. The subordinated loan provided by the Originator to the Company is the main form of credit enhancement for the Notes. The Company will repay the subordinated loan to the Originator only if it first receives an equivalent amount from the Originator.

In addition to the subordinated loan, deferred consideration payable to the Originator, representing the excess of the Company's collections regarding the Receivables above the Company's payments as determined by the Offering Circular, is also netted off against the Deemed Loan since they have the same counterparty, they were entered into at the same time and in contemplation of one another, they relate to the same risk and there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. In the statement of comprehensive income the deferred consideration charge is netted off against interest income as it represents income that the Company is not entitled to retain.

The Company regularly reviews the underlying collateral in relation to the Deemed Loan to the Originator to assess for impairment. The methodology applied is further discussed in Note 2 below.

## **KARTA II PLC**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2014**

##### **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

###### **Liabilities evidenced by paper held at amortised cost**

Liabilities evidenced by paper comprise the Notes issued by the Company through the Offering Circular dated 15 August 2011. These Notes were initially recognised at the fair value of the issue proceeds net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method.

In the event that impairment losses exceed the credit enhancement provided by the Originator, some loss may be borne by the Noteholders.

The terms and conditions of the Notes state that the Company is entitled to an optional early redemption of the Notes. This option has been exercisable in full on any Interest Payment Date on or after 25 September 2011 or on the occurrence of a Regulatory Event which materially affects the amount of capital which the Originator is required to allocate in respect of the Portfolio or if it becomes unlawful for the Issuer to perform its obligations under the Notes. The Directors of the Company have concluded that the economic characteristics and risks of this prepayment option are closely related to the economic characteristics and risks of the Notes. As such, the option is not separately accounted for as an embedded derivative.

###### **Cash and cash equivalents**

Cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the Offering Circular.

###### **Share capital**

Ordinary shares are classified as equity.

###### **Interest income and interest expense**

Interest income and expense for all interest-bearing financial instruments are recognised on accruals basis within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest rate method.

###### **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into Euros at the rates of exchange ruling at the reporting date. 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 and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

###### **Effective interest rates**

The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or a group of financial assets or liabilities) and allocates the interest income or interest expense over the expected life of the asset or liability. 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. Calculation of the effective interest rate takes into account early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Effective interest rates (continued)**

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of the loans and hence the cash flows relating to them. These estimates are based on historical data from historical patterns and are updated regularly. The accuracy of the effective interest rate would therefore be affected by any differences between the actual borrower behaviour and that predicted.

**Taxation**

Current tax is recognised at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the year end date. The Company is taxed under The Taxation of Securitisation Companies Regulations 2006 (the "Permanent Tax Regime") under which the Company is taxed by reference to its retained profit as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)".

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future periods. The most significant of these are as follows:

**Impairment losses on Deemed Loan to the Originator**

The recoverability of the Deemed Loan to the Originator is dependent on the collections from the underlying Receivables. The Receivables are considered impaired when as a result of incurred losses it is probable that the Company will be unable to collect all amounts due according to the relevant contractual terms. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market conditions. The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

Credit enhancement is provided to the securitisation structure mainly through a reserve fund account funded through a €45,000,000 (2013: €45,000,000) subordinated loan from the Originator. The income from the Receivables is expected to exceed the interest payable on the Notes issued by the Company. This excess spread is available to make good any reductions in the principal balance of the Receivables as a result of defaults by borrowers.

As explained in Note 7 the Deemed Loan to the Originator was not impaired as at 31 December 2014 (2013: nil) as the balance of the mortgages after impairment losses was higher than the balance of the Deemed Loan.

**Fair values**

A majority of the fair values of Company's financial instruments are not quoted in active markets and are arrived at using valuation techniques. These valuation techniques (for example, models) are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are checked before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data. The fair value of the Deemed Loan to the Originator is calculated by reference to the fair value of the Notes and cash. Where cash is in excess of the fair value of the Notes the fair value of the Deemed Loan is calculated to be nil.

# KARTA II PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

#### 3. INTEREST INCOME

Interest income represents the net interest income on the Deemed Loan to the Originator together with interest on bank deposits, as analysed below.

	2014	2013
	€	€
Net interest income on Deemed Loan to the Originator	8,082,185	9,642,399
Bank interest income	<u>357,527</u>	<u>363,005</u>
	<u>8,439,712</u>	<u>10,005,404</u>

#### 4. INTEREST EXPENSE

	2014	2013
	€	€
Interest on liabilities evidenced by paper	8,105,747	9,627,961
Amortisation of issue costs	<u>9,624</u>	<u>23,388</u>
	<u>8,115,371</u>	<u>9,651,349</u>

#### 5. ADMINISTRATIVE EXPENSES

Profit before tax is stated after charging/(crediting):

	2014	2013
	€	€
Auditors' remuneration – audit of the statutory financial statements of the Company	19,000	15,000
Auditors' remuneration – audit of the statutory financial statements of the Holdings	6,000	5,000
Accountancy fees	4,800	4,800
Servicing fees	238,335	294,990
Other expenses	55,746	29,253
Exchange (gains)/losses recognised	<u>(4,340)</u>	<u>212</u>
	<u>319,541</u>	<u>349,255</u>

Apart from the directors, the Company has no employees (2013: no employees) and, other than the fees paid to Wilmington Trust SP Services (London) Limited as set out in note 13, the directors received no remuneration during the year (2013: nil).

#### 6. INCOME TAX CHARGE

##### (a) Analysis of tax charge in the year

	2014	2013
	€	€
Current tax:		
Corporation tax charge for the year	<u>1,032</u>	<u>1,116</u>
Total income tax charge in the statement of comprehensive income	<u>1,032</u>	<u>1,116</u>

## KARTA II PLC

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2014

##### 6. INCOME TAX CHARGE (continued)

###### (b) Reconciliation of effective tax rate

The tax on the Company's profit before tax is equal to (2013: equal to) the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	2014	2013
	€	€
Profit before tax	<u>4,800</u>	<u>4,800</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	<u>1,032</u>	<u>1,116</u>
Total income tax charge	<u>1,032</u>	<u>1,116</u>

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 21.5%.

Under the powers conferred by Finance Act 2005, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement. For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)". Therefore the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the Transaction and as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)".

The directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

# KARTA II PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

#### 7. DEEMED LOAN TO THE ORIGINATOR

	2014 €	2013 €
Receivables Balance at 1 January	515,552,472	679,748,724
Net movement in Deemed Loan to the Originator	<u>(74,486,918)</u>	<u>(164,196,252)</u>
Receivables Balance at 31 December	441,065,554	515,552,472
Amounts payable to Bank of Greece under Law 128/75	(220,624)	(257,859)
Subordinated loans due to the Originator	(45,000,000)	(45,000,000)
Deferred consideration due to the Originator	<u>(79,907,490)</u>	<u>(89,752,513)</u>
At 31 December	<u>315,937,440</u>	<u>380,542,100</u>

The credit quality of the underlying Receivables is summarised as follows:

	2014 €	2013 €
Neither past due nor impaired	353,004,957	406,556,122
Past due but not impaired	66,086,716	91,664,581
Impaired	<u>21,973,881</u>	<u>17,331,769</u>
	441,065,554	515,552,472
Less: allowance for impairment	<u>(17,301,966)</u>	<u>(17,489,322)</u>
	<u>423,763,588</u>	<u>498,063,150</u>

The Deemed Loan to the Originator was not impaired as at 31 December 2014 (2013: nil) as the balance of the Receivables after impairment losses was higher than the balance of the Deemed Loan.

#### 8. OTHER RECEIVABLES

	2014 €	2013 €
Accrued income	<u>1,974</u>	<u>43,921</u>

#### 9. CASH AND CASH EQUIVALENTS

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

	2014 €	2013 €
Cash and bank current accounts	339,212,464	274,601,537
Bank deposit accounts	<u>45,016,230</u>	<u>45,014,995</u>
	<u>384,228,694</u>	<u>319,616,532</u>

All cash is held with the Originator.

# KARTA II PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

#### 10. SHARE CAPITAL

Authorised share capital:

50,000 (2013: 50 000) ordinary shares at £1 each

	2014	2013
	€	€
2 (2013: 2) fully paid ordinary shares at £1 each	2	2
49,998 (2013: 49,998) partly paid ordinary shares at £1	<u>14,383</u>	<u>14,383</u>
	<u>14,385</u>	<u>14,385</u>

There are 50,000 authorised ordinary shares of £1 each. The issued share capital consists of 2 fully paid ordinary shares and 49,998 quarter paid ordinary shares. The issued share capital is reflected in the financial statements as €14,385 based on the prevailing exchange rate at 5 August 2011 (€/£ 0.869) on the date the Company changed its functional and presentational currency from sterling to Euros. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### 11. LIABILITIES EVIDENCED BY PAPER HELD AT AMORTISED COST

	2014	2013
	€	€
<b>Non-current liabilities</b>		
Floating rate loan notes	700,000,000	700,000,000
Unamortised issue costs	<u>(7,831)</u>	<u>(17,455)</u>
	<u>699,992,169</u>	<u>699,982,545</u>

The Notes are listed on the Irish Stock Exchange, and are secured over a portfolio of credit card agreements originated in Greece.

The exposure of the Company's borrowings to interest rate changes and contractual re-pricing dates at the reporting date are as follows:

	2014	2013
	€	€
3 months or less	<u>700,000,000</u>	<u>700,000,000</u>

Interest on the Notes is payable on a monthly basis at the one month EURIBOR plus 1.00%. All of the floating rate loan notes are due to be repaid by 2018, amended from 2016 on 25 September 2013, and are secured by means of a fixed and floating charge over the Company's assets.

The Company has not had any defaults on principal, interest or any other breaches with respect to their liabilities during the year.

#### 12. OTHER LIABILITIES

	2014	2013
	€	€
Interest payable	65,448	130,603
Accruals and deferred income	<u>81,700</u>	<u>65,414</u>
	<u>147,148</u>	<u>196,017</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**13. RELATED PARTY TRANSACTIONS**

The Company has identified the following transactions which are required to be disclosed under the terms of IAS 24 "Related Party Disclosures".

During the year, administration and accounting services were provided by Wilmington Trust SP Services (London) Limited for which Wilmington Trust SP Services (London) Limited earned €17,563 (2013: €16,926) including irrecoverable value added tax. Mr M H Filer, a director of the Company, is also a director of Wilmington Trust SP Services (London) Limited.

During the year, Eurobank Ergasias S.A. repaid to the Company amounts of principal on the Deemed Loan of €74,486,918 (2013: €164,196,252). The interest income earned on the underlying Receivables for the year was €80,033,342 (2013: €99,009,805).

Eurobank Ergasias S.A. administers the Receivables on behalf of the Company and earned €238,335 (2013: €294,990) during the year.

Eurobank Ergasias S.A. earned €68,554,293 (2013: €85,120,045) with respect to deferred consideration during the year and was owed €17,301,966 (2013: €17,489,322) at the end of the year, which is included within the Deemed Loan to the Originator at amortised cost above.

All the notes are held by Eurobank Ergasias S.A. entities as at 31 December 2014.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**14. FINANCIAL RISK MANAGEMENT**

The Originator considers the Company to be its subsidiary. The Originator manages the Receivables under the servicer agreement with the Company. In managing the Receivables, the Originator applies its own formal risk management structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Originator's Assets and Liabilities Committee (ALCO), which is charged with the responsibility for managing and controlling the statement of financial position exposures of the Originator.

**Interest rate risk**

After taking into consideration the administered interest rate nature of the Company's Deemed Loan, the regular re-pricing of the Company's floating rate notes, together with the nature of the Company's other assets and liabilities, the directors do not believe that the Company has any significant interest rate re-pricing exposure.

**Credit risk**

The maximum exposure to Credit risk is considered by the Directors to be the carrying value of the Deemed Loan to the Originator (see Note 7) and bank deposits. The Receivables consist of credit card agreements selected from the total portfolio of agreements entered into by the Transferor with obligors in Greece and originated by Eurobank Ergasias S.A.

**Liquidity risk**

The Company's policy is to manage liquidity risk through its use of its start-up loan and excess spread, a reserve fund and an over-collateralisation of Receivables underlying the loan to the Originator. As the length of the Notes is designed to match the length of the Receivables underlying the loan to the Originator, there are deemed to be limited liquidity risks facing the Company.

**Currency risk**

All of the Company's assets and liabilities are denominated in Euros ("€"), and therefore currently there is no foreign currency risk.

**Capital risk management**

The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

**Financial instruments**

The Company's financial instruments comprise of a Deemed Loan to the Originator, cash and cash equivalents, interest-bearing borrowings and various receivables and payables that arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments is undertaken.

## KARTA II PLC

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2014

#### 14. FINANCIAL RISK MANAGEMENT (continued)

##### Fair values

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Carrying amount 2014 €	Approximate fair value 2014 €	Carrying amount 2013 €	Approximate fair value 2013 €
Deemed Loan to the Originator	7	315,937,440	140,771,306	380,542,100	205,383,468
Other assets	8	1,974	1,974	43,921	43,921
Cash and cash equivalents	9	<u>384,228,694</u>	<u>384,228,694</u>	<u>319,616,532</u>	<u>319,616,532</u>
		<u>700,168,108</u>	<u>525,001,974</u>	<u>700,202,553</u>	<u>525,043,921</u>
Liabilities evidenced by paper	11	699,992,169	525,000,000	699,982,545	525,000,000
Other liabilities	12	147,148	147,148	196,017	196,017
Tax payable	6	<u>2,148</u>	<u>2,148</u>	<u>1,116</u>	<u>1,116</u>
		<u>700,141,465</u>	<u>525,149,296</u>	<u>700,179,678</u>	<u>525,197,133</u>

Please see Note 2 for information on calculation of fair values.

The fair value of the liabilities evidenced by paper has been estimated based on valuation models, calibrated to ensure that outputs reflect actual data and comparative market prices. The fair value of the Deemed Loan to originator has been determined based on the estimated fair value of the liabilities evidenced by paper and cash. Where cash is in excess of the fair value of the Notes the fair value of the Deemed Loan is calculated to be nil. Determining fair value is dependent on many factors and can only be an estimate of what value may be obtained in the open market at any point in time.

Management notes the significant shortfall between the carrying amount and fair value of the notes (and of the deemed loan) as a possible indication that the deemed loan may be impaired and therefore that the notes may not be repaid in full. The low fair value is due to the high impact risks associated with Greece in general and therefore the difference to the carrying amount does not represent an expectation with a high degree of certainty that the Noteholders will not be fully repaid. The ability to repay the issued notes depends on the quality of the underlying receivables and their servicing by the Originator. The deemed loan to Eurobank is not considered to be impaired and the low fair value of the deemed loan and the notes does not indicate that the impairment losses recognised on the Receivables Portfolio are understated.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 DECEMBER 2014

## 14. FINANCIAL RISK MANAGEMENT (continued)

**Fair value hierarchy**

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows:

Level 1 - valued using quoted prices in active markets for identical assets or liabilities

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data  
The valuation techniques used by the Company are explained in the accounting policies note.

As at 31 December 2014	Total	Level 1	Level 2	Level 3
Financial assets at fair value	€	€	€	€
Deemed Loan to the Originator	<u>140,771,306</u>	—	—	<u>140,771,306</u>
As at 31 December 2014	Total	Level 1	Level 2	Level 3
Financial liabilities at fair value	€	€	€	€
Liabilities evidenced by paper	<u>525,000,000</u>	—	—	<u>525,000,000</u>
As at 31 December 2013	Total	Level 1	Level 2	Level 3
Financial assets at fair value	€	€	€	€
Deemed Loan to the Originator	<u>205,383,468</u>	—	—	<u>205,383,468</u>
As at 31 December 2013	Total	Level 1	Level 2	Level 3
Financial liabilities at fair value	€	€	€	€
Liabilities evidenced by paper	<u>525,000,000</u>	—	—	<u>525,000,000</u>

## 15. SEGMENTAL REPORTING

Having considered the Company's activities the directors have not identified any reportable segments.

## 16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The shares in the Company are held by Wilmington Trust SP Services (London) Limited under Declarations of Trust for charitable purposes. Eurobank Ergasias S.A. has no direct ownership interest in the Company. However, in accordance with IFRS, and particularly IFRS 10, the Originator considers itself to be the controlling party of the Company and the results of the Company are included in the consolidated financial statements of Eurobank Ergasias S.A., which are available online at [www.eurobank.gr](http://www.eurobank.gr).

**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2014****16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY (Continued)**

In May 2013, following its full subscription in Eurobank Ergasias S.A.'s recapitalization of €5,839 million, the Hellenic Financial Stability Fund ('HFSF') became the controlling shareholder and a related party of Eurobank Ergasias S.A. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank Ergasias S.A.'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 Ergasias S.A. by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the percentage of the voting rights held by HFSF increased to 95.23%.

Following the completion of Eurobank Ergasias S.A.'s share capital increase of €2,864 million, 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 as amended by Law 4254/2014, the HFSF's voting rights in Eurobank Ergasias S.A.'s General Assemblies have been switched to restricted ones. Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Eurobank Ergasias S.A. Group but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Eurobank Ergasias S.A. Group, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, are not regarded as such.

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](http://www.eurobank.gr).

**17. OTHER SIGNIFICANT AND POST BALANCE SHEET EVENTS**

There were no significant post balance sheet events to report.