ERB Hellas (Cayman Islands) Limited

Annual Report

For the year ended 31 December 2015

Company's registration number: CR-117363

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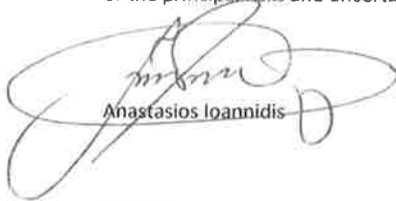
Declaration of the managers responsible for financial reporting

The undersigned Anastasios Ioannidis, 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.



Anastasios Ioannidis

Director

12 July 2016

Directors' Report

The Directors submit their report and the audited non statutory financial statements of the Company for the year ended 31 December 2015.

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). This program was last updated in April 2016. 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 € 61,691 ths, which mainly relates to the disposal of the available for sale equity securities (2014: € 2,018 ths loss). As at 31 December 2015 the total equity of the Company amounted to € 673 ths (2014: € 64,536 ths). No dividend was paid to shareholders during 2015 (2014: nil).

ii) Business environment, strategy and future outlook

The Company's business strategy and activities are linked to those of its Parent Company. In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. The prolonged uncertainty relating to an agreement with the European partners on the continuation of the financing of the Greek State and the tightened liquidity conditions, which have severely impacted the Greek economy, have adversely affected the Parent Company's group operations. In this particularly demanding context, the Bank's group operations were aimed to adjust to the prevailing conditions.

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through the implementation of two consecutive Economic Adjustment Programmes agreed with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) ('the Institutions'). This had led to primary surplus in 2013 and a primary balance of 0.0% of GDP in 2014, but also to reform fatigue and social unrest. Following the failure of the constitutional process to elect a new President of the Hellenic Republic at the end of 2014, early parliamentary elections were held on January 25th 2015 and a new coalition government came in office. The new government moved to negotiate a new financing framework and a revised reform programme with the Institutions for the final review of the Second Economic Adjustment Programme (SEAP). In the context of these negotiations, the extension of the Master Financial Assistance Facility Agreement (MFFA) of the SEAP that the Greek Government managed to achieve under the February 20th 2015 Agreement expired on 30 June 2015 without a successful conclusion of the review or a new extension. 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 (capital controls) and a temporary bank holiday, in order to contain further liquidity outflows. Following the termination of the bank holiday in Greece on 20 July 2015 there has been some gradual relaxation of capital controls.

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 MFFA, the government

Directors' Report (continued)

restarted the negotiations. The new 3-year ESM programme – the Third Economic Adjustment Programme (TEAP) – that was finalized in mid-August 2015 included a financing envelope of ca € 86bn which will permit Greece to service its debt, recapitalize its banks, clear accumulated arrears and finance its budget. The final agreement on the TEAP, 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 government managed to complete two sets of prior actions/reforms from the TEAP at the end of November and December 2015. This permitted the disbursement of two additional instalments of € 3.0bn in total, in addition to the € 13bn disbursed in August 2015 as a first instalment from the ESM loan. By mid - December 2015, the banks' recapitalization was completed with only ca € 5.4bn from the initial buffer of up to € 25bn used. The unused funds were subtracted from the ESM loan, reducing it to ca €64.5bn as of the end of January 2016. In June 2016, the 1st review of the TEAP was successfully completed which permitted the disbursement of an additional installment of € 7.5 bn from the ESM loan. In addition, ECB having taken into consideration the approval of the first disbursement of the second tranche of the TEAP and acknowledging the commitment of the Greek government to implementing the ESM macroeconomic adjustment programme, decided to reinstate the waiver for all outstanding and new marketable debt instruments issued or guaranteed by the Hellenic Republic.

On the fiscal front, according to the data published by the ELSTAT on 22 April 2016, the primary surplus for 2015 was ca 0.3% of GDP. The respective forecast for 2016 is for a primary surplus of 0.5% of GDP. Under the TEAP, the primary balance for 2017 and 2018 is expected at 1.75% and 3.5% of GDP respectively. The achievement of sustainable primary surpluses for the period ahead constitutes a necessary condition for the implementation of the medium and long term debt relief measures decided on the Eurogroup of 24 May 2016. According to the IMF, the 2015 current account surplus was at 0.0% while the respective figure for 2016, 2017 and 2018 is expected at -0.2%, -0.3%, -0.2% of GDP respectively.

Based on the Hellenic Statistical Authority (ELSTAT) data, the unemployment rate in March 2016 was 24.1% (March 2015: 25.7%) and had decreased approximately 3.8 ppts since the peak of July 2013 (27.9%) pointing towards a slow path of recovery conditional on no unforeseen negative developments in the upcoming period.

The ongoing deleveraging in the Greek economy can be considered as a major drag for the recovery path. From June 2011 until December 2014, the average annual private sector domestic credit growth was -8.02%. According to the latest available data from BoG, i.e. in May 2016, the private sector domestic credit stock was at € 201.3 bn, lower by -3.2% compared to May 2015. Finally, on the other side of the ledger, private sector domestic deposits were at € 121.7 bn in May 2016 from € 129.9 bn in May 2015, a decrease of -6.3%. The recovery of deposits is closely related with the expected successful conclusion of the upcoming reviews of the TEAP and the return of the country to a sustainable growth path.

Considerable risks continue to surround the near-term domestic economic outlook. The unemployment rate remains very high and follows a slowly decreasing path. At the same time the country was in a deflationary territory for 36 out of the last 38 consecutive months. In December 2015 the general price level (HICP) recorded an increase of ca 0.4% from -2.5% in December 2014. The most recent figure that of May 2016 was negative at -0.2% from -1.4% in May 2015. In 2014, real GDP growth turned positive, at 0.8%, for the first time after 6 years in recession. The increased uncertainty over the conclusion of the last

Directors' Report (continued)

review of the SEAP, the expiration of the programme at the end of June 2015 without tangible positive results, the imposition of capital controls, and the need for a new bank recapitalization process led to a deterioration of the 2015 real GDP forecasts. According to most recent ELSTAT data, real GDP decreased by approximately -0.2% in 2015. At the same time, according to ELSTAT data real GDP recorded a decrease of -1.4% for the first quarter of 2016. In this context and as a consequence of the impact of capital controls, which is expected to be milder than initially anticipated, Eurobank's Macroeconomic Research department's analysis provides for a real GDP growth for 2016 and 2017 at -0.3% and 2.7% of GDP, respectively.

Regarding the outlook for the next 12 months, the main risks and uncertainties are associated with: a) delays in the implementation of the agreed reforms in order to achieve the disbursement of the second sub-tranche of €2.8 bn from the second installment of the 3-year ESM loan facility by the end of September 2016 and the timely preparation for the upcoming 2nd review of the TEAP now scheduled for October 2016, b) the new fiscal austerity package and its effect in the real economy, c) the restrictions in the free movement of capital with their negative impact on the economic activity and d) the geopolitical conditions in the broader region and the external shocks from the global economy, including the impact from the potential exit of the UK from the European Union in accordance with the result of the referendum conducted in that country on June 23 2016, which would have potentially adverse effect on the liquidity and solvency of the Greek banking sector. Continuation of the recession could affect the prospects of the Greek banking system leading to the deterioration of asset quality, increased dependence by the Eurosystem funding, particularly the expensive ELA mechanism, and further pressures on revenue side from increased funding cost and lower fees and commission income.

On the other hand, the demonstrated resilience of the Greek economy in 2015, the successful recapitalization of the domestic banking system, the conclusion of the 1st review of the TEAP and the consequent positive ECB decision for the reinstatement of the waiver for the instruments issued or fully guaranteed by the Hellenic Republic, the gradual relaxation of capital controls and the mobilization of EU funding to support domestic investment and job creation, could facilitate a stabilization of the domestic environment and a resumption of positive economic growth as early as in the second half of 2016. The above developments along with the decisive implementation of the reforms agreed in the context of the ESM program, will contribute to the restoration of confidence and the attraction of new investments, which will signal the gradual return of deposits lost in 2015 in the banking system and the re-access to the markets for liquidity.

In this context, and in accordance with the preliminary agreement of the 12 July 2015 Euro summit, the ECB/SSM conducted a comprehensive assessment of the Greek banks (CA) in order to determine their potential capital needs. The results of the CA have been derived taking into account the combined effect of i) an Asset Quality Review (AQR) and ii) a forward looking Stress Test, so as to assess the resilience of the Greek banks' balance sheets to stress test scenarios (a baseline and an adverse) for the period 2015-2017. The results of the CA were announced on 31 October 2015, based on which a shortfall of € 339m in baseline scenario against 9.5% CET1 threshold and € 2,122m in adverse scenario against 8% CET1 threshold, was identified for the Parent Company. Following the recognition by SSM of € 83m capital generation that were taken into account to reduce the capital shortfall, on 16 November 2015 the EGM of the Bank approved a share capital increase up to € 2,039m. The capital increase has been effected by means of a private placement to institutional and other eligible investors in Greece and internationally through a book-building process (Institutional Offering), with waiving of the pre-emption rights of the Bank's existing ordinary shareholders and preference shareholder. In combination with the aforementioned share capital increase, a Liability Management Exercise (LME) was launched by the

Directors' Report (continued)

Parent Company on 29 October 2015 referring to the tender offer on € 877 million (face value) of outstanding eligible senior unsecured, Tier I and Tier II securities. The proceeds would be used to subscribe for new shares (New Shares) in the said Bank's share capital increase. The Bank retained the right of accepting partially the LME orders, in which case eligible securities would be accepted on a pro rata basis in accordance with relative subordination ranking. On 18 November 2015, the Parent Company announced that it has completed the aforementioned book-building process. In particular, indicative demand from investors in the Institutional Offering together with the preliminary results of Parent Company's LME were in excess of € 2,039 million and therefore were sufficient for the Parent Company to raise such amount without seeking any capital support from the HFSF. Accordingly, on 23 November 2015 the Parent Company announced the allocation of New Shares between the Institutional Offering and the LME, according to which the aggregate purchase proceeds of the securities accepted as part of the LME amounted to € 418 million, € 51 million of which relate to EMTNs issued by the Company (note 19).

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, total equity and the balances of debt instruments outstanding at the reporting date.

The assessment by the directors of the Company's ongoing business model is closely associated with the business decisions and operations of the Parent Company. On the basis of the analysis of the Parent Company's and the Company's capital solvency and liquidity, the uncertainties relating to the macroeconomic environment in Greece and having considered the mitigating factors set out in note 2 of the Financial Statements, including the successful outcome of the recapitalisation actions to cover the capital shortfall that arose from the assessment of the Parent Company's capital needs by ECB and the conclusion of the 1st review of the ESM program in June 2016, the directors have been satisfied that the Company has the ability to continue as a going concern into the foreseeable future and that it is appropriate to prepare the financial statements of the Company on a going concern basis.

iii) Principal risks and uncertainties

The 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 2015, which include those of the Company, are discussed in the Report of Directors and the notes to the Consolidated Financial Statements included in the 2015 Annual Financial Report of Eurobank Ergasias S.A., which was signed on 17 March 2016 (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:

Directors' Report (continued)

- Anastasios Ioannidis
- Dimosthenis Archontidis (appointed on February 26, 2015)
- Nikolaos Laios (appointed on February 26, 2015)
- Dimitra Spyrou (appointed on February 26, 2015)

Fokion Karavias resigned 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.

vii) Directors' responsibilities in relation to the financial statements

The Directors have prepared these 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 judgments 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.

Directors' Report (continued)

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 12 July 2016 and was signed on its behalf by:

Anastasios Ioannidis

Director

12 July 2016

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 2015 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 2015, 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.

Independent Auditor's Report (continued)

Emphasis of Matter

Without qualifying our opinion, we draw attention to the disclosures made in note 2.1 to the financial statements, which refer to the uncertainties associated with the implementation of Greece's Third Economic Adjustment Programme, the macroeconomic environment in Greece and the ongoing developments that could affect the Parent Company's (Eurobank Ergasias S.A.) and therefore the Company's going concern assumption.

Athens, 12 July 2016

PricewaterhouseCoopers

PricewaterhouseCoopers
268 Kifisias Avenue, Athens, Greece
152 32 Halandri
SOFL Reg. No. 113

Statement of Comprehensive Income

	Note	Year ended 31 December 2015 €'000	2014 €'000
Interest and similar income	5	**9,418**	10,871
Interest expense and similar charges	6	**(10,770)**	(12,871)
Net interest income		**(1,352)**	(2,000)
Net gains/(losses) from investment securities	8	**(60,230)**	-
Net gains/(losses) from other financial instruments	7	**(0)**	(0)
Foreign exchange gains		**54**	55
Operating expenses	9	**(163)**	(73)
Profit/(loss) before income tax		**(61,691)**	(2,018)
Income tax expense	10	-	-
Net profit/(loss) for the year attributable to the owners of the Parent Company		**(61,691)**	(2,018)
Available for sale securities	12		
- changes in fair value		(62,402)	18,131
- transfer to (profit)/loss		60,230	-
Other Comprehensive Income		**(2,172)**	18,131
Total comprehensive income for the year attributable to the owners of the Parent Company		**(63,863)**	16,114

Notes on pages 16 to 35 form an integral part of these financial statements

Balance Sheet

		At 31 December	
	Note	**2015 €'000**	2014 €'000
Assets			
Deposits with banks	11	**4,427**	149,495
Investment securities	12	**48,227**	212,288
Other assets		**6**	5
Total assets		**52,660**	361,788
Liabilities			
Liabilities evidenced by paper at amortised cost	14	**48,221**	120,241
Liabilities evidenced by paper designated at fair value	15	**3,725**	175,450
Derivative financial instruments	13	-	1,523
Other liabilities		**41**	38
Total liabilities		**51,987**	297,252
Equity			
Share capital	16	**16**	16
Reserves and retained earnings		**657**	64,520
Total equity		**673**	64,536
Total equity and liabilities		**52,660**	361,788

The financial statements on pages 12 to 35 were approved by the Board of Directors on 12 July 2016 and were signed on its behalf by:

Anastasios Ioannidis

Director

Notes on pages 16 to 35 form an integral part of these financial statements

Statement of Changes in Equity

	Share capital €'000	Reserves and retained earnings €'000	Total €'000
Balance at 1 January 2014	16	48,407	48,423
Profit/(loss) for the year	-	(2,018)	(2,018)
Other Comprehensive Income	-	18,131	18,131
Total comprehensive income for the year ended 31 December 2014	-	16,113	16,113
Balance at 31 December 2014	16	64,520	64,536
Balance at 1 January 2015	**16**	**64,520**	**64,536**
Profit/(loss) for the year	-	(61,691)	(61,691)
Other Comprehensive Income		(2,172)	(2,172)
Total comprehensive income for the year ended 31 December 2015	-	(63,863)	(63,863)
Balance at 31 December 2015	**16**	**657**	**673**

Notes on pages 16 to 35 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2015 €'000	2014 €'000
Cash flows from operating activities			
Interest and similar income received		**6,159**	7,735
Interest and similar income paid		**(7,328)**	(9,772)
Cash payments to suppliers		**(161)**	(90)
Cash flows from operating activities before changes in operating assets and liabilities		**(1,330)**	(2,127)
Changes in operating assets and liabilities			
Net decrease in deposits with banks		**132,845**	5,531
Net cash generated from operating activities		**131,515**	3,404
Cash flow from investing activities			
Sales and redemptions of investment securities		**105,442**	269,461
Net cash generated from investing activities		**105,442**	269,461
Cash flows from financing activities			
Repayments of loan notes		**(237,101)**	(273,035)
Net cash used in financing activities		**(237,101)**	(273,035)
Net decrease in cash and cash equivalents		**(144)**	(170)
Cash and cash equivalents at beginning of year		**846**	1,016
Cash and cash equivalents at end of year	11	**702**	846

Notes on pages 16 to 35 form an integral part of these financial statements

Notes to the Financial Statements

1. General information

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, purchased by institutional and private investors. The 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>
Following the negotiations with its European partners during the last months and after completing all key prior actions, Greece has successfully concluded the 1st review of the Third Economic Adjustment Programme (TEAP), which permitted the disbursement of the first sub-tranche of € 7.5bn from the second instalment of the ESM loan on 21 June 2016, allowing Greece to cover its debt servicing needs and clear a part of the arrears to the private sector. Accordingly, ECB decided the reinstatement of the waiver for the instruments issued or fully guaranteed by the Hellenic Republic and the improvement of the advance rates for providing Eurosystem financing with Pillar II guarantees as collateral, while the participation of Greek Government bonds in the European Central Bank's (ECB) quantitative easing (QE) program will be examined at a later stage. With regard to the Greek debt, the ESM members have agreed to implement a roadmap of debt relief measures depending on the continued fulfilment of the conditions underlying the programme. The completion of the 1st review reduced the short term uncertainty surrounding the economic outlook and is expected to facilitate the restoration of confidence in the prospects of the Greek economy, the gradual relaxation of the capital controls that will eventually lead to their full removal in due course and the further stabilization of the domestic environment, which are necessary conditions for the resumption of positive economic growth as early as in the second half of 2016.

Currently, the main risks and uncertainties are associated with a) the additional fiscal measures included in the key prior actions for the first review and their effect on the real economy, b) delays in the implementation of the reforms agenda in order to achieve the next targets of the ESM programme, c) the further delay in the lift of capital controls, and d) the geopolitical conditions in the broader region and the external shocks from the global economy, including the impact from the potential exit of the UK from the European Union in accordance with the result of the referendum conducted in that country on June 23 2016.

Notes to the Financial Statements (continued)

Liquidity risk

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the European Stability Mechanism (ESM) program. The decisive implementation of the measures agreed in the context of the new ESM program permitted ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and to decrease the haircuts applied for Pillar II guarantees, which will enable Greek banks to reduce their dependence on the expensive ELA mechanism, increase liquidity buffers and may signal the gradual return of deposits in the banking system, and the further re-access to the markets for liquidity.

In the first quarter of 2016, the Bank has managed to further reduce its dependence on Eurosystem funding amounting to € 22.9 bn at the end of March 2016 (31 December 2015: € 25.3 bn) through an increase in repo transactions in the interbank market and the selective assets deleveraging.

Solvency risk

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

The Parent Company, following the successful completion of its recapitalization in November 2015, exclusively from private sources, is focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. One of the key areas of focus remains the active management of non-performing loans, taking advantage of the Parent Company's internal infrastructure and the important legislative changes that have taken place, aiming to substantially reduce their stock in due course. The Parent Company's consolidated Common Equity Tier 1 (CET1) ratio stood at 16.5 % at the end of March 2016 and the net profit attributable to shareholders amounted to €60m for the first quarter of 2016.

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the Parent company's capital position and its anticipated continued access to Eurosystem funding over the foreseeable future, and despite the existing uncertainties relating to the macroeconomic environment in Greece, has been satisfied that the financial statements of the Company can be prepared on a going concern basis.

The policies set out below have been consistently applied to the years 2015 and 2014, except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

The following amendments to existing standards and new interpretations, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), which are relevant to the Company, apply from 1 January 2015:

Notes to the Financial Statements (continued)

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments introduce key changes to three IFRSs, following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project, as follows:

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';
- Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.

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

IFRIC 21, Levies

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. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. 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 had no impact on the Company's financial statements.

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

A number of new standards and amendments to existing standards are effective after 2015, as they have not yet been endorsed by the European Union or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)

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 significantly impact the Company's financial statements.

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

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities.

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

Notes to the Financial Statements (continued)

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.

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

IFRS 9 introduces an expected credit loss model that will apply to all financial instruments that are subject to impairment accounting and replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognized. Under IFRS 9, a loss allowance will be recognized for all financial assets, therefore the new requirements will result in the earlier recognition of credit losses.

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month expected credit losses will be recognized for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets that have experienced a significant increase in credit risk since initial recognition as well as purchased or originated credit impaired financial assets, a loss allowance equal to lifetime expected credit losses will be recognized. The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. 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.

Notes to the Financial Statements (continued)

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:

- 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 2012-2014 Cycle (effective 1 January 2016)

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'.

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

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

Notes to the Financial Statements (continued)

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.

The Company's presentation currency is the Euro (€) being the functional currency of the Company. Except as indicated, financial information presented in Euros has been rounded to the nearest thousand.

2.2 Interest income and expense

Interest income and expense are 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 profit or loss.

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

The 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.

(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.

Notes to the Financial Statements (continued)

(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 or 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 assets. 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.

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 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. A financial asset is derecognized when the contractual cash flows 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.

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

Notes to the Financial Statements (continued)

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 measured at fair value 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

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

(a) significant financial difficulty of 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;

Notes to the Financial Statements (continued)

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

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

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

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

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

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

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

A financial asset is 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 issuer's/borrower's financial position to such extent that the borrower can no longer pay his obligation.

Available-for-sale assets

The Company assesses at each reporting date whether there is objective evidence that an asset classified as available for sale is impaired. Particularly, in case of equity investments, 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

Notes to the Financial Statements (continued)

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

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

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

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

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

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

2.8 Cash and cash equivalents

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

2.9 Derivative financial instruments

Derivative financial instruments are initially 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. 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 profit or loss. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 3 and 13.

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;

Notes to the Financial Statements (continued)

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

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

2.12 Provisions

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

2.13 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.

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. The aggregate carrying amount of these deposits and investment securities approximates the maximum credit risk exposure of the Company. Financial assets are neither past due nor impaired.

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

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

  The interest rate risk is eliminated 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.

Notes to the Financial Statements (continued)

- 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.

(c) Liquidity Risk: The Company is not exposed to liquidity or cash flow risk because the maturity of its assets and liabilities, and the underlying cash flows, are substantially the same.

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

	2015				
	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	-	51,360	9	4,680	56,049
Other liabilities	-	-	41	-	41
	-	51,360	50	4,680	56,090

	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

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

The Company's financial instruments carried at fair value or at amortized cost for which fair value is disclosed are categorized into 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 (unadjusted) 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

Notes to the Financial Statements (continued)

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 using valuation techniques other than level 1 quoted prices, that are observable either directly or indirectly, such as interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and other unobservable inputs which are insignificant to the entire fair value measurement. The Company's financial instruments are categorized into level 2 of fair value hierarchy.

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

Financial instruments carried at fair value

Company's valuation processes

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

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel of the Parent Company, independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values reflect also the credit risk of the financial instrument and include adjustments to take into account the credit risk of the Parent Company, where appropriate. The credit risk of the Parent Company is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Parent Company's subsidiaries or other Greek issuers. The valuation models used by the Company have been developed by the Parent Company's appropriate personnel, who also have established the processes and procedures governing the fair valuations. Valuation controls may include verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc.

The fair value hierarchy categorization of the Company's financial assets and liabilities carried at fair value at 31 December 2015 and 2014 is presented in the following tables:

Notes to the Financial Statements (continued)

	2015			
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Total €' 000
Financial assets measured at fair value:				
Deposits with banks	-	3,725	-	3,725
	-	3,725	-	3,725
Financial liabilities measured at fair value:				
Liabilities evidenced by paper designated at fair value	-	3,725	-	3,725
	-	3,725	-	3,725

	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

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 2015.

Financial instruments not carried at fair value

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

	2015				
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Fair Value €' 000	Carrying amount €' 000
Financial assets not measured at fair value:					
Investment securities					
-Debt securities lending portfolio	-	50,513	-	50,513	48,227
	-	50,513	-	50,513	48,227
Financial liabilities not measured at fair value:					
Liabilities evidenced by paper at amortised cost	-	50,513	-	50,513	48,221
	-	50,513	-	50,513	48,221

	2014				
	Level 1 €' 000	Level 2 €' 000	Level 3 €' 000	Fair Value €' 000	Carrying amount €' 000
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 liabilities 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

Notes to the Financial Statements (continued)

The assumptions and methodologies underlying the calculation of fair values of loan notes issued by the Company and the respective mirror assets (debt securities lending portfolio) not carried at fair value on the balance sheet date are as follows:

- The fair values are determined 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.

4. Critical accounting estimates and judgments

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 Investment securities at amortised cost

The Company's proceeds from loan notes at amortised cost have been placed in investment securities issued by the Parent Company, which have been classified under debt securities lending portfolio. The Company assesses the recoverability of these assets on an ongoing basis in close association with the operations of the Parent Company and includes reviews of liquidity and solvency.

4.2 Fair value of financial instruments

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

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

Valuation models are used to value 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;
(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

Notes to the Financial Statements (continued)

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

	2015	2014
	€' 000	€' 000
Interest income on investment securities	**8,202**	9,767
Interest income on derivative financial instruments	**979**	997
Interest income on deposits with the Parent Company	**237**	107
	9,418	10,871

6. Interest expense and similar charges

	2015	2014
	€' 000	€' 000
Interest expense on liabilities evidenced by paper	**(10,510)**	(12,471)
Interest expense on derivative financial instruments	**(260)**	(400)
	(10,770)	(12,871)

7. Net gains/ (losses) from financial instruments

	2015	2014
	€' 000	€' 000
Changes in fair value of liabilities evidenced by paper	**49,615**	(510)
Changes in fair value of derivative financial instruments managed with liabilities evidenced by paper	**1,510**	(1,338)
Changes in fair value of deposits managed with liabilities evidenced by paper	**(51,125)**	1,848
Realized gains/(losses) from financial instuments	**(0)**	0
	(0)	(0)

8. Net gains/(losses) from investment securities

	2015	2014
	€' 000	€' 000
Equity securities	**(60,230)**	-
	(60,230)	-

In October 2015, the Company sold its available for sale equity securities of face value of € 325 million, issued by ERB Hellas Funding Limited, a subsidiary of Eurobank Ergasias S.A., back to the Bank (note 12). The transaction resulted in a loss of € 60 million recorded in the income statement of the Company.

Notes to the Financial Statements (continued)

9. Operating expenses

	2015 €' 000	2014 €' 000
Fees payable to the auditor for the non statutory audit of the company's annual financial statements	(35)	(10)
EMTN update and other costs	(128)	(63)
	(163)	(73)

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

	2015 €' 000	2014 €' 000
Deposits with the Parent Company designated at fair value	3,725	148,650
Deposits with the Parent Company at amortised cost	702	845
	4,427	149,495
Maturing over 1 year	3,725	144,030
With original maturity of less than 90 days (cash and cash equivalents)	702	846

12. Investment securities

	2015 €' 000	2014 €' 000
Available for sale investment securities	-	134,973
Debt securities lending portfolio	48,227	77,315
	48,227	212,288
Debt securities maturing over 1 year	48,227	50,802

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 had no fixed redemption date and paid 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 were guaranteed on a subordinated basis by the Parent Company. The preferred securities were classified as available for sale equity investments.

In October 2015, the Parent Company proceeded with the buy back and the subsequent cancellation of the preferred securities of face value of € 325 million, issued by ERB Hellas Funding Limited and held by the Company in its available for sale portfolio.

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

Notes to the Financial Statements (continued)

	2015 €' 000	2014 €' 000
Opening Balance	2,172	(15,959)
- Changes in fair value	(62,402)	18,131
- Revaluation reserve transferred to (profit)/loss	60,230	-
Closing Balance	-	2,172

Debt securities lending portfolio

As at 31 December 2015, the Company held unlisted notes issued by the Parent Company of face amount of € 50 million (2014: 83 million). The notes were classified under debt securities lending portfolio.

Post balance sheet event

During the first half of 2016 the face value of debt securities lending portfolio held by the Company was decreased by € 33,911 ths, in accordance with the decrease of loan notes carried at amortised cost, recorded in the same period (note 14).

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. During 2015, following the cancellation and maturity of fixed rates structured notes, the interest rate swaps held by the company were terminated.

14. Liabilities evidenced by paper at amortised cost

			2015		2014	
	Interest rate %	Currency	Face amount €' 000	Carrying amount €' 000	Face amount €' 000	Carrying amount €' 000
Floating rate loan notes	3M Euribor plus 2.25	EUR	-	-	71,100	71,257
Fixed rate loan notes	9.0	EUR	50,229	48,221	54,828	48,984
			50,229	48,221	125,928	120,241

As part of the Company's risk management strategy, these notes are managed by placing funds on debt securities issued by the Parent Company on the same terms and conditions with the loan notes (note 3).

During the year loan notes of face value € 71,100 ths matured, while notes of face value € 4,459 ths were early redeemed.

The aggregate purchase proceeds of the Company's loan notes at cost accepted as part of the Parent Company's LME (notes 2 & 19) amounted to € 142 ths, while the corresponding face value amounted to € 140 ths.

Post balance sheet event

During the first half of 2016 the Company proceeded with the partial redemption of loan notes of face value € 33,911 ths.

15. Liabilities evidenced by paper designated at fair value

	2015 €' 000	2014 €' 000
Loan notes	3,725	175,450
	3,725	175,450

Notes to the Financial Statements (continued)

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 and debt securities 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 by placing funds on deposits with the Parent Company on the same terms and conditions with the loan notes (note 3).

The loan notes mature in 2017 and 2018. The Company has not had any defaults on principal, interest or any other breaches with respect to its liabilities during 2015 and 2014.

As at 31 December 2015, the loan notes designated at fair value had a face value of € 4,663 ths and a cumulative fair value change of € 938 ths (2014: € 126,731 ths and € 48,719 ths, respectively).

During the year, loan notes of face value of € 30,633 ths matured. In addition, during the year the Company proceeded with the redemption and partial redemption of loan notes of face value of € 55,343 ths and € 3,825 ths, respectively.

The aggregate purchase proceeds of the Company's loan notes designated at fair value accepted as part of the Parent Company's LME (notes 2 & 19) amounted to € 51,305 ths, while the corresponding face value amounted to € 32,266 ths.

16. Share capital

	2015	2015	2014	2014
	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

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 2014, following the completion of the Parent Company's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Parent Company. In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

Notes to the Financial Statements (continued)

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association. In addition, the Parent Company has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank and therefore, it 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 2015		31 December 2014	
	Parent Company	**Parent Company's subsidiaries**	Parent Company	Parent Company's subsidiaries
	€' 000	**€' 000**	€' 000	€' 000
Deposits with banks	**4,427**	-	149,495	-
Invetsment securities	**48,227**	-	77,315	134,973
Liabilities evidenced by paper at amortised cost	**20,172**	-	87,812	200
Liabilities evidenced by paper designated at fair value	**117**	-	37,974	106,071
Derivative financial instruments (liabilities)	-	-	-	1,523
Interest and similar income	**8,439**	**979**	9,875	997
Interest expense and similar charges	**(3,304)**	**(262)**	(3,389)	(737)
Realized gains/(losses) from investment securities (note 8)	**(60,230)**	-	-	-

As of 31 December 2015, the loan notes held by key management personnel amounted to €5 ths. (2014: € 5 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 2015 and 2014.

18. Segmental reporting

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

19. Other significant events

On 29 October 2015, the Parent Company launched a Liability Management Exercise (LME), aiming to strengthen the Bank's CET1 and, in combination with a share capital increase through a book-building process, to cover its additional capital requirements, which had been derived from the Comprehensive Assessment of the Greek financial sector that was conducted by the ECB.

LME was effected on a voluntary basis referring to the tender offer on € 877 million (face value) of outstanding eligible senior unsecured, Tier I and Tier II securities, issued by the Parent Company and its SPVs (ERB Hellas Funding, ERB Hellas PLC and ERB Hellas Cayman).

On 23 November 2015, the Bank announced that the aggregate purchase proceeds of the securities accepted as part of the LME amounted to € 418 million of which Company's loan notes € 51 million, corresponding to face value of € 32 million (notes 14 & 15).