ERB Hellas Funding Limited

Annual Report

For the year ended 31 December 2015

Company's registration number: 89637

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Declaration of the Directors responsible for financial reporting

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

Stephen Langan
Director

27 April 2016

Directors' Report

The directors submit their report and the audited financial statements of ERB Hellas Funding Limited ("the Company") for the year ended 31 December 2015.

a. Business review and principal activities

The Company was incorporated on 4 March 2005. It is a public company limited by shares, incorporated and domiciled in Jersey, Channel Islands. The registered number of the Company is 89637 and the registered address is 44 Esplanade, St. Helier, Jersey JE4 9WG, Channel Islands.

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

The profit for the year amounted to € 38 thousand (ths) (2014: profit € 90 ths). No dividend was paid to shareholders during 2015 (2014: nil).

b. 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 Parent Company'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 fiscal 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 25 2015 and a new coalition government came into 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 20 February 2015 Agreement expired on June 30 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 that was tabled in the negotiations before the expiration of the MFFA, the government 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 € 86 bn 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

Directors' Report (continued)

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 € 3.0 bn in total, in addition to the € 13 bn disbursed in August 2015 as a first instalment from the ESM loan. By mid-December 2015, the banks' recapitalization was completed with only ca € 5.4 bn from the initial buffer of up to € 25 bn used. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016. The most crucial reform items include; the pension reform, the reform of the income tax code, the fiscal measures for the Medium Term Fiscal plan for 2016-18, the secondary market for first residence and SMEs NPL loans, the modernization of Greece's public administration and the creation of a new privatization fund. However, the 1st Review of the TEAP is still pending and is expected to be completed in the next weeks.

On the fiscal front, according to the 2016 Budget, the forecast for 2015 was for a primary deficit of -0.2% of GDP mainly due to the increased uncertainty in the economy, the downward 2015 growth revision, and the political risk over the first seven months of that year. On April 21 2016 Eurostat announced that the 2015 primary balance in European System of National and Regional Accounts (ESA2010) terms is at 0.7% of GDP, a primary surplus. Even though the definition of Eurostat for the primary balance differs from the respective definition in terms of the TEAP we expect that in TEAP terms the 2015 primary balance will be positive. 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 a successful agreement on the additional debt relief measures from official lenders, in line with the explicit commitments provided at the 26/27 November 2012 Eurogroup that was reinstated in the 13 July 2015 Preliminary Agreement. The current account, according to recent IMF data, recorded a surplus of 0.6% and 0.9% of GDP in 2013 and 2014 – for the first time since official records are available (1948) – against a deficit of 2.5%, 9.9%, 10.1% and 10.9% of GDP for 2012, 2011, 2010 and 2009 respectively. For 2015, 2016, 2017 and 2018 the current account surplus is expected at 0.7%, 1.5%, 1.2% and 0.4% of GDP respectively.

Based on the Hellenic Statistical Authority ("ELSTAT") data, the unemployment rate in December 2015 was 24% (December 2014: 25.9%) and had decreased approximately 2.0 percentage points (ppts) in 2015 pointing towards a slow path of recovery conditional on no unforeseen 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 negative credit growth was -8.02%. According to the latest available data from Bank of Greece (BoG), i.e. in February 2016, the private sector domestic credit stock was at € 202.8 bn, lower by -4.8% compared to February 2015. Finally, on the other side of the ledger, private sector domestic deposits were at € 121.7 bn in February 2016 from € 140.5 bn in February 2015, a decrease of -13.4%. The recovery of deposits is closely related with the successful conclusion of the 1st review 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 34 out of the last 36 consecutive months. In December 2015 the general price level (HICP) recorded an increase of ca 0.4%. The respective figure for February 2016 was again positive at 0.07% from -1.91% in February 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 review of the SEAP, the

Directors' Report (continued)

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. The current Winter EC projection (4 February 2016) on real GDP growth for 2015, 2016, 2017 is approximately at 0.0%, -0.7%, 2.7% respectively conditional on the prompt TEAP implementation, the successful conclusion of the 1st review of the programme. According to most recent ELSTAT data, real GDP is expected to decrease by approximately -0.2% in 2015. 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 -1.0% and 2.7% of GDP.

Regarding the outlook for the next 12 months, the main risks and uncertainties stem from the current macroeconomic environment in Greece. In particular a) delays in the implementation of the agreed reforms in order to achieve the timely completion of the first program review that represents a key prerequisite for the release of additional official funding under the 3-year ESM loan facility and the initiation of official discussions on additional debt relief measures to Greece b) the new fiscal austerity package agreed under the new bailout program and the effect in the real economy and c) the restrictions in the free movement of capital with their negative impact on the economic activity, 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. In addition, the refugee – migrant crisis that escalated after mid-2015 might pose a significant risk for the Greek economy in the following period if a sustainable EU driven solution will not be effective in the following months.

On the other hand, the demonstrated resilience of the Greek economy in 2015, the successful recapitalization of the domestic banking system, 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 restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges. The decisive implementation of the measures agreed in the context of the new ESM program will permit the ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and 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/Single Supervisory Mechanism ("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 € 339 m in baseline scenario against 9.5% CET1 threshold and € 2,122 m in adverse scenario against 8% CET1 threshold, was identified for the Parent Company. Following the recognition by SSM of € 83 m 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 € 2,039 m. 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.

Directors' Report (continued)

In combination with the aforementioned share capital increase, a Liability Management Exercise ("LME") was launched by the 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 Hellenic Financial Stability Fund ("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, € 17 million of which relate to Tier I securities issued by the Company (note 18).

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

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 the ECB, 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.

c. Principal risks and uncertainties

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

The Company is a finance vehicle whose principal purpose is to raise debt to be deposited with the Parent Company and its financial position is 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).

d. Creditor payment policy

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

Directors' Report (continued)

e. Directors

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

Peter Gatehouse

Stephen Langan

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

f. Parent Company

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

g. Statement of Directors' responsibilities

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

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

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 accounting International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

The directors are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority and disclosure Transparency Rules.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

h. Statement of disclosure of information to auditors

Each director in office at 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

Directors' Report (continued)

- they have taken all steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

i. Independent Auditors

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

j. Secretary

The secretary of the Company who held office for the year ended 31 December 2015 and up to the date of signature of the report and financial statements was Elian Fiduciary Services (Jersey) Limited.

The Directors' Report was approved by the Board of Directors on 27 April 2016 and was signed on its behalf by:

Stephen Langan

Director

27 April 2016

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

Report on the financial statements

We have audited the accompanying financial statements of ERB Hellas Funding Limited ("the Company") which comprise the balance sheet as of 31 December 2015 and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRS and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Emphasis of matter

Without qualifying our opinion, we draw attention to the disclosures made in Note 2.1 of the financial statements, which refer to the material uncertainties associated with the current economic conditions in Greece, and the ongoing developments that affect the banking sector. These material uncertainties could adversely impact the Company's going concern assumption.

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

Report on other legal and regulatory requirements

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

In our opinion the information given in the Directors' report is consistent with the financial statements.

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

James de Veulle
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Jersey, Channel Islands
28 April 2016

Statement of Comprehensive Income

		Year ended 31 December	
	Note	**2015** €'000	2014 €'000
Interest and similar income	5	**15,971**	33,010
Interest expense and similar charges	6	**(15,939)**	(32,946)
Net interest income		**32**	64
Net gains/(losses) from financial instruments designated at fair value	7	**-**	-
Reversal of impairment on held-to-maturity investment securities	12	**779**	-
Ajdustment to carrying value of preferred securities	14	**(778)**	-
Net gains on redemption of investment and preferred securities	14	**36**	77
Operating expenses	8	**(31)**	(51)
Profit before income tax		**38**	90
Income tax expense	9	**-**	-
Net profit for the year		**38**	90
Other comprehensive income		**-**	-
Total comprehensive income for the year		**38**	90

The notes on pages 16 to 38 form an integral part of these financial statements.

Balance Sheet

		At 31 December	
		2015	2014
	Note	**€'000**	€'000
Assets			
Deposits with banks	10	**33**	78
Financial assets designated at fair value through profit or loss	11	**8,742**	9,845
Held-to-maturity investment securities	12	**54,090**	348,025
Total assets		**62,865**	357,948
Liabilites			
Preferred securities designated at fair value through profit or loss	13	**8,742**	9,845
Preferred securities at amortised cost	14	**54,093**	348,093
Other liabilities		**31**	49
Total liabilities		**62,866**	357,987
Equity			
Share capital	15	**110**	110
Accumulated losses		**(111)**	(149)
Total equity		**(1)**	(39)
Total equity and liabilities		**62,865**	357,948

The financial statements on pages 12 to 38 were approved and authorized for issue by the board of Directors on 27 April 2016 and signed on their behalf by:-

Cheryl Heslop
Alternate Director

The notes on pages 16 to 38 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital €'000	Accumulated losses €'000	Total €'000
Balance at 1 January 2014	10	(239)	(229)
Profit for the year	-	90	90
Total comprehensive income for the year ended 31 December 2014	-	90	90
Share capital increase	100	-	100
Balance at 31 December 2014	110	(149)	(39)
Balance at 1 January 2015	**110**	**(149)**	**(39)**
Profit for the year	-	**38**	**38**
Total comprehensive income for the year ended 31 December 2015	-	**38**	**38**
Balance at 31 December 2015	**110**	**(111)**	**(1)**

The notes on pages 16 to 38 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			
Cash payments to suppliers		**(45)**	(40)
Net cash flows used in operating activities		**(45)**	(40)
Cash flows from financing activities			
Proceeds from share capital increase		**-**	100
Net cash flows from financing activities		**-**	100
Net increase/(decrease) in cash and cash equivalents		**(45)**	60
Cash and cash equivalents at beginning of year		**78**	18
Cash and cash equivalents at end of year	10	**33**	78

The notes on pages 16 to 38 form an integral part of these financial statements.